

New - SCOPA/AG - FAO will not get involved - Toronto Star

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Please see below tonight's Toronto Star story on today's SCOPA-AG developments. The Star story relates that FAO LeClair will not comment on whether AG Lysyk or government has the right answer.

Global TV story from tonight follows the Star article. Global focus is that an external review may not be needed after AG Lysyk's comments today. Minister Sandals is quoted.

Toronto Star

Ontario budget watchdog steers clear of \$10.7B pension asset dispute

Ontario's independent budget watchdog is refusing to weigh in on an accounting dispute between the province and the auditor general that is worth billions of dollars to the treasury.



At issue is auditor general Bonnie Lysyk's sudden decision to exclude from the province's bottom line some \$10.7 billion in assets from two pension funds co-sponsored by the government. (Frank Gunn / THE CANADIAN PRESS file photo)

By [ROBERT BENZIE](#) Queen's Park Bureau Chief
Wed., Oct. 5, 2016

Ontario's independent budget watchdog is refusing to weigh in on an accounting [dispute](#) between the province and the auditor general that is worth billions of dollars to the treasury.

Financial Accountability Officer Stephen LeClair said Wednesday he will not get involved in the [fight](#) between Auditor General Bonnie Lysyk and the Liberal government.

"I will not be looking at the accounting matter," LeClair told the Star in an email.

At issue is Lysyk's sudden decision to exclude from the province's bottom line some \$10.7 billion in assets from two pension funds co-sponsored by the government. While the assets had been included for the past 14 years, the auditor general now believes they shouldn't be because Queen's Park doesn't have ready access to the money. Her decision means last year's deficit was \$5 billion instead of \$3.5 billion and the provincial net debt should be calculated as \$305.2 billion instead of \$294.5 billion. Provincial bureaucrats and the Liberal government disagree and Treasury Board President Liz Sandals will be seeking actuarial advice from third-party experts in the coming weeks. But LeClair — like Lysyk, an officer of the legislature — wants to steer clear of the disagreement even though his [mandate](#) is to provide "independent analysis on the state of the province's finances."

"This is a difference of opinion on the accounting treatment of pensions. The FAO is interested in the matter to the extent that it affects the fiscal position of the province of Ontario and will be seeking clarification from the government of Ontario and the auditor general on this matter," he said.

"However, the FAO will not comment on what is the appropriate treatment of these assets." It's unclear whether LeClair is seeking to avoid a conflict with a fellow legislative watchdog, though tiffs between rival officers have surfaced in the past.

Last week, for example, Information and Privacy Commissioner Brian [Beamish](#) chided Lysyk in a report he prepared on record-keeping at the 2015 Pan Am Games in Toronto. "The office of the auditor general requested that we respect the confidentiality of her process, particularly the working papers related to the audit. Accordingly, we were limited in the information we asked for and received from her office," Beamish wrote in a 16-page [review](#) that cleared Pan Am officials of any wrongdoing after leased hard drives were wiped. Lysyk, meanwhile, defended her change of heart on accounting practices and said she won't be swayed by any expert findings suggesting the Ontario Public Service Employees' Union Pension Plan and the Ontario Teachers' Pension Plan assets have value to the province's bottom line.

"I, as well, have external advice that I seek prior to ... addressing a significant issue so I'm really confident that we've done our homework and that we have it right," the auditor general said, dismissing the government's pension asset claim as "a notional number that doesn't have the backing of cash."

"If there isn't new information I feel pretty solid that we got it right. I have no vested interest in the outcome of this other than making sure it's right in accordance with public sector accounting standards."

GLOBAL TV NEWS WEBSITE

Accounting dispute between Ontario and auditor general may not end with external review

By Staff The Canadian Press



Bonnie Lysyk, Ontario's auditor general, speaks at Queen's Park in Toronto on Wednesday, December 2, 2015.

Darren Calabrese / The Canadian Press

TORONTO — A dispute between Ontario's Liberal government and the auditor general over the province's true deficit may be doomed to repeat itself next year.

Auditor general Bonnie Lysyk's office and public-sector accountants disagree about how a pension surplus should be counted.

Under rules the government has been using for more than a decade, the deficit for 2015-16 would be \$3.5 billion, but Lysyk says the rules should be changed and that would leave the deficit at \$5 billion. Lysyk's accounting method would also add \$10.7 billion to the net debt.

Since the government wouldn't have access to a surplus in the public servants' and teachers' pension plans, it therefore shouldn't appear on the books, Lysyk says.

The Liberals are setting up an outside expert review panel to look at the issue, but neither the government nor the auditor are bound by the panel's findings.

"I work for the legislative assembly, so if there's new information obviously I'll take it into account and see if that changes our opinion," Lysyk said. "If there isn't new information I feel pretty solid that we got it right."

Treasury Board President Liz Sandals acknowledged that the auditor general can issue whatever opinion she wishes, but an external review isn't pointless.

"We will at least have more expert advice," Sandals said, even if Ontario ends up in the same dispute next year. She did not yet know what it will cost.

The government is supposed to table its public accounts – with the auditor general's opinion – within 180 days after the end of a fiscal year, but because of the disagreement that deadline was missed this year.

Instead, the government released its unaudited financial statements but used the auditor's preferred accounting treatment.

Lysyk submitted her audit opinion Wednesday, so it is expected to be tabled in the legislature soon.

Progressive Conservative Leader Patrick Brown questioned why an external review is needed, when the auditor's function is to provide independent oversight.

"It's just bewildering," he said. "We have oversight, we have independent legislative officers. The fact the government doesn't like the fact the independent, third-party review disagrees with their numbers...It's like someone looking for a second opinion and keeps on looking for a second opinion until they get one that agrees with them."

NDP Leader Andrea Horwath suggested the dispute is political.

"We have watchdogs that are doing work on behalf of the people of Ontario and the Liberals continue to try to discredit them," she said. "That's not appropriate."

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Subject: QP Briefing - Third-party review will not change AG opinion - Oct-5-2016 - Minister quoted

MINISTER SANDALS QUOTES IN YELLOW SHADE

THIRD-PARTY REVIEW OF ONTARIO'S PUBLIC

WON'T SWAY AUDITOR GENERAL'S OPINION



A months-long, third-party audit of Ontario's financial statements for the last fiscal year may not be the charm to settle the pension spat between the government and the auditor general.

The government has [sought an independent reviewer](#) in order to clarify an accounting measure that adds or subtracts billions to the province's financial statement, depending on your vantage point. But it's unlikely to sway the auditor general's opinion.

"I as well have external advice that I seek prior to addressing a significant issue, so I'm really confident that we've done our homework and that we have it right,"

Bonnie Lysyk said following a closed session briefing at the standing committee on public accounts Wednesday.

"I have no vested interest in the outcome of this other than making sure it's right in accordance with public sector accounting standards...At this point I'm pretty confident that we got it right."

At issue is \$10.7 billion worth of assets from the Ontario Teachers' Pension Plan and the Ontario Public Service Employees' Union Pension Plan that the province has since 2001 counted on the balance sheet. The auditor disagrees, saying that because the government cannot access the funds, the figure should be added to the net debt and annual deficit. The current public accounts have been tabled using the auditor's rubric, and show an annual deficit of \$5 billion for 2015-16 (whereas the government's numbers would have shown \$3.5 billion) and that the net debt is \$305.2 billion (compared to \$294.5 billion, per the government).

"I think they got it right on the bottom line," Lysyk noted, in reference to the unaudited version of the public accounts that was tabled Monday.

Treasury Board President **Liz Sandals** trumpeted that comment from the auditor general later that morning.

Sandals could not yet say how much an independent reviewer will cost, nor could she commit to accepting whatever conclusion the independent reviewer may come to.

"Well first of all let us get it set up. As we get it set up and as we get the terms of reference approved, we'll share that with you when we get it set up." Sandals told reporters, adding, "Given that quite different advice, we would at least like to get some external expert opinion to give us some guidance on how to permanently resolve this."

The pension tension fuelled the opposition parties in that morning's question

period.

Progressive Conservative Leader **Patrick Brown** called the third-party review redundant and accused the government of cherry-picking expert advice.

"It's like someone looking for a second opinion, and keeps on looking for a second opinion until they get one that agrees with them," Brown said. "The auditor general is the third-party oversight. We can have debates here in question period, where the opposition can raise legitimate questions where the government may be wrong, but independent legislative officers have no partisan agenda."

NDP Leader **Andrea Horwath** was skeptical of the government's claim that there is no political motivation underlying the review.

"If it's going to mean that the Liberals are seen in a better light, or that they protect their own political well-being, they'll do anything. That's not appropriate," she said. "We have watchdogs that are doing work on behalf of the people of Ontario and the Liberals continue to try to discredit them. I have all confidence in the auditor general, in the work that she does on behalf of no political parties but on behalf of the people."

Lysyk added that she informed the government of her concerns over the pension assets in June. The government has said it received a written notice from the auditor general's office Sept. 13, two weeks before the legal deadline to table the public accounts.

The subject of Lysyk's committee appearance that morning was set weeks prior and dealt with Chapter 2 of her latest Annual Report, entitled Public Accounts of the Province - something she quipped was "ironic" given recent events.

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