

# Fw: Commentators: Auditor general gets called out for a bad call - Toronto Star

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Infomart Alert for: **Commentators**



## Auditor general gets called out for a bad call

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Byline: **Martin Regg Cohn**

An auditor general is a pillar of democracy and accountability. Across Canada they are cult heroes, calling out incompetence and corruption in government.

But even a watchdog can lose the scent - and bark up the wrong tree. Or worse, miss the fiscal forest for the trees.

For the job requires not just independence but context. To be truly credible, an auditor general must fearlessly expose government boondoggles but also fess up to her blunders.

Ontario's auditor general, Bonnie Lysyk, has been calling out government waste and wrongdoing for years. But she is getting bogged down in battles that stray from generally accepted accounting principles, wandering into uncharted territory and making it up as she goes along.

Now, she has been caught out in a \$10.7-billion miscalculation.

This is not an arcane accounting exercise. If the auditor refuses to revise her opinion, it could potentially raise our borrowing costs at the expense of all taxpayers.

In an unprecedented rebuke, an outside panel of independent experts - top specialists in accounting, actuarial and pension standards - reviewed the auditor's work and found it wanting. Their verdict, released Monday, is that she was dead wrong to demand the government deduct all those billions from the books.

Lysyk's lack of diligence - now overdue - is a damning indictment of an auditor gone awry.

Her mistake was to conclude that the government's share of ongoing surpluses in two jointly sponsored public pension plans could never be counted as budgetary assets. She argued that any pension deficit would, of course, count as a liability on the government's books, but not the reverse.

This was a 180-degree reversal of the previous auditor's ruling in 2002 that the Progressive Conservative government of the day could count any surplus as an asset. Oddly, Lysyk dropped her multibillion-dollar bomb ahead of the spring budget deadline, set by the Liberals long ago to eliminate the deficit - putting them in an awfully awkward spot with a 2018 election looming.

It's difficult for any sitting government to take on an auditor's godlike status directly, so the Liberals assembled a four-member outside panel of unimpeachable expertise. It is led by Tricia O'Malley, a member of both the Canadian Accounting Standards Oversight Council and Canadian Actuarial Standards Oversight Council (which she formerly chaired).

Her panel reviewed Lysyk's analysis, considered the counter-arguments of civil servants, and reached its own conclusion: Of course a surplus counts as an asset.

Not because the government can plunder a pension fund at will - it can't. But a surplus gives an employer the option to reduce its contributions in future years - provided there's enough money to go around (bearing in mind that governments don't go out of business, so there is no real risk of pension depletion).

Not counting that surplus as an asset would be a distortion of the government's true financial picture, the panel concluded. Experts at OPTrust, one of the joint pension plans with a surplus, reached a similar conclusion last week.

Yet Lysyk is sticking to her stance - so far.

On Monday, her office announced she wouldn't make any comment until further notice. Yet she has been sitting on their report for more than two weeks and received an advance briefing from the panellists.

When I contacted Lysyk for a column last week on the panel's findings, she remained unequivocal: "We did our homework," she insisted.

But she failed the real test. O'Malley told reporters Monday that her panel also did its homework, and that the auditor's office was caught off guard when more extensive international accounting rules were brought to their attention.

Still, the auditor isn't budging: "Nothing - nothing at all - has come to my attention at any point in time, on anything, that would change the statements," she said. "I wouldn't have taken such a position if I wasn't comfortable that we were rock solid."

This is the latest in a long line of questionable judgment calls by the auditor. The difference, this time, is that her bad call was called out by the equivalent of a videotape replay - a de facto audit of the auditor. Much of her office's work provides valuable oversight of a sprawling, \$134-billion government. But she overreaches too often - conducting opinion polls as proof points to her populist positions, defying the laws of economics on electricity pricing, or demanding more power to meddle in government advertising - undermining her credibility and independent judgment.

An auditor general can enjoy godlike legitimacy in Canada. But independence isn't infallibility - not when the numbers don't add up.

**Martin Regg Cohn's** political column appears Tuesday, Thursday and Saturday. [mcohn@thestar.ca](mailto:mcohn@thestar.ca),

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Illustration:

• Ontario Auditor General Bonnie Lysyk's lack of diligence is a damning indictment of an auditor gone awry, **Martin Regg Cohn** writes.

• Christopher Katsarov/THE CANADIAN PRESS file photo

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