AG Review - Pre-Election Report - Issues Summary

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Hi all,

The Office of the Auditor General will release its report on Ontario's pre-election finances tomorrow at 10:30 a.m.

Following the tabling of the report, the AG will hold a press conference in the Media Studio at 12 p.m.

The report states that the Pre-Election Report is not a reasonable presentation of Ontario's finances, determining that the Fair Hydro Plan and the accounting of net pension assets understates our deficit.

With the exception of these two items, the report concludes the majority of the province's estimates regarding revenue and program expenses are based on prudent and cautious assumptions.

<u>Pre-Election Report</u>

Topline Messaging:

- We thank the Auditor General for her response to the Pre-Election Report.
- Our government respects independent officers of the legislature, and values the important perspectives they bring.
- Our government works closely with the Office of the Auditor General on a wide variety of issues, and her oversight and insight is welcomed both during our regular interactions and during the release of special reports like this.
- Our government passed the Fiscal Transparency and Accountability Act to reflect our commitment to openness and transparency.
- The Pre-Election Report on Ontario's Finances, introduced in 2007 (part of the FTAA), was the first of its kind in Canada, and today remains one of only a few such documents in the world.
- Through the Pre-Election Report and the Auditor's corresponding analysis, Ontarians are given the information they need to make an informed decision ahead of a provincial election.
- As verified by the Auditor General, Ontario's books are prepared in

accordance with prudent and cautious assumptions that recognize the need for flexibility.

The OAG mentions two (2) specific topics that represent ongoing conversations and technical accounting disputes between government and her office.

Pension Accounting Messaging:

- The government's position regarding the accounting of pension assets has long-since been supported by a panel of well-known experts.
- We continue the use of the United States Generally Accepted Accounting Principles when the Public Sector Accounting Board's standards are silent, as they are in this instance.
- The AG continues to not accept the application of the Canadian Public Service Accounting Board Standards regarding pension accounting for the provinces jointly sponsored pension plans.
- However, in this instance, we do not agree with the assertions and conclusions expressed by the Auditor General.

Fair Hydro Accounting Messaging:

- At the core of this issue is a technical issue about if the IESO is a rate regulated agency and should thus use rate regulated accounting.
- As the change in the IESO's accounting practice has:
    - eliminated a second set of books that was previously kept,
    - has brought greater transparency to $17b worth of transactions,
    - and furthermore is consistent with the accounting practices of the IESO's predecessor, the OPA, the **government's opinion has not changed.**

- **Our government presents the provinces finances fairly and accurately and in accordance with Canadian Public Sector Accounting Standards.**

- **And the impact of the Fair Hydro Plan will be transparent in the consolidated financial statements of the province.**
- These are policy choices we made to ensure that we continue to have a clean, reliable affordable electricity system for the ratepayers of today, and the ratepayers of tomorrow.
- That's exactly what the Fair Hydro Plan has done, and what it will

continue to do into the future.

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