July 13, 2017

FINANCIAL ACCOUNTABILITY OFFICER'S 2017 ANNUAL REPORT

On July 13, 2017, the Financial Accountability Officer of Ontario released his 2017 Annual Report.

SUGGESTED RESPONSE

- **I would like to thank the Financial Accountability Officer (FAO) for releasing his annual report. We value the important role and contribution of the FAO in providing an independent analysis on the state of the province's finances to the Legislative Assembly.**

- **Ontario was the first province to establish an office of this kind in 2015. We are committed to openness and transparency and working collaboratively with the FAO.**

- **I am pleased the FAO has acknowledged our recent efforts to provide the Office with greater access to information he needs to fulfill his statutory mandate.**

    - **Ontario passed an Order in Council (OIC) which authorizes ministries and public entities to share a wider range of information with the FAO, even if the information is contained in a Cabinet record.**

- **Guidelines and protocols are in place to ensure ministries and public entities fulfill the requirements of the FAO Act in a consistent and timely manner.**

- **Increasing financial openness is part of the government's plan to work collaboratively, attract investment, create jobs and help people in their everyday lives.**

BACKGROUND

Summary: 2016–17 Activities

On July 13th, 2017, the Office of the FAO released its Annual Report, which outlines the work completed by the Office in fiscal year 2016-17 (April 1, 2016-March 31, 2017) as required by the Financial Accountability Officer Act, 2013 (FAO Act).

In 2016–17, the FAO published four reports including:
1) Ontario Health Sector: Expense Trends and Medium-Term Outlook Analysis (January 2017);
2) Cap and Trade: An Assessment of the Fiscal Impact of Cap and Trade Analysis (January 2017);
3) Economic and Fiscal Outlook: Assessing Ontario's Medium-term Prospects – Fall 2016 Update (November 2016); and
4) Economic and Fiscal Outlook – Assessing Ontario's Medium-term Prospects Spring 2016 (based on the 2016 Budget) (May 2016).

In 2016–17, the FAO published 11 commentaries examining topics such as Ontario's business investment projections, comparing provincial fiscal performances, and Provincial debt among others.

In addition, two backgrounders were published by the FAO in 2016-17 relating to Ontario Service Fees in 2016-17 and Credit Rating Agencies satisfaction with Ontario's progress to Fiscal Balance.

During the 2016–17 fiscal year, the FAO has made seven information requests to ministries and public entities; four of these requests have been fulfilled and are awaiting FAO next steps and three requests are ongoing.

No.	Information Request	Date Received	Date Responded	FAO Publication Date
1	Correctional Service System (FA1707)	March 17, 2017	March 31, 2017	Awaiting Draft Report
2	Personal Income Tax (FA1608)	March 15, 2017	No Response Date Set	-
3	Fair Hydro Plan	March 14, 2017	March 31, 2017	May 24, 2017
4	Provincial Highways Cost Analysis (FA1701)	March 10, 2017	No Response Date Set	-
5	Business Support Programs (FA1613)	August 24, 2016	March 17, 2017*	-
6	Refurbishing Nuclear Reactors in Ontario (FA1612)	July 4, 2016	March 28, 2017	Awaiting Draft Report
7	Provincial Assets (FA1508 2 a-i)	April 6, 2016	August 3, 2016	Awaiting Draft Report

*the FAO had follow-up information requests related to this item that were responded to at a later date.

Supplementary: Ontario's Economy

Ontario's economy remains strong and has continued to grow and create jobs in an uncertain global environment. Ontario has been one of the fastest growing provinces over the last three years and private-sector economists expect that will continue over the next two years.

As a leader in economic growth, the government is set to balance the budget this year and maintain a balanced budget for the next two years.

The government has a strong track record of beating its fiscal targets. In fact, for the 2016–17 fiscal year, the government is forecasting a deficit of $1.5 billion, beating our annual deficit target again, for the eighth year in a row.

Ontario has recorded stronger economic growth than Canada and all other G7 countries over the 2014 to 2016 period, with real GDP rising 2.6 per cent a year. It should be noted that the FAO's real GDP projections are modestly stronger than the 2017 Budget outlook over the 2017 to 2020 period.

This shows that our plan to make strategic investments in Ontario to grow the economy is working.

A balanced budget is providing the Province the fiscal flexibility to invest more in health care, education and other public services that matter most to Ontario families.

It also adds stability to Ontario's finances and positions the government to better respond to demographic challenges and unexpected global economic shocks that the province may face over the next decade.

Background: Mandate of the FAO

Under the FAO Act, the FAO has a mandate to provide independent analysis to the Assembly about the state of the province's finances, including the Ontario Budget, as well as trends in the provincial and national economies.

In addition, at the request of a legislative committee or an MPP, the FAO could undertake research on the financial cost or benefit to the province of any public bill.

The FAO could also be asked to review and estimate the financial cost or benefit to the province of any proposal that relates to a matter over which the Legislature has jurisdiction, such as the establishment of a new program.

Access to Information

Under section 12 of the FAO Act, ministries and public entities must provide the FAO any financial, economic or other information that is in the custody or under the control of the ministry or public entity and that the FAO believes to be necessary to the perform his/her duties under the FAO Act.

Exemptions are provided with respect to Cabinet records, personal information and personal health information.

With respect to Cabinet records, section 12(2) of the FAO Act and section 12(1) of the Freedom of Information and Protection of Privacy Act, 1990 (FIPPA) prohibits a ministry or public entity from disclosing to the FAO any record that would reveal the substance of deliberations of the Executive Council or its committees unless:

- The record is more than 20 years old; or,
- The Executive Council, for which the record has been prepared, consents to access being given.

The FAO would be permitted to disclose information he/she is given but only if the disclosure would be essential to the performance of his mandate and other conditions are satisfied.

Order in Council

On October 5, 2016, the government signed an Order in Council (OIC) authorizing ministries and public entities to share a wider range of information with the FAO.

The OIC represents the current Executive Council's consent to provide the FAO with greater access to financial, economic and other information contained in Cabinet records.

The OIC applies only to the Cabinet records that have been prepared for the current Executive Council, while personal information and personal health information continue to be exempt from disclosure to the FAO, as are Cabinet records of a previous government.

The OIC authorizes ministries and public entities to provide to the FAO financial, economic and other information contained within Cabinet records that relate to:

- The Province's finances, budget and trends in provincial and national economy;
- The estimates and supplementary estimates submitted to the Legislature;
- The financial costs and benefits of any public bills before the Assembly; and
- The financial costs and benefits of proposals made by the Government or any member of the Assembly.

This information may be provided to the FAO provided that:

- The information has been requested by the FAO;
- The information is not available through other sources;
- Cabinet's policy or financial decisions to which the requested information relates have been announced to the public or tabled with or disclosed to the Legislative Assembly;
- The requested information is provided in a format that does not reveal other information provided by subsection 12(1) of FIPPA;
- The information would not reveal personal information or personal health information; and,
- The FAO agrees not to disclose the information without the consent of the Executive Council.

The Ministry of Finance has prepared a "Protocol for Interaction with the Financial Accountability Officer of Ontario," which provides ministries and public entities with guidelines and best practices for fulfilling their legislative responsibilities under the FAO Act and the OIC in a consistent and timely manner.

Appointment and Accountability

According to section 2 of the FAO Act, the FAO is selected by a panel consisting of one member from each recognized party, chaired by the Speaker of the Assembly who is a non-voting member.

Under section 14 of the FAO Act, the FAO is required to prepare an annual report, which summarizes the work of the office. Annual reports, along with the FAO's other reports, are referred to the Standing Committee on Finance and Economic Affairs for their review and comments under section 16 of the FAO Act.

The FAO is also subject to financial and performance audits by the Auditor General under section 5 of the FAO Act.

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