

Fw: FYI - Toronto Star/\$10.7-B accounting dispute between auditor general, province to take months to resolve

From: "Tedesco, Lauren (TBS)" <lauren.tedesco@ontario.ca>
To: "Jancik, Mike (TBS)" <mike.jancik@ontario.ca>
Date: Tue, 04 Oct 2016 16:42:05 -0400

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Doose, Ann (TBS) <Ann.Doose@ontario.ca>
Sent: Tuesday, October 4, 2016 4:10 PM
To: @TBS-L-Issues and Media; Laughton, Patrick (TBS); Arbabzadeh, Nina (TBS); Hurley, Richard (TBS); Sawosch, Mercedes (TBS); Ostergard, Matt (TBS); Prins, Sebastian (TBS); Tedesco, Lauren (TBS); Balgobin, Sueanne (TBS); Coulter, Travis (TBS); Cusumano, Josephine (TBS); Habib, Zahra (TBS); MacIntyre, Kyle (TBS); Simone, Nicole (TBS)
Cc: CIU, Current Issues (MOF)
Subject: FYI - Toronto Star/\$10.7-B accounting dispute between auditor general, province to take months to resolve

Good afternoon,

The Toronto Star is reporting the accounting dispute between the auditor general and the government could take months to resolve. Robert Benzie quotes Minister Sandals as saying "Given the discrepancy of opinion, we do need to get some independent third-party advice to help us sort this out, because, obviously, we can't go forward with this disagreement", adding "Obviously, I think that's going to be a process that's going to take several months." PC Leader Brown tells the Star, the government's 'been caught' and now has a big hole in its fiscal outlook.

Full story is below.

Regards,

Ann

\$10.7B accounting dispute between auditor general, province to take 'months' to resolve

Actuarial clash is over whether last year's deficit was \$3.5 billion or \$5 billion and whether the provincial net debt is \$294.5 billion or \$305.2 billion.

By Robert Benzie
Queen's Park Bureau Chief
Tues., Oct. 4, 2016

It will take months to resolve an accounting dispute between the auditor general and the Liberal government that has wiped \$10.7 billion from the province's bottom line.

Treasury Board President Liz Sandals said independent experts will have to determine the status of assets in two pension funds that are co-sponsored by Queen's Park.

While they have been considered government assets since 2001, Auditor General Bonnie Lysyk recently

concluded that they shouldn't be, because the province does not have ready access to the funds.

It's an actuarial clash over whether last year's deficit was \$3.5 billion or \$5 billion and whether the provincial net debt is \$294.5 billion or \$305.2 billion.

"Given the discrepancy of opinion, we do need to get some independent third-party advice to help us sort this out, because, obviously, we can't go forward with this disagreement," Sandals said Tuesday.

"We need to think a little bit about who would we want to engage to do that, what are the terms of reference, what are the questions we need to sort out. Obviously, I think that's going to be a process that's going to take several months," she said.

"When you start getting actuarial opinions and legal opinions and various people weigh in on how you should interpret the accounting standards, I don't think this is going to be a simple conversation."

Sandals said it is "legitimately a very complex accounting issue" that needs to be resolved, which is why the government released unaudited accounts.

Lysyk was not immediately available, but, on Monday, she said she changed her accounting interpretation after examining the province's claim to the co-sponsored Ontario Public Service Employees' Union Pension Plan and the Ontario Teachers' Pension Plan.

"I had my staff review that asset much more than in past years," said the auditor general, who included the pension assets when she signed off on last year's books, as her predecessors had.

Progressive Conservative Leader Patrick Brown said "the government's been caught" and now has a big hole in its fiscal outlook.

"How will the government fill this hole? Is it going to be through new taxes? Higher hydro rates? New fees? Or will the Liberals just cut services?" Brown asked.

"Every time it looks like the Liberals are hiding something, it becomes just a matter of time until they get caught," he said.

NDP Leader Andrea Horwath expressed concern over the way the government is going to the barricades against an independent officer of the legislature.

"It has been definitely a pattern of behaviour with this watchdog and others," said Horwath, referring to past disputes.

But Premier Kathleen Wynne said her government "has accepted the auditor general's numbers for this year."

Finance Minister Charles Sousa insisted Monday the disagreement does not affect his fiscal plan, because he had anticipated a \$5.7-billion deficit for last year and it was \$700 million lower than that.

Sousa stressed the Liberals will balance the books on schedule in the next budget.

Ann Doose
Issues Management & Media Relations
Treasury Board Secretariat
77 Wellesley Street, West
8th Floor, Ferguson Block
Toronto, Ontario M7A 1N3
Phone: 416 326-8533
E-mail: Ann.Doose@ontario.ca