Yukon Legislative Assembly

Issue 6 | 34th Legislature

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Public Proceedings: Evidence

Tuesday, February 9, 2021 — 1:00 p.m.

Chair: Stacey Hassard

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Chair:	Stacey Hassard
Vice-Chair:	Paolo Gallina
Members:	Ted Adel Brad Cathers Hon. Richard Mostyn Kate White
Clerk:	Allison Lloyd, Clerk of Committees
Witnesses:	**Office of the Auditor General of Canada** Karen Hogan, Auditor General of Canada Lana Dar, Principal Michelle Spence, Director **Department of Finance** Scott Thompson, Deputy Minister Ralph D'Alessandro, Comptroller

EVIDENCE
Whitehorse, Yukon
Tuesday, February 9, 2021 — 1:00 p.m.

Chair (Mr. Hassard): I will now call to order this hearing of the Standing Committee on Public Accounts of the Yukon Legislative Assembly. I certainly hope that everyone is staying warm today.

Welcome to this historic hearing, which is the first to be held virtually by videoconference here in Yukon. Due to the COVID-19 pandemic safety precautions in place, all witnesses and Committee members are participating from separate locations, and we are pleased to be able to stream the video and audio of this hearing live to the public.

The Public Accounts Committee is established by Standing Order 45(3) of the *Standing Orders of the Yukon Legislative Assembly*. The Standing Order says: "At the commencement of the first Session of each Legislature a Standing Committee on Public Accounts shall be appointed and the Public Accounts and all Reports of the Auditor General shall stand referred automatically and permanently to the said Committee as they become available."

On January 12, 2017, the Yukon Legislative Assembly adopted Motion No. 6 which established the current Public Accounts Committee. In addition to appointing members to the Committee, the motion stipulated that the Committee shall "have the power to call for persons, papers and records and to sit during intersessional periods."

Today, pursuant to Standing Order 45(3) and Motion No. 6, the Committee will investigate the Yukon Public Accounts for 2019-20.

I would like to thank the witnesses from the Department of Finance for appearing. They are Scott Thompson, Deputy Minister, and Ralph D'Alessandro, comptroller.

Also present are officials from the Office of the Auditor General of Canada. They are Karen Hogan, Auditor General of Canada; Lana Dar, principal; and Michelle Spence, director.

I will now introduce the members of the Public Accounts Committee. I am Stacey Hassard, the Chair of the Committee, and the Member of the Legislative Assembly for Pelly-Nisutlin. I am joined by: Paolo Gallina, the Committee's Vice-Chair and the Member for Porter Creek Centre; Ted Adel, Member for Copperbelt North; Brad Cathers, Member for Lake Laberge; the Hon. Richard Mostyn, Member for Whitehorse West; and Kate White, Member for Takhini-Kopper King.

To begin this afternoon's proceedings, Ms. Hogan will give an opening statement regarding the Office of the Auditor General's audit of the consolidated financial statements. Mr. Thompson will then be invited to make an opening statement on behalf of the Department of Finance.

Committee members will then ask questions. As is the Committee's practice, the members devise and compile the questions collectively. We then divide them up among the members. The questions each member will ask are not just their personal questions on a particular subject but those of the entire committee.

After the hearing, the Committee will prepare a report of its proceedings, including any recommendations that the Committee wishes to make. This report will be tabled in the Legislative Assembly.

Before we start the hearing, I would ask that questions and answers be kept brief and to the point so that we may deal with as many issues as possible in the two hours allotted for this hearing.

We will now proceed with Ms. Hogan's opening statement.

Ms. Hogan: Mr. Chair, thank you for the opportunity to discuss our audit of the consolidated financial statements of the Government of Yukon for the 2019-20 fiscal year. I am accompanied by Lana Dar, who was the Principal responsible for the audit, and Michelle Spence, who was the director.

Our primary responsibility as auditor for the Government of Yukon is to audit the government's consolidated financial statements and express an opinion on them. As legislative auditors, we also report on the government's compliance with specified authorities.

The consolidated financial statements within the Yukon Public Accounts are a key government accountability document that can help Legislative Assembly members understand the results of the government's financial transactions. Therefore, our audit of the financial statements supports the Legislative Assembly's oversight of the government, promotes transparency, and encourages good financial management.

The Committee's review of the Yukon Public Accounts is an important step in ensuring accountability for how public funds are spent and how government finances are reported. I am pleased that the Committee is holding this hearing to examine the government's financial results.

The government carries out its accounting and financial reporting responsibilities through its Office of the Comptroller within the Department of Finance. The Deputy Minister of Finance and the comptroller will answer questions about the preparation of the financial statements. We will focus on our audit.

Our independent auditor's report is on pages 29 to 32 in part 2 of the Yukon Public Accounts. We have issued an unmodified audit opinion on the consolidated financial statements. They conform in all material respects with the Canadian public sector accounting standards, which means that the information in the statements is reliable.

The consolidated financial statements, which include the accounts of the government and its controlled entities, show that the government had net financial assets of $172 million as at March 31, 2020. Net assets are the amount by which the government's financial assets exceed its financial liabilities. In other words, this number tells the reader whether the government's financial assets are enough to cover its liabilities. It is a key financial indicator.

The government makes estimates and assumptions that affect the amounts reported in the financial statements. The

COVID-19 pandemic emerged and evolved during the fiscal year. We assessed its effects and reviewed areas that are most sensitive to accounting estimates and market fluctuations. Overall, the pandemic did not significantly affect the consolidated financial statements.

I want to note that, as a result of the pandemic, this audit was completed entirely virtually while our auditors worked remotely. We adapted our approach and maintained good communication with the government departments and territorial corporations. We worked together to build a successful virtual collaboration which is ongoing.

I would like to thank the Deputy Minister of Finance, the comptroller, their staff, and the staff of the departments and territorial corporations who were involved in preparing the government's financial statements. We appreciate the effort, cooperation, and help of all involved, especially given the pressures created by the pandemic.

Mr. Chair, this concludes my opening remarks. We would be pleased to take any questions that the Committee may have.

Mr. Thompson: Good afternoon, everybody — members of the Committee, Auditor General, and your staff. Welcome. As you know, my name is Scott Thompson. I am the Deputy Minister for the Department of Finance. I am accompanied today by Ralph D'Alessandro, who is the comptroller for the Government of Yukon. We are pleased to be here as witnesses and I would like to thank the Committee for providing the department with the opportunity to speak to the various elements found in the Public Accounts.

This is my first time appearing at this Committee; however, on December 11, 2019, my predecessor, Chris Mahar, and Mr. D'Alessandro appeared to answer inquiries relating to the previous Public Accounts for the year 2018-19. I am appreciative of the opportunity to follow up and continue with the important discussion from last year. I also note that the recommendations made by the Committee are important and I will speak to those in my opening remarks. I think that it's a very constructive way of going about the business — where we can have recommendations that we can report back on, on an annual basis.

The three recommendations that I'll speak to — the first one is the financial statement, discussion, and analysis. After this point, I'm going to refer to that as the FSD&A, just for time's sake. The first recommendation was "THAT the Department of Finance expand the 'Financial Statement Discussion and Analysis' section of the Yukon Public Accounts and include further explanation such as a discussion on key risks and government measures to mitigate identified risks."

In this endeavour, we worked collaboratively with the Office of the Auditor General of Canada, which provided suggestions around jurisdictions that were seen as following best practices in their presentations. In 2019-20, the department began the process of enhancing the Public Accounts FSD&A by including discussions on risks and mitigations as well as emerging issues.

We also undertook work to expand the analysis portion and have included a number of trend graphs in order to track key indicators of financial performance and health.

As we go forward, we will continue to refine and to expand the selection of indicators to reflect Yukon's unique economic circumstances and environment and to provide more useful information for Yukoners.

The Committee also made the following recommendation, Mr. Chair: "THAT the Department of Finance digitize the Yukon Public Accounts, and THAT the Department of Finance provide the Standing Committee on Public Accounts with a timeline for implementation and anticipated costs."

The department has identified steps that we can take to act on the Committee's recommendation. These will be rolled out in a staged approach, which will enable the department to take immediate action while also building towards our longer term vision to enhance accessibility to the important information presented in this document.

The Public Accounts are already available online, as you know. On the day that we table Public Accounts in the Legislative Assembly, the Department of Finance publishes each of the three sections in PDF format on yukon.ca. These documents are publicly available for anyone to download, and users can search the documents using freely available software.

Mr. Chair, the Public Accounts is a large document and many Yukoners have limited access to internet. One reason that we publish the sections separately is to limit the amount of data that readers have to use in order to download specific information. Having said that, we acknowledge that this may have inadvertently resulted in barriers to access and understanding of the information.

One action we are taking that will improve accessibility for Yukoners is to provide an option to download the entire Public Accounts as a single PDF-formatted file. This larger document will include other improvements, including hyperlinks between the table of contents and the various sections as well as interactive footnotes. These changes will help to enhance readability by allowing readers to navigate efficiently within the entire document.

The Department of Finance now has the software needed to make these changes, which will be applied to the 2019-20 Public Accounts retroactively. When ready, this file will be added to yukon.ca and will be clearly identified as the complete publication. The smaller separate sections will also continue to be available online for the reasons I mentioned earlier.

The cost of producing this digital version of the Public Accounts will be partially offset by the expected reduction in printing costs, as it is anticipated that fewer hard copies will be required to be distributed with this enhancement to the online version.

We are also making some improvements to our presentation of Public Accounts pages on yukon.ca in order to make the documents easier to find. We are working to include further context on these web pages to improve literacy and understanding of the Public Accounts. We expect these improvements to be published and accessible on yukon.ca this spring.

As I mentioned, the department is also considering other options to digitize the Yukon Public Accounts. This is a longer term vision and will require further analysis before we can commit to specific actions — for example, the development of a platform to make Public Accounts data available online via the open data portal is something that we are exploring. In theory, this could allow users to make queries about specific matters over various fiscal years. This level of digitization could provide web users with the ability to dig into the summary numbers and draw their own insights from our audited financial statements.

The Department of Finance is in the early stages of development for this longer term vision. The government as a whole is working hard to increase accessibility of data for users and we are actively participating in these planning sessions. We are currently reviewing all systems to identify key data sources and to determine whether consolidation of processes is feasible. This process will take a minimum of one year to 18 months to obtain the information required to determine the most viable options. We anticipate that this will coincide with developments and improvements to the Government of Yukon's open data portal.

Finance will continue to report to this Committee on its findings and recommended approach and progress.

Finally, Mr. Chair, is the third recommendation, which is namely "THAT the Department of Finance continue discussions with the consolidated entities and with the Office of the Auditor General of Canada to identify and address issues necessary to facilitate earlier tabling of the Yukon Public Accounts."

I know that this is of interest to everyone. Prior to the pandemic, discussions with the Office of the Auditor General of Canada began immediately after the hearing in December 2019. Both Finance and the OAG determined that the largest barrier to earlier tabling was the timing of the other corporations' release of their statements.

Prior to the pandemic, the plan was to focus on getting the other corporations' data for the consolidations in a timelier manner and to create the potential for an earlier tabling of the Public Accounts in 2020. Unfortunately, the restrictions on travel and the resulting need to conduct the audit for all the entities remotely meant that even adhering to the traditional end of October timeline was challenging, and progress on this recommendation was postponed.

When operations return to normal, the vision is to streamline the consolidations by pulling all the entities' audited materials into a single database and using reporting software to facilitate the creation of the consolidated statements.

Mr. Chair, this concludes my summary of progress on the three recommendations from last year. But before I wrap up my remarks, however, I would also like to recognize the Office of the Comptroller and its staff and the staff of the Office of the Auditor General of Canada for the enormous amount of work that they do each year in preparing the Public Accounts. I met with Lana and her team very early in my tenure here — about a year ago — and I think that we formed a very productive relationship that saw us successfully through the process of these Public Accounts.

In a normal year, the feat is a colossal undertaking. For the last fiscal year and for the year we are currently in, the task is unprecedented. Thanks to the Department of Finance's diligent work in setting up appropriate coding for departments, the aim is to create better tracking and understanding of COVID-19-related expenses for the current fiscal year. On that, I should also give a huge shout-out to the Finance staff in all of the departments because they are the experts in their own sectors, and as the knowledge-holders, they are integral to the process of recording all of these transactions accurately.

Mr. Chair, as I conclude my remarks, I welcome and invite any questions from members of the Committee on the previous recommendations or on the Public Accounts that were tabled in October 2020. Thank you.

Chair: As we begin with questioning, the first set of questions will be coming from Paolo Gallina, Vice Chair.

Mr. Gallina: Thank you for your opening remarks, everyone. I just want to say thank you and welcome to the Office of the Auditor General and the team that is with us today — the team from the Department of Finance. Thank you for joining us. I know that preparing these Public Accounts was especially challenging, given the remote nature that everyone was working from as we have managed through this pandemic.

I would like to thank the Department of Finance for addressing the recommendations that were spoken to from the previous Public Accounts hearing that was held. That is good to hear. I think that we will have some questions about those recommendations a little later on.

I would like to thank the Legislative Assembly Office, who is hosting this first-ever digital hearing on our Public Accounts.

Finally, I just want to recognize the work of the Committee, as we have come together to host our second hearing on our Public Accounts — the second hearing on Public Accounts ever to take place in this territory. I'm proud of the work of this Committee.

With that, my first questions are for the Office of the Auditor General. Can you please explain the role of the Office of the Auditor General in the preparation of the Public Accounts?

Ms. Hogan: The *Yukon Act* appoints the Auditor General of Canada as the auditor of the Government of Yukon. As such, my office carries out an annual financial audit in order to express an opinion on the consolidated financial statements of the government. Those statements are prepared by the Office of the Comptroller and they are included in the Public Accounts. My office does not prepare the financial statements, nor do we prepare the Public Accounts, but we do complete the audit and issue an opinion on the financial statements that are within those Public Accounts.

Mr. Gallina: You've provided an unqualified opinion. Can you explain what that means and why it is important? Can you describe scenarios where one would likely qualify an opinion?

Ms. Hogan: You are absolutely correct; we did provide an unqualified opinion or a clean opinion on the financial statement. What exactly does that mean? Well, the statements that are prepared by the Comptroller General — it means that, when we look at the financial statements, we compare them to a set of accounting standards. Those are standards that are set by an independent standard-setting body — in this case, it would be the public sector accounting standards. So, we ensure that those statements are free of material misstatement and that they properly applied those standards. When we do that, we would call that a "clean opinion" issued on the financial statements. This is important, because it lets users of the statements know that they can rely on the information that is contained within the financial statements.

When it comes to an unmodified or a qualified opinion, there are different situations when that could happen. I will throw out a couple of examples. The first would be whether or not there were material errors in the statement. If we found errors in the financial statements or inaccuracies in the notes that accompany the statements that we thought were important and that were not corrected, then that would be an instance when we would modify our opinion.

A second situation where we could modify our opinion would be if we had a scope limitation. There are certain situations that might limit our ability to verify the accuracy of the amount in the statements or in the notes. For example, if we couldn't gather sufficient evidence or if we couldn't find evidence because it didn't exist to support a transaction, that would be called a "scope limitation". In that instance, if it was important enough, we would also modify our opinion.

Mr. Gallina: Can you explain what "materiality" is and how it is used in your audit?

Ms. Hogan: Absolutely. "Materiality" is a concept that is at times a little hard to understand. We take materiality and we use it as we plan, perform, and report on our audit. Overall, what it really is — it represents our judgment of the degree of significance that an error could have that might influence the decisions of a knowledgeable user. So, if someone was going to rely on financial statements, what amount would actually influence their decision making? That is basically the layman's term for "materiality".

If I may, Mr. Chair, I will ask Ms. Dar to perhaps provide some more specifics on how materiality is actually used in the context of the audit of the Government of Yukon.

Ms. Dar: Materiality is a very important concept, as the Auditor General stated, because it drives our testing and the samples that we select during our audit, and we use materiality when we assess the impacts of misstatements on our audit opinion.

In determining materiality, both quantitative and qualitative factors are considered. It's important to note that relatively small misstatements may have a material impact on the financial statements because of qualitative factors.

The preliminary materiality amount is set at the beginning of the audit, and it is reassessed throughout the audit and at the end. For the government's consolidated financial statements audit, we calculate materiality based on a percentage of the consolidated expenses. So, from year to year, that could change because the expenses will go up and they will go down as well. However, at the beginning of the audit, we set a preliminary amount based on this calculation. Then, as I mentioned, we will reassess it throughout and at the end when we report our audit results.

Mr. Gallina: Thank you, Ms. Hogan and Ms. Dar, for that explanation on materiality. Building on that, in your audit, what areas of the Public Accounts did you identify as those with the greatest risk of material misstatement? Can you explain the rationale behind that assessment?

Ms. Hogan: I believe that Ms. Dar will actually provide some more specifics. She can get into a little bit more detail for the Committee members.

Ms. Dar: So, the government makes estimates and assumptions that affect the amounts that are recorded in the consolidated financial statements. These key management estimates are identified in note 2(g) which is on page 43 in part 2 of the Yukon Public Accounts. They include a number of areas — and I will just list a few for you: amortization of tangible capital assets and estimated useful lives, post-employment and retirement benefits, environmental liabilities, corporate and personal income tax revenue, and contingencies. By their nature, these management estimates are subject to measurement uncertainty. This means that changes to such estimates and assumptions in the future could significantly affect the financial statements.

As we have mentioned earlier, during the fiscal year, the COVID-19 pandemic emerged and it evolved, so we had to assess the effects of the pandemic and the areas of the financial statements that are more sensitive to accounting estimates and market fluctuations. In our audit, we reviewed the estimates and the assumptions that the government used. We also challenged the assessments and assumptions and we considered whether or not the reported financial statements were accurate, complete, and properly supported.

On the basis of our work, we found these estimates to be reasonable. We also found that, overall, the pandemic did not significantly affect the consolidated financial statements.

Mr. Gallina: Just building on the impacts of COVID-19 on this audit, can you tell us what impacts the pandemic did have on the audit or get into some more detail?

Ms. Hogan: Thank you so much for that question. The pandemic did impact our audit in a few ways, and we expect that it is going to continue to impact how we work with the government in the coming year.

With the 2019-20 audit — given that an audit is risk-based, we needed to consider whether the pandemic had an impact on our risk assessments as we carried out our work. So, for instance, we would have considered whether there were liquidity issues or potential impairments of assets held by the government. We also considered the need to provide additional disclosures about the impact the pandemic might have on the financial statements or on the operations of the government and whether or not those should be included in the notes.

As I noted in my opening statements, given the travel restrictions, the audit was completely virtual this year, so our auditors worked remotely from Ottawa. Across our entire office, we actually had to adjust our resourcing strategies to ensure that all of our audits were properly staffed and scheduled. We did our best to support every entity in meeting its statutory reporting deadlines.

I would like to ask — Mr. Chair, if you will allow me — Ms. Spence to add to some of my comments on how the pandemic actually affected the government's audit this past year and any of the changes that we made to maybe the evidence that we gather or how we worked with the government specifically.

Ms. Spence: As recognized thus far by the various parties, COVID-19 did have a pervasive effect on both the government and our audit this year. We did adapt our approach. We maintained good communication with the Office of the Comptroller, government departments, and territorial corporations. We worked together to build a successful virtual collaboration, which is ongoing.

As the pandemic evolved, we continually assessed the impacts on the audit and adjusted our audit response. As mentioned, we assessed and reviewed areas that are more sensitive to accounting estimates and market fluctuations.

On the more granular level of the day to day, we were required — the need to have ongoing communications and adapt to scheduling — for example, how we would communicate with each other using various technology platforms? At the end of the day, this successful collaboration was paramount in completing our audits this year.

Mr. Cathers: I would just like to begin by thanking the Auditor General and the staff as well as the Department of Finance staff and the Legislative Assembly Office for their work in putting together this first virtual Public Accounts hearing.

In moving to the first set of questions that the Committee had prepared for the Department of Finance, I would just begin by asking some questions that may help those listening to better understand the Public Accounts.

Could you begin by explaining: What does the Office of the Comptroller do in their work with the Auditor General? How did the COVID-19 pandemic affect the 2020 audit and how this work was coordinated?

Mr. D'Alessandro: If you will indulge me, I am going to take a little moment here to do a free sidebar and add my sincere appreciation for the attendance of the Auditor General and her staff. They are a key component of us getting the annual Public Accounts done. Without their support over the last two years since I have been here, I don't think that I would have actually succeeded. So, I am very sad to say that this is probably Lana's last official function with us as her portfolio has changed over, and I won't get to have any more arm wrestling over different standards with her this year, but I wish her well in her new portfolio.

The other item that I wanted to bring up is that our director of communications has warned me to avoid all the accounting-ese that I tend to live in, so I am going to apologize ahead of time for all of those phrases, words, and acronyms that I live with that I just can't break the habit of using. I am hoping that everybody will bear with me. Interrupt me if I use anything that you don't recognize, and I will go back and clarify it for you.

Moving on to the question, the comptroller is the main liaison with the Auditor General of Canada. Everything that we do is coordinated either through me or my staff, and we take care in making sure that all of the audit requirements are fulfilled — whether that is data collection, following up on inquiries, providing samples of backup for their reconciliation — essentially the whole process of the audit and the verification that the numbers are correct. Usually that is done with a couple of trips where they come up and we basically rent them a boardroom and they move in. We bring them papers and they can look at them and verify what they need to do.

In 2020, because the audit was done virtually, that made it very complicated for them to tell us what piece of paper or what they needed to see. It would take sometimes two or three shots at getting the right one scanned and sent so that they could verify the piece of information that they were looking for. Normally, that would have been simply handing them a file and we would have looked at the piece of paper and realized, "Oh, it's not that one; it's the next one in the file" and it would have been done, but because of the back-and-forth and the delays in communication, it did make for a more arduous process.

Add to that the fact that most of the OAG staff and our own staff in March and April were working remotely from home — trying to line up people so that they could actually talk to one another and they were communicating took a while as we started to learn how to use this forum and other methods of getting a hold of people who weren't sitting at their desks.

I would say that this was the most significant impact — the amount of time that it took to learn how to do this in a remote electronic system. Otherwise, we had a fairly robust and quick turnover — and kudos to the Auditor General's office for bringing in extra staff. We did go through a few learning pains with some of them to bring them up to snuff on what Yukon government works with, but overall I think that it was a very well-done process and it did not end up impacting us being late; we were actually able to table on time.

Mr. Cathers: Could you explain what materiality level the Department of Finance uses in preparing the government's financial statements — or, in plain language, what is your margin of error?

Mr. D'Alessandro: I would like to think that our margin of error is zero. We set our materiality at the beginning of the audit at zero, and we expect to have no errors allowed in any of the submissions we receive from the departments in terms of their schedules of information and the reconciliation of their general ledger accounts. We start off with that as the goal.

As we move along and we start to close the books and the general ledger is no longer open to transactions, tracking errors and correcting them becomes a manual process; therefore, at that point, we have to start assessing how much benefit we are getting for the amount of work we are putting into tracking these things. So, we will initially begin to allow that anything under $250,000 isn't really going to be worth tracking manually and it's not going to have a big impact on the final statements.

Once we get into dealing with the other corporate entities and their information and trying to present the consolidation, that threshold then moves up to a half a million in terms of — we're closer to the end of the time frame that we have available and we are also working with a much larger total entity, so the materiality at that point becomes more — is it going to impact and make an actual difference to what the reader is reading or is it just a case of the perfectionists who we tend to hire as accountants?

We tend to do that same thing — similar to what the Auditor General mentioned earlier — in terms of a phased approach; as the audit goes along, we allow that materiality to grow in scope to match our overall audit package that we're doing. We tend to come in at a fairly reasonable level.

Mr. Cathers: Could you explain — what does an AA rating with Standard & Poor's mean? How do you achieve AA rating and what is the significance of achieving that?

Mr. Thompson: First to note — regardless of the rating, being rated by one of the top global finance rating firms is extremely important because it gives everyone a standard and a comparable measure based on reliable third-party financial industry opinion using the same grading system to evaluate the creditworthiness of organizations. The rating is based on a review of many things — financial positions, the nature of the revenues, past payment history, financial policies and procedures, and the economic health of the jurisdiction. A higher rating indicates a higher creditworthiness, which can lead to better terms on any financial instruments, including lines of credit.

S&P — I'll call them "S&P" — defines their issuer credit-rating system as a forward-looking opinion about an issuer's overall creditworthiness. According to S&P, this opinion focuses on the issuer's — that's us — capacity and willingness to meet its financial commitments. This differs only slightly from the highest rating of AAA, which is given to organizations that have an extremely strong capacity to meets their financial commitments. So, "extremely strong" versus "very strong" is the difference between AAA and AA.

This is a very positive rating, and of the jurisdictions that S&P rates in Canada, it is the second highest — provincial or territorial — tied with Saskatchewan.

Different rating agencies use different rating scales to measure and neither of the other two territories are actually rated by S&P, so we have to do a bit of work to compare their credit ratings.

We are very pleased that Yukon has held this high AA rating for 11 years in a row. It is also important to note that, in addition to reaffirming the AA rating, S&P also affirmed the stable outlook. It is notable that, in a time of global economic uncertainty, we can have a stable outlook.

It is interesting to also note that, in a CIBC summary of credit ratings published in July 2020, four Canadian jurisdictions had their outlook lowered — for example, from a stable to negative outlook — and another had their rating lowered, and the pandemic impacts were often referenced as a reason for that.

Another factor that can influence the rating is the nature of our revenues. For revenues, they look at the stability of the revenue sources and the organization's level of control of its revenue. Yukon scores high on revenue stability. Its major revenue source is from one provider — Government of Canada — so that may be considered a slight weakness on that front. Yukon scores well in the category of timeliness of payment, as discussed above.

In essence, the AA means that S&P believes that Yukon has the capacity to pay back its debts and obtain favourable financing if necessary. Part of their examination is the economic conditions in a jurisdiction, and S&P remarked in their report last year that they expect economic growth to remain positive in the near term, noting that GDP per capita here is above the average in the nation.

It is referred to as "credit rating" for a reason; it can be extremely important for jurisdictions with significant debt and borrowing because a rating change may well increase the cost of borrowing — known as "interest on debt" — as lending entities will expect increased returns to cover what is seen as increased risk by a rating drop. It is not as critical in terms of potential impact on expenses for a government like Yukon with stable revenues and not much borrowing activity, but nevertheless, it is an important indicator of financial and economic health that is seen by the financial community and beyond, which should give confidence to Yukoners.

Mr. Cathers: Could you please explain for those watching: What are Yukon government's key financial indicators?

Mr. Thompson: We try to put some of those key financial indicators right up front in the FSD&A section that I was talking about earlier. In that section, you will see some of the key indicators like surplus/deficit, revenue sources, accumulated surplus and deficit, and net financial assets or debt. There are also another 10 or so indicators in the FSD&A that provide specific insight into various areas of YG's financial and economic health.

So, in terms of indicators, the first would be budget balance. What is the surplus or deficit when fully accounting for government revenues and expenditures? The second would be the stability of revenue sources — i.e. are we highly dependent on a relatively volatile source for a significant portion of our revenue? A third key indicator would be the net assets or debt as compared to GDP. Since this is more economic than fiscal, you may not consider this one, but GDP itself is an important indicator for the finances of a government. Is the economy growing? Is it growing faster than the population and faster than inflation? It is notable that, over the last 10 years, the real GDP growth in Yukon has outpaced the population growth in six of those 10 years.

On any of these, another key indicator is how we rank in comparison to other Canadian jurisdictions or to comparable jurisdictions. On most of these measures that I just mentioned, Yukon fares relatively well. Of course, my answer to the previous question — I identified another important financial indicator, which is the credit rating for a jurisdiction as issued by one of the global credit rating agencies. It is their professional expertise that is on the line to evaluate and compare financial indicators, and on that score as well Yukon fares well — as I said, having the second highest rating in the country for provinces and territories with S&P.

Considering the nature of the Committee meeting today, I would also be remiss if I didn't state the obvious: that the opinion of the Auditor General was also an important financial indicator. Combined with the items above, the fact that we have a clean, unqualified, unmodified — whatever term that you want to use — opinion on the 2019-20 Public Accounts for the 12th year in a row should go a long way to give confidence to our citizens that our financial house is in order.

Hon. Mr. Mostyn: Good afternoon everyone. It is a very cold day here today, so I want to begin by thanking Hansard staff for their amazing work chronicling this Committee during the second public hearing today.

The last months have been a difficult year for us all, so thank you to the Office of the Auditor General of Canada, the Legislative Assembly crew, Finance staff, and the civil servants for all you have done in the name of public service during a very weird year.

I have a few questions this afternoon. The Public Accounts has three parts: the first is the financial statement discussion analysis. Can you tell us what information is contained in this section? How has this section changed from previous years, and what does that mean for Yukoners?

Mr. Thompson: This gives me the opportunity to expand a little bit on what I was talking about in my opening remarks, as it relates to recommendations made by the Committee last year and the FSD&A, because this section — in contrast to some of the sections that are simply a page of numbers — gives the opportunity to provide highlights of some of the key indicators and explain some of what is contained in the year-end document. The FSD&A includes the summary of highlights and assessment of fiscal health, indicators of financial and economic conditions, details of the financial statements in plain language, and risks and mitigations.

As we have noted, this section has evolved between the 2018-19 Public Accounts and the version of the document that we are considering today. In previous years, this section was focused mostly on the highlights and details components. Additions and enhancements this year have focused mostly on discussion and analysis components. This means — we hope — that Yukoners are provided with more trends and comparative information on key indicators that allow them to make their own assessment of YG's financial health.

The FSD&A for the year ending March 31, 2020, in this document provides a summary of the key highlights and the key statistics in graphical and chart form. It also tries to supplement those charts and graphs with some commentary to help the average reader understand the indicators and the financial statements in general.

An important feature of the FSD&A is to show comparators. So, you will see that, when we talk about some of the statistics or measures in that section over time, we will give you the perspective of a number of years or historical trends; for example, we did that with surplus deficit, and we did it with accumulated surplus and net financial assets and debt ratios. The other way we do comparisons is to compare to other Canadian jurisdictions — so we did that on credit ratings and we did that on net debt to GDP. It also provides an opportunity to show in graphical form what some of the financial numbers show, because often that tells a clearer story — a more impactful story — to the average reader. This really speaks to what it means for Yukoners.

I fully realize that a copy of the Public Accounts is generally not sitting on the coffee table of most Yukoners, but this is a section that should be of interest to citizens and taxpayers. Pie charts that show the expenses by function and the revenue by source are helpful to understand where the government is spending its funds — the public's funds — and where those funds are sourced from — whether it's transfers, tax sources, or user fees. I think that's pretty important information for any citizen.

I feel strongly that it is part of my responsibility to help explain the finances and the fiscal state of the government to the public audience — to the average person — and that budgets and economic updates are there for a reason — for public consumption — and they are not just written for elected officials, government staff, the broader public sector, or those in the financial industry; it should resonate with the public. I feel strongly, and that is why I was happy to see the recommendation coming in last year's Public Accounts Committee consideration to expand on this section. This section should be able to present the financial statements in a way that is readable for non-finance and non-government citizens.

Hon. Mr. Mostyn: The next question I have is: How many — or how may Yukoners be able get a sense of Yukon's finances from this section? So, if you could just provide a bit more context on that last part.

Mr. Thompson: It is funny that you said "how many", because when I first read the question, I thought it said "how many" too — I thought, "How many Yukoners? Oh."

I think I covered this already, so I'll make this brief. The section provides information on the number of indicators and what attributes the Yukon government's fiscal health may illustrate. Indicators are shown often over a 10-year timeline to provide trends in historical perspective and a brief explanation is provided to give the reader a little more context to understand either the table or the chart that they are seeing.

I also like to think that this is the more user-friendly, more public version of the Public Accounts that helps Yukoners understand a bit about the territory's finances.

Could we do better? Sure. I think that we can, and I would welcome the Committee's further suggestions. Since this started with the Committee recommendation and our work with the OAG, I welcome suggestions from either the Committee or the Auditor General's office on other areas that we could expand, explore, and enhance in order to improve this year's version.

Part of the appeal of the Public Accounts is this section, and part of the appeal of this section is the graphics — the charts, the tables, and the graphs that try to use a picture to tell what can be kind of a complex and daunting story. The other feature that I hope helps the average reader is the short summary of information in plain language that goes along with the chart — basically, what does the chart show and how does the chart relate to the government's overall fiscal situation?

Hon. Mr. Mostyn: The highlights on page 3 talk about expenses being $4.6 million higher than expected. How much of that was directly related to COVID?

Mr. D'Alessandro: The costs directly related to COVID were not tracked prior to March 31, 2020, accurately enough to report with an appropriate level of reliability that we usually look for in the Public Accounts. An example is on page 155 in schedule 3, where have our comparative schedule of expenses. Health and Social Services only identified $186,000 as directly related to COVID-19, but recently, during the debate on the 2019-20 Supplementary No. 3, Health and Social Services was able to itemize almost $4.4 million in COVID-19 expenditures. It isn't that the amount spent changed; it's how it was tracked.

Most COVID costs that were incurred in the final weeks of the 2019-20 fiscal year were reported before the accounting coding that was put into place for tracking COVID-19 transactions was put into the GL for people to use.

Then, due to the fact that most of our staff were working from home — as were most of the departmental staff — the remote audit process was distracting, and other COVID-19 needs in terms of not being able to get invoices in from third parties and getting information back and forth through all of the normal processes — the departments were directed to not to attempt to try to correct their pre-March 31 allocations to try and weasel out what the specific COVID-19 costs were. It was a determination made in my office that it wasn't going to be worth the effort — the amount of information that it was going to give. Plus, we knew that, further down, departments were going to be able to work out what those COVID-19 costs were and quantify them because they needed them in order to claim what was going to be their further expenditures in those areas.

So, we knew the information was going to be there for decision making. The fact that we didn't include it in the Public Accounts related more to the fact that it wasn't going to be of material impact; therefore, we felt that it was better if efforts were focused on correcting coding going forward so that, in our 2021 statements, we will be able to give you a clearer understanding of what actually happened with COVID.

Another factor that we considered when making that determination was that there were a number of cost areas that actually had reductions related to COVID-19 because of things that didn't happen or couldn't happen. We could have spent an inordinate amount of time chasing down that information for what was really a three-week period out of the 52-week year, so we didn't put in that investment. We allowed the departments to bring forward their information as it was requested specifically in their different areas.

Hon. Mr. Mostyn: Thank you very much for that answer. Why are the net financial assets to GDP important? I know that we touched on this a little earlier. Why are only Yukon and Nunavut in a positive position?

Mr. Thompson: The ratio indicates the size and nature of the government's impact on the jurisdiction's economic performance, in its basic essence. As mentioned, only Yukon and Nunavut have net financial assets positions. You either have net financial assets or you have net debt, so all the other jurisdictions have net financial debt positions.

Net financial assets essentially show how much the government has in financial assets to use to finance future transactions. It reflects subtracting non-financial assets from the accumulated surplus. So, a net asset figure, as opposed to net debt, demonstrates that the government has financial assets on hand with which to finance future operations. It means that the government is able to use current financial resources to pay for its current level of services as opposed to relying on future revenues.

The graph on page 7 of the document shows a low ratio, which means that the government is not placing excessive demands on the economy and that it has room to move if it becomes necessary to introduce new revenue sources without putting undue pressure on the economy.

I just wanted to use an example. I know that some examples were used last year and it is helpful to understand net debt and net assets. Most jurisdictions, like I said, are in a situation of net debt. Why do we compare it to GDP? Well, Newfoundland and Labrador has a net debt of about $14.5 billion. Ontario has a net debt of about $353 billion. That is why we compare it to the size of the economy; the larger the economy, the more debt it can withstand. Both jurisdictions — even though they are drastically different in terms of the sheer size of the debt — have a net debt to GDP ratio of about 40 percent.

A jurisdiction that has net financial assets means that — in crude terms — if the government sold all of its financial assets, it could pay off all the money it owes without exhausting all of its financial assets. This puts governments like Yukon in an advantageous position and it gives the government flexibility in responding to unforeseen events and economic downturns. This gives government flexibility. Without the cushion, government would be forced to respond to potentially unforeseen fiscal demands with tax hikes or spending cuts. We have seen examples of this in other provinces — notably with respect to crashing oil prices. If the government doesn't have the fiscal room to respond to lower revenues, it is forced to consider other levers — tax increases or spending constraints.

Before the effects of the pandemic took hold, Yukon was enjoying a period of solid economic growth, with low unemployment rates and increasing salaries and wages. All of those things are taken into perspective and noted by external opinions like Standard & Poor's so that, even with pandemic impacts, we are seeing positive economic growth and relatively low unemployment rates. But economic growth and government revenue can be volatile, so I will repeat myself that it is important that Yukon is in a net financial asset position because it provides flexibility that others don't have.

Hon. Mr. Mostyn: Thank you for that comprehensive answer; I appreciate it. The government's net financial assets have decreased over the last number of years. Why is that? What are the reasons for this?

Mr. Thompson: The size of the annual surplus has been decreasing since 2015. It has been fluctuating up and down, but when the annual surplus is lower, then the accumulated surplus growth is slowing. As the accumulated surplus growth slowed and non-financial assets continued to grow, net financial assets decreased. So, in the 2019-20 Public Accounts, the net financial assets decreased by about $46.6 million. You can find this in the document. The figure is calculated by subtracting liabilities from financial assets.

Both the financial assets and the liabilities dropped compared to the prior year, but since the financial assets dropped by more than the liabilities, then that is what has resulted in a net decrease in net financial assets. It is important to note that financial assets don't include the value of tangible capital assets owned by government or supply inventories. This category only includes assets that are or can be converted to cash relatively easily.

If we look more deeply at the numbers, the financial assets decreased by almost $54 million — from $720 million in 2019 to $667 million in 2020 — and liabilities decreased by $6 million — from $502 million to $406 million. Sorry — that math is off. This nets to the $46.6-million decrease.

Looking closer at the financial assets on page 17, there was definitely a drop in both cash and cash equivalents — $49.2 million — and temporary investments — $42.5 million. This total increase is partially offset by a $23.9-million increase in the "Due from Canada" category.

The explanation for the decrease in financial assets and the overall trend in financial assets over the last few years is that there was a shift from the financial assets to non-financial assets — most notably, tangible capital assets. They are physical assets that are acquired, constructed, or developed and have useful lives extending beyond one fiscal year.

The last year has been a case in point. The $54-million decrease in financial assets is quite close to the increase in tangible capital assets — land, buildings, transportation infrastructure, and equipment — of about $42 million. The largest contributor to the decrease in financial assets has been the continued investment in tangible capital assets, which are non-financial.

You asked about the last few years as opposed to just one year. It is interesting to note that, over the last few years, the net financial assets have decreased by about $102 million, but during that same period, the total tangible capital assets increased by about $155 million, as capital expenditures in the budget have increased from about $310 million annually in 2017-18 mains to $370 million in the most recent mains.

Essentially, what the government is doing is using its financial assets that have been created from past and current revenues to invest in tangible capital assets to provide health, education, and transportation services and to help to continue to grow the economy for the benefit of all Yukoners.

Ms. White: Thank you, Mr. Chair, and I thank everyone for being here. Mr. Chair, I would like to add a question on flexibility, which is also on page 9. May I do so in this section — add a question? Thank you.

So, if we are looking at page 9, there are the two headings. One is "Flexibility" and the other is "Vulnerability". My first question is about "Flexibility". It's talking about own-source revenues compared to the territory's GDP. I am quoting from the paragraph, which says, "This ratio is relatively constant over time indicating that the Government has not changed its demands on the economy. While the ratio is constant, it is also relatively low compared to other Canadian jurisdictions and indicates that the Government has some flexibility in increasing taxes and other fees without causing a severe impact on the economy."

So, my question is: What is the Canadian average of own-source revenue for user fees and taxation? Maybe I should ask it in terms of comparable jurisdictions; our average is at seven percent and I just want to know what it is across the country.

Chair: Mr. D'Alessandro, would you like that one?

Mr. D'Alessandro: I would have until she threw that curve at me. Unfortunately, I don't have the background — I just have the book in front of me, so I don't have the background that staff used to pull in that comparison to make that statement.

I would have to get back to you with the specifics, if you don't mind — but I do know that, at a range of five percent to seven percent over the last 10 years, it has been a fairly low consistent number, and that is the reason why we feel like there is flexibility there, if there were a need. I think, again — as I am about to say — in terms of vulnerability — I think that a lot of the fluctuation between the five percent and seven percent has less to do with what level our own revenues were at, in terms of movement, and rather the total of revenues for each year. Again, there has been some fluctuation, and I think that happened more at the total level than at the individual components that we measured in flexibility and vulnerability.

But if you will indulge me, I will put that information together and send it on to you once I can get my hands on the raw data.

Ms. White: I apologize, but I was looking at my book with my questions in preparation and that stood out.

So, there is a section on "Vulnerability" on page 9. Where are we vulnerable in revenue?

Mr. D'Alessandro: Vulnerability is basically a concept of "How much is a corporation at the whim of having to do something an entity outside of it can enforce upon it?" It is pretty much acknowledged that, if a corporation relies on a single client for over 80 percent of its revenue, it is vulnerable to the whims of that client. This is somewhat highlighted by the fact that certain of our non-federal revenues may cause a decrease in future federal funding. If our own source goes up, then some of those calculations that dictate what our federal funding will be will actually drop.

Standard & Poor's has offered another twist on their assessment of YG revenues by prompting that the stability of the federal funding — both the amount and the source — as a strength to YG as opposed to a vulnerability and the fact that it would help us through the COVID situation. The fluctuations that the graph here shows over the 10-year span relate more to the percentage that the total revenue fluctuated rather than the federal funding fluctuated — because you will see an up and down, but if you look at the raw numbers, you will notice that there has actually just been a steady increase in federal funding; it's just a percentage of the total that has fluctuated.

The other aspect of your question — prior to the addition of the documents on page 9, we didn't actually explicitly report on flexibility or vulnerability, but what we did was always provide a breakdown on sources of revenue, which provides the background data that drives this graph, and that is usually what is presented on the "revenue by source" graph, which, in this particular year's book, is found on page 13.

Ms. White: Can you explain the 10-year change between the 80 percent to the 85 percent of money from the federal government? How do we account for this vulnerability?

Mr. D'Alessandro: Nice segue — straight into the "revenue by source". The 2020 Public Accounts were finalized last fall and tabled in October 2020 and reflected the information verified at that point in time. I'm not really in a position to speculate in terms of how our further revenue growth may be forecasted ongoing. I do have a degree in economics, but I am not going to put it up against the economics department. Those folks live and breathe the statistics pieces, and they can provide you with a much better understanding of that, and I'm fairly certain that, as we go forward with their update on the economic outlook and things of that nature, you will get all of the answers that you are looking for in terms of where that forecast is moving to.

Further to "How does it compare to the prior years?" — I have to apologize for the choice of colours in that graph on page 13. If we hadn't used such a dark shade of blue, you would actually be able to read the number 83 on the "from the Government of Canada" section of the pie chart. So, that is something that we can tweak in 2021.

But if you go back to that vulnerability chart on page 9, you will be able to pick up from there that it is actually 83 percent, both in 2020 and again in 2015. By going back to the 2010 Public Accounts, I was able to pull off the pie chart there, as it is in 2020, the percentage there was 80. So, the 80- to 85-percent range has been a fairly consistent and long-term range that we have been maintaining for federal funding.

Ms. White: I am not much of a gambler, but I think that I would bet with you in that case and not against the Department of Finance and the statisticians.

You actually answered my next question, so I thank you for your time and I will just turn off my camera.

Mr. Adel: This next question is a little long, but we will see how we go.

On page 4 in the "Financial Statement Discussion and Analysis" section, the \$2.6-million deficit is explained as a result of the increased expenses in health and social services and community and transportation sectors.

Can you explain what caused the extra expenses in these departments? What was the reason that the overall results this year went from a surplus of \$3.8 million down to a deficit of \$2.6 million? Does the deficit mainly account for why the accumulated surplus at the end of this year is down from \$1.857 billion to \$1.853 billion?

Mr. Thompson: You are right, Mr. Adel — there is a lot in there to unpack. I will add to my answer by also touching on Ms. White's question about comparators in Canada for own-source revenue. My quick scan of a couple of other jurisdictions suggests that the situation has almost flipped in large provinces. I didn't go and look at some of the smaller provinces, but if you find a big province like Ontario or Alberta, the 80 percent is what they are getting from their own-source revenue — their taxes, their fees, their government business enterprises, like lotteries and alcohol — and then 20 percent or less is from the federal government.

The other point I want to make on that is that I think you picked on another great addition to next year's FSD&A, which is that we can put in a comparator for that measure in the country.

On to Mr. Adel's question — when it comes to comparing expenditures, there are really two interrelated issues at play here; there is the fact that Public Accounts compares expenditures from the mains of that year to a final accounting in Public Accounts, not taking into consideration any of the increases that come by way of supplementary estimates.

The second feature that we talk about a little bit more later is that two departments spent over their voted appropriation in 2019-20. The total expenditures in Public Accounts were \$6 million more than estimated at the time of the main estimates in 2019. Keep in mind the note under the "Budget" heading, which is what I just said. The budgets are based on the consolidated budget of the reporting entity as published in the 2019-20 mains — the operation and maintenance and capital estimates. In other words, the audit statements that we are talking about today use the mains for comparison to the budget rather than revised totals. This is standard practice and we're used to that, and it provides the opportunity to evaluate the government's budget process rather than the government's ability to mitigate issues throughout the fiscal year.

It should be noted at this point that, during the year, the supplementary estimates presented in October added a net of about $64 million to the government's original O&M budget, including $64 million added to the appropriation for Community Services. There were some ups and downs. The main estimates projected a surplus of $3.8 million, but once the supplementary estimates from the fall and spring legislative sessions were added into the mix, the projection for the deficit of approximately an $18-million number on a non-consolidated basis — as shown on page 180 of the document on the full year, on a non-consolidated basis — including the two supplementary appropriations — the estimated expenses were $1.479 billion, and the total expenses in Public Accounts were $1.45 billion — well within that amount.

But you asked about expenditures for 2019-20 for health and social services and community and transportation. It is notable that the categories of spending by sector don't necessarily line up to departments, but I will say that they more or less line up to the names, so I will stick to their appropriated amounts. Community Services had $67 million appropriated in additional expenditures, primarily due to the response to the 2019 wildland fire season, and HSS had about $13.5 million added in appropriated expenses, due primarily to insured health, social services, and other health-related costs.

To go to the next parts of your question, less than $2 million of the negative impact on the surplus/deficit was caused by a reduction in expected revenue, and most of that impact was from $9 million lower in income coming from investment in government business enterprises.

The main cause of the shift from a modest surplus to a modest deficit, in the end, was on the spending side. Some of the many factors on the spending side, I already referenced earlier in this answer.

Regarding the last question on accumulated surplus — yes, while there are a number of ups and downs in the calculation of accumulated surplus on page 34, in broad terms, the revenue came in very close to the projected level while the expenses are shown as increasing from the budgeted $1.474 billion to $1.48 billion. So, yes, the surplus/deficit is the biggest contributor to that accumulated surplus change.

Mr. Adel: These questions tend to be a little long. For that, I apologize.

Can officials explain the fluctuations in cash and cash equivalents — note 3? Specifically, why is there such a decrease in bank balances from the previous year?

Can officials explain the fluctuations in temporary investments — note 4 — over the past three years? Specifically, can you explain why term deposits and GICs are not listed for 2020? What do these fluctuations signify?

Mr. Thompson: I will take each question in turn.

The consolidated statement of cash flow on page 36 gives the details of the cash transactions. The decrease in cash provided by operating transactions was due mainly to a change in non-cash assets and liabilities, the increase in cash used for capital transactions, a major drop in cash provided by investing transactions. If you take a look at the financial assets by type that are on page 17 of the FSD&A, you can see that laid out. You can see that the 2020 cash and cash equivalents were at more than twice the levels of 2016, 2017, and 2018. As you may remember from last year's Public Accounts Committee hearing, the 2019 level was somewhat anomalous because there was a cashing in on investments toward the end of that year. At the time the year ended, there was more cash and less investment.

In terms of the second question, Yukon government has been converting these investments to cash to use for other priorities, like the capital program. The decision was made not to reinvest when GICs matured in 2020 due to lower interest rates affecting how much return we would get.

In terms of the fluctuations — what do they signify? YG has been taking advantage of its strong position that we documented earlier with respect to financial assets and cash reserves to fund continued growth in tangible capital assets, investing in the future growth of the economy. It also signifies that the Department of Finance — namely the director of investments and banking — is monitoring our holdings and determining whether to reinvest and where to reinvest. So, those amounts — as you can see on page 17 of the FSD&A — are subject to year-to-year fluctuations.

Mr. Adel: In "Consolidated Statements of Operations and Accumulated Surplus" on page 34, what is the driving factor for funding and service agreements with other parties decreasing by $15.5 million from the previous year?

Mr. D'Alessandro: I am going to cheat on this one and show off how much I know about this book. If we refer to the non-consolidated statements — schedule 1 is the Comparative Schedule of Revenues that begins on page 123. There you find that you can get the year-over-year data on revenue. Specifically, on page 125, the funding and service agreement section with other parties details that, of the $16-million drop that is presented there on that schedule, $13.3 million of it was due to the fact that the 2019 revenue that we recognize related to the Salvation Army — which contributed to tangible capital assets — was a one-time non-recurring item. So, we were destined for the $13.3-million drop no matter what was going to happen.

If we look at the rest of the details in the section, it further shows that the remaining portion of the $16-million drop is contributed to by increases and decreases, with the major items being Yukon Zinc, Commission scolaire francophone, restricted funds, Shakwak, and the WCB reserve rebates contributing to the balance of the other $2.7 million. That explains the full $15.5 million. The remaining half a million would have been from the consolidation with the other corporations, but the bulk of it is there in that $13.3 million.

Mr. Adel: Last question: What caused the change in the amortization of tangible capital assets — an increase from $73.5 million to $75.2 million?

Mr. D'Alessandro: If you want a really short answer, I would just basically say that total assets have been increasing, so amortization will be increasing. Again, a little bit of showing off time — if we go on to page 35, where the Consolidated Statement of Change and Net Financial Assets shows the effect and changes in tangible capital assets, in that very first section on the second line is the amortization that you're mentioning with the growth from $73.5 million to $75.2 million.

The first line of that section also indicates the spending and acquisitions of TCAs — in 2020, the government acquired almost $118 million, which — those placed into service would of course begin to incur amortization costs. Being thorough, we would then go back and check with schedule C — the Consolidated Schedule of Tangible Capital Assets on page 76 — where it does indicate that, yes, that $118 million is the increase in acquisitions, which was offset by some writedowns and disposals and netted to an increase of $111 million in costs of TCAs.

Doing a little bit of an acid test, a $1.7-million increase in amortization on an increase of $111 million in TCAs would imply that the average useful life used was about 65 years. When we look at what type of acquisitions were made, it becomes reasonable, because most of the acquisitions were in the areas of buildings, transportation infrastructure, and sewage water systems, which are usually in the 75-year range for life anyway. So, I would say that this was a reasonable increase.

Chair: My first question is for the officials from the Office of the Auditor General. Note 2 shows significant accounting policies, from page 37 to 43, and describes the method of consolidation. Could you explain what consolidation is and the difference between full and modified equity methods? What determines which method is used?

Ms. Hogan: While I will ask Ms. Spence to provide some of the nuances and the detail, I will offer you up an analogy that will hopefully make everyone understand what consolidation is. If I can draw an analogy between the government's financial statements and a puzzle — you need to put together all of the pieces of the puzzle in order to see the picture of that puzzle. In this case, you need to put together the departments, the territorial corporations, and all of the entities controlled by the government in order to see the full financial picture of the Government of Yukon. I think that is a good way of explaining it to someone who isn't an accountant, and then I will ask Ms. Spence to expand on that, if you permit me, Mr. Chair.

Ms. Spence: Consolidation is the process of combining the financial results of the entities controlled by the government and reporting them as part of the results of the government. As Karen alluded to, it is creating a picture. The full consolidation method is used for entities that are controlled by the government, including all significant aspects of decision making — for example, those that are subject to direction on the use of resources by the government.

With the full consolidation process, revenue and expense transactions, capital, investing, and financing transactions, and related assets and liability accounts of consolidated entities are included line by line in the government's financial statements. The inter-entity revenue and expense transactions and related asset and liability balances are eliminated in order to avoid double-counting.

The modified equity method is used for a government entity that has autonomy and is financially self-sustaining in the normal course of its operations. These entities are called "government business enterprises". With the modified equity method, only the net results of the government entity are picked up or included in the government's financial statement. The determination of the methods to use for consolidation is based on the classification of the government entity.

Mr. Hassard: On page 38, it says, "All accounts of the government reporting entity are consolidated using the financial information for the year ended March 31, 2020." Now that the Government of Yukon has had the benefit of receipt of the actuals from Yukon College/Yukon University and has, by OIC, amended the Yukon University fiscal year, can officials provide us with an up-to-date estimate of Yukon University's current revenues/expenditures status?

Mr. D'Alessandro: At the end of the Public Accounts, we always include the most recent available audited statements for each of the corporations. On page 215, you will find Yukon College's June 30, 2019, statements that were released on December 7, 2019, which indicated revenues and expenses of approximately $51 million, resulting in a nominal variance.

To compile March 31, 2020, consolidated statements, the college provided an interim set of unaudited statements that provided that revenues and expenses were approximately $46 million — again, with a very nominal variance. That was what was used to compile this book. Since then, the university has not released their June 30, 2020, audited financial statements — those are still in the process of being finalized — and the university staff is working diligently on meeting an aggressive target to switch to provided financial statements based on the period ending March 31 so that they are more in concert with the YG audit process.

So, at this point, they have not provided any further updates on current revenues and expenditures — at least, not to my office.

Mr. Hassard: So, note 11 is on investment in government business enterprises. Can you explain the changes under "(a) Summary financial statements" on page 47, particularly current liabilities?

Mr. D'Alessandro: The significant changes relate primarily to Yukon Development Corporation — and I am going to preface my answers with the request that the Committee confirm any details behind any Yukon Development Corporation numbers that I give them with that corporation.

The values presented on note 11 are based on interim statements on March 31 that were received for the purpose of the consolidation from YDC and from Yukon Liquor Corporation, which is the other column in that chart. They do not match the December 31 audited statements that we were able to include on page 243 of the 2020 Public Accounts. But by taking a look at those and at the lines in the chart on note 11, you can see that there is a correlation between the increase in the current liabilities and the outstanding bank indebtedness that occurs between the 2018-19 year and in the audited statements. That would then correlate and be confirmed by an e-mail that I received from Blaine Anderson, who does the work at YDC, that this is what the bulk of that current liability was — I believe it's sitting at 31— and of that 23 is their line of credit that was outstanding on March 31, 2020.

Mr. Hassard: So, with that, can you tell us what the $15-million deficit from the Yukon Development Corporation is then, Mr. D'Alessandro?

Mr. D'Alessandro: As much as I hate to, I am going to have to do a little speculation here. I have looked through their accounts and ours, and the increase in the deficit seems to be directly related to the increase in their O&M expenses. The other issue that happens is that YDC has a net movement and regulatory deferral that, in the past, has been increasing and offsetting any deficits that they have had and actually contributed to them having a profit last year. But this year, the deferral is not large enough to offset the deficit, so it has left them in a deficit position. But the $15-million deficit is basically their operating deficit.

Mr. Gallina: I have two questions for the folks with the Office of the Auditor General; one is on tangible capital assets and one is on environmental liabilities. My first question is: How were the estimated useful lives of tangible capital assets determined and how do we know if they are accurate? What are the consequences of inaccuracies?

Ms. Hogan: I believe that Ms. Dar is going to take that question, and Ms. Spence will probably answer the second one. I will let you do the air-traffic controlling, Mr. Chair.

Ms. Dar: The government amortizes its tangible capital assets on a straight-line basis in accordance with established useful life guidelines. The comptroller has already articulated about the establishment of those estimated useful lives, and they do range from a period as short as five years up to 65 or 75 years, depending on the nature of the asset.

The useful life is the estimate of the period over which the asset is expected to be used by the government. Each year, as the financial statements are prepared, these estimates should be assessed as to whether there is any new information that would suggest that the useful lives of certain tangible capital assets require some revision. The revision could be to increase or decrease the remaining estimated useful life of that particular asset.

Consideration of determining whether a useful life may require revision includes assessing past experience. In other words, we would look back to observe historical usage trends. For example, if we have evidence of a significant fully amortized asset that is still in use, this would suggest that the estimated useful lives may not be accurate and require some revision. If they are not accurate, the annual amortization would either be greater than or less than what it should be. This will then have an effect on the annual surplus or deficit of the government.

Chair: Ms. Spence, did you want to add anything to that?

Ms. Spence: No, Mr. Chair.

Mr. Gallina: On environmental liabilities — which I am thinking Ms. Spence will want to address — in note 13 on pages 51 to 53 is "environmental liabilities". Environmental liabilities for 2019-20 amount to $27 million. What does "environmental liabilities" mean?

Ms. Spence: Environmental liabilities are the estimated costs related to the remediation or risk management of the contaminated sites for which an entity is obligated or will likely be obligated to incur costs. For the government, the environmental liabilities recorded in the financial statements include the amounts of the estimated costs related to the remediation of environmentally contaminated sites and the present and future closure and post-closure costs of landfill sites and type 2 mine sites. The total amount recorded in the government's financial statements as of March 31, 2020, for these environmental liabilities is approximately $44 million.

Mr. Cathers: On page 52, under type 2 sites regarding the Ketza River mine site — at what point does the Yukon government plan to determine the portion of remediation costs attributed to the Yukon as opposed to those attributed to the Government of Canada — i.e. for the period of time that the Government of Yukon allowed Veris Gold to operate without baseline data, having been established to ascertain the Government of Canada's liability as per the devolution transfer agreement?

Mr. D'Alessandro: As per the devolution transfer agreement, a third-party independent assessor will determine the remediation costs and the plan and will appropriate the amount between Yukon and Canada. It is my understanding that, at this moment, negotiations are ongoing between Canada, Yukon, and the First Nations to develop a trilateral agreement and consultation approach which will facilitate the selection of that assessor. I have no information as to how long that process will take.

Mr. Cathers: Note 17 is "Borrowings". On page 62 of the Public Accounts, it talks about the government's borrowing limit. Could you explain the nature of the outstanding loans?

Mr. D'Alessandro: On page 62, the first subtotal of $166 million relates to YDC long-term debts; $100 million of that is the 2010 bond issue that matures in 2020, and the remaining $66 million relates to other debt that is detailed in the Yukon Development Corporation statements on page 273. What specific programs and projects they may relate to, I don't have — but I am sure that we can find it if you are looking for further detail.

The second subtotal on page 62 relates to the amounts owned by fully consolidated entities, and previous pages — on page 60 — show the amount by the different corporations. Since the hospital has $29 million in bank loans with various chartered banks, those have been itemized on page 61. The remaining amounts included in the overall outstanding debt refer to the accrued interest, payables, credit facilities used, and the capital lease obligations. Again, I would like to note that the largest number there — which is the outstanding credit facilities — the bulk of that is the outstanding balance of YDC's line of credit which we discussed earlier — the $23.7 million. Again, that would add to the $166 million of YDC debt listed earlier, if you were keeping track by corporation.

Mr. Cathers: On September 20, 2020, the federal government increased the maximum amount of the Yukon's debt limit to $800 million from $400 million. Did the Government of Yukon request this change, and if so, can you explain why the government requested this change?

Mr. Thompson: If you will permit it, Mr. Chair, while I have the mic — I referenced in the answer to question 14 that there was something wrong with my math, so when I referenced $406 million, that should have been $496 million. I thought that I would just correct that for Hansard while I had the chance.

Over to Mr. Cathers' question on the borrowing limit — at the time of the last budget, Yukon's borrowing limit was $400 million — a limit which is for the combined borrowings of the Government of Yukon and the corporations — Yukon Development Corporation, Yukon Energy Corporation, Yukon Housing Corporation, and Yukon Hospital Corporation — and there is a reference to that under note 17. That limit, as you noted, is set by the federal government by regulation under the federal *Yukon Act*.

The borrowing limits of all three territories are set by regulations under their acts. Requests for increases to those borrowing limits must be made in writing to the federal government and are granted through federal regulation amendments. It is my understanding that, while verbal discussions may have taken place at an earlier date, the request was made in writing to the federal government in 2018. These requests are made infrequently but can be considered a natural and prudent request as part of government operations and intergovernmental relations, where one level of government sets limits on the fiscal flexibility for another level. For example, between 2009 and 2012, the borrowing limit was increased to $400 million from $138 million, and then, again — as you noted — it doubled from $400 million to $800 million just recently.

The definition of "borrowing" includes — as Ralph just kind of covered — borrowed money received, capital leases, sale leaseback agreements, and loan guarantees that are extended to third parties. Four of the corporations account for the bulk of the total external debt of $228 million: YDC at $166 million; Yukon Hospital Corporation, almost $30 million; Yukon Housing Corporation at $2.2 million; and Yukon College at $1 million.

When Public Accounts were printed, our borrowing limit was still $400 million, so that is the number that is reflected in that note in the Public Accounts, and it was noted there that about $171.5 million — or 43 percent — was still available to fulfill outstanding and future needs — as of March 31, of course.

It is still a prudent and cautious approach to have tools in your toolkit, even though we had 43 percent remaining. The tools can be used to respond to unexpected needs or opportunities. So, when the Government of Canada received requests from territories, it undertook a comprehensive review of all of those territories' borrowing limits, and it looked at things like the capacity to carry debt and the overall economic fiscal health. I am sure that if our fiscal health or economic situation was worrisome to them, they would not have increased the borrowing limit.

In doing so, the Canadian government noted that this fiscal flexibility may provide the ability to promote economic development, including through strategic infrastructure investments. The increase means that the 43-percent figure that I just referenced as room within the borrowing limit has now moved to just over 71 percent based on the borrowing levels laid out in the Public Accounts before you.

So, the short answer is yes — it was requested in 2018, and the reason was that it provides more flexibility to respond to potential needs related to a growing capital program and it appropriately reflects the maturity and civility of Yukon's economy and our overall financial situation.

Chair: Mr. Cathers, did you have a follow-up question to that?

Mr. Cathers: Yes, I did; thank you, Mr. Chair. Mr. Thompson, you indicated that the request was made in writing in 2018 by the Yukon government to increase the deficit to $800 million. Could you please provide the Committee with a copy of that letter? I am sure you don't have it with you, but if you could make that commitment, I would appreciate that.

Mr. Thompson: I will endeavor to do that. I will endeavor to find a copy of that and get it to the Clerk, I suppose.

Hon. Mr. Mostyn: I thank everyone for their answers this afternoon and for their participation.

My last question this afternoon is about note 25, "overexpenditure" — it's on page 69. With respect to the noted contraventions of sections 17(2) of the *Financial Administration Act*, which specifies that "A vote does not authorize any payment to be made (a) in excess of the amount specified in the vote…", both Health and Social Services and Highways and Public Works overexpended. What remedial action was taken to address unanticipated spending or savings?

Mr. Thompson: Both of the situations that the minister referenced with the department became known very late in the fiscal year, and to some degree, costs were not fully known until after April 1, 2020, but were accrued back to the 2019-20 fiscal year. As the spring legislative session had ended, there was no opportunity to address this with a third supplementary bill in the spring of 2020.

It is absolutely true that spending above the appropriated amounts is contrary to the *Financial Administration Act*; however, it should also be noted that the government is operating under other pieces of legislation as well. I believe that this came up in debate in the fall, noting that some of this legislation obligates the government to flow funding to pay for legislated programs like the insured health and social programs in HSS — both of which were a significant contributor to spending over the appropriation in Health and Social Services.

It is important that governments stay within their votes — absolutely — and I am confident that both departments made every attempt to keep spending within their voted appropriation. If there are late-in-the-year surprises, however — like bills from outside of the jurisdiction or heavy snowfall that requires action by HPW — it is imperative that expenses related to delivering vital programs and services to Yukon individuals, families, and businesses are paid in a timely manner in accordance with our legal obligations. It was those circumstances that led to a fourth appropriation bill being necessary, which was scrutinized in the Legislature in the fall session.

In terms of action, this presents an opportunity to review and improve our financial management measures, part of which was reminding the deputy heads and other senior officials as to why constant oversight of their current and future fiscal position is essential. We at Finance have been doing this on a regular basis so as to ensure, as best as possible, that this situation is never repeated.

We have been closely working with the departments to look at their internal processes as well, and I know that they have instituted some changes to prevent supplementary estimates from being necessary after the fiscal year-end. Within Finance, we are monitoring the spending very closely and checking in with departments on a more regular basis. As an example of this, HSS has developed a formal controllership framework and HPW, I know, is developing comprehensive forecasting processes and guidelines to help both them and us in this process.

We are in constant communication with departments year-round but especially toward year-end and particularly with those two departments.

Ms. White: Thank you, Mr. Thompson, for those answers. You answered the next three before I got there, which were asking about how to make sure that this doesn't happen in the future — so I will move on.

In note 28 on pages 70 and 71, it talks about contingencies. Can you please provide an update with respect to the status of Yukon Zinc Wolverine mine?

Mr. D'Alessandro: Yukon Zinc remains mired in legal actions regarding the disposition of any potential proceeds from the possible sale of assets. There have been some appeals made as to the previous judgments as to the priority position that the government was afforded in terms of receiving those assets. Until those things are resolved, we won't know (a) whether or not a sale will be viable and (b) whether or not we will receive any of the proceeds to help recover against the costs being incurred.

Currently, the balance of the security will not sustain remediation that is being required beyond the end of this fiscal year. So, the estimate is that what is there will cover us to the end of March, but we have to go into next year and continue dealing with remediation while this still remains in court. Then the government has some thoughts to figure out and decisions to make.

Ms. White: Thank you for that answer. I guess there are lessons to learn here going into the future.

Have any assessments of Government of Yukon's liabilities been completed to date?

Mr. D'Alessandro: The Government of Yukon's liability at this point is related predominantly to its responsibility as the territorial government to mitigate the environmental impact of a known contamination, and it is using the security that was put in place to cover those costs originally to pay for any costs that it incurs. As the security becomes depleted and if there is no sale of the mine, there will need to be a determination of what the government's ongoing responsibilities are and what it will cost to fulfill those responsibilities. That includes a myriad of questions about what type of remediation they are going to do. Are they going to close the site? Are they just going to take it to a certain point and level so that it can be an ongoing site? All of those things will have to be debated, discussed, and decided.

At this point, I would have to say that it would be pure speculation on anybody's part to attempt to quantify what those costs and what the potential recoveries against those costs might be.

Mr. Adel: Note 29 on page 72 is regarding "subsequent events". Can Finance officials provide a forecast of the implications of the COVID-19 pandemic vis-à-vis matters set out in paragraph 2? What financial modelling has been done?

Mr. D'Alessandro: Note 29, "subsequent events", is included to acknowledge the fact at the point of publication of the 2020 Public Accounts and provide the disclosures that would be relevant to the readers. It is not intended to be the basis of speculation but rather to inform that further data is required.

Since tabling the Public Accounts in October, significant events have occurred and have been reported in other venues — as I have discussed before, the economic update forecasts and the P-7 variance, which is coming shortly — those things are a better place for those answers to come from. I am at a disadvantage in that the Public Accounts are based on historic actuals and making sure that we accurately portray what has occurred and not what is going to occur.

Mr. Adel: Can officials explain how Yukon's formula financing agreement with Canada may be affected in future years, given the national impact of the COVID-19 pandemic on federal revenues and provincial economies?

Mr. Thompson: The TFF, as I will call it, is principles-based — so the principles are accuracy, comparability, transparency, accountability, stability, predictability, and neutrality — all of these things are important. Both governments have stressed predictability as one of the most important principles. The amounts for the next fiscal year are not known until the prior December, but once the federal transfer amounts are known for the fiscal year, they are not subject to much change, so we can budget confidently and accordingly. That ensures some degree of predictability.

There are also shock absorbers built into the formula to ensure stability in terms of avoiding large swings in the TFF amount. The shock absorbers involve having three-year averages applied to the formula as well as a two-year delay before new data is used so that we don't have wild swings in either direction — up or down.

While it is difficult to predict what the lasting impact of COVID will be on the TFF, if it leads to a permanent — I will give two scenarios. If it leads to a permanent increase in health expenditures in provinces, that would create upward pressure on the grant in order to ensure that Yukon can fund similar additional health care costs. If the provincial revenues fall as a result of COVID, this will not have a direct impact on the grant. However, if provinces respond to COVID-induced fiscal pressures with tax-rate increases, that could put downward pressure on the grant, since they are taking advantage of tax opportunities that we may not be.

While speculation beyond the scope of the 2020 Public Accounts may not be appropriate for this discussion, keep in mind that the TFF agreement is due for renegotiation and extension in 2024, so we will be working diligently with the federal government and the other two territories to put our best foot forward in those discussions and ensure that the principles that I talked about earlier are adhered to.

Mr. Adel: I am going to cede my last couple of questions to you, Mr. Chair, so that you can get a couple in.

Chair: Thank you very much. I have a couple of questions for the officials from the Office of the Auditor General just to close things up — and for the department as well.

This first question is for the Office of the Auditor General. What future accounting standard or standards are expected to have an impact on the government's financial statements? When will they become effective?

Ms. Hogan: That is a great question. Accounting and auditing standards are always evolving. In some years, there are no changes, and in other years, there are many more.

There are a few changes in accounting standards that are going to impact the government and its control entities in the near future. There is also an amended auditing standard that will have an important impact on our audit. So, if I may, Mr. Chair, I will ask Ms. Spence to briefly explain the new asset retirement obligation accounting standard and then Ms. Dar to speak to the recent changes in auditing standards and how that will impact the audit of the government statements going forward.

Ms. Spence: There is a new accounting standard — PS 3280 — on asset retirement obligations that will be effective April 1, 2022. Asset retirement obligation is the legal obligation associated with the retirement of a tangible capital asset. The new standard recognizes that certain tangible capital assets will require future expenditures at the time that the asset is retired. Some of the new provisions include new estimates for asbestos removal, solid-waste landfills, assets in productive use, radiology medical machines, and leased tangible capital assets.

Ms. Dar: As the Auditor General noted, there is a new revised auditing standard and it is effective for the government's current year — so for 2020-21. That new auditing standard is called "CAS 540", auditing accounting estimates and related disclosures. There is a real connection to some of the conversation that we've had in today's hearing about the importance of management estimates and the complexities that they introduce when preparing financial statements.

The amendments of CAS 540 establish more rigorous requirements and guidance for auditors to perform the appropriate procedures for accounting estimates and related disclosures. The areas that we see it impacting our audit is right from the start, at planning. During our risk assessment, we will be asking more questions of management as to how they prepare management estimates, what the vulnerabilities are as to the accuracy or inaccuracy of those management estimates, and just applying a bit more vigor to standards than we were already following.

CAS 540 is expected to impact our audit work on a number of significant management estimates — most of which we have already talked about today, as well, as I noted — things like post-employment and retirement benefits, asset impairments, fair values, financial instruments, environmental liabilities, the amortization of tangible capital assets, contingencies — just to name a few. Also, to add to what Ms. Spence has just described, a further area of significant management uncertainty is going to be the adoption of asset retirement obligations into the government's financial statements.

Mr. Hassard: In light of that, I guess a question for the government would be: What is the government doing to prepare for these future accounting standards? What is the expected impact of adoption of the asset retirement obligation standards on the government's financial statements, and are there expected impacts on the entities consolidated into the Public Accounts?

Mr. D'Alessandro: So far, what the Department of Finance has been doing is that we have established a steering committee that has been formed with most of the major stakeholders of the TCAs and the corporations around the table to discuss how this is going to impact all of these procedures and processes going forward.

An RFP was released last week to procure professional assistance with the implementation to make sure that we follow best practices, as the ARO standard is actually already in place for those entities that are reporting under international financial reporting standards. So, there are accounting firms out there that are very knowledgeable about how this process works, so we are going to tap into that knowledge base to help us work through what we should be doing.

Furthermore, staff are preparing for the potential that there will be a revision of policies and procedures and possibly even the FAA.

Without having actually worked through all of the details of the underlying transactions, I will give you a quick overview of my expectations of the asset retirement obligation — or the ARO, as we are lovingly calling it. It is expected to cause an increase in the value of TCAs that have obligations because the value of the ARO will be capitalized as part of the total cost of owning that asset. This capitalization will be offset by an equivalent recognition of the future liability. Since these values will be equal, there will not be an impact on accumulated surplus, but non-financial assets will increase while liabilities increase, and that math will mean that there will be a decrease in net financial assets.

Over the life of the underlying asset, the asset retirement obligation will be amortized and will impact the annual surplus as a non-cash item. So, it won’t affect your appropriations.

During the same lifespan, the ARO liability will be monitored for changes in the estimation of the cost, and adjustments will be booked against the liability as — and here comes my accounting terminology — an accretion expense. Again, it’s a non-cash item that will impact the annual surplus but not the appropriation. When the asset has reached the end of its useful life and it is disposed, the value of the asset — including the ARO component — will be written off against the asset’s accumulated amortization. This should have no impact on the annual surplus.

At the point of disposal or the retirement of the asset, the cost to do so will be incurred as a cash item, but it will be offset by the ARO future liability that had been booked and maintained for that asset. Hence, there should be no impact on the annual surplus, but it will hit your appropriations, as it is a cash item.

Essentially, the whole purpose is to recognize the total cost of an asset during its useful life as it contributes an economic benefit to the government. This will not match the appropriation levels that focus on the timing of cash expenditures rather than the timing of expenses. But the anticipated end result is that the accumulated surplus impact over the life of the asset should be equal to using the current method of showing the impact at the end or anticipating it at the beginning. The underlying concept, of course, from the audit perspective is that it gives more information to the reader of the statements in terms of what the future liabilities of the corporation are.

I apologize for stumbling, because I know that we have gone overtime.

Mr. Hassard: All right; thank you very much for that.

Before I adjourn this hearing, I would like to make a few remarks on behalf of the Standing Committee on Public Accounts. First of all, I would like to thank the witnesses from the Department of Finance and also the officials from the Auditor General of Canada who have appeared before the Public Accounts Committee this afternoon. Of course, we would like to wish Lana Dar all the best in her new portfolio. She has certainly been instrumental in helping us get to where we are as the Public Accounts Committee.

The purpose of the Public Accounts Committee, of course, is to help ensure accountability for the use of public funds. Public hearings are an important part of this work, but this afternoon’s hearing does not signal the end of the Committee’s consideration of the Public Accounts. The Committee will consider what we have heard today and produce a report with any recommendations that we may have, which will be tabled in the Legislative Assembly. The Committee may choose to follow up with the department, and this could include another public hearing at some point in the future.

With that, I would again like to thank all who participated today and who helped in organizing this hearing — particularly, of course, Allison Lloyd, here in the Committee room here with me, who has done an amazing job in bringing all of this together.

With that, I declare this hearing adjourned. Thank you very much.

The Committee adjourned at 3:11 p.m.