Government Transparency, Financial Management and Fiscal Accountability

Ontario continues to further strengthen government transparency, financial management and fiscal accountability in supporting its fiscal plan and exercising effective stewardship of public funds.

Commented [IS1]: MO suggestion: **Ontario continues to further strengthen government transparency, financial management and fiscal accountability.**

Government Transparency

Changes in Provincial Reporting Policies

The 2016–17 consolidated financial results of the Province will reflect a number of changes consistent with the requirements of Public Sector Accounting Standards (PSAS) and the Introduction to the PSA Handbook. Specifically, the Province's 2016–17 Public Accounts will reflect:

- Recognition of net pension assets for, the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Service Employees' Union Pension Plan(OPSEUPP), the Province's jointly-sponsored pension plans;
- A change in the basis of consolidation of the financial results for Ontario Power Generation and Hydro One to reflect International Financial Reporting Standards (IFRS); and
- Line-by-line presentation of the annual operating results for hospitals, school boards and colleges on the Statement of Operations.

Accounting for Pensions of Jointly Sponsored Pension Plans

Consistent with the accounting policy the Province adopted in 2001 for jointly sponsored pension plans and the results of the Pension Asset Expert Advisory Panel,[1] the Province's 2016–17 Public Accounts will report the net pension assets for jointly sponsored pension plans, OTPP and OPSEUPP in accordance with PSAS.

In the Public Accounts of Ontario 2015–2016, the government adopted the Auditor General's interpretation for the treatment of net pension assets for 2015–16 through a time-limited regulatory amendment (the "Pension Adjustment"), and subsequently established an independent Pension Asset Expert Advisory Panel[2] to assess and confirm the appropriate accounting policy for pensions.

The Panel released its report[3] related to the accounting for OTPP and OPSEUPP earlier this year which recommended that jointly sponsored net pension assets be recognized on the Province's financial statements. The government has accepted the Panel's advice.

Pension Asset Expert Advisory Panel's Advice

1 https://news.ontario.ca/tbs/en/2016/11/pension-asset-expert-advisory-panel-members.html
2 https://news.ontario.ca/tbs/en/2016/11/pension-asset-expert-advisory-panel-members.html
3 https://www.ontario.ca/page/pension-asset-expert-advisory-panel-report

> The panel's report concluded that the province's share of the net pension assets of both the OTPP and the OPSEUPP should be recognized as an asset in Ontario's financial statements.[4]

The Panel subsequently reviewed the Province's accounting for Healthcare of Ontario Pension Plan (HOOPP)and Colleges and Applied Arts and Technology Pension Plan (CAATPP). The Panel concluded that based on the difference in the governance structure of these plans as compared to OTPP and OPSEUPP, *a full valuation allowance would be applied to any net pension asset for CAATPP or HOOPP. There has not historically been a net pension asset under either HOOPP or CAATPP, however, it is possible that a net asset will result in* future *years for one or both plans.*

Accounting for Government Business Enterprises

The financial results of the Province's rate-regulated Government Business Enterprises (Ontario Power Generation Inc. and Hydro One Ltd.) are included in the Province's consolidated financial reports through the use of the modified equity method. The entities' stand-alone financial statements are reported based on Generally Accepted Accounting Principles in the United States (US GAAP), but under PSAS, government business enterprises are required to be reflected based on International Financial Reporting Standards (IFRS). As of April 1, 2016, the Province will consolidate the results of these rate-regulated entities as they would be reported under IFRS (including IFRS 14 – Regulatory Deferral Accounts). While the impact of this change on the Province's 2016–17 results is not expected to be material, there are expected to be significant differences between US GAAP and IFRS-based results for future years. The entities themselves will continue to issue financial statements prepared on a US GAAP-basis as permitted by securities regulators.

Presentation of Hospitals, School Boards and Colleges

Starting with the 2016–17 Public Accounts, the Province's Statement of Operations will reflect the revenues and expenses of hospitals, school boards and colleges on a line-by-line basis. Previously, the results of these sectors were presented on a net-expense basis, netting third-party revenues against the sector expenses. This change in presentation will not impact the Province's annual surplus or deficit; however, third-party revenues will be reported with other government revenues and will no longer be netted against sector expenses, which will be presented on a gross-basis.

Recent Developments in Public Sector Accounting Standards

The government continues to provide input to Public Sector Accounting Board (PSAB) on a number of initiatives, including PSAB's review of its conceptual framework, employment benefits, such as pensions, and accounting for financial instruments and foreign currency translation. PSAB has also initiated projects to review the accounting for asset retirement obligations, revenue reporting and public-private partnerships.

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[4] https://news.ontario.ca/tbs/en/2017/02/pension-asset-expert-advisory-panel-submits-report.html

To meet the needs of users, including the legislature and the public, for accountability in government reporting and decision making, it is essential that public sector financial statements reflect the economic substance of the government's activities.

Financial Management

Interim Appropriation Act

The Interim Appropriation for 2017–2018 Act, 2016, received Royal Assent in December 2016 and came into force on April 1, 2017, to provide interim legal spending authority for anticipated 2017–18 spending. All spending under this Act must be charged to the proper appropriation following the voting of supply for the 2017–18 fiscal year. This is expected to enable the government to continue operations until the Legislative Assembly has completed its consideration of the 2017–18 Expenditure Estimates and a related supply bill.

Enterprise Risk Management

The government is transforming and modernizing public services by finding new and smarter ways to both improve outcomes for Ontarians and meet the Province's fiscal commitments. Government decisions must be focused on the need to both create and protect value, informed by an understanding of internal and external contexts and stakeholder needs, supported by evidence, and guided by a full consideration of both threats and opportunities.

The Province continues to implement enterprise risk management (ERM) across the Ontario Public Service. This implementation will support the achievement of provincial objectives through the enterprise-wide integration of risk management into decision-making, policy development, operations and transformation activities of ministries and Provincial agencies.

Fiscal Accountability

Reporting and Designated Purpose Tracking

With the 2017 [Document], the government is reporting on the first investments to be tracked through a Designated Purpose Account. The Trillium Trust, along with the Greenhouse Gas Reduction Account, are the first two examples that use the new accountability framework to track and report on the progress of designated-purpose spending commitments based on identified revenue streams.