Implementation Note: Independent Financial Review

Commitment:
"Launch an independent commission of inquiry whose mandate is to get to the bottom of the deficit scandal and to propose timely solutions to solving the deficit problem. As part of this effort, we will call in an outside audit of Kathleen Wynne's reckless management of Ontario's finances and make the final results of the audit public."

"Value-for-Money Audit and Commission of Inquiry - $1 million total."

Source: For the People: A Plan for Ontario, May 2018

Context:

- Ontario's net debt has increased since 2003/04. The 2018 Budget projected a deficit in 2018/19 with a proposed path back to balance in 2024/25. Concurrent with the release of the 2018 Budget, the government released its 2018 Pre-Election Report on Ontario's Finances which provided details on the three fiscal years covered in the 2018 Budget's medium-term fiscal plan, including estimated revenues and expenses.

- In the Auditor General's (AG) Review of the 2018 Pre-Election Report on Ontario's Finances, the AG found that the Pre-Election Report understated expense items related to the Fair Hydro Plan and the accounting of net pension assets of Ontario Teachers' Pension Plan and Ontario Public Service Employees' Union Pension Plan. The AG has raised concerns with the accounting of these two items in her review of the province's Public Accounts. After adjusting for these items, the AG concluded that Ontario's annual deficit would be $11.7 billion for 2018/19.

Implementation Requirements:

- Determine scope of and mechanism for independent financial review and seek approvals as appropriate.

- Consult with the AG and the Financial Accountability Officer (FAO).

- Appoint an independent body to conduct the review using independent audit firms as necessary.

- Communicate launch of review.

Implementation Plan:

- Determine the scope of the independent review (e.g., what aspects of Ontario's fiscal policy and outlook would be reviewed, for what period of time, what records or evidence would the reviewer be entitled to look at, and what sorts of recommendations would the reviewer be expected to produce).

  - Review could be undertaken to provide advice on the province's fiscal policy approach and outlook, including: a baseline fiscal scenario from which to base the government's first fiscal budget plan; the government's fiscal planning/forecasting framework; best practices that support transparency and accountability in financial reporting; and potential updates to legislative frameworks for fiscal planning, reporting, and budgeting requirements.

- Determine the mechanism by which the review will take place and fast track its establishment (e.g., establishing an external panel, contracting an independent professional forecaster/economist/fiscal policy expert, appointing a formal Commission of Inquiry; and confirming the legal powers such mechanisms would have). The chosen model could impact on the timeline of the review.

- Depending upon the scope and mechanism of the review, determine whether and how to assert claims of public interest immunity (e.g., Cabinet privilege, and/or litigation or solicitor-client privilege). Consider how confidential documents of previous administrations will be treated by an independent reviewer.

- Consider previous independent reviews of Ontario's public finances which could serve as models for a new review, for example:

  - Ontario's 2012 Commission on the Reform of Ontario's Public Services (CROPS), chaired by Don Drummond, included the development of a "status quo" fiscal outlook.

  - Ontario's 2003 review of the government's finances by former Provincial Auditor Erik Peters included a review of the province's current fiscal position relative to the one released in the most recent budget, identification of new risks to the outlook, and suggested improvements for fiscal accountability.

  - The Ontario Financial Review Commission of 1995 reviewed the Province's accounting, reporting and financial management practices. A 2001 reconvening of the Commission focused on reviewing options for improving the financial management, decision-making and reporting practices of the government's transfer partners and the reporting of government investment in tangible capital assets.

  - The Parliamentary Budgetary Officer (PBO) released a report in October 2017 on the sustainability of the federal government compared to sub-national government finances over the long-term.

- In November 2017, the Institute for Fiscal Studies and Democracy (IFSD) produced a report on the impact of different demographic projections and economic forecasts on the finances of the governments of Ontario and Canada.

- Leverage ongoing, independent reviews of Ontario's finances by the FAO and the AG, which may be of assistance to an external review.