TBS

Office of the Provincial Controller Division

2017-18 Public Accounts Planning

Briefing Deck

June 13, 2018

Purpose

- To provide an overview of
  - Key Public Accounts deliverables
  - Consideration of other financial reporting products
  - Current accounting issues
  - Key dates and considerations
  - Planning timelines / updates

Public Accounts Deliverables

1. **2017-18 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
     - Enhanced performance discussion and indicators – under review for 2017-18
   - 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 – target date of August 17 per Audit Plan
     - Potential for qualifications or adverse opinion: 1) OTTP/OPSEU pension assets; 2) IESO market accounts; 3) debt and rate-regulated asset/expense reporting for electricity rate reduction
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 –**
  - Drafting content of FSD&A with input from TBS/MOF/ministry stakeholders
  - Variance explanations will be a fact-based summary of the key material drivers in neutral language (e.g. most significant variances)
  - To circulate drafts/extracts of FSD&A for feedback and suggestions
  - Regular progress updates to Public Accounts Steering Committee (compilation, production, audit issues and communications)
  - TBS and MOF Ministers approval obtained on final version which is shared with PO
  - This year, the Strategic Alignment Office will provide co-ordination support through the distribution and sign-off process (similar to PER) and will communicate expectations and timelines well in advance.

Consideration of Other Financial Reporting Products

- To consider alignment of content or reasons for differences between recently issued report and reports to be issued prior to release of Public Accounts:
  - **2018 Pre-Election Report**
  - **1st Quarter Economic Accounts (released by July/Aug?)**
    - First public update on economy following Budget release
    - Previews messaging of 1st Quarter Finances (in-year outlook)
  - **1st Quarter Finances (released by Aug?)**
    - Signals governments performance against Budget plan

Current Accounting Issues

- **Pensions:**
  - Currently, there has been no change contemplated for the pension accounting for OTPP/OPSEUPP in 2017-18
  - OPCD staff are engaging discussions with OAG staff re: the governance of the OPSEUPP and whether there is any resolution on this plan; OTPP is more material and has a difference structure
- **Accounting for lower electricity prices:**
  - IESO and OPG financial statements at December 31 reflect the accounting for the structure currently in place, but the consolidated financial statements will need to be updated for any decisions of the government prior to release such as:
    - Impact of legislative change, change in future recovery from ratepayers, change in financing of structure

Other Accounting Issues

- **Contingent liabilities / Indigenous settlements**
  - Contingent liabilities for issues which exist at March 31 that are not finalized but are likely to result in a cost and can be reasonably measured must be accrued in the year

- **Hydro One / OEB ruling on deferred tax benefit**
  - Decision pending by the OEB on the deferred tax benefit accrued by Hydro One and whether some of that benefit should be applied to the ratebase is outstanding – a decision by the OEB prior to the release of the consolidated financial statements would be reported; the decision timeframe for an OEB ruling is unknown

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
  - Updated Audit Planning Report received May 16
  - Next meeting June 21

- **Ministers' Offices Briefings on Public Accounts** – start early July
  - To provide overview of Public Accounts process and timelines
  - Preliminary results and status updates (July/Aug)

- **Public Accounts Steering Committee Meetings** – (Jun-Aug)
  - Kickoff meeting June 13th
  - Results meetings throughout July and August
  - Refer to Appendix 2 for composition and role of the PASC

Key Dates & Considerations (cont.)

- **Other Committee Briefings** – mid to late August (TBD)
  - Focus on consolidated results, including variance analysis
- **Expected audit opinion date** – August 17, 2018
  - Management Representation Letter (to be signed by DMs and Provincial Controller)
  - 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** - TBD
  - FAA legislated release within 180 days after the fiscal year-end (September 27, 2018)
  - 2016/17 release date – September 7, 2017

Key Activities

May

- Regular meeting with OAGO staff (bi-weekly) to discuss issues
- Receive all ministry and consolidation organizations information
- Present preliminary results (excluding updated corporate/personal tax)

June

- Commence updates to PASC
- Work with ministries on identified issues raised during audit
- Finalize consolidation impacts (BPS due mid-June to OPCD)

July

- Receive update for corporate/personal tax revenue estimates
- Review final schedule of unadjusted differences (SUDs)
- Finalize consolidated financial statements
- Development of FSD&A section

August

- Audit work wraps-up; final legal letter update disclosure
- Receive audit opinion from the AG; sign and deliver management representation letter
- Obtain final Cabinet approval; release date is set
- Prepare final communications materials

Release of Public Accounts of Ontario
(statutory deadline – September 27 (180 days after March 31)

Updates on Financial Results

- **Two update points**
  - **Early 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 27th – TBC)
    - 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: Public Accounts Steering Committee

TBS

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 DMs, 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