TBS

Speaking Notes

Office of the Provincial Controller Division

Public Accounts Update to Cabinet

September 21, 2016

Minister Sandals:

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 the OPSEU Pension Plan. 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 Auditor Generals 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 develop a recommendation as quickly as possible. I'll now turn it over to Deputy Orencsak who can provide some additional information on the work that's underway.

Greg Orencsak:

Thank you, Minister.

The pension asset valuation issue was a fairly late-breaking development of this year's audit, which even before this issue cropped up was a complex and challenging one.

In support of the Province's position we have engaged the advice of two accounting firms, one of whom is in the process of providing a third party accounting opinion. The work of the accountants is also being supported by external legal counsel, as well as a variety of internal and external advisors who are very familiar with the workings of the Teachers' Pension Plan, which the bulk of the asset in question is attributed to.

It is fair to say that this area of pension accounting is very complex so working through the details is critical. At the end of the day, where things currently stand is that the Auditor General does not concur with the Province's interpretation of the relevant accounting standards, despite the consistency of interpretation over the last 15 years that the Minister mentioned earlier.

We expect to get the external accounting opinion within the next 24-48 hours, at which point, we will share that opinion with the Auditor General for her consideration.

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

1. To change her own position in view of this new information and concur 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. disagree with the Province's position. If the Auditor General disagrees with the government's position, she may dismiss the opinion outright and provide a qualified opinion, stating that with the exception of the impact of this issue, the financial statements are presented fairly in accordance with Public Sector Accounting Standards. Her opinion would quantify the impact of the disagreement ($1.5 billion higher deficit; increased net debt by $10.6 billion.)

It is also possible that the Auditor General may want to jointly engage a panel of independent experts to review the Province's external advice through the appointment of a panel of experts, provided we both agree to comply with the advice of the panel regarding the accounting treatment.

If the accounting opinion does not support the Province's position, we will work.

Commented [NP1]: Something seems to be missing here.

It is also conceivable that the accounting opinion would neither fully support either the Auditor's position or the Province's, in which case we would have to work with the Auditor to come to – ideally – a shared understanding of how to interpret the standards.

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 and approved by the LGIC by the legislated deadline of 180 days after fiscal-year end, which fall on September 27 (next Tuesday).

In the event the Province needs more time, we have considered legislative options to extend the deadline, though it will not be possible to actually pass amending legislation before the expiration of the current deadline on September 27. However, we will assess the need for these options once we have a better read on what the Auditor General's position might be once we have the external audit opinion and she has had a chance to review it.

We will also keep Cabinet apprised and will return for future decisions required to support the preparation and tabling of Public Accounts.