Issues summary - Doug Ford's response to AG's report

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Hi all,

Doug Ford has responded to the AG's report on Ontario's pre-election finances at a media event this morning.

He said that our government is cooking the books and that he's committed to launching an independent commission of inquiry.

The Globe and Mail has posted a video of Doug Ford's remarks from the media event.

As well, the following articles have been released in response to Doug Ford's remarks:

Media Coverage

Toronto Sun – Ford - We're going to get answers on Ontario's deficit
Kemptville Advance - Ford announces outside audit promise in Brockville
CBC - Doug Ford promises 'commission of inquiry' into Liberal deficit numbers
Hamilton Spectator - Auditor's deficit allegations could be bad news for all parties
Global News - The auditor general's report may be a gift for Ontario opposition parties
Toronto Star - Ford promises inquiry into Liberal government's books and commits to 4 per cent budget cut
CTV News - Ford says he will call a commission of inquiry into government
Global News - PC Leader Doug Ford pledges commission of inquiry into government spending

Two points in response to Ford's comments:

1.) The last time Doug Ford brought in an outside auditor was when he worked for the City of Toronto. He spent millions of dollars on external consultants to try and find services to cut and public sector workers to lay off. After the audit, his team overstated the potential savings by almost $100 million.

2.) It was our government that passed the Fiscal Transparency and Accountability Act precisely because the PC's left us with a hidden 5.6 billion dollar deficit.

Key Messaging

Topline Messaging:

We thank the Auditor General for her response to the Pre-Election Report.

And appreciate her work to ensure the public received an independent assessment of the province's finances.

The Auditor herself said that "….the Pre-Election Report provides a reasonable and somewhat cautious underpinning for the medium-term fiscal forecasts".

However, there are two issues in dispute, and they are a matter of technical accounting differences.

The government's opinions on these two matters are well supported by internal and external experts.

In both cases, our government has presented the provinces finances fairly and accurately and in accordance with the Canadian Public Sector Accounting Standards.

I just want to remind the house that it was our government that passed the fiscal transparency and accountability act in 2004 precisely because the previous government left us with a $6 billion surprise.

In response, we created legislation to ensure that financial transparency is required before an election through the release of a pre-election report.

Opposition Messaging

I'd like to remind the opposition that they themselves have accepted the very accounting treatment they are now criticising.

Essentially that have agreed with us by building the accounting treatment into the numbers presented in their platform.

If pressed on Fair Hydro accounting...

Our government made the decision to decrease people's energy bills.

It was a policy choice 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.

Mr. Speaker, when the public sector accounting standards are silent on an accounting treatment.

Accountants are told to look at best practices in other jurisdictions. That is what we did Mr. Speaker.

We turned to the U.S. Generally Accepted Accounting Principle's framework for guidance.

And that is why this is a professional disagreement.

Many jurisdictions in North America use rate-regulated accounting, which is something that is well understood in the electricity sector.

These jurisdictions include… Alberta, New York, New England, Texas and more.

Our government presents the provinces finances fairly and accurately and in accordance with Canadian Public Sector Accounting Standards. And we will continue to do so.

And the impact of the Fair Hydro Plan will be transparent in the consolidated financial statements of the province.

If pressed on whether or not we created accounting rules through legislation…

The AG has mentioned that the government created legislation to account for the Fair Hydro Plan.

We want to be clear, the Ontario Fair Hydro Plan Act, 2017 and its related regulations do not create accounting rules or legislate the accounting.

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.

If pressed on IESO…

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.**

The policies and implementation process for the Fair Hydro Plan were designed and extensively reviewed by:

- Senior staff from the Ministry of Energy, Ministry of Finance, Treasury Board Secretariat, Office of the Provincial Controller and Cabinet Office.

- The Ontario Financial Authority, the Independent Electricity System Operator, and Ontario Power Generation.

- And third-party experts from firms such as KPMG, E&Y, and Deloitte.

They have all ensured that due diligence was completed in the implementation of the Fair Hydro Plan.

For this matter, like any other, Ontario's public servants have implemented the government's direction with professionalism and dedication.

In turn, we made a decision to step up by providing substantial and lasting relief on electricity bills to make life fairer and more affordable – for all Ontario families."

If Pressed on Pension Accounting...

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.

The government's position regarding the accounting of pension assets has long-since been supported by a panel of well-known experts.

In 2016, we established the Pension Asset Expert Advisory Panel.

Our government formed this panel to provide independent advice on how public sector accounting standards are interpreted as they apply to net pension assets.

The Panel submitted a report in February 2017 on the accounting treatment for pension assets.

This report concluded that the provinces share of the surplus net pension assets for both the Ontario Teachers' Pension Plan and the OPSEU Pension Plan should be recognized in Ontario's financial statements.

The report concluded this for the following reasons:

- Recognizing the asset will provide a faithful representation of the province's financial position.
- The accounting surplus in the plan has a future economic benefit
- The government controls access to that accounting surplus
- The accounting surplus exists as the result of past transactions and events
- It would be misleading not to recognize the province's share of the assets in Public Accounts.

The government accepted the panel's recommendations which has been reflected in our financial statements.

Based on the advice of the independent Pension Asset Expert Advisory Panel, the province will continue to present pension assets on its financial statements the same way it has for the past 17 years.

Our government respects independent officers of the legislature, and values the important perspectives they bring.

However, in this instance, we do not agree with the assertions and conclusions expressed by the Auditor General.

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