Office of the Provincial Controller Division

Accounting Issues Update

Briefing to Secretary of Cabinet

January 13, 2017

CONFIDENTIAL DRAFT– FOR DISCUSSION ONLY

Topics for Discussion

1. Status of Key Accounting Issues
2. Pension Panel Next Steps
3. Consolidation Options for Hydro One and Ontario Power Generation on the Province's Financial Reports
4. Furthering our work on a legislated audit committee

1. STATUS OF KEY ACCOUNTING ISSUES

Purpose

- To provide an update on key accounting issues with significant potential fiscal impact

Summary

TBS

	Issue	Fiscal impact in 2016-17	Reflected in FES	Multi-year impact
1	Pension accounting	$2.2 Billion	Yes	Yes
2	IFRS-US GAAP differences – OPG and H1	$1 Billion	No	Yes
3	Cap & trade proceeds	$478 Million	No	Likely not
4	Metrolinx MOU with City of Toronto	TBD	No	Yes
5	Year-end transfer payments	TBD	No	Yes
6	Changes to consolidation (how and what)	N/A	No	Yes
7	Follow up audit – contaminated sites	TBD	No	Yes
8	Other GBE issues (H1 sale; unrealized gains/losses)	TBD	No	Yes

Key issues and status

1. **Pension Asset Accounting**
   - Fiscal impact included in FES based on AG's position ($2.2 Billion in 2016-17, higher amounts in out-years)
   - Status:
     - Panel conclusions to agree with accounting for OTPP and OPSEUPP; report on HOOPP and CAATPP to follow
     - Work streams in place re: communication plan following Panel's completion of report, including potential sharing of draft by Panel with AG
     - Procurement underway for external actuarial advisor for valuation analysis
     - Updated estimates of pension liability and expense expected in February
     - Options identified contingent on AG's response to Panel's recommendations
2. **Consolidation reporting basis for Hydro One and Ontario Power Generation** (US GAAP vs. IFRS)
   - FES reflects US GAAP based results for OPG and H1
   - Net difference between US GAAP and IFRS for 2016-17 could be as high as $1Billion (increase to deficit), depending on basis of estimation used for OPG's nuclear asset retirement obligation
   - Status
     - Estimated impacts received from OPG over fiscal planning period
     - OPCD working with OPG and H1 on supplementary audit requirements
     - Options for 2016/17 under assessment, including conversion to IFRS, legislated accounting, standard setter engagement,

Key issues (continued)

3. **Cap and Trade accounting** (accounting for auction proceeds)
   - $478 M auction proceeds reflected in FES for fiscal 2016-17
   - First auction scheduled for March 22, 2017; Emission Allowances (EAs) transferred to participant account several weeks later (likely in fiscal 2017-18); preliminary accounting assessment – revenue is recognized when EAs are transferred to participant accounts, meaning revenue recognized in fiscal 2017-18
   - Status:
     - Initial, high level consultations with OAG commenced in December
     - Detailed discussion with OAG scheduled for January 16th with anticipated OAG response to accounting by end of January

4. **Accounting for Transit Assets** (Metrolinx MOU with City of Toronto)
   - FES continues to assume assets will be Provincially controlled (TCA, depreciation impacts vs. transfer payments)
   - Accounting risk – if assets assessed as non-controlled, assets would be written off of Province's balance sheet and considered transfers to the City of Toronto
   - Status:
     - OPCD stakeholdering with Metrolinx ongoing
     - Discussions expanded to also include PwC (Metrolinx's external auditor) and MTO
     - Metrolinx accountability to identify potential accounting risks clarified
     - Metrolinx may engage PwC to issue an accounting opinion based on Agreement in Principle

Key issues and status

5. **Accounting for transfer payments** (year-end transfers)
   - Audit issues during 2015-16 Public Accounts reversed planned accounting for Green Investment Fund expenditures ($325M)
   - Expenses originally planned to be reported in 2015-16 to be reported in 2016-17 (reflected in FES)
   - Status:
     - No anticipated year-end transfers expected at this time
     - Updates on 2015-16 experience provided to financial community
     - OPCD met with OAG to explore opportunities to clarify guidance for 2016/17 and future years
     - Once confirmed, revised guidance will be communicated by OPCD
6. **Consolidation** presentation (minimal fiscal impact)
   - AG preference for line by line consolidation of hospitals, school boards and colleges on statement of operations, and consolidation of Children's Aid Societies
   - Fiscal impact of changes immaterial with no significant enhancement to transparency; however, change in presentation would impact key performance indicators (e.g. IOD)
   - Status:
     - OPCD stakeholdered with contacts from sector ministries, CPD, PEMD to assess potential implications for 2017 Budget
     - Working through alternatives re: timing of changes for both issues

Key issues and status

7. **AG Follow-up audit on VFM audit for contaminated sites**
   - No specific fiscal risks identified to date for 2016-17, consistent with results of 2014-15 and 2015-16 Public Accounts audits)
   - Status:
     - OPCD and OIAD discussing readiness review by OIAD in advance of the OAG's follow up audit to provide assurance re: completeness of liabilities as of March 31, 2017
8. **Accounting for other GBE transactions**(H1 sale, Brampton Hydro sale, etc.)
   - Accounting for Hydro One HoldCo as a GBE
   - Tranche 2 of Hydro One sale – included sale of shares to OPG (related party) – gain on sale of those shares will be deferred
   - Brampton Hydro sale expected in February
   - Status:
     - OPCD assessing and documenting analysis to share with OAG
     - Any issues to be expedited for resolution by end of March, if possible

2. PANEL REPORT – NEXT STEPS

Pension Asset Expert Advisory Panel Update

- The Panel has completed their report. The main focus is on the Ontario Teachers' Pension Plan and the Ontario Public Service Employee' Union Pension Plan.
- The Panel agrees that the net pension asset should be recognized in the Province's financial statements and no valuation allowance is required for either accrued benefit asset recognized in the Public Accounts.
- The report is now expected to be finalized during the week of January 23rd. The Panel will be reviewing the final edits to the report during the week of January 16th.
- The Healthcare of Ontario Pension Plan and the Colleges of Applied Arts and Technology Pension Plan will be in a supplemental report expected by early February.

Pension Asset Expert Advisory Panel Update

- The Chair of the Panel will be briefing the Minister on Tuesday, January 17th.
- The Chair will provide the Auditor General with an advance copy of the report. A letter has been drafted, with input from Communications and Legal, to be sent by the Chair to the Auditor General upon approval by the Minister's Office.
- The letter includes an offer by the Chair to meet with the Auditor General to discuss the Panel's findings.

3. CONSOLIDATION OPTIONS FOR HYDRO ONE AND ONTARIO POWER GENERATION

IFRS vs. US GAAP Differences for OPG and H1

TBS

Risk:	High
Impact in 2016-17 :	$ 1.0 B ((initial ARO estimation approach) $ 75 M (OPG's and OPCD's preferred estimation approach) (H1 differences immaterial)
Multi-year impact:	Yes (see slide # 9 – OPG ARO impact)
Impact included in FES:	No
Description of issue:	PSAB requires consolidation of OPG and H1 on an IFRS basis, whereas results for OPG and H1 are consolidated on a US GAAP basis in the Public Accounts (which is consistent with OPG and H1 reports to securities regulators and the OEB)
Current status:	Estimated difference between IFRS and USGAAP for 16/17 is $1B based on initial approach used by OPG to estimate asset retirement obligation on nuclear facilities; however, during 2016 OPG identified and communicated an alternative (preferred) estimation methodology which would result in a $75M comparative impact on the 2016-l17 annual results. The Auditor General has stated that she would use the original methodology to assess the error for audit purposes, unless the government adopts IFRS.
Options under consideration:	(a) Continue to report OPG and H1 on a US GAAP basis in the CFS • Option to re-approach PSAB (standard setter) for re-consideration our position • Without a change in the standards (which is unlikely), the accounting would be required to be legislated (b) Report OPG and H1 on an IFRS basis in the CFS (c) Report OPG on IFRS and H1 on a US GAAP basis Under option a) also consider changes to the AG Act to require AG to issue audit opinion based on Province's accounting policies based on PSAB & legislation. Expect opinion to be qualified.
Timing of expected resolution:	2017 Budget -Legislative changes could be considered as part of Spring Bill -Consider changes to basis of reporting for OPG/H1 to be reflected in Budget
Province's ability to influence:	Province has limited ability to influence PSAB or the AG.
Role of other ministries:	Ministry of Energy is aware of ongoing considerations and stakeholdering with OPG and H1; OEFC involvement as necessary where potential impacts on f/s or audit opinion.

Background and Auditor General's position

- Hydro One and Ontario Power Generation both prepare their stand-alone financial statements using US GAAP. These statements are filed with both securities regulators and the OEB. OPG and H1 auditors had audited USGAAP financial statements and issued clean audit opinion for 2016 results.
- In fiscal 2016, the Province consolidated the results of both H1 and OPG using US GAAP.
- The AG does not agree that the use of US GAAP based financial statements for purposes of preparing the consolidated financial statements of the Province is in accordance with Public Sector Accounting Standards (PSAS).
- PSAS directs Government Business Enterprises (GBEs) to use IFRS, and PSAB did not agree to a recent request by TBS which would have supported consolidation on a US GAAP basis.   The AG views this decision as definitive.
- In fiscal 2016, the differences between US GAAP and IFRS were immaterial. The amount of the impact on the annual deficit was an increase of $34 million
- AG discussed in Chapter 2 of the AG's 2016 Annual Report, the AG will continue to track the differences in subsequent audits until the government adopts IFRS for the purposes of consolidating the results of OPG and Hydro One. Given the differences in how certain balances are treated under U.S. GAAP versus IFRS, we anticipate that these differences could <u>become material in future fiscal years, potentially as soon as the 2016-17 fiscal year</u>

Alternatives Considered and Recommendation

A. Status Quo - Accept qualified opinion from AG
   - Re-approach PSAB for re-consideration of TBS' earlier position (Feb 2016)
   - If no changed in standards (not expected) legislate accounting

B. Adopt IFRS for purposes of consolidating Hydro One and OPG – Clean audit opinion

C. Hybrid – Consolidate H1 on USGAAP and OPG using IFRS – potentially clean opinion, but potential impact to the Province bottom line

Recommendation – Adopt IFRS at least for OPG in the current year, assuming the differences between IFRS and US GAAP for H1 remain immaterial.

A. Status Quo - Accept qualified audit opinion

- Considerations
  - Public perception of qualified opinion
  - Impact on borrowing costs, if any
  - Qualified opinion would be expected in subsequent years
    - Does not eliminate requirement and cost for OPG and Hydro One to track, quantify and audit US GAAP vs. IFRS differences as AG will need to evaluate impact for SUDs
- Re-approach PSAB for re-consideration of TBS' earlier position
  - In February 2016, the TBS wrote CPA Canada's Accounting Oversight Committee and PSAB requesting that the PSAB standards recognize U.S. GAAP as a basis of reporting by publicly accountable enterprises because the current standards only refer to IFRS.
  - PSAB responded in July 2016 that the PSAB standards would not be changed and all GBEs should prepare their financial statements in accordance with IFRS and not U.S. GAAP

B. Adopt IFRS for purposes of consolidating Hydro One and OPG

Considerations

- Clean audit opinion, resolution of issue
- Consistent accounting for consolidation of all GBEs (LCBO, OLG, OPG and Hydro One)
- Consistent accounting for consolidation of GBEs with other provinces, but on different basis that OPG and H1 report to securities regulators and the OEB
- H1 and OPG will need to continue to prepare reconciliations to IFRS and the AG will require audit (requirement and cost will continue under the other alternatives as well)
- Lack of consistency for basis of reporting for consolidation and standalone financial statements for OPG and H1
- Calculation of difference between IFRS and US GAAP depends on which rate is selected to quantify the asset retirement obligation.

Risks

- IFRS may not support rate regulated accounting in the long-term
  - Total regulatory assets recognized as of March 31, 2016 is approximately $8 Billion
    - Under IFRS, if rate regulated accounting eliminated, write off of regulatory assets would increase net debt and increase volatility to annual surplus/deficit; a detailed analysis would be required to determine the amount of the current assets that would not be supported
  - See discussion on status of IFRS 14 in Appendix C
- Accounting for AROs under IFRS results in more volatility to annual surplus/deficit

C. Hybrid – Consolidate H1 on US GAAP, OPG on IFRS

- **Considerations**
  - Same as for option B
  - The reason to only change the basis of accounting for OPG is that historically the differences between IFRS and US GAAP have been immaterial and are expected to continue to be immaterial. Note that neither IFRS nor US GAAP are static and therefore the differences could become material at some point in the future. At that point, the decision could be made to consolidate Hydro One using US GAAP.
  - See how difference in decision could be explained on next slide

- **Risks**
  - Same as option B

C. Hybrid – Consolidate H1 on US GAAP, OPG on IFRS (Potential Question)

Question?	Comments
Users and other stakeholders may question why the Province consolidates OPG on IFRS and H1 on US GAAP basis	• H1 borrows funds from US market and can continue to report on a US GAAP basis as an SEC registrant • OPG does not currently borrow funds from the US market but reports under US GAAP based on an OSC-granted exemption effective until January 2019. • Uncertainty continues whether IFRS will continue to include rate regulated accounting in the future. • In 2011, OPG determined that balances in its variance and deferral accounts established by the OEB, including those authorized pursuant to Ontario Regulation 53/05, under the Ontario Energy Board Act, 1998, meet the definition of financial assets and financial liabilities, as defined in International Accounting Standard 32, Financial Instruments: Presentation. In view of this impact of IASB uncertainty would be mitigated to some extent. • Province expects to sell 60% H1 ownership in fiscal 18-19 and impact of IFRS would be lower than current 70% of ownership. This would also mitigate volatility on Province CFS due to change in % of ownership between now and 2018-19.

OPG’s Estimated ARO Differences

Debit (Credit) $ Millions	31-Mar-17 Income (projected)	31-Mar-18 Income (projected)	31-Mar-19 Income (projected)	31-Mar-20 Income (projected)	Total impact 2015-2020
Alternative 2 (OPG’s Preferred ARO Estimation Approach 15 year historical rate – 4.95% at transition, update rate each year					
Changes in Cost Estimates	(250)	-	-	-	
Discount Rate	225	225	225	225	
Other	100	200	300	450	
Total	**75**	**425**	**525**	**675**	**2,494**
Discount rate	*4.50%*	*4.30%*	*4.10%*	*3.9%*	
Alternative 1 (OPG’s Initial Estimation Approach) 15 year historical + 5 forward - 5.0% at transition; update at ONFA; every 5 years)					
Changes in Cost Estimates	(250)			-	
Discount Rate	1,150	-		-	
Other	100	375	400	400	
Total	**1,000**	**375**	**400**	**400**	**2,590**
Discount rate	*4.00%*	*4.00%*	*4.00%*	*4.00%*	

OPG/H1 Reporting – Comparative Fiscal Impact

TBS

Summary of relative fiscal impacts under US GAAP vs. IFRS:

	2016/17	2017/18	2018/19	2019/20
Hydro One	NA (likely immaterial)	NA (likely immaterial)	NA (likely immaterial)	NA (likely immaterial)
OPG:				
• Status Quo* (US GAAP)	-	-	-	-
• OPG ARO valuation (preferred)	$75M	$425M	$525M	$675M
• OPG ARO valuation (Initial Approach	$1000M	$375M	$400M	$400M
* Assumes legislated accounting to retain US GAAP				

Note:

- The recent FES reflected results for OPG and H1 on a US GAAP basis
- Assume that the H1 indirect overhead cost would be recoverable from rate payers

Appendix A- AG Mandate Summary

ON	(3) In the annual report in respect of each fiscal year, the Auditor General shall express his or her opinion as to whether the consolidated financial statements of Ontario, as reported in the Public Accounts, present fairly information in accordance with appropriate generally accepted accounting principles and the Auditor General shall set out any reservations he or she may have. 2004, c. 17, s. 14 (8).
BC	11 (1) The Auditor General must report each year, in accordance with generally accepted auditing and assurance standards, to the Legislative Assembly on the financial statements of the government reporting entity. (2) The report under subsection (1) must state whether these financial statements are presented fairly in accordance with generally accepted accounting principles. (3) The auditor in accordance with section 10 (3) must report each year on the financial statements of the government organizations and of the trust funds, in accordance with generally accepted auditing and assurance standards, to (a) the boards of management of the government organizations and the trustees of the trust funds to which the appointment is made, and (b) the minister responsible.
AB	(2) A report of the Auditor General under subsection (1) shall (a) include a statement as to whether, in the Auditor General's opinion, the financial statements present fairly the financial position, results of operations and changes in financial position of the Crown in accordance with the disclosed accounting principles,
SK	11. (3) For the purposes of this section, where an auditor, including an appointed auditor, is required to examine accounts and render an opinion on those accounts, he shall do so in accordance with generally accepted auditing standards as prescribed from time to time by the Canadian Institute of Chartered Accountants.
MB	9(4) The Auditor General must express an opinion as to whether the financial statements included in the Public Accounts fairly present information in accordance with the accounting policies of the government stated in the Public Accounts and on a basis consistent with that of the preceding year, and must set out any reservations the Auditor General might have.
NB	[.10]The Auditor General shall examine the several financial statements required by section 48 of the Financial Administration Act to be included in the Public Accounts and shall express his opinion as to whether they fairly present information in accordance with stated accounting policies of the Province and on a basis consistent with that of the preceding year, together with any reservations he may have.

Appendix A- AG Mandate Summary

NS	Auditor General Act	19 (1) The Auditor General shall audit the annual consolidated financial statements of the Government that are included in the public accounts required under the Finance Act. (2) The Auditor General shall submit a report to the House of Assembly, which must be included in the public accounts and which must provide an opinion, prepared in accordance with generally accepted auditing standards, as to the fair presentation of the consolidated financial statements . 2010, c. 33, s. 19.
NL	Auditor General Act	[.11] The auditor general shall examine the several financial statements required by the Financial Administration Act to be included in the public accounts of the province, and any other statement that is required to be audited by the auditor general under that Act or another statement that the Minister of Finance may present for audit and shall express his or her opinion as to whether the financial statements present fairly the financial position, results of operations and changes in the financial position of the province in accordance with the disclosed accounting policies of the provincial government and on a basis consistent with that of the preceding year, together with reservations the auditor general may have.
GOC	Auditor General Act	6. The Auditor General shall examine the several financial statements required by section 64 of the Financial Administration Act to be included in the Public Accounts, and any other statement that the President of the Treasury Board or the Minister of Finance may present for audit and shall express his opinion as to whether they present fairly information in accordance with stated accounting policies of the federal government and on a basis consistent with that of the preceding year together with any reservations he may have.
QC	Auditor General Act	38. In his report on the annual financial statements of the Government, the Auditor General (1) shall indicate whether, in his opinion, these statements present fairly the financial position of the Government, the results of its operations and the changes in its financial position in accordance with the accounting principles or policies stated in the financial statements and whether these principles or policies have been applied on a basis consistent with that of the preceding fiscal year;

Appendix B - Comparison of Basis of Accounting Notes

Province	Public Accounts	Extract of 'Basis of Accounting' in Note 1: Significant Accounting Policies
SK	2015-2016	These Summary financial statements are prepared in accordance with Canadian public sector accounting standards issued by the Public Sector Accounting Board.
BC	2015-2016	The government's Summary Financial Statements are prepared in accordance with the Budget Transparency and Accountability Act (BTAA), which requires generally accepted accounting principles (GAAP) for senior governments in Canada, supported by regulations of Treasury Board under the BTAA.
NS	2015-2016	The Province's financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the public sector, which are represented by the Public Sector Accounting Standards (PSAS) of the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada), supplemented where appropriate by other accounting standards of CPA Canada and the International Federation of Accountants.
MB	2014-2015	The summary financial statements have been prepared in accordance with Canadian public sector accounting standards. Effective January 1, 2011 all GBEs, except the Manitoba Hydro-Electric Board (Manitoba Hydro) adopted International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB)
Fed	2014-2015	These consolidated financial statements are prepared using the Government's accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Appendix C- IFRS 14 – History and Status

- In January 2014, the IASB issued *IFRS 14, Regulatory Deferral Accounts*
- The standard permits entities that previously applied rate-regulated accounting under another accounting framework to continue to account for regulatory deferral account balances using previous GAAP (e.g. US GAAP) when IFRS is first adopted
- IFRS 14 is intended to be a *temporary* standard
- A comprehensive project is currently underway by the IASB on the topic
  - In April 2016, the Canadian Accounting Standards Board announced it was increasing its level of activity in the project
  - There is risk that the project will not result in a standard that continues to permit the recognition of regulatory deferral accounts
  - There is no timeline set for the resolution of this issue; however, it would be expected to take a number of years
- <u>Current status</u>:
  - In November 2016, the IASB staff met with the Accounting Standards Advisory Forum (ASAF) to discuss their preliminary proposals for an accounting model for rate-regulated entities.
  - No major push-back on any of the key proposals discussed in the draft preliminary proposals
  - In December 2016, the topic was discussed at an IASB meeting
  - No major push-back on any of the key proposals discussed in the draft preliminary proposals, except from the representative of China.
- Next steps: IASB meetings of January and February 2017
  - Staff will continue to develop the core principles and features and present further details of the proposals
  - Staff will seek decisions from the Board about detailed proposals for the model on scope, recognition and derecognition, measurement, presentation and disclosure
  - Staff will propose to the Board to issue a 2nd DP (likely in July 2017).

4. FURTHERING WORK ON A LEGISLATED AUDIT COMMITTEE

AG Relationship

A review and jurisdictional scan was completed to determine opportunities to enhance the existing OPS governance/relationship model between the AG, the Standing Committee on Public Accounts (SCOPA), and the government.

Three opportunities emerged:

1. Build upon work currently underway to strengthen OPS internal procedures supporting positive interactions and the relationship with the AG

2. Examine opportunities to provide regular and ongoing training and education to members of SCOPA

3. Establish a legislated External Ontario Audit Committee (informed by the Alberta and Saskatchewan models - Appendix A)

Opportunities

1. Build on projects already underway, including:
   - OIAD to review and revise *OIAD Client Guide: Office of the AGO Audits* for OPS-wide practices.
   - Cabinet Office's *Framework to Enhance Public Service Collaboration with the Auditor General, (Appendix B)*
   - OIAD is conducting an exercise to expand on these items with further context and considerations on the role that OIAD and/or the Corporate Audit Committee can play

2. Complete a needs analysis to identify training and education requirements for Ontario SCOPA
   - Identify and review the training provided to SCOPAs in other jurisdictions
   - Develop a training and education program that meets the needs of SCOPA, including details of the training provider

Opportunities (cont'd)

3. Establish a legislated External Audit Committee (informed by Alberta/Saskatchewan)
   - Under provincial legislation, the Alberta Provincial Audit Committee:
     - Acts as an advisory role to the government and the Auditor General
     - Consists of seven members externally recruited (competency based)
     - Reviews and advises on issues relating to:
       - financial statement presentation and disclosure
       - accounting policies and pronouncements,
       - non-financial performance information and matters related to the Auditor General's report
   - AG must present reports to the Audit Committee before they are made public
   - If there is a dispute between the AG and management on the contents in the draft reports, the Committee provides independent and unbiased advice. Committee statements are non binding and the AG determines the appropriate response to the feedback provided

Opportunities (cont'd)

- Legislated Audit Committee considerations:
  - Assess the appetite for legislative changes and new OIC appointments
  - Project team would need to be established to lead implementation and:
    - Identify and assess the changes that are needed to adapt the Alberta model to Ontario's accounting and audit policy frameworks
    - Identify public and private sector best practices re: audit committee terms of reference
    - Work with Legal Services Branch to identify nature and scope of potential legislative amendments to the Auditor General Act , e.g. mandate of the committee, appointment of its members, interaction of AG with committee, etc
- Seek approval to continue to work to develop an Ontario model

Appendix A: Legislated Audit Committee – Alberta

The Committee reviews and advises on:

1. Issues relating to financial statement presentation and disclosure, accounting policies and pronouncements, and non-financial performance information include:
   - a financial disclosure philosophy to ensure best disclosure of financial and non-financial performance information
   - major accounting policies and all changes in accounting policies;
   - integration of financial and non-financial performance information
   - compliance with relevant accounting pronouncements
   - key estimates and judgments that are material to financial statements and non-financial performance information
   - discussions with the auditor and management relative to any serious differences of opinion between the auditor and management
   - any restrictions on the auditor's work and the cooperation received in the performance of the audit
2. Matters related to the AG's reports to the Legislative Assembly prior to its publication and any other reports made by the AG. The review will include:
   - discussion of the scope of the AG's audits
   - discussion of findings and recommendations of the AG including such matters as
     - any reservation of any opinion in an audit report
     - collection and disbursements of public money that are not properly accounted for, or are not in compliance with legislation
     - assets that are not adequately safeguarded or accounted for;
     - inadequate accounting and management control systems
     - inadequate procedures to measure and report on program effectiveness
     - commentary on accounting policies and financial disclosure
     - commentary on the suitability of the form of the estimates as a basis for controlling disbursements
     - any other matter that the AG considers should be drawn to the attention of the Assembly
3. Any matters related to the financial affairs of the Crown in accordance with a request of the President of Treasury Board and Minister of Finance

Appendix A: Legislated Audit Committee – Alberta

- Auditor General Act stipulates role and functions of the Committee
  - Introduced to ensure the government had insight into the AG reports before they were released
  - Initially, focused on performance audits, but evolved to focus also on Public Accounts
  - To date, external members have been retired accounting firms partners, but now broadening skill set – e.g. new member has expertise in performance measurement
  - Key for external members understanding it is an advisory role, not a decision making role (e.g. not recommending the financial statements be approved, etc.)
- For performance audits, the Committee looks at draft reports with three questions in mind:
  i. is the report unduly sensational,
  ii. is the scope of the report crossing the line into policy creation,
  iii. is the report clear and understandable;

  The AG determines the appropriate response to the feedback provided
- For Public Accounts, the Committee focuses on whether the financial statements are clear and understandable
- The Committee typically meets in person three times per year:
  - January to review the plans for the public accounts audit and the performance audits,
  - June to review the results of the public accounts audit and the government's annual report and
  - October to review the AG annual report on performance audits.
  - Other ad-hoc meetings are convened as necessary, e.g. before a report is issued
- The Committee does not interact with SCOPA , indeed SCOPA may not know that the committee exists

Appendix A: Legislated Audit Committee - Saskatchewan

- S.20-23 Provincial Auditor Act stipulates the role and functions of the Audit Committee
  - The Committee is to consist of not more than five persons appointed by the Speaker on the unanimous recommendation of the SCOPA
- The SCOPA may request the Committee to assist it in undertaking the following:
  - the recommending of a Provincial Auditor
  - the review of the estimates of the Provincial Auditor
  - the review of the annual report on operations of the Provincial Auditor
  - the review of any report of the Provincial Auditor
  - any other matters
- The Provincial Auditor must submit their annual report to the Minister of Finance for review and comment, at least 10 business days before its printed for submission to the Speaker
- *The Committee appears to have been inactive but is currently seeking to appoint new members*

Appendix B: Draft Cabinet Office Framework to Enhance Public Service Collaboration with the AG

1. Create central repository in TBS for all AG reviews and value for money audits/special projects/accounting issues. Repository will provide real time tracking on the status of all requests
2. Ask Corporate Audit Committee and TBS to review all AG scopes of audit, and along with the affected ministry or ministries, propose action plans to ensure effectiveness and timeliness
3. Develop action plan on all AG recommendations and report regularly on progress
4. Conduct post-audit reviews/audits to ensure proper analysis, evaluation and follow-up
5. Track all ministry input into AG reports and publish all OPS “Ministry Responses” as submitted to the AG and any clarifications or corrections to the AG’s annual report.
6. Hold technical briefings following the release of the AG report to speak to specific issues raised in the AG annual report or special audits
7. Conduct special audits of value for money audits to further investigate key issues
8. Meet regularly with the AG to share best practices and learnings
9. Review this framework annually to ensure effectiveness