Office of the Provincial Controller Division

2016-17 Public Accounts Planning

Briefing Deck

DRAFT

June 1, 2017

Purpose

- To provide an overview of
  - Key Public Accounts deliverables
  - Consideration of other financial reporting products
  - Impact of BPS line-by-line presentation
  - Current accounting issues
  - Key dates and considerations
  - Planning timelines

Public Accounts Deliverables

1. **2016-17 Annual Financial Report, including**
   - Financial Statement Discussion and Analysis (FSD&A)
     - Discusses the Province's actual results against Budget, prior year and earlier years' actuals
     - Discusses indicators of financial condition and other information
   - Audited consolidated financial statements (CFS)
   - Management's Statement of Responsibility
     - Province's acknowledgement of responsibility for effectiveness of internal controls and the objectivity and integrity of the CFS and related notes
   - Auditor General's Audit Opinion
     - The AG's opinion that the financial statements are fairly stated
     - Expect qualified opinion for recognition of OTTP/OPSEU pension assets and inclusion of IESO regulatory assets/liabilities in the Province's financial statements
2. **Supplementary Volumes 1, 2, 3**
   - **Appendix 1** provides further details
3. **Various Communication Products**
   - News release, Q and As, briefing binders (limited distribution)

Financial Statement Discussion & Analysis

- **Purpose** – Enhances users' understanding of the government's actual results compared to the approved Budget and prior years' results
- **Process –**
  - Identification of potential themes consistent with other public documents
  - Drafting content of FSD&A with input from stakeholders
  - To circulate drafts/extracts of FSD&A for feedback and suggestions
  - Oversight to Public Accounts process (compilation, production, audit issues and communications) by a Public Accounts Steering Committee
  - TBS and MOF Ministers approval obtained on final version which is shared with PO
  - This year, we will follow a more streamlined distribution and sign-off process by communicating expectations and timelines well in advance.

Consideration of Other Financial Reporting Products

- Consistency of messaging and results between the Public Accounts and other financial reporting products is important, including:
  - **1st Quarter Economic Accounts** (July – due by 45 days after Statistics Canada publishes quarterly information)
    - First public update on economy following Budget release
    - Previews messaging of 1st Quarter Finances (in-year outlook)
  - **1st Quarter Finances (release on or before August 15th)**
    - Signals governments performance against Budget plan
  - **Other**
    - 2017 Budget
    - Pre-Election Report

Impact of BPS Line-by-Line Presentation

- Presentation change only, which has no fiscal impact, i.e. no impact to annual deficit, net debt or accumulated deficit
- The revenues and expenses will be grossed up by the same amount of BPS third-party revenues
  - BPS direct receipt of federal transfers will be reported as revenue from Government of Canada
  - BPS fees, donations and other revenues will be reported as provincial revenue
  - Program spending of MOHLTC, EDU and MAESD will increase
  - Interest on debt (IOD) expense will increase by reflecting net interest expense on BPS debt

Impact of BPS Line-by-Line Presentation (cont'd)

- Impact to key financial indicators
  - No change to indicators related to the annual deficit, net debt or accumulated deficit
  - Favorable impact to debt charge to total revenue and net debt to total revenue
  - Program spending per capita will increase, but is expected to remain the lowest based on the restated interim results
- 2016 Budget and historical results have been restated reflecting line-by-line consolidation of BPS sectors.
- OPCD is working with stakeholders on the line-by-line variance analysis
  - See Appendix 2 for the impact of line-by-line presentation

Current Accounting Issues

- **Pension:**
  - OPCD currently reviewing and refinement of adjustments for pension plans (adjustments will impact annual deficit, opening balance sheet and net debt)
  - Awaiting feedback from OAG on pension assumptions.
  - AG has not accepted Province's position on net pension assets for OTPP and OPSEUPP and we would expect that she will qualify her audit opinion for 2016-17 Public Accounts
- **Hydro Sector IFRS:**
  - OPG and H1 to be reported on an IFRS basis effective April 1/16 (AG supports)
  - Change from US GAAP to IFRS will have a transitionary impact of $1.1B on the Province's opening accumulated deficit, impacting net debt
  - Change will also impact annual surplus/deficit in current and future years

Current Accounting Issues

- **Remedy:**
  - EDU plan to update AG late May/early June on status of negotiations (OPCD/EDU will monitor and track the status as potential subsequent event item)
- **OMA Negotiations:**
  - MOHLTC will submit Arbitration Framework for TB approval indicating that there will be no retroactive adjustment/payout for services prior to April 1, 2017.
  - OMA ratification of Arbitration Framework scheduled for mid-June 2017.
  - Impact on 2016/17 Public Accounts unlikely – will continue to monitor.
- **Contaminated Sites:**
  - AG VFM Follow-up audit on-going
  - Grassy Narrows analysis from MOECC outstanding (AG briefing has occurred)

Key Dates & Considerations

- **Public Accounts Planning Meeting**
  - Meeting occurred between AG and Deputy Ministers of TBS and MOF to discuss audit plan and select issues (Mar. 24)

- **Ministers' Offices Briefings on Public Accounts** – Early June
  - To provide overview of Public Accounts process and timelines

- **Public Accounts Steering Committee Meetings** – (Jun-Aug)
  - Kickoff meeting June 15th
  - Results meetings throughout July and early August
  - Refer to Appendix 2 for composition and role of the PAS Committee

Key Dates & Considerations (cont.)

- **Fiscal Prep Committee Briefing** – mid to late August (TBD)
  - Focus on consolidated results, including variance analysis
- **Expected audit opinion date** – August 18, 2017
  - Management Representation Letter (to be signed by DM)
  - Meeting between AG and Deputy Ministers to discuss audit findings and the AG's error summary (Summary of Unadjusted Differences) after which the signed audit opinion letter will be provided
- **Release date** - Late August
  - FAA legislated release within 180 days after the fiscal year-end (September 27, 2017)
  - 2015/16 release date (Audited version of PA- Oct 6, 2016)
  - 2016/17 - tentative date for planning purposes August 28, 2017

Draft Timeline

W/E May
- CFS Pro-forma to AG (includes BPS LBL and pension restatement)
- Initiate Public Accounts internal production meetings

W/E July 8th
- Consolidated Operating General Ledger (COG) updated for agencies and BPS data
- High level update on preliminary consolidated results

W/E July
- OFA finalizes debt note
- MOI provides expenditure table
- PASC – TBD
- MO briefing on preliminary consolidated results.

W/E Early August
- PASC meeting TBD - on final consolidated results with detailed variance analysis.
- AG completes audit fieldwork
- Fiscal Prep Briefing – TBD
- Draft AR and Foreword shared with AG

- Cabinet approves CFS for release (TBC)
- Q&As and Briefing Materials Finalized
- Potential PA Release:- (Aug 28th –TBD)

May end/June
Consolidation analysis

July
Finalizing statements and audit enquiries

August
Communications & Production

Sept.

W/E June End
- June HST estimates from Federal DoF
- CIT data – Jun 30th
- IFRS number OPG/H1(mid Jun)
- Planned Minister's Office briefing on Public Accounts – TBD

W/E July 28th
- 2016 Tax Revenue Data (PIT, OHIP, EPT and other tax credits)
- Legal Letter to OAG on liabilities
- Receive draft Foreword from MO

W/E August
AG signoff – Aug 18th
Plan PA release – late Aug
- Q1 Finances (Aug. 15)
- Public Accounts volumes to print
- CFS and MD&A finalized and signed off
- Receive Auditor's Opinion and provide Letter of Representation
- Receive final Foreword from MO
- MO/DMO signoff on final AR

Statutory deadline for release (September 27, 2017)

Updates on Financial Results

- **Two update points**
  - **Mid July** – Update on preliminary consolidated results, including:
    - Consolidated actuals and preliminary deficit range
    - Actual expense by ministry with placeholders for outstanding or unresolved matters
    - Revenue by source with placeholders for outstanding tax accruals
    - Ranges of variance identified to measure risk of changes in results, including potential impacts from unresolved reporting items
  - **Late July / Early August** – Update on preliminary consolidated results, including:
    - Final 2016-17 fiscal results and associated debt, net debt and accumulated deficit
    - Tax revenue numbers (PIT data Jul 28th)
    - Detailed analysis for significant variances
    - Final error summary (SUDS) for confirmation with OAG

Appendix 1: Supplementary Volumes to the Public Accounts

- **Volume 1:**

  Consolidated Revenue Fund (CRF) schedules and ministry statements on an accrual basis

- **Volume 2:**

  Financial statements of selected Crown Corporations, Boards, Commissions, and other miscellaneous statements

- **Volume 3:**

  Details of transfer payments and vendor payments by ministry (including salary and benefit payments to non-government entities), statutory salaries of Ministers and Parliamentary Assistants, and travel expenses of Ministers, Deputy Ministers as well as specific individual ministry staff where expenses exceed threshold

Appendix 2: BPS Line-by-Line Impact

Appendix 2: BPS Line-by-Line Impact (cont'd)

Appendix 2: BPS Line-by-Line Impact (cont'd)

Appendix 3: Public Accounts Steering Committee

Legend
OTB – Office of the Treasury Board
OB - Office of the Budget
OEP – Office of Economic Policy
OAG – Office of the Auditor General

Public Accounts Steering Committee

- Includes ADMs from OTB, OEP, OB, Tax, Comms and others
- Chaired by OPCD ADM

Communications Matters

- Involvement of MO/DMO/OPCD/ Communications
- Collaboration between OTB, OB, OEP on Management Discussion and Analysis and briefing materials
- Consideration of Q1/ Economic Accounts /Public Accounts impacts and messaging

Accounting and Audit-related Issues

- Involvement of OPCD/Associate DM/ DM/OAG/respective ministries

Production-Related Issues

- Production Committee (OPCD/BudSec/ Communications)
- Updates to MO as required