TBS

Speaking Notes

Office of the Provincial Controller Division

Public Accounts Update to Cabinet

September 21, 2016

I would like to provide you an update with respect to the status of the 2015-16 Public Accounts.

Staff have resolved all issues with the Auditor General, with the exception of the accounting for pension assets related to two pension plans – Ontario Teachers' Pension Plan and OPSEU Pension Plans. The value of the combined asset related to these two plans is $10.6 billion.

The Province has been accounting for the pension assets in a consistent manner for the last 15 years. Three former Auditors General and the current Auditor General have accepted this treatment in prior years.

Staff are working to resolve this last issue with the Auditor General and have engaged two law firms and two accounting firms to assist with the evaluation. The external legal opinions were received yesterday [assuming 2nd opinion received on Sept 20] and provided to the accounting firms to consider in forming their views.

We expect to have an accounting opinion from one accounting firm within the next 24-48 hours, at which point, we will share that opinion with the Auditor General for her consideration.

If the accounting opinion supports the current accounting of the Province, we expect the outcome of the Auditor General's assessment will either be:

1. The Auditor General agrees with the government's position, in which case we will issue the financial statements with an unqualified opinion and no change to the accounting, or

2. The Auditor General disagrees with our position. If the Auditor General disagrees with the government's position, she may either:

    a. Dismiss the opinion entirely in which case we will issue the financial statements with a qualified opinion and no change to the accounting. A qualified opinion states that with the exception of the impact of this one area where there is a disagreement on the accounting, the financial statements are presented fairly, in all material respects, in accordance with Public Sector Accounting Standards. Her opinion would note that the impact of the disagreement in accounting results in a $1.5 billion higher deficit $5 billion vs. $3.5 billion) and increased net debt of $10.6 billion.

    b. The Auditor General may not be convinced that the Province's view is reasonable, but has previously suggested that she may consider the appointment of a panel of three expert accountants to review the accounting opinion with the condition that we both agree to comply with the advice of the panel regarding the accounting treatment.

If the accounting opinion does not support the current accounting of the Province, we will work with the Auditor General to adjust the financial statements and we expect the Auditor General will issue an unqualified opinion on the financial statements

Based on our best estimate of current timelines, we believe there is a significant risk that the 2015-16 Public Accounts will not be tabled by the deadline of September 27 (next Tuesday).

In the event, there is an intention to legislatively extend the deadline for the tabling of Public Accounts, there are a couple of potential options that could be pursued, though it will not be possible to actually pass amending legislation before the expiration of the current deadline on September 27, 2016.