

Under the leadership of the Public Sector Accounting Standards Board, Canadian Public Sector Accounting Standards were developed over decades to ensure that government finances are reported transparently, and in a way that allows them to be properly compared to each other and to previous years.

The province has brushed aside these standards, which are used by all the federal and provincial governments of Canada. And these standards are the law for municipal governments.

The Ontario government has chosen to replace these standards, going so far as to create an asset in new legislation to avoid reporting the true cost of its policy decision on its financial statements.

This is a significant issue.

We sought extensive advice from the Auditors General across Canada, a former Saskatchewan and British Columbia Auditor General, and many external advisers, including the recently retired Director of the Canadian Public Sector Accounting Standards Board, Mr. Tim Beauchamp, who is here today.

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The accounting proposed by the government is wrong.

That's a really strong statement. So let me explain why we're saying it.

Ontario power producers are guaranteed a certain price for their electricity. If ratepayers get a discount on their hydro bills, someone else will have to pay the difference. Someone has to pay the piper ... right now.

That "someone" is the province. So it can either raise revenue (for example, by increasing taxes or fees), or borrow to cover the shortfall. The government has chosen to borrow.

When a government borrows to cover a shortfall between revenues and costs, what does it mean to you? It means the government has not raised enough revenue to cover its costs and has incurred a loss.

In other words, it's spending more than it has coming in. And under the government's proposed accounting, you will not see that annual loss on any financial statements in Ontario.

The government's proposal is to treat that loss as an asset. That's like you treating your credit card debt as an asset in your own books. Does that sound right to you?

In proper accounting, borrowing money and losses should result in net debt increasing and higher deficits. This is Government Accounting 101.

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