Minister Sandal's Speaking Notes

Cabinet – August 31, 2017

Public Accounts of Ontario 2016-17

- I am pleased to present Ontario's Public Accounts for the fiscal year 2016—17.

- The Public Accounts of Ontario demonstrate that we are on the path to balance. Ontario's actual performance in 2016—17 outperformed the forecast in the 2016 Budget.

- The Public Accounts show that Ontario's deficit for 2016—17 is $1 billion – or $991 million to be exact.

- This result is $3.3 billion lower than projected in the 2016 Budget and $0.5 billion lower than the interim projection in the 2017 Budget. This is a result of revenue growing at a faster pace than spending.

- This is the eighth year in a row that Ontario has beaten its deficit target.

- As you know, getting back to balance is part of our plan to create jobs, grow our economy and help people in their everyday lives.

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- We're in the midst of preparing to release this year's Public Accounts.

- This is a look back at how we achieved 2016 Budget commitments, and will demonstrate that we're on the path to balance.

- As you may remember, last year's Public Accounts was a bit different than past years as Ontario received a qualified opinion from the Auditor General on the net pension asset issue.

- Once again, she's qualified her opinion for the same issue this year. She's also issuing a qualified opinion due to a different interpretation of public sector accounting standards on the recognition of market accounts.

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- Let me briefly elaborate on both of these.

- Since 2001, and until the 2015—16 Public Accounts, Ontario had recognized pension assets in its financial statements.

- Last year, the Province's professional accounting staff and the Auditor General's Office could not reach a consensus on the appropriate application of the Public Sector Accounting Board standards regarding pension accounting for two of Ontario's jointly sponsored pension plans: the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Service Employees Union Pension Plan (OPSEUPP).

- To help resolve this issue, the government formed the Pension Asset Expert Advisory Panel to deliver independent advice and recommendations to the Province.

- After careful study, the panel concluded that Ontario's share of the surplus of the net pension assets of both the OTPP and OPSEUPP should continue to be recognized as an asset in the Province's financial statements.

- The panel also advised that recognizing the asset will provide an accurate representation of the Province's financial position.

- The government accepted the panel's recommendations in February 2017. As such, we have prepared this year's financial statements in accordance with the Public Sector Accounting Standards for pension asset accounting that have been used since 2001.

- We have also restated last year's amounts to include the pension assets. As you may recall, the government issued a time-limited regulation to enable the professional staff to record the pensions on a basis consistent with the Auditor General's interpretation.

- With regards to market accounts, this year the Independent Electricity System Operator (IESO) began recognizing its market accounts' assets (amounts due from power distributors) and liabilities (amounts due to power producers) in their financial results.

- IESO has chosen to recognize these markets accounts on its books for transparency reasons, as it better reflects its net financial position on behalf of the IESO-administered markets as year-end.

- This change was supported by the IESO's audit committee, its board of directors, its independent external auditor, and finally by the Office of the Provincial Controller. This change also has no impact to the province's annual deficit, net debt or accumulated deficit.

- This accounting is consistent with the presentation used previously by the Ontario Power Authority (which was merged with the IESO on January 1, 2015) in its financial statements, which was not subject to qualification from the Office of the Auditor General at that time.

- The Auditor General has also signaled in her opinion this year that she disagrees with the accounting for the Global Adjustment Refinancing aspect of the Fair Hydro Plan. The impact of this aspect of the Fair Hydro Plan will impact the financial statements of the province commencing in 2017-18.

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- We've adopted additional accounting changes, which the AG supports.

- One of the changes is that we are now presenting third-party revenues for hospitals, school boards and colleges with other revenues of the Province.

    - Third-party revenues for these organizations were previously netted against the respective sectors' expenses.

- This change increases transparency and is consistent with Public Sector Accounting Standards and reporting practices of other Canadian governments.

- While this shift in presentation increases both revenues and expenses, it does not affect the annual deficit, net debt, or accumulated deficit.

- The other is accounting for energy sector government business enterprises.

  - In the 2016-17 Public Accounts, the financial results of Ontario's investments in Hydro One and Ontario Power Generation are reported using international financial reporting standards.

  - Previously, these results were reported using generally accepted accounting principles in the United States.

  - This change was made to meet PSAB requirements.

  - The change does not have a material impact on this year's financial statements. However, it could in future years.

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- This year, we are also furthering our commitment to openness and transparency. We are:

  - Releasing downloadable data sets through Ontario's Open Data Catalogue, including data on government organizations, government business enterprises and Trusts.

  - Creating new data visualization tools, including interactive data tables, to help people easily sort and review key financial information.

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- Our overall narrative will focus on

    - Ontario is fiscally responsible and that the path to balance is working.

    - Ontario is beating its deficit targets - eight years in a row now.

- And that we continue to build on our track record of responsible fiscal management while continuing to invest in key programs and services that improve the quality of life for people today and in future generations.