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Office of the Provincial Controller Division

Accounting Updates

Briefing for the Secretary of Cabinet

June 22, 2017

Topics for Discussion

1. Accounting Issues Update
2. Update of COSO 2013 Review

1. ACCOUNTING ISSUES UPDATE

Accounting Issues – Update

(key updates in bold)

	Issue	Update
1	**Pension accounting** **-- AG request for calculation re: asset ceiling test for OTPP and OPSEU** **-- Ongoing work on adjustments unrelated to pension assets**	**-- Advice from EY sought; letter provided to AG on June 13** **-- Confirmed AG will perform the calculation at June 21, 2017 DM/AG update meeting** **-- EY engaged to assist with analysis of adjustments related to (a) timing of Provincial contributions, (b) contributions made by other employers from consolidated and non-consolidated agencies –impact to opening accumulated deficit $602M and in year deficit $116M**
2	**IFRS-US GAAP – OPG & H1** **- Decision to adopt IFRS announced** **- OPG 'preferred' approach used**	• **Specified reports on IFRS-US GAAP differences both received and provided to OAG; impact to opening accumulated deficit and net debt of $683M from ARO (excluding AOCI impact); in-year impact is an increase to annual deficit of $71M**
3	BPS line-by-line consolidation	• Restatement of prior year amounts and tables substantially complete; Work on variance analysis underway; • Restated medium-term expense outlook shows postsecondary and training sector average annual growth (3.4%) at a higher rate than health sector (3.2%) from 2015-16 to 2019-20
4	**Electricity Rate Mitigation**	• **Affordability Fund – analysis provided to AG May 4; request for additional information received June 12; OPCD in process of responding; Overview briefing provided to AG on April 19; AG comment on May 5 that she would qualify opinion in 2016-17 for use of regulatory accounting by IESO**
5	Cap & trade proceeds -- Revenue from 1st auction to be reported in 17/18	• Auction certified on April 3rd, agreement with AG on year revenue is recognized – 2017/18
6	Metrolinx MOU with City of Toronto	• Agreement not signed before year-end
7	Year-end transfer payments	• Worked with ministries re: year-end transfers; in all cases that OPCD was consulted on, funds disbursed before year-end
8	**Contaminated sites – i. OAG follow-up audit, ii. New liabilities in 2016-17**	**i. Follow up audit – no additional requests received from OAG** **ii. MNDM -- $100M recorded in 2016-17 (inc. Essar); monitoring Grassy Narrows**
9	Other GBE issues (H1 sale; Brampton sale)	• Documentation provided to AG
10	**EDU Remedy**	• **Monitoring settlements – not expecting to change accrual in 2016-17; OAG briefed on June 20; will disclose ETFO decision to return to court re: amount of settlement**

2. UPDATE OF 2013 COSO REVIEW

Internal Controls Over Financial Reporting

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Relevance to the Public Accounts

- The internal control framework provides reasonable assurance that Public Accounts:
  - Fairly represent the province's financial position
  - Are free from material misstatement arising through significant errors or omissions
  - Appropriate accounting principles were consistently applied during the reporting period

Accomplished through

- Single end-to-end enterprise vision of internal control expectations and requirements:
  - Effective tools, systems and processes that are continuously reviewed & improved
  - Capable, professional, trained staff
  - Outreach and consultation across the OPS
  - Well established internal control roles and responsibilities across:
    - Ministries
    - Office of the Provincial Controller Division (OPCD)
    - Ontario Internal Audit Division (OIAD)

OPS Activities supporting Public Accounts

- In 2013 OPCD commenced a project to review and update the existing OPS Internal Control Framework in light of updates to the "*COSO Internal Control – Integrated Framework*" *(standard for Internal Control)*
  - A 2013 external consulting review found opportunities to improve integration of control activities across the OPS.
  - To address these opportunities OPCD working with ministries and internal audit have updated the ICF framework, tools, supports and approach and have conducted a number of pilots to test their implementation.
  - The results of these findings have been built into an implementation plan for the revised ICF requiring ministries to fully implement the framework over a three year period.

- At this point in time there is opportunity to procure external support to:
  - Assess the revised framework and implementation plan to determine how effectively it provides assurance over the preparation of Public Accounts.
  - Support communications activities and confidence in Public Accounts processes.