



Legislative Assembly of Alberta

The 30th Legislature  
First Session

Standing Committee  
on  
Public Accounts

Tuesday, July 2, 2019  
8:30 a.m.

Transcript No. 30-1-4

**Legislative Assembly of Alberta  
The 30th Legislature  
First Session**

**Standing Committee on Public Accounts**

Phillips, Shannon, Lethbridge-West (NDP), Chair  
Gotfried, Richard, Calgary-Fish Creek (UCP), Deputy Chair

Amery, Mickey K., Calgary-Cross (UCP)  
Barnes, Drew, Cypress-Medicine Hat (UCP)  
Dach, Lorne, Edmonton-McClung (NDP)  
Feehan, Richard, Edmonton-Rutherford (NDP)  
Guthrie, Peter F., Airdrie-Cochrane (UCP)  
Hoffman, Sarah, Edmonton-Glenora (NDP)  
Renaud, Marie F., St. Albert (NDP)  
Rosin, Miranda D., Banff-Kananaskis (UCP)  
Rowswell, Garth, Vermilion-Lloydminster-Wainwright (UCP)  
Stephan, Jason, Red Deer-South (UCP)  
Toor, Devinder, Calgary-Falconridge (UCP)  
Turton, Searle, Spruce Grove-Stony Plain (UCP)  
Walker, Jordan, Sherwood Park (UCP)

**Also in Attendance**

Smith, Mark W., Drayton Valley-Devon (UCP)

**Office of the Auditor General Participants**

|               |                           |
|---------------|---------------------------|
| W. Doug Wylie | Auditor General           |
| Brad Ireland  | Assistant Auditor General |
| Phil Minnaar  | Principal                 |

**Support Staff**

|                   |  |
|-------------------|--|
| Shannon Dean      | Clerk                                      |
| Stephanie LeBlanc | Acting Law Clerk                           |
| Trafton Koenig    | Parliamentary Counsel                      |
| Philip Massolin   | Manager of Research and Committee Services |
| Sarah Amato       | Research Officer                           |
| Nancy Robert      | Research Officer                           |
| Michael Kulicki   | Committee Clerk                            |
| Jody Rempel       | Committee Clerk                            |
| Aaron Roth        | Committee Clerk                            |
| Karen Sawchuk     | Committee Clerk                            |
| Rhonda Sorensen   | Manager of Corporate Communications        |
| Jeanette Dotimas  | Communications Consultant                  |
| Tracey Sales      | Communications Consultant                  |
| Janet Schwegel    | Managing Editor of <i>Alberta Hansard</i>  |

## **Standing Committee on Public Accounts**

### **Participants**

Ministry of Treasury Board and Finance

LeighAnne Lumbar, Assistant Deputy Minister, Strategic and Business Services

Mary Persson, Assistant Deputy Minister, Budget Development and Reporting

Dan Stadlwieser, Controller



8:30 a.m.

Tuesday, July 2, 2019

[Ms Phillips in the chair]

**The Chair:** All right. Good morning, everyone. We have 8:30. Thank you for joining us here today at this post long weekend Public Accounts meeting. My name is Shannon Phillips, the MLA for Lethbridge-West and chair of this committee.

I would ask members, staff, and guests at the table to introduce themselves for the record, starting to my right with the deputy chair.

**Mr. Gotfried:** Richard Gotfried, MLA, Calgary-Fish Creek.

**Mr. Rowswell:** Garth Rowswell, Vermilion-Lloydminster-Wainwright.

**Mr. Walker:** Jordan Walker, MLA, Sherwood Park.

**Mr. Turton:** Searle Turton, MLA, Spruce Grove-Stony Plain.

**Mr. Guthrie:** Peter Guthrie, Airdrie-Cochrane.

**Ms Rosin:** Miranda Rosin, MLA, Banff-Kananaskis.

**Mr. Amery:** Mickey Amery, MLA, Calgary-Cross.

**Mr. Toor:** Devinder Toor, MLA, Calgary-Falconridge.

**Mr. Stadlwieser:** Daniel Stadlwieser, controller, Treasury Board and Finance.

**Ms Persson:** Mary Persson, assistant deputy minister, budget development and reporting, Treasury Board and Finance.

**Ms Lumbard:** LeighAnne Lumbard, assistant deputy minister of strategic and business planning, Treasury Board and Finance.

**Mr. Ireland:** Brad Ireland, office of the Auditor General.

**Mr. Minnaar:** Phil Minnaar, office of the Auditor General.

**Ms Hoffman:** Sarah Hoffman, Edmonton-Glenora.

**Ms Renaud:** Marie Renaud, St. Albert.

**Mr. Feehan:** Richard Feehan, Edmonton-Rutherford.

**Mr. Dach:** Good morning. Lorne Dach, Edmonton-McClung.

**Dr. Massolin:** Good morning. Philip Massolin, manager of research and committee services.

**Mr. Roth:** Good morning. Aaron Roth, committee clerk.

**The Chair:** Mr. Smith is joining us. If you could just introduce yourself for the record, sir.

**Mr. Smith:** MLA Smith, Drayton Valley-Devon.

**The Chair:** We do have one of the members joining us by phone.

**Mr. Barnes:** Yeah. Drew Barnes, MLA, Cypress-Medicine Hat.

**The Chair:** Very good. Thank you.

Mr. Barnes, please don't hesitate to either reach out to me or text one of your colleagues if you have a question and we're not seeing you because you're not in the room. I don't want to disadvantage you.

**Mr. Barnes:** Thank you.

**The Chair:** Please note that the microphones are operated by *Hansard*. Cellphones and other devices should be set to silent for the duration of this meeting. Committee proceedings are live streamed on the Internet and broadcast on Alberta Assembly television. The audio- and video stream, transcripts of meetings, and so on can be accessed via the Legislative Assembly website.

We will now move on to the agenda portion. Are there any changes or additions to the agenda? Seeing none, would a member like to move that the agenda for the July 2 meeting of the Standing Committee on Public Accounts be approved as distributed. The motion is moved by MLA Rowswell. Seconders are not required. Is there any discussion on this motion? Seeing none, all in favour? Any opposed? Thank you. The motion is carried.

Approval of minutes. Are there any changes or additions to the draft minutes of June 25? Seeing none, would a member like to move that the minutes of the June 25 meeting of the Standing Committee on Public Accounts be approved as distributed. I have a mover, MLA Turton. Seconders are not required. Discussion on the motion? Seeing none, all in favour? Any opposed? Thank you. This motion is carried.

Now we'll move on to the main business of the day. We have the Ministry of Treasury Board and Finance providing us with an orientation to the consolidated financial statements, Measuring Up documents, and related matters.

I would like to welcome our guests who are here from the Ministry of Treasury Board and Finance. The purpose of today's meeting is to orient committee members to the consolidated financial statements, the Measuring Up reports, the process by which the ministry produces these documents, and on related matters. The government of Alberta's 2017-18 and '18-19 annual reports were posted to the committee's internal website.

Today is a little bit different than ordinary meetings. Our meeting today is an orientation to the documents in question, how to read and use them, and the process involved in producing them. In particular, there were some changes to financial statements, and we want to best understand that so that we can better do apples-to-apples comparisons in future years.

The presentation by the Ministry of TBF and the speaking rotation for members will be a little bit different than usual. We'll suggest 15 minutes for the ministry to make their presentation, followed by a 50-minute question-and-answer period by members, with 10 minutes for each caucus for the first two rounds and five minutes for each caucus in the final round. Is there any discussion on this matter?

I would like to invite our officials to make their presentation. You have 15 minutes. Welcome, and please begin.

**Ms Persson:** Thank you, and thank you for inviting us for the orientation on how the consolidated financial statements are developed. For context we thought we'd provide an overview as to which act this falls under and what the requirements are of that act for publishing of the consolidated financial statements and related matters. There is the Fiscal Planning and Transparency Act, and the government must prepare an annual report made public by June 30 of each year. The act does stipulate that the annual report must include the consolidated financial statements, a comparison of actual performance to desired results for the business plans, and an Auditor General report under section 18 of the Auditor General Act, essentially to opine on the consolidated financial statements and any other information the responsible minister considers appropriate.

For the government of Alberta what this means is that we have summarized this year's annual report into three elements: the key results section, which is developed in accordance with standards by

the accounting profession; the consolidated financial statements, which are the focus of this orientation – we'll turn it over to the controller, who's responsible for that – as well as the Measuring Up document, which outlines the key performance indicators for government. In addition to the government annual report, you will see that the ministries also produce annual reports that form part of the public accounts, so each minister must prepare and make public, in a form and at a time acceptable to Treasury Board, the ministry annual report. It must include any information the minister considers appropriate.

There have been some changes to the minister's report as a result of the consolidated statement pieces, and that is why I think you'd like to hear from our controller as to what the changes have been.

**Mr. Stadlwieser:** Okay. Over to me. I'll go over the consolidated financial statements. The consolidated financial statements are prepared in accordance with Canadian public-sector accounting standards. The consolidated financial statements contain accounts of organizations that meet the criteria of control as established by public-sector accounting standards. For financial reporting purposes control is the power to govern financial and operating policies of an organization with expected benefit or the risk of loss to the government. All departments, funds, and organizations that are controlled by the government are included in the consolidated financial statements in addition to the offices of the Legislative Assembly, for a total of 171 entities, and can be broken down into the following five categories: nine offices of the Legislative Assembly; 21 departments; 118 government organizations, including school boards, postsecondary institutions; Alberta Health Services; and five government business enterprises.

All controlled entities except government business enterprises are consolidated using the line-by-line method of consolidation. Government business enterprises are included on a modified equity basis. Government business enterprises include Alberta Gaming, Liquor and Cannabis Commission, ATB Financial, Balancing Pool, Alberta Petroleum Marketing Commission, and Credit Union Deposit Guarantee Corporation. Under line-by-line consolidation the assets, liabilities, revenues, and expenses are included after adjusting for accounting policies under public-sector accounting standards and eliminating interentity, interministry transactions.

Government business entities are included under modified equity, meaning the net equity and the net income are picked up on the consolidated financial statements. Government business enterprises use a different accounting standard. They use international financial reporting standards. Those standards are similar to those used in the private sector.

There are four prime statements that make up the financial statements, and they're supplemented by disclosures and schedules. The four key statements of the financial statements are statement of operations, statement of financial position, statement of change in net debt, and statement of cash flows. In your appendices, which we sent out – I think that was on Saturday or Sunday you would have received them – they would include the four statements, so those are in your package. I won't go through those today, but they are in there for the '18-19 period, year ending.

Now I'll briefly go through each of those four prime statements. Statement of operations provides information about a government's accountability for its operations and the related achievement of its objectives. It reports a surplus deficit from operations in the accounting period, revenues less expenses, and actual budget comparison. The annual surplus deficit shows whether the revenues raised in the year were sufficient to cover the year's operating expenses. Revenues are an increase in economic resources that result from operations, transactions, and events and include income

taxes, government transfers, et cetera. Expenses are decreases in economic resources that result from operations, transactions, and events.

The Alberta budget column contains an annual risk adjustment. The province relies on revenue resources that are volatile and unpredictable, including nonrenewable resources, income taxes, and investment income. This revenue is linked to factors such as energy prices, equity markets, exchange rates, geopolitical events, and global economic swings. The annual risk adjustment is a way to signal the possible extent of revenue shortfall.

#### **8:40**

A statement of financial position presents financial assets and liabilities at a point in time. The main sections of the statements include financial assets, liabilities and net debt, nonfinancial assets, and accumulated surplus deficit. I will go through each of these sections in the next few slides. The statement of financial position is sort of the key to the consolidated financials. I really want to spend extra focus on it because when ministries come, they often focus on revenue and expenses. Under our change in financial reporting, which I'll get to in my next presentation, we're really putting the emphasis on how the financial position of the government is managed at a consolidated level, so I will put a little additional emphasis on the consolidated financial position statement.

Financial assets are the financial resources government controls and uses to pay when it owes to others. It includes cash, accounts receivable, investments, loans, and advances.

Liabilities are existing financial obligations to outside parties, including accounts payable, debt, and employee pension liabilities.

Net debt is the difference between liabilities and financial assets, a unique term used in the public sector. It provides readers with information regarding the government's requirement to generate future revenues to fund past services and transactions. In the public sector the net debt is a very kind of primary focus across the country for comparability.

Nonfinancial assets are the assets that the government will use when providing future services to the public. The main category includes tangible capital assets and includes buildings, roads, highways. These assets are not normally used to settle liabilities with external parties and therefore are shown separately.

Accumulated surplus or net assets is the residual interest and assets after deducting liabilities.

Statement of change in net debt: it reconciles a deficit, shown on the statement of operations, to the change in net debt. Common items that explain the difference include acquisition and disposal of capital assets and current-year amortization expense. Now, the reason for the difference there is that the outlay for purchasing capital assets or building capital assets is a cash outlay whereas when you actually book your expense, you recognize the asset and you amortize the useful life to hit the expense over the useful life of the item. This statement also prepares year results to the original budget plan.

Next slide. A statement of cash flows explains the change in cash and cash equivalents from the prior year, provides information about how the government generated cash to meet its requirements. It presents cash flows in four categories: operating, capital, investing, and financing. Cash equivalents are short-term, highly liquid investments that are readily convertible to cash. Capital activities are unique to the public sector. The public sector normally purchases capital assets to provide services, and private-sector transactions relating to capital assets are usually included under investing activities.

The financial statements include considerable amounts of things like 10 notes and 18 schedules, that provide additional details supporting the financial statements. In my presentation on the year-end financial reporting process I will focus on some of the key schedules, so I didn't focus on them in this presentation, to avoid duplication because of the time limitations.

Lastly, key results is the section that's in the front of the annual report, and it highlights the summary of the consolidated statements variances to budget and to the previous year's results. It includes financial indicators and risks, historical fiscal summary for the last 10 years, and it does provide a good, high-level introduction to the consolidated financial statements. We're trying to follow public-sector statement guidance in this space.

Okay. The next presentation. Our understanding is that there is some interest of the Public Accounts Committee on the changes to the financial statements reporting process that was made for this fiscal year. I'll go through that quite quickly here. In December 2018 the government announced changes to the 2018-19 consolidated financial statements containing the government annual report and the ministry annual reports. Effective for the '18-19 fiscal year, ministry and department financials were no longer audited by the Auditor General or published in ministry annual reports. As a result of this, there were changes to the GOA consolidated financial statements and the ministry annual reports. Additional information has been added to the consolidated financial statements, and ministry financial statements have been replaced with other information.

Ministry and department audited financial statements previously included in the annual report have been replaced with key financial information. Financials will be subject to audit as a component of the consolidated financial statements, so no information that was previously audited will not be audited in the future. It will continue to be audited, just as part of the audit of the consolidated financial statements.

Key information previously contained in the annual reports of each of the 21 ministries is now included in one place, the audited consolidated financial statements. This allows the office of the Auditor General to focus audited efforts on the consolidated financial statements instead of the 21 separate reports.

Key elements of the Public Accounts discussions over the past three years were considered. My staff does attend all Public Accounts Committee meetings. We reviewed all those notes to ensure that anything that would've been discussed at those Public Accounts Committee meetings would still be covered on the key financial information as reported. We also did a review of *Hansard*. We do consider the Public Accounts Committee the key user of this financial information. The office of the Auditor General was also consulted and reviewed the changes – this was over a two-year period – and agreed that key financial information was being retained. We also contracted a major accounting firm, a big-four firm, to give us advice in terms of a jurisdictional comparison for best practices, and we did get their national public-sector partner to give us some strategic advice in terms of the changes we made.

Changes within ministry annual reports. Ministry annual reports continue to include all the information they normally include except changes made to the other financial information sections. Also, consistent with the 2014-15 annual report year of changing government, the accountability statement for ministry annual reports was also removed for 2018-19. Given that the current government was not accountable for the previous government's actions, the decision was made to move forward with only the manager's responsibility for reporting, which is signed off by the deputy minister.

The financial information section includes the following: ministry financial highlights, which will include schedules of revenues and expenses; variance analysis; supplemental financial information, where the ministry thinks that's valuable to the users; and audited financial statements of the other reporting entities.

Some key schedules previously in the ministry departments are retained but in a somewhat different format. There will be, certainly, still a revenue and expenses statement. We've added comparison to budget, we've added comparison to priors, so you can see the variance. Also, ministries are now required to provide a fairly robust explanation of the changes and explanation of each item. So it's more user friendly. There was also a breakdown of revenues, where it's applicable. Some ministries do not have a lot of revenue, so that may or may not be applicable. Expenses by object is also continuing to be included. All the information required by accounting standards and considered to be appropriate at the consolidated level have been included in the GOA consolidated financial statements. For example, detailed information on pensions, investments, and debt is already included in the GOA consolidated financial statements.

Certain disclosures required by legislation and regulations include lapses/encumbrances and payments based on agreement. That information continues to be included in the annual reports. There were some legislative requirements that were included in the previous financial statements. We continue to report that. Other schedules that form part of the sections include statement of remissions, compromises, writeoffs; statement of borrowings; statement of the amount of debt. That information also continues to be reported in the annual report.

Consolidated financial statements. The government of Alberta annual report continues to consist of the three components, as Mary mentioned, and continues to be audited by the office of the Auditor General. Ministry-specific information previously included in 21 separate annual reports is now included. You have revenues by source by ministry, expenses by object, tangible capital assets. The appendices that we sent out, if you have an opportunity to look at them, show all the ministries, all their revenues and expenses broken up by different sources and objects. In terms of a planning tool it could be quite useful because within two or three pages you do get insight into all the revenues and expenses for all the ministries in a very concise area. Ministry numbers would tie back to the consolidated financial statements.

That's some of the improvement that we made now. So now you can directly link a ministry's expenses and revenues back to the schedules and the consolidated financial statements. We've also included a link to the fiscal plan and estimates. So that information is more concise.

Overexpenditures of the spending authorities. We've also added a table that breaks down encumbrances. There is a schedule in the back that shows any department that went over expenditure year. They're all summarized for the entire government in one place. That is the encumbrance that the next budget would incur. Numbers tie back to the lapse/encumbrance schedule included in the respective ministry annual reports.

We've also added a much more detailed schedule on government business enterprises. In this one schedule you will be able to see all the revenue and expenses for all government business enterprises and all the assets and liabilities. Why that's important is because we only pick up the net equity and the net investment income. You can see how large these organizations really are in terms of magnitude.

8:50

**The Chair:** Sorry, Dan. If you just want to finish off that thought. We're at the end of the 15 minutes, but we're not going to hold you

to exactly 15. If you've just got a couple of minutes to finish off, that would be fine. Go ahead.

**Mr. Stadlwieser:** That was racing through. I was looking at the clock.

**The Chair:** Yeah, I figured.

**Mr. Stadlwieser:** I guess the main thing I wanted to emphasize is that the ATB, for instance, you've got tens of billions of assets and liabilities, but we only pick up a few billion on our balance sheet. That schedule does give the importance of the magnitude of some of those operations, so it's quite a useful schedule in terms of getting that.

Thanks.

**The Chair:** All right. Now we will move on to our rotation, friends. We have that the rotation. I believe it's 10 and 10. What is the convention, that we begin with the Official Opposition? I will now begin with the Official Opposition. I have Mr. Dach, and then I have Hoffman. I will write them down.

Go ahead.

**Mr. Dach:** Thank you, Chair. Good morning, all, and thank you all for coming to present to us this morning. I've a fairly short question to start off with, but it's rather large in its purview. In the 2018-19 annual report I notice that the deficit was below budget and lower than the previous fiscal year. Can you walk us through what factors and decisions resulted in this good news?

**Ms Persson:** I guess I can start off. From our perspective the deficit is, actually, just an accumulation of the accounting practices. So it's all the operations and the expenditures and revenues from the past year that have been recorded. There were no substantive changes to accounting practice in recording that amount. I think Dan can probably give you a little bit of an overview. Essentially, it was \$200 million less than reported at Q3 for the deficit, but there were just a few things that happened at year-end that made that happen.

**Mr. Stadlwieser:** I think it's a good opportunity in terms of the key results. So page 7 of the key results, which are prior to the summary, I'll go through it and kind of summarize the changes. From budget, the revenue and expenses obviously would drive it. The changes from budget: increases of \$0.8 billion in income taxes, \$1.6 billion in resource revenue, \$0.4 billion in other revenue were partly offset by decreases of \$0.1 billion in other taxes and \$0.5 billion in investment income and \$0.2 billion in federal transfers and \$0.2 billion in net income GBEs.

For the expenses there was an increase of \$0.2 billion in Education and a \$0.1 billion in the pension recovery that were partly offset by a \$0.2 billion decrease in Health expenses. Those are the explanations of the change to budget. Page 7 of the key results would also have a change from actuals. We summarized there. It kind of gives a brief summary.

**Mr. Dach:** Do you say that the numbers reflect an effort on the part of the government to actually maintain a lower deficit than projected? Was there some discipline there that you can account for?

**Mr. Stadlwieser:** I wouldn't be commenting on the policy. I think, certainly, they did come under budget by a considerable amount.

**The Chair:** I have Hoffman next, please.

**Ms Hoffman:** Thank you very much. I'm going to look at page 42 of this beautifully bound document, the annual report, and my questions – I have one and a supplementary if that's the way we do it – relate to corporate income tax revenue. I know that there was a lot of dire language expressed around corporate tax and the lack thereof, but it looks to me from this table that we're \$151 million over what the budget was. Also, that's a growth of about \$1.4 billion year over year. So I'm hoping you can explain what accounted for the increases, substantial increases, in corporate income tax revenue year over year.

**Ms Persson:** For me, you did get a total tax revenue that was \$23.6 billion, an increase of \$2.8 billion from 2018 and \$679 million from Budget 2018 estimates. We've got that the personal income tax was \$1.1 billion higher than last year and \$487 million higher than budget. About two-thirds of that was due to growth in employment and income such as the economic recovery, which continued. With the remainder, \$432 million was a prior year adjustment. There was a calculation made, an estimate for the previous year as to how much it would be, and there was an adjustment of \$432 million. Since 2017 assessments ended up better than expected. The forecast for subsequent years improved. In addition, the 2017 results mean that revenue reported in '16-17 and '17-18 was underestimated, so that's what required the prior year adjustment.

Corporate income tax was \$4.9 billion or \$1.4 billion more than 2017-18 and \$320 million greater than budget. This was based on profits continuing to improve, and in early 2018-19 this was supported by elevated oil prices. That was pretty key to this. However, the heightened market access issues, the fall 2018 spike in the light-heavy oil differential, and a production and investment restraint response, the general impact of these on the economy weakened corporate profit outlooks. The third-quarter fiscal update forecasts corporate income tax at \$463 million lower than budget. However, a number of year-end accounting adjustments to revenue were made, for example the refunds to liabilities in accounts receivable, and these were subject to both larger and wider springs over the last four years. This year this adjustment added over \$600 million to the reported revenue while last year it deducted over \$300 million, meaning about \$1 billion of the increase from last year is from adjustments.

**Ms Hoffman:** I guess I have a different supplementary if you wouldn't mind, Madam Chair.

**The Chair:** Please. Sure.

**Ms Hoffman:** Thank you very much. Again to ADM Persson. I think you said \$4.9 billion, and on page 42 it looks like \$4.7 billion for corporate income tax. I'm just wondering if there's a change in accounting.

**Ms Persson:** We can get back to these. It's certainly tied, but we've got an overall – sorry. We'll take a look at that. Just from my notes it's \$4.7 billion.

**Ms Hoffman:** Yeah. Okay: \$4.7 billion in the book, and I think you said \$4.9 billion in your notes.

**Ms Persson:** Yeah. I'm just correcting myself.

**Ms Hoffman:** If you can just let us know which one. Thank you very much.

**Mr. Stadlwieser:** They probably added interest and penalties.

**Ms Persson:** Oh, the interest and penalties would be added to my \$4.9 billion. It's the line right below.

**Mr. Stadlwieser:** Interest and penalties on corporate income tax.

**Ms Hoffman:** Because those only apply to corporate income tax. The interest and penalties don't apply, fair enough, to personal income tax.

**Ms Persson:** That's where the bulk are.

**Ms Hoffman:** Okay. Thank you. No need to get back on that one, then.

**Ms Persson:** Thank you.

**Ms Hoffman:** If there's time permitting, I'll have another round later. Thank you.

**The Chair:** Do I have questions from Feehan or Renaud at this time? Please go ahead.

**Mr. Feehan:** I just want to understand a few things with regard to the growth in the economy and the consolidated statement here. Do you keep track of the things like the growth in population and inflation? I'm going to move us eventually to GDP. I just want to know if all of that is calculated and reported in this information.

**Mr. Stadlwieser:** It's not included in the annual report. Based on some recommendations of the Provincial Audit Committee, we've tried to stick very closely – the key results are very closely aligned with what the public-sector standards suggest we include at the front of the key results. So we can modify it a little bit.

**Mr. Feehan:** We have the numbers, but we don't have anything that talks about, for example, growth in GDP and whether or not our debt-to-GDP ratio is changed in this calculation here, nothing that could direct me in terms of that overall performance indicator.

**Mr. Stadlwieser:** I mean, currently the financial table is very closely tied to the consolidated numbers, so we do exclude the GDP in reference to that. We do mention risk in terms of key risks to the financial statements and the risk factor. The economic factors can definitely impact the fiscal situation.

**Ms Persson:** What you'll get more is the oil prices and WCS Hardisty. The natural gas prices and the exchange prices we do track and we have reported as part of the year-end report which is a supplement to the annual report.

**Mr. Feehan:** Okay. I just want to make sure I get a sense of where that is. The other thing is – just trying to get myself oriented to all of this first before I get to my specific questions – do we need cross-jurisdictional reporting at all in terms of how this compares to costs in other areas, or do we wait until we get to particular ministries to ask those kinds of things?

9:00

**Mr. Stadlwieser:** Certainly, in the annual report there isn't any jurisdictional comparison information. I think my colleagues in the economics area and at TBF would be doing jurisdictional comparisons as an ongoing part of their business.

**Mr. Feehan:** Okay. I guess one other thing I'm just trying to get a bit of a sense around here is that there have been some significant changes that have been happening in terms of the legislation, for example, such as a \$4.5 billion dollar hole being put in this budget

by virtue of a reduction in corporate income tax. I'm just wondering how that's going to affect the net consolidated statement in the end. Does that mean that it's just going to come out at a billion dollars a year less in terms of income and therefore we'll be in that worse position?

**Ms Persson:** This is the annual report that looks at last year, so those considerations will be put forward to the budget.

**The Chair:** All right. We now have the next rotation. MLA Rowswell has gotten my attention first, and then Turton, Walker. Okay. We'll start with those three, and then we'll take it from there.

**Mr. Rowswell:** Thank you. Under the consolidated financial statements I see there's a pension liability of \$9.2 billion. What does that mean?

**Mr. Stadlwieser:** That's the share of liabilities to the employer. The largest portion of that would relate to pre-'92 for teachers. There is a schedule in the financial statements that provides detail on that, but that would be the employer's share of the pension that we owe as a government.

**Mr. Rowswell:** Okay.  
Can I go on?

**The Chair:** Sure.

**Mr. Rowswell:** Is that a shortfall? If we had to pay out the pension today, for example, would we be \$9.2 billion short? Is that what that means?

**Mr. Stadlwieser:** Well, the pension calculation for financial administration on a going-concern basis – you're talking, like, a liquidation kind of thing. The numbers aren't really comparable, so I would be cautious to do that.

**Mr. Rowswell:** Okay. Well, I'm trying to understand. I hear that quite often, the pension liabilities that we have, and I'm trying to understand what that means.

**Mr. Stadlwieser:** That certainly is the actual assumptions, like, on a going-concern basis, as if they would continue what our share, the employer's share, of those liabilities would be going forward. Interestingly enough, we get our portion of the liabilities, but we don't book – there are two of the pension plans that are in a surplus position in our accounting centres because we don't have unilateral control over those surpluses. We don't deduct that from the obligations we have. We actually have – there are some surpluses in a couple of those plans, but we don't pick up that proportion of the surplus. We pick up our portion of the obligation.

**The Chair:** Just for the background on this I'm wondering if maybe a few of the blanks can be filled in around that pre-'92 liability and how that came to be on our consolidated financial statements. There's a bit of history there to read that \$9 billion, I think. Please.

**Mr. Stadlwieser:** The number is \$7.7 billion. It's been carried forward. I haven't looked at the depth of it in terms of – we'd have to probably get educated.

**Ms Persson:** Yeah. For the teachers' pension plan our pre-1992 is \$7.739 billion and our post-'92 is \$340 million. The teachers' pension plan creates the bulk of the pension liability that we do have.

**Mr. Rowswell:** That was due to some undercontribution over time or something, wasn't it?

**Ms Persson:** Yeah, and then agreement to . . .

**Mr. Rowswell:** Agreement to fill in the blanks.

**Ms Persson:** Yes.

**Mr. Rowswell:** Okay. Fair enough. Thank you.

**The Chair:** I have Turton, please.

**Mr. Turton:** Yes. Thank you, Madam Chair. A couple of quick questions. I guess the first question: I realize that this is a consolidated summary of the current financial position for the government, but what safeguards are in place to ensure that the numbers that are flowing up to these consolidated reports are actually accurate, that they're being audited? Are the same levels of oversight being done at the department level or even subdepartment level to ensure that those figures are accurate coming forward?

**Mr. Stadlwieser:** In terms of the change this year – previously each ministry would have audited department ministry statements. They would sign a management responsibility, which would be audited by the Auditor General staff. Currently we don't publish the audited financial statements, but we do prepare the financial statements behind the scenes just in case we get some requests for some very detailed information that may not be out there. Certainly, departments still sign off. The deputy minister still signs off on those financial statements, as does the senior financial officer. They still have the same controls in place at the ministry that they did in the past to prepare that financial information that we use for consolidation purposes. It would be subject to the consolidated financial statement audit. Certainly, in discussions with the office of the Auditor General we had revenues and expenses, but we also included a schedule on tangible capital assets because they wanted to make sure at that level of detail by ministry that that was still subject to audit and that they could say: yes, we're auditing it there.

Also, per discussions with the office of the Auditor General – maybe I'll turn it over to them in a moment – there's a materiality for the audit, so for the public accounts I think it's, like, \$400 million. But they also look very closely at expenses vis-à-vis appropriations, so they would apply an actual lower materiality for each ministry in terms of: did they go over their budget appropriation for audit purposes?

I don't know if the Auditor General wants to add to that.

**Mr. Ireland:** Sure. I can add to it. Just to your question, if you've got the 2018-19 annual report, pages 18 through 20, that's our audit report. In that Auditor's report there we're providing a conclusion on whether those financial statements are fairly presented in accordance with public-sector accounting standards. This should give you comfort that the government's financial reporting is fairly presented in accordance with a recognized accounting framework. From our perspective, that's sort of our role with respect to the consolidated financial statements, adding credibility to them. If you read our Auditor's report on page 18, that first paragraph and the second paragraph there, that's really our opinion. We're comfortable that these financial statements are fairly presented.

To the other point that Dan was making, we're no longer issuing separate audit opinions on ministry and department financial statements, but that's not to say that significant transactions within ministries and departments – we're still auditing them as those transactions roll up into the consolidated financial statements. So

there's still audit work, and there's still assurance being provided on those transactions.

**Mr. Stadlwieser:** I'll add one point. Certainly, all the ministry revenue and expenses and all those numbers: we directly tie them back to the audited consolidated financial statements. The information that you'd be using for public account purposes for ministry and department annual reports: those numbers would tie back into the audited consolidated financial statements, so you'd be able to see a direct link between those numbers.

**Mr. Turton:** Okay. I guess a supplementary question to that is that when we talk about the level of materiality and kind of how granular you want to get, that does differ according to department in terms of that threshold or that level in which you kind of delve in a little bit deeper, or is it kind of the same level, you know, across departments?

**Mr. Stadlwieser:** That's more of an audit question, but there's materiality for us. I mean, the government puts controls in place to ensure transactions are recorded correctly in all ministries. What I was talking about was that there was an audit materiality. You know, we have a very low tolerance for errors at the actual management side of things, but from an audit perspective they apply materiality.

**Mr. Ireland:** Yeah. I can just add to that. At a government consolidated level we're using about a \$400 million materiality, and then in terms of how we actually execute the audit, you know, we test at a much lower level than that at departments depending on sort of the nature of their revenue, expenses, and assets. At the highest level, at the government level, we're testing to about a \$400 million materiality, but when we're looking at individual departments, we sort of break that down to a much smaller level in terms of our testing and the work that we do.

**Mr. Turton:** Okay. Am I allowed to ask another question?

**The Chair:** Sure. Go ahead.

**Mr. Turton:** Okay. Perfect.

When you talked a little bit about the government using the four accounting firms to be able to independently audit, you know, the actual numbers, is the same type of rigour done for revenue projections and, specifically, resource prices when you're kind of coming up with budgets and things like that? Is that same type of independent analysis in terms of the revenue side done as well?

**Mr. Stadlwieser:** In terms of what I mentioned about the big four firms, that was about the change we were making. We wanted to make sure that the change we were making was consistent. Like, you know, they compared it to all the other provinces to make sure that what we were doing was in line with good practice. It was quite varied across the country. That was what I was referring to, the big accounting firm there. The big accounting firm does not review the government's numbers per se.

In terms of budget projections and stuff, there was no audit of the projections. The key ones are usually based on comparison to private-sector averages and that type of thing.

Maybe I'll turn it over to Mary.

**Ms Persson:** Yeah. The budget projections are actually not formulating part of this report. What we can say is that there is a lot of due diligence with respect to that, and they do compare those to some of the independent – they have some baskets they compare to

and other private-sector elements that they compare to to do those projections.

**Mr. Turton:** Okay. That's all I have at this time, Madam Chair.

**The Chair:** All right. Walker and then Rosin.

9:10

**Mr. Walker:** Thank you all so very much. My question and supplemental will focus on risks with debt and interest forecasts. First, on the systematics of it, as we're carrying a heavy debt – and I believe our interest payments are more than 19 of our 21 or so ministries – I'm just wondering: what sorts of systems and processes and, frankly, performance measures are in place to ensure that our debt and interest forecasts are as accurate as possible? Then in my supplemental I'll get into more specifics as to why I have a concern about that.

Thank you.

**Ms Persson:** Sorry. The reason that we're hesitating a bit is because those are projections that are actually in the budget document and are not necessarily in the annual report, so what you're seeing here is a reflection of the accuracy of the debt projections and others.

You can probably talk about some of the performance measures if you give me some time to find how we were accurate compared to last year.

**The Chair:** There are now five seconds left.

**Ms Persson:** I can actually find it and give you the page number.

**The Chair:** Sure.

**Mr. Walker:** Thanks.

**The Chair:** Okay. Now we have 10 minutes for each caucus again because we're on the second round.

We'll go back to the Official Opposition, please. I am seeing Hoffman and then Renaud. Okay. Very good.

**Ms Hoffman:** Just to flow from the questions that Mr. Turton was asking, the Auditor General on pages 18, 19, and 20 talks about the validity of Q4 and the final annual statement. Is that correct?

**Mr. Ireland:** Yeah. I would say that it relates to the validity of the annual financial statements, not just Q4, but it's the annual results.

**Ms Hoffman:** Sure. Which includes the roll-up from Q4. That's helpful. Thank you.

Given that Q3 projected, I think, a reduced deficit of one point something and Q4 shows a reduced deficit of actually more than \$2 billion and statements that were made by the Minister of Finance and others in the time between Q3 and Q4 that said that the financial statements for the province weren't as positive as has been positioned, my reading of the final annual report, though, is that it's actually even better than what was forecasted in Q3. Is it indeed true that the financial statements for the government for 2018-19 were even better in the final version in terms of the reduced deficit than what was announced previously?

**Mr. Gottfried:** Madam Chair, I'd like to make a point of order here.

**The Chair:** All right.

**Mr. Gottfried:** We were actually asked today to provide an orientation on the consolidated financial statements, the how we're getting here, not the how much and the why so much, so I'd like us

to be focused on what we actually brought the ministry forward for as well today if we could.

Thank you.

**The Chair:** All right. I think we will allow the member to rephrase her question in a way that brings it back to consolidated financial statements and some of how these numbers are arrived at, understanding that we do have a wide berth to query anything of the folks that come before us within the documents that are presented before us.

**Ms Hoffman:** Thank you very much, Madam Chair. Is it factually accurate that the deficit became smaller between Q3 and Q4? Whoever wants to answer. Is it true that the deficit was smaller in the final annual report than what was projected in Q3?

**Ms Persson:** It is accurate to say that the deficit, as reported here, is smaller than Q3. I do want to highlight that we're here to talk about how that was developed, and you will have a chance to talk about this in the fall or at a detailed Public Accounts as well.

**Ms Hoffman:** Thank you very much. I guess my whole point was just around that the Auditor General has signed off on these financials, saying they are accurate and that they are truthful. To the Auditor General, I guess, would be that question.

**Mr. Ireland:** Yes. Like I said earlier, our conclusion is that these financial statements are presented fairly.

**Ms Hoffman:** Great. I'll share with my colleagues. Thank you.

**The Chair:** All right. I have MLA Renaud, please.

**Ms Renaud:** Thank you. I guess, just to comment on the economic recovery that's noted throughout this year-end report. We know that Alberta's population grew by approximately 1 and a half per cent last year, a three-year high, so I'm wondering if you can comment on how government finances adjust to keep pace with population growth and ensure that services keep pace. I think we just regularly saw, through the notes and the commentary, that spending, of course, was up, obviously, due to program subscription, so I'm wondering if you could comment on how government finances must adjust to keep pace.

**Ms Persson:** Again, we track what is actually spent with respect to these. There are quarterly updates to make sure that we are as accurate as we can be, to report to the public with respect to how the finances are shaping up within a year. With that comes ministry reporting with respect to whether they're on target or not, and that would reflect any service increases, population increases, et cetera.

**Ms Renaud:** Okay. I'm going to switch gears a little bit. Across the board, government revenues are recovering. Trends in personal income tax, corporate tax, royalty reviews, with the exception of natural gas, are trending positively. Of course, this is good news as it means a more prosperous outlook for Albertans overall. Can you speak to, I guess, any plans or trends or notes to ensure stable growth in government revenues continues? I know this might be a little tricky to answer. Also, the fact that personal income tax revenue has recovered to prerecession levels is largely being driven by the abolition of the flat tax. I wonder if you can comment on that.

**The Chair:** MLA Renaud, I think we need to establish a little bit more of a link to the changes in consolidated financial statements, but if you would like to rephrase, please go ahead.

**Ms Renaud:** I can certainly do that. I'm going to pass it on to my colleague and come back to this.

**The Chair:** Sure.

[Mr. Gotfried in the chair]

**Ms Phillips:** I've actually put myself on the list because I have a question around the restatement. I am someone who likes to think in examples. It was kind of raced through due to time in the first couple of slides, but can you give me an example, officials, of how a department's financial position was restated last year? I noticed, for example, for Environment and Parks, I think, that it was restated upwards a little bit. Can you just give me a reason why? What would have gone into that restatement? Maybe you don't have to use that one if that's not one with which you are deeply familiar. Can you give me an understanding, at the department level, of what would have accounted for the change and the restatement?

**Mr. Stadlwieser:** Are you referring to the change in the net assets' opening equity?

**Ms Phillips:** Yes.

**Mr. Stadlwieser:** Okay. In terms of that, I think if you look at page 21, or the statement of operations, there was \$307 million in terms of net adjustments. Those were for a variety of factors. Certainly, the number one driving force there would have been an adjustment for ATB in terms of IFRS, accounting standards changes. That was the biggest driver in terms of that adjustment in net opening. Another issue that arises is for the education boards. They have a different year-end than the government, so sometimes there's a slight different approximation timing difference, so we run that difference through opening equity. Those would be two kind of key examples which make up that \$307 million. They would probably be the two biggest factors.

**Ms Phillips:** Would there be any restatement when it came to value of assets, that is to say, if things were degrading over time or there had not been any audit of that infrastructure, for example, dams or things like that? Would that account for it at all?

**Mr. Stadlwieser:** That wasn't for this. For this current year, that \$307 million: my understanding, I mean, unless it's in the very low millions for some entity I was not aware – but it certainly wasn't the driving force. Certainly, there could be, for instance – it wasn't the case here. For example, if you revisit a contaminated site and you said: okay; that liability should have been higher. Then if you make an adjustment for that in the current year, that wouldn't run through your statement of operations or expenses; that would run through your opening equity. So there could be situations where you do look at the liability associated with an asset or something where you do book it through, but that wasn't the case in terms of the drivers behind this year's adjustment.

**Ms Phillips:** Okay. All right. Very good.

[Ms Phillips in the chair]

**The Chair:** I will return to colleagues. Please, MLA Feehan.

9:20

**Mr. Feehan:** Thank you. I just wanted to ask some particular things. I'm interested in a few of the changes that have happened year over year and just want to make sure I have the right information to go back and update myself on how things happen. For example, I just want to know that I'm looking in the right places to understand information. Like, Treasury Board and Finance: between 2018 restated and then 2019 there's a fairly significant change. Sorry.

Page 44 of the expenses by ministry. There's a fairly substantive change, and I understand that that may have to do with some shifting of expenses from one ministry to another, particularly to Treasury Board and Finance. If I wanted to have an understanding of what the factors were that went into that kind of a shift, how might I, given your budget information, come to understand more about that?

**Mr. Stadlwieser:** Certainly, there was some reorganization last year related to corporate services. Last year there were some shifts, so some of those were moved into Treasury Board and Finance on the communications side – possibly that could be an explanation – and human resources was moved in. They consolidated HR. Corporate human resources is a separate entity, but it's part of the ministry, so it would have been those. Corporate services shifts would have been probably the primary drivers.

**Mr. Feehan:** Those kinds of changes: are they covered in your statements around the consolidated budget, or do we need to wait until we see individual ministries to ask those kinds of questions as a use for them?

**Mr. Stadlwieser:** Well, certainly, the variance announced is, now that we include in – each ministry annual report will go into a fair bit of detail in terms of those changes, so when you look at Treasury Board and Finance, any specific changes from actuals to budget at a ministry level are gone into in a fair bit of detail. Here's a very high-level summary, and it isn't really for revenues and expenses at the ministry level.

**The Chair:** Great. We will rotate back to the government side, and if it's okay with you, I'll just continue with the list that I had. I had MLA Rosin, and then I have Rowswell. I'm not sure. I want to make sure that MLA Barnes, if he wants to bust in from the phone, has the ability to do so. Oh. He is on the list. Okay. Very good.

**Mr. Gotfried:** I think MLA Walker was . . .

**The Chair:** And then we have Walker. Okay.

**Mr. Gotfried:** . . . going to complete his rotation.

**The Chair:** Oh. Okay. Go ahead. Did you want to complete that, then?

**Mr. Walker:** Yeah.

**The Chair:** Okay. Please go ahead.

**Mr. Walker:** Yeah. Just getting back to risks, forecasts with debt and interest, because we were cut off. Did you guys just want to finish or have a thought on my question regarding the performance measures and sort of the factors in place where you come to your forecasts or debt and interest risk forecasting?

**Ms Persson:** I'm going to answer probably a bit longer, just to understand. The debt-servicing costs were \$2 billion, which is an increase of \$0.6 billion from '17-18 and \$0.1 billion from budget. So the budget to actuals: actually, the estimate was fairly close. What you'll see is that the increase was primarily due to borrowing for the fiscal and capital plans, but the \$0.1 billion increase is due to less favourable results from the Alberta Capital Finance Authority debt rate swap. We do some complicated debt swaps, so that's where you see that. That's for on-lends to municipalities and other local authorities. So the ACFA debt-servicing costs are more than offset by the investment income, and the \$0.1 billion increase from budget is due mainly to additional borrowing undertaken in

advance, also, for 2019-20 cash management purposes. With the election coming when it did, we had to borrow a little bit more this year.

**The Chair:** Okay.

**Mr. Walker:** Thank you very much.  
Can I have a quick supplementary?

**The Chair:** Sure. If your colleagues are okay with it, I'm okay with it.

**Mr. Walker:** Okay. Just continuing on with that and just more specifically, you guys have brought up the impact and influence of geopolitics, for example, and I think someone might have mentioned – or I will, anyway – that cyclically speaking, as I'm sure you guys would know, we seem to be cyclically headed for an economic recession, I mean, globally, at least in the western capitalist developed world every about eight years or so in the post World War II period. Given that we may be headed for a cyclical recession and given that, for example, there's major geopolitical tension in the Middle East, which can greatly influence the price of oil, I'm just wondering: how do you guys work geopolitics and cyclical economic recessions into your debt and interest forecasting? I had talked to the Department of Energy, the minister, recently, and they said that they work on geopolitics forecasting as per prices of oil. I'm just wondering: what sort of systems do you use for those important factors to influence that sort of forecasting?  
Thank you.

**Ms Persson:** Two comments. We do work with the Department of Energy, but that also is a budget question, which we will deal with in the budget. I apologize. We've got here what we actually spent on debt last year, but it is something you get an opportunity to question us on in detail at a later date.

**The Chair:** MLA Rosin, please.

**Ms Rosin:** Yeah. I think it might have been MLA Turton who was asking about kind of transparency from the audits and how we make sure that everything is presented as it is. I believe that, pre-election, a number that was maybe circulating in the media cycles was about \$67 billion in debt, give or take. These documents show that we're actually over \$80 billion, so I'm just wondering quite how that discrepancy happened or where the reporting may have been – I don't want to say "misled" but where there may have been that discrepancy or how we got to that point.

**Ms Persson:** I'm just going to deal with what's in the report. We've got an addendum also, which is the fiscal year-end report, which was put out with the annual report. What you'll see there is that in Q3 we were indicating an estimated finance and capital debt of \$58.6 billion. The comparable number is actually in that supplement document at \$59.9 billion, so it's \$60 billion right now. The other comments you make are actually more forward looking, and therefore I would like to answer at a later date.

**Ms Rosin:** Okay.

**The Chair:** Is there a supplementary?

**Ms Rosin:** Yeah, just kind of a supplementary. I'm looking at the numbers, too, and it looks like in 2014-15 we had a government surplus. You've seen resource revenues go up in the last year or so, but we're also seeing our deficit go up. I'm just wondering – and this may be going back into the budget in a future conversation, too,

but all of these factors combined: I'm just curious where that deficit primarily came from given that other numbers were increasing, if there are certain ministries where the deficit increased, or just why those numbers went up so much.

**Ms Persson:** We've given an answer with respect to the revenue highlights and that the increase was there.

The budget, as you will see, that is in the financial statements does project a deficit, and therefore the expenses also are consistent with that. Although we had revenue of \$49.6 billion, we had total expenses of \$56.3 billion. On a functional basis, if you ask about that, \$21.9 billion is for health, \$14.8 billion is for education, and \$5.9 billion is for social services. Those are not the ministries; those are the functions because you do get some pieces that do overlap. You will see that health expenses in the \$21.9 billion for 2018-19 was up \$0.7 billion, primarily due to the increase in home, continuing, and community care and volumes of enhanced care under the continuing care capacity plan. But it is a \$0.2 billion decrease from budget, primarily due to savings on generic drugs as a result, so you'll get some pieces there. The education piece was up \$0.2 billion over budget. You'll see that the expenses stayed as consistent as they were with budget, as did the revenue, so that creates a deficit.

**The Chair:** Okay. I have MLA Barnes on the phone.

**Mr. Barnes:** Thank you. Thank you very much for being here. My question, too, is around total debt versus net debt. I think you've clarified that our net debt at March 31 was right around \$60 billion. Could you please provide the number for what the total debt was? And the relationship between total and net: does your department ever look at how certain we are that that debt that you might feel is more secure is in fact performing? Then I'll have a follow-up on interest.

Thank you. [An electronic device sounded]

**The Chair:** Uh-oh. Yeah. He got the wrong button. He can follow up with *Hansard*. It's okay. I'm sure he'll call back in, so please proceed.

**Ms Persson:** There are a couple of ways that we do look at debt. There are actually numerous ways to look at debt. I'll be very, very clear that the \$60 billion was the fiscal and capital plan debt, so that's the borrowing we did for our fiscal and capital plan and our P3s. That's all rolled into one. When we talk about a total term debt, that actually includes the debt for the Alberta Capital Finance Authority, the Agricultural Financial Services Corporation, and the Alberta Social Housing Corp as well, who borrow perhaps on behalf of others, and therefore it's not directly for us. That is \$80.8 billion right now.

I'm going to turn it over to Dan, who has another breakdown.

**Mr. Stadlwieser:** This is just so we get clarification on debt. The consolidated debt on the financial statements: debt and liabilities under public-private partnerships is \$80.7 billion.

**Ms Persson:** It's \$80.791 billion.

**Mr. Stadlwieser:** Yes, \$80.791 billion. And \$2.9 billion of that relates to P3 debt. That's the consolidated debt. We haven't changed how we report debt on the consolidated financial statements. We did combine the \$2.9 billion for P3s into the debt number above just because it's such a small number on the face of the balance sheet. Sometimes you hear "net debt." Like, there's a net debt in terms of when we talk about the fiscal plan and the

operations plan, but the net debt from a public-sector accounting standard basis is all financial assets minus all liabilities. Sometimes you hear that term. Net debt for the government was \$27.477 billion; that's the net debt. There are different versions.

9:30

**Ms Persson:** What you'll see, just for comparability, is that you'll get the term debt. The direct borrowing for the fiscal and the capital plan was \$43.3 billion last year. It's \$59.971 billion this year. The term debt last year was \$66.4 billion. Now we're at \$80.79 billion. Then we've got the net debt, which takes off your assets.

**The Chair:** All right. MLA Barnes, do you have any follow-up to that? I fully appreciate that you did not catch the answer, but if you do have a follow-up.

**Mr. Barnes:** Thank you. Yes, I do. I remember, from the last time that you guys were in front of us, that you had a lot of short-term borrowing. You put a lot of our Alberta borrowing out on a short-term interest rate basis. I'm wondering if the reports show if you've swung more to long term, especially now that rates have dropped a bit.

Secondly, I'm wondering if it shows anywhere in the report how much of the money that Albertans owe is to Albertans and Canadians and how much is to people around the world.

Thank you.

**Mr. Stadlwieser:** The consolidated financial statements do include a very detailed description of debt in schedule 11 to the consolidated financial statements. It does certainly say, you know, what kind of currencies the debt is in – and we're hedging against those currencies – and it provides various details about floating-rate versus fixed-rate debt. I won't get into too many particulars. I mean, when we kind of go through this for Treasury Board and Finance, my colleagues in Treasury can certainly go through the specifics, but that schedule 11 to the annual report, page 55, provides a fairly good description of the debt.

**The Chair:** All right. Thank you.

We will now go to five-minute rotations per caucus side. For the government side I have MLA Rowswell as the next person because you were on the list, so if that is okay by the group, I'll leave you there. We'll begin over on the Official Opposition side, with MLA Dach to start us off, please.

**Mr. Dach:** Thank you, Chair. Once again, thanks to all those attending. It's been very informative so far. I know, anecdotally, as a former real estate agent, that the numbers are improving and that markets are improving in Edmonton and Calgary but also, from your standpoint, can note that average weekly earnings and total household income in Alberta are both climbing. I'm just wondering if you can provide any insights on what's driving that. I'm sure it's something you track, and you try to find out how those results are coming to fruition. Are you able to make a determination on what's driving the increase in average weekly earnings and total household income in Alberta?

**Ms Persson:** I'm afraid that is something that we don't have right here unless you do, Dan? It's something that our chief economist and others work on. We just have the historical perspective, so we'd have to get back to you with that, or you could get that through the budget piece as well.

**Mr. Dach:** Okay. But it is something that you consider important information and that you do track, at least in the historical perspective?

**Ms Persson:** We do.

**Mr. Dach:** Okay. So it's something we can look to to determine in future reports, then?

**Ms Persson:** Like, in future annual reports? Our economist does actually produce reports as well. They do produce those quite regularly, and they do have the household numbers.

**Mr. Dach:** I know that previous questions had talked about sort of geopolitical considerations, basic economic considerations, and the direction of the economy. These types of stats are something, I would think, that would form a foundation of your analysis.

**Ms Persson:** They do.

**Mr. Dach:** I look forward to seeing some of that if you can provide it, but for the moment we'll leave it to my colleague to continue on, and I look forward to those answers later.

**The Chair:** I have Ms Renaud, please.

**Ms Renaud:** Well, thank you, Madam Chair. Hopefully, this one won't get ruled out of order. I just have a question about note 9 to the consolidated financial statements. I understand, given the timing of what occurred on June 4, An Act to Repeal the Carbon Tax, but I just wanted to talk a little bit about just assessing risk or commenting on risk mitigation. I'm wondering, sort of looking at this annual report, if there's any way or if there's something that I'm missing, a way to pull together the risks associated with climate change? I think we're hearing from whether it's, you know, the International Monetary Fund, whether it's large insurance companies asking questions or talking about risk. Is there a way or is there something I'm missing where we've pulled out all of those related risks in this report, or going forward is there a plan? Because this is such an emerging issue, is there a way to note or talk about the risks related to different areas of government finances so that it's easy to see? I guess better risk mitigation happens when there's clarity. Those are my questions.

**Mr. Stadlwieser:** Here I'm going to think in terms of the risk. You know, there is some discussion about measurement uncertainty, so there's a lot of uncertainty about a lot of the balances going forward. From that perspective, risk is here. We have contingency notes which discuss those risks related maybe to environmental liabilities, contaminated sites. Also, in the key results section there are very brief potential risks. I think the kind of discussion you're thinking of referring to risk is, certainly, in the fiscal plan. When the fiscal plan has been issued historically, there's a lot more breadth and depth of discussions of risk, but certainly risks associated with the balances and the revenues of the current year are in these measurement uncertainty notes. Those notes are the notes that discuss and go into a fair bit of depth in terms of the risk associated with the balances and the revenue and expense streams.

**Ms Renaud:** Okay. Just as a follow-up to that, let's say in talking about changes to caseload or changes to subscription in programs, health for example, we know that there is a huge climate change related risk to health. I think that we've heard again and again that some of the things that are changing, whether it's air quality that impacts . . .

**Mr. Gottfried:** Madam Chair, a point of order. We're asking our guest today to respond to something that is out of the scope of this meeting.

**The Chair:** I think what we'll allow the controller to do is just respond to what types of risks are embedded within understanding the consolidated financial statements.

**Ms Renaud:** Sure.

**Mr. Stadlwieser:** Many of the balances in the statement of financial position would have risks associated with them, so certainly the measurement uncertainty would kind of get disclosed there. Loans and advances, for instance: there's a provision taken against the various loans that governments have or what its entities would have. There would be disclosure around the risks associated with that. There would be a provision. So there certainly is a fair bit of discussion on risk, but it's really focused on the balance as at March 31.

**The Chair:** Understood. Very good.

Now we will return to a five-minute rotation on the government side. I have MLAs Rowswell and Guthrie to start, please.

**Mr. Rowswell:** Are we allowed to ask questions with regard to the Auditor General's report of last November with regard to Treasury Board and Finance? Is that here or not?

**The Chair:** I mean, in our general understanding of how these folks come and report to us, I think that would be in order, right? I think so.

**Mr. Gotfried:** Just make it fast. You've got five minutes.

**Mr. Rowswell:** Okay. All right. Fair enough.

The corporate income tax. Most of the recommendations in the Auditor General's report have to do with corporate tax collection and how, like, the money in dispute was about 25 per cent of total corporate taxes and that what was written off was about 1 per cent. I'm just wondering: with regard to the cost of that collection how much of the \$840 million did we collect, or how much did we lose? It looks like the stuff that was written off was mostly for something less than a thousand bucks. All those kinds of questions in one if that's appropriate.

**Mr. Stadlwieser:** I wouldn't have the specifics here, but I do think, you know, that that relates to a number in the financial statements. The Treasury Board ministry will come forward. Certainly, those recommendations, I do recall, were, I believe, all implemented. I think they did a follow-up on the corporate taxes. The government did take action on those recommendations, and they have been implemented. That's my recollection of that report. Those specifics in terms of the breakdown of the numbers here: we could certainly provide those in here in terms of details.

**Mr. Rowswell:** Okay. I was just curious.

**Ms Persson:** I'd just like to emphasize that you will get another chance to ask us very detailed questions about this in the fall or whenever, at the pleasure of the chair, to actually answer details about how we derive some things and others.

**Mr. Rowswell:** Okay. Fair enough. I didn't know what we could do today.

**Ms Persson:** Yeah. This is just how we put them together.

**Mr. Rowswell:** How you report things. Okay. Fair enough. Sorry about that.

**Mr. Guthrie:** I've got two parts here. I guess, first off, the deficit was \$6.7 billion if I'm reading that correctly. The previous government had predicted \$6.5 billion, so I guess that's not quite on the mark there. Now, the information that's coming in is coming from those ministries, and it's assuming – it doesn't look at how that money has been allocated inside that ministry, and that's currently being evaluated. Is that correct, from what I heard Brad Ireland say earlier, that that's still under evaluation, how each ministry's money is allocated?

9:40

**Mr. Ireland:** I guess I would add that, like, within the financial statements you've got the reporting on the expenses of the ministry. It doesn't go into a lot of detail about how that's allocated, and I think that how that would be allocated within the ministries would be a budget decision, a decision of the management groups of those ministries. But what the consolidated financial statements will show you is, by ministry and by function, how much was spent.

**Mr. Guthrie:** Right. Okay. Going back to debt, you know, I see that we went from \$43.8 billion in debt to \$51 billion in debt issuances from about \$600 million four years ago. Debt-service costs have gone from about \$600 million to \$1.4 billion to \$1.97 billion. I did notice that in February we had \$750 million in long-term debt borrowing. That was at an interest rate of 8.05 per cent, and that was in South African rand. Obviously, that's a very, very high number, so I'm wondering: how is long-term debt – how do you go about selecting who you're going to use for that long-term debt, and how do you come about with establishing that? That seems like a very high rate.

**The Chair:** You have one minute.

**Mr. Stadlwieser:** Certainly, our colleagues' Treasury Board and Finance ministry annual report comes to us. Just adding quickly to what Brad was saying, each ministry's annual report was just issued, so it has it detailed by expense, by program, and by object, and expenses and variances. Certainly, the Treasury Board people would be able to respond to that in terms of getting the best deal, so to speak, and I think that the ADM of treasury management would be able to go through kind of the risk factors and criteria they use to select that.

**Mr. Guthrie:** Okay.

**The Chair:** All right. Is there any final question? You have 20 seconds to read it into the record. If there's a supplementary, go ahead.

**Mr. Guthrie:** Yeah. That's not enough time.

**The Chair:** There can be a follow-up by the department if there is anything that you would like to read into the record in the remaining 10 seconds.

**Mr. Gotfried:** We have a read-in rotation, I think, as well, Madam Chair.

**The Chair:** Not for this extraordinary meeting.

Thank you to Ms Lumbard, Ms Persson, Mr. Stadlwieser, and our officials from the Auditor General's office. Thank you very much for joining us here this morning.

We have a remaining item of business on our agenda, which is the scheduling of committee meetings and invitees, under item 5 of our agenda. The members of the subcommittee met on Friday, June 28 and on July 2, this morning, to discuss and make recommendations

for the upcoming meetings of the committee, and those have been distributed to you, colleagues. The committee clerk has posted recommendations from the subcommittee to the committee through the committee's internal site.

I would like to now open the floor for a discussion on these recommendations that you have in front of you. If there is no discussion, then we'll move to a possible motion, but let's give some opportunity for that. Please, MLA Hoffman.

**Ms Hoffman:** Thank you very much, Madam Chair. I appreciate the work that went into preparing this recommendation list. I guess my question is around 3.2. I'm assuming that we decided the first two based on size for AHS as well as CBE and EPSB, and I'm just wondering if there are other considerations. I know that there are other providers as well that are substantial. These are the biggest ones in those two ministries, but if there's an opportunity for us to give feedback on having some other service providers, either contracted or nonpublic school boards, that type of thing.

**The Chair:** Sure. Well, there are two things to consider here. One is that they have to be within the consolidated financial statements. That's the first thing. If they are consolidated in, then they can come before this committee.

The second reasoning behind Health and Education was to consider the outstanding recommendations of the Auditor General because there had been some appetite to consider or to have him or his office provide some priorities. Where we tried to come together was where there were outstanding recommendations, where there were priorities identified by the AG, to be able to bring those earlier rather than later because with some of them there were things to report, I think, and things for this committee to consider around outstanding recommendations.

Now, if there are other consolidated entities that the committee feels should come as part of the entourage around those departments in Health or Education or otherwise, I think that what we might want to do is to consider those as an addition, potentially at the September meeting. Prior we could have a subcommittee meeting if there's an appetite, after we have decided upon this schedule, for other consolidated entities to appear before the committee as part of the departmental appearance. Does that make sense?

**Ms Hoffman:** Yes.

**The Chair:** Okay.

**Mr. Gotfried:** Madam Chair, just if I may comment. I think that's a great suggestion because we will have time in September for these in-session meetings to still make some of those changes. As long as

we would all agree on that, I think that that leaves us some latitude, perhaps, to have a small business component of that September meeting to address any additions.

Mr. Clerk and Dr. Massolin, is that acceptable?

**Mr. Roth:** You certainly can add in that component to the agenda.

**The Chair:** At that point, then, members should have communicated with the chair and the deputy chair any of their, you know, thoughts, aspirations, desires for other consolidated entities to appear. Okay? All right.

Going back to the order and to the entities that are scheduled to appear, do we have any further discussion? Okay, seeing none, I will propose a possible motion, then. That

the Standing Committee on Public Accounts adopt the recommendations from the subcommittee on committee business concerning the committee's schedule of meetings and the question-and-answer time allotment format for the two-hour meetings with invitees.

Is there any discussion on the motion? Okay. I need a mover. I have MLA Feehan. All in favour? Any opposed? MLA Barnes, on the phone?

The motion is carried.

Under item 6, do we have any other business?

Seeing none, we need to establish the next meeting. That will be, as I understand it, September 10, and at that meeting we will concern ourselves with the postponed orientation by the Canadian Audit and Accountability Foundation, and then in the afternoon we will consider Service Alberta: outstanding recommendations from the Auditor General, and the ministry annual report.

**Mr. Gotfried:** Madam Chair, and to September 11 as well.

**The Chair:** Yeah. Then going on to September 11. I guess it is one meeting – right? – considered one meeting. We will have a premeeting at 9 o'clock, and then we will consider for two hours the Justice and Sol Gen, in particular the OPGT, the office of the public guardian and trustee, outstanding recommendations.

Seeing no further business, I will call for a member to move that the meeting be adjourned.

**Mr. Rowswell:** I so move.

**The Chair:** All right. All in favour? Any opposed? On the phone? That motion is carried.

Have a great rest of your day, everyone. Thank you.

[The committee adjourned at 9:49 a.m.]







