Treasury Board Secretariat

2015-16 Annual Report and Consolidated Financial Statements Regulatory Amendment, No Opinion

Communications products

Saturday, October 01, 2016

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Current holding messaging for the Minister

- As you know, Treasury Board and Ministry of Finance staff prepare the Public Accounts. They're then reviewed by the Auditor General.
- As I announced to the House last week, there are still some ongoing discussions happening around some complex accounting issues.
- Earlier today I met with Auditor General to discuss the importance of resolving this issue with officials and releasing the 2015-16 Public Accounts.
- Ministry officials will continue to work with the Auditor General and her staff to resolve these issues.
- What I can tell you now is that Ontario is on track to beat its deficit targets and we are committed to balancing the budget in 2017-18.
- Lower than forecast deficit projections confirm that our government's plan to achieve fiscal balance in 2017-18 is working, while we continue to invest in the programs and services that matter to Ontarians.
- Keeping the public informed through transparent financial reporting remains a priority.
- In the spirit, as part of the 2015-16 Annual Report and Consolidated Financial Statements we have built new data visualization tools to help the public understand Ontario's finances. These tools will be available when Public Accounts are released.

Key messages – post release

- The government has released its 2015-16 Annual Report and Consolidated Financial Statements to ensure transparency with respect to province's financial position.
- To align with Auditor General we have used our statutory authority to regulate that accounting treatment for the 2015/16 financial statements.
- The government's regulation addresses the issue in a manner that is consistent with the fiscal outcome proposed by the Auditor General with respect to this accounting item.
- This marks the seventh year in a row that Ontario has beaten its deficit target.
- Ontario remains committed to balancing the budget in 2017-18, while continuing to invest in the priorities that matter to the people of Ontario, such as healthcare, education and infrastructure.

If pressed about why a regulation was needed:

- Our accountants did not agree with the Auditor General's interpretation of Public Sector Accounting Standards as it relates to jointly-sponsored pension plans.
- The Province has applied consistent accounting treatment for these plans for the past 14 years, and has consistently received unqualified audit opinions, without exception.
- To remain clear and transparent, we have reflected the Auditor General's view of the issue for this year. To do so, the government regulated the treatment of the pension assets for one year, 2015-16.
- This is a complex accounting issue. However we remain optimistic that by studying the issue further, we will be able to reach an agreement.

News Release

Ontario Deficit $3.5 Billion Lower Than Projected

Province Remains Committed to Balance the Budget by 2017-18

News

Ontario's Annual Report and Consolidated Financial Statements for 2015-16 show Ontario's deficit is $3.5 billion lower than the $8.5 billion projected in the 2015 Budget, and $0.7 billion lower than the $5.7 billion in the 2016 Budget interim projection. The province's deficit for 2015-16 is $5 billion.

This marks the seventh year in a row that Ontario has beaten its deficit target. Ontario remains committed to balancing the budget in 2017-18 while remaining balanced in 2018-19.

The government is beating its deficit targets because Ontario's economy continues to grow. Over the last two years, Ontario's economy has grown by 6.1 per cent. Last year, growth was double the national average. In the first quarter of this year, Ontario's growth was faster than that of the United States and the G7.

Ontario is a recognized leader in financial reporting. The C.D. Howe Institute, an independent research organization that assesses the fiscal planning and reporting of governments in Canada, has commented positively on the financial reporting practices of Ontario, including Public Accounts, the annual Budget and Estimates.

In preparing the Annual Report and Consolidated Financial Statements, professional public servants and the Auditor General have engaged in discussions regarding the complex treatment of pension assets.

Pension accounting is complex and requires the application of professional judgment. Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

The government is now releasing its financial statements to ensure openness and transparency with respect to province's financial position. The government has regulated the treatment of pension assets for 2015-16 in a manner that is consistent with the fiscal outcome proposed by the Auditor General.

The Public Sector Accounting Board has recognized the complexity of this issue and is working with governments across Canada to set an appropriate standard. Ontario will be part of this national discussion. Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences.

Ontario is continuing to make investments that create jobs, expand opportunities and enhance prosperity for all Ontarians while investing in people's talents and skills, building new public infrastructure like roads and transit, and creating a dynamic, innovative environment where business thrives.

QUOTE

“The Annual Report and Consolidated Financial Statements for 2015-16 show that our government’s plan to achieve fiscal balance by 2017-18 is working. We will continue to build on our track record of responsible fiscal management, while investing in vital government services such as health care, education and infrastructure that are important to the people of Ontario.”

- Liz Sandals, President of the Treasury Board

“The government is dedicated to a fiscally sound approach to managing the Province’s finances. The Ontario economy continues to grow in a challenging global environment. In fact, Ontario posted higher real GDP growth in the first quarter of 2016 than Canada, the United States, and all other G7 countries. The government’s path to a balanced budget is being achieved through responsible fiscal management, which involves managing growth in program spending, and maintaining the integrity of Provincial revenues.”

- Charles Sousa, Minister of Finance

QUICK FACTS

- The Public Sector Accounting Board has initiated a project to review pension accounting standards, and will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs. Ontario will participate in this national discussion.

- Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

- The 2015-16 Financial Statements compare Ontario’s actual performance to what was planned in the 2015 Budget.

- The Financial Statements are prepared by the Government of Ontario in accordance with legislation and the accounting principles for governments recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

LEARN MORE

- Read the 2015-16 Financial Statement [update hyperlink]
- Learn about the government's fiscal cycle
- Learn about how the government is investing in vital programs and services [insert link to backgrounder]

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Newsroom Backgrounder

Improving Outcomes for Ontarians

The 2015-16 Annual Report and Consolidated Financial Statements show Ontario's deficit is $3.5 billion lower than the $8.5 billion projected in the 2015 Budget, and $0.7 billion lower than the $5.7 billion in the 2016 Budget interim projection.

Accounting Standards

Treasury Board Secretariat prepares the financial statements of Ontario in accordance with the accounting principles and standards for governments recommended by the Public Sector Accounting Board.

These accounting standards are common, nationally recognized standards used by governments across Canada in their financial reporting.

Openness and Transparency

As part of its commitment to Open Government, digital technology was used for the first time to visualize the province's financial information in an interactive and easy to understand way. This year, Ontario is further increasing the openness and transparency of the Annual Report and Consolidated Financial Statements by:

- Creating new data visualizations, including interactive bar charts and interactive data tables.
- Creating a whiteboard video that explains Annual Report and Consolidated Financial Statements in simple terms, and the important role it plays in demonstrating financial transparency and accountability.
- Releasing data sets through Ontario's Open Data Catalogue, including data on government organizations, government business enterprises and Trusts.

Health Care

Building on Ontario's Patient's First: Action Plan, the government continued transforming Ontario's health care system in 2015-16 to become more patient-centred and focused on better access to care, quality and value by:

- Increasing investment in home and community care by five per cent annually: $250 million in 2015-16, for a total of $750 million over three years.

- Increasing the hourly wages of publicly funded personal support workers caring for patients at home and in the community by $1.50 per hour in 2015-16 to at least $15.50 per hour, in the second of three annual increases totalling up to at least $16.50 per hour by April 1, 2016.

- Appointing Ontario's first-ever Patient Ombudsman who will help address needs of patients who have not had their concerns with health care organizations resolved through existing complaint mechanisms.

Advanced Education and Skills Development

In 2015-16, the Ontario government made progress on its plan to help more people get and create the jobs of the future by continuing to invest in student financial assistance and expand access to high quality college and university education.

Over the past 12 years, government investments have resulted in more than double the number of students qualifying for aid, while enrolment has increased by 38 per cent.

In 2015, 67 per cent of adults in Ontario had a postsecondary degree, diploma or certificate – higher than the average of any OECD country.

Childcare, Elementary and Secondary Education

The government has made gains in building and supporting an integrated early-years, elementary and secondary education system. This includes increasing funding for schools and licenced child care, the establishment of the Ontario Early Years Policy Framework and implementation of Full-Day Kindergarten.

In 2015-16, the government built on this success by:

- Increasing wages for early childhood educators and other child care professionals in licensed child care settings by providing a $1 per hour wage increase for eligible child care workers bringing the total wage increase up to $2 per hour, plus benefits.

- Increasing the five-year high school graduation rate to 85.5 per cent – the highest level in the province’s history.

- Doubling the funding for school renewal projects to $500 million in 2015-16 to ensure our students are benefitting from safe, modern and efficient learning environments.

Infrastructure

Ontario is making the largest investment in public infrastructure in the province's history – about $160 billion over 12 years, starting in 2014-15. Planned investments are supporting over 110,000 jobs, on average, every year across the province.

In 2015-16, the Province continued to invest in hospitals, schools, roads, bridges and transit, including:

- Completing construction of the $1.4 billion Right Honourable Herb Gray Parkway in Windsor–Essex, which provides an express route to the country's busiest land border crossing.

- Ongoing construction of the Eglinton Crosstown Light Rail Transit line, which will offer fast, efficient service and improve travel for commuters.

- Providing small, rural and northern municipalities with funding to build and repair core infrastructure through the Ontario Community Infrastructure Fund.

- Completing the new Humber River Hospital, which offers a comprehensive range of acute care services and support for inpatient and outpatient hospital programs.

Staying on the Path to Balance

The government is working towards a balanced budget through Program Review, Renewal and Transformation (PRRT), a government-wide approach to multi-year planning and budgeting that puts a heightened focus on evidence and outcomes to inform funding allocations.

But PRRT is about more than just savings targets – it is about doing government differently – improving outcomes for Ontarians while freeing up resources to reinvest in key government priorities, such as health care, education and infrastructure.

Examples of successful PRRT initiatives include:

- Improving the sustainability of the Ontario Drug Benefit Program and patients' access to drugs by making the program more efficient and effective. The changes saved approximately $100 million in 2015-16 and will enable over $200 million in savings annually when fully implemented.

- Changing the Second Career program by removing client targets for service providers while ensuring funding support for eligible clients. This change will generate approximately $40 million per year and will allow the government to invest in the Canada-Ontario Jobs Grant and a renewed Ontario Youth Job strategy.

- Reducing the government's office footprint by over 820,000 rentable square feet, which generated approximately $24 million in savings in 2015-16.
- Achieving approximately $56 million in savings through the consolidation of data centres, early vendor payments and lower contract costs – including for software and IT consulting services, laboratory supplies and security services.
- Achieving $7 million in savings from contracts related to government cell phone plans and toll free lines.

The government is also transforming Ontario's student aid system to help thousands of students obtain greater access to advanced education and have lower levels of student debt upon graduation. For students from lower-income and many middle-income families, it would make the tuition portion of the average postsecondary experience free. These changes will start in the 2017-18 academic year.

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Fact Sheet **(optional for media kit)**

The Release of Ontario's 2015-16 Financial Statements

- The consolidated financial statements are prepared by the Government of Ontario in accordance with legislation and the accounting principles for governments recommended by the Public Sector Accounting Board (PSAB). PSAB independently establishes accounting standards for the public sector in Canada.

- PSAB standards specify how transactions and other events are to be recognized, measured, presented and disclosed in a public sector entity's financial statements.

- The objective of PSAB standards is to meet the needs of users of financial statements by providing the information needed for accountability and decision making.

- In preparing the Annual Report and Consolidated Financial Statements for 2015-16, professional public servants and the Auditor General engaged in discussions regarding the treatment of a complex accounting issue – the treatment of pension assets – that is subject to a range of interpretations.

- The Ontario Public Service Employee's Union Pension Plan (OPSEUPP) and the Ontario Teachers' Pension Plan (OTPP) are jointly-sponsored pension plans where the Government of Ontario is a co-sponsor.

- The assets of OPSEUPP and OTPP are held in trust for the beneficiaries of the plans. The plans are co-managed by the sponsors, and decisions regarding benefits and contributions require negotiation and agreement between them.

- During the 2015-16 Public Accounts audit, the Auditor General raised some concerns with regards to Ontario's past accounting practices related to pension assets for the OPSEUPP and OTPP plans.

- Pension accounting is complex and requires the application of professional judgment. Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

- Given the differences in interpretation of the application of PSAB standards for OTPP and OPSEUPP pension assets, the Province filed a time-limited regulation which legislates the accounting for pension assets of jointly-sponsored pension plans for the 2015-16 Public Accounts. The government believes this is consistent with the fiscal outcome proposed by the Auditor General.

- The effect of the legislation is to reflect the fiscal impact of the AG's position pending further review and analysis on this complex accounting matter. The change in accounting treatment is not a reflection on the funding status of the plans, or the quality of financial reporting by the Province.

- Prior to this change, Ontario had followed the same pension accounting treatment for all of the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

- The Auditor General has not rendered an audit opinion on the province's financial statements for 2015-16. However the government is releasing these financial statements to ensure openness and transparency with respect to province's financial position. The government believes it is in the public interest to release its financial information. The government also believes it is in the public interest for the Auditor General to issue an audit opinion on Ontario's finances.

- The Public Sector Accounting Board has recognized the complexity of this issue and is working with governments across Canada to set an appropriate standard. Ontario will be part of this national discussion. Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

- Ontario is a recognized leader in financial reporting. The C.D. Howe Institute, an independent research organization that focuses on support for economically sound public policies practices, has acknowledged the consistent basis used by Ontario for its Budget, Estimates and Public Accounts as a best practice to supporting transparency and accountability.

Top Media Qs&As

Releasing Unaudited Financial Statements

1. Why are you releasing your financial statements without the Auditor approving them?

Earlier today I met with Auditor General to discuss the 2015-16 Public Accounts. I did so because this year, the Auditor General presented the province with a new interpretation of public sector accounting standards as it relates to a complex accounting issue – the treatment of pension assets.

In preparing the Annual Report and Consolidated Financial Statements, professional public servants and the Auditor General have engaged in discussions regarding the treatment of pension assets – which is subject to a range of interpretations.

Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

To remain clear and transparent, the government exercised its statutory authority to regulate the treatment of this particular issue for 2015-16. The government regulated the treatment of pension assets in a manner that is consistent with the fiscal outcome proposed by the Auditor General.

The government is now releasing its financial statements to ensure transparency with respect to province's financial position.

The Public Sector Accounting Board has recognized the complexity of this issue and is working with governments across Canada to set an appropriate standard. Ontario will be part of this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

2. On what exactly do you disagree with the Auditor?

This year, the Auditor General presented the province with a new interpretation of public sector accounting standards as it relates to a complex accounting issue – the treatment of pension assets.

In preparing the Annual Report and Consolidated Financial Statements, professional public servants and the Auditor General have engaged in discussions regarding the treatment of these pension assets – which is subject to a range of interpretations.

Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

To remain clear and transparent, the government exercised its statutory authority to regulate the treatment of this particular issue for 2015-16. The government regulated the treatment of pension assets in a manner that is consistent with the fiscal outcome proposed by the Auditor General.

The government is now releasing its financial statements to ensure transparency with respect to province’s financial position.

3. It sounds to me like the government is yet again fighting with the Auditor General. What do you say to this?

The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General.

Pension accounting is complex and requires the application of professional judgment. Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

Given these differences of opinion, the Province filed a time-limited regulation which legislates the accounting for pension assets of jointly-sponsored pension plans for the 2015-16 Public Accounts. The government believes this is consistent with the fiscal outcome proposed by the Auditor General.

We believe that this particularly complex accounting matter would benefit from additional discussions, information and consideration.

The Public Sector Accounting Board has recognized the complexity of this issue and is working with governments across Canada to set an appropriate standard. Ontario will be part of this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

4. **Was there something wrong with the accounting rules that the government was using before?**

No.

Prior to this change, Ontario had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

In 2016 the C.D. Howe Institute, an independent research organization that assess the fiscal planning and reporting of governments in Canada, also commented positively on the financial reporting practices of Ontario relating to its fiscal reporting activities that include Public Accounts, the annual Budget and Estimates.

5. **Why hasn't the Auditor General raised this with you in the past two years?**

I cannot speak for the Auditor General. Please refer your questions to the Auditor General's Office.

6. **What is the government trying to hide by releasing unaudited books?**

We are releasing our Financial Statements to ensure openness and transparency with respect to the province's financial position. We believe that our Financial Statements reflect the fiscal outcome proposed by the auditor.

Although these statements are unaudited, it's important to stress that the Province's financial results show that the government has once again beaten its deficit targets and is on track for a balanced budget by 2017-18, and remaining balanced in 2018-19.

The government is now including five-year trends in its Public Accounts. The increased disclosure and discussion on five-year trends is in line with recommended disclosure practices of the Public Sector Accounting Board. This increased disclosure enhances the quality of financial reporting to the public, Legislature and other users to better meet their transparency and accountability needs.

In addition to the disclosure in the Annual Report, the government is also making available supplementary information through online data visualizations.

7. **Are you fudging the books to try and show your finances are better than they really are – is that why the AG won't sign off?**

   In preparing the Annual Report and Consolidated Financial Statements, professional public servants and the Auditor General have engaged in discussions regarding the treatment of these pension assets – which is subject to a range of interpretations.

   Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

   We are releasing our Financial Statements to ensure openness and transparency with respect to the province's financial position. In fact, we have implemented legislation that allows our officials to sign off in a way that is consistent with the fiscal outcome proposed by the auditor.

   Prior to this change, Ontario had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditor Generals. There has been no change to the relevant accounting standards over the past 14 years.

   Although these statements are unaudited, it's important to stress that the Province's financial results show that the government has once again beaten its deficit targets and is on track for a balanced budget by 2017-18 and remaining balanced in 2018-19.

8. **Is this even legal – are you in contempt of the house by releasing your financial statements before you table them in the Legislature?**

   TBC Legal

9. **Has this ever happened before in Ontario? Anywhere else in Canada?**

TBC OPCD

10. How are we supposed to trust your numbers if the Auditor General hasn't approved them?

In the course of developing its 2015-16 financial statements, the Auditor General presented the province with a new interpretation of public sector accounting standards as it relates to the treatment of pension assets.

After careful consideration, the Province agreed to the Auditor General's interpretation. The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the fiscal outcome proposed by the auditor.

This is a complex and technical accounting issue. In fact, the Public Sector Accounting Board has initiated a project to review it. Ontario will be part of this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

In order to be transparent, and in the public interest, the government is releasing its Financial Statements in order to show the province's financial position.

We believe that this reflects the fiscal outcome proposed by the auditor with respect to the treatment of the pension assets in question.

11. So what happens next? When will you table the actual Public Accounts?

The government will continue to work with the Auditor General to expedite the release of the 2015-16 Public Accounts.

The Public Sector Accounting Board has initiated a project to review pension accounting standards, and will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs. Ontario will participate in this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

12. **Does the change in accounting regarding the assets of the Teachers' or OPSEU pensions plans mean those plans might be financially threatened?**

    Absolutely not. This issue relates solely to the Province's reported financial results and the Province's historical practices of reporting pension assets.

    The two pension plans in the Ontario Public Service – which are of the defined benefit type – are healthy and well-funded.

    The OPSEU Pension Plan is fully funded with a small reserve of surplus assets standing to the credit of the joint-sponsors, while the Public Service Pension Plan is nearly fully funded at 98%.

    Both plans exceeded their target long-term rates of return in 2015. The Public Service Pension Plan achieved a 6.14% return and the OPSEU Pension Plan achieved an 8.0% return.

13. **You hired outside experts to give you a third-party accounting opinion, but you paid to get this advice. Didn't they just tell you what you wanted to hear?**

    TBC OPCD

14. **The Auditor General has implied your Provincial Controller is in a position of conflict because she used to work for Deloitte. How do you respond?**

    All employees that are hired into the Ontario Public Service swear two oaths, an Oath of Allegiance and an Oath of Office. These oaths affirm that public servants will faithfully discharge their duties, and comply with all laws and confidentiality obligations.

15. **The Auditor General says she raised this issue with you months ago. Why haven't you fixed this problem by now?**

    We have been working with the Office of the Auditor General to try to come to an agreement on this issue.

The treatment of pension assets is a complex accounting issue. In fact, the Public Sector Accounting Board has initiated a project to review pension accounting standards. PSAB will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs. Ontario will participate in this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

In order to be transparent, and in the public interest, the government is releasing its Financial Statements in order to show the province's financial position.

We believe that this reflects the fiscal outcome proposed by the auditor with respect to the treatment of the pension asset in question.

16. **If you say you're open and transparent, why didn't you invite the Auditor General to your media technical briefing?**

The technical briefing was for the purposes of updating media and members of the Opposition and the third party. However it was held in a public space in a government building, and anyone was free to attend.

17. **Is the government still committed to balancing the budget by 2017-18?**

Yes. The Province's financial results show that the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18 and remaining balanced in 2018-19.

18. **The financial results show that the net debt and accumulated deficit has ballooned by $10.7 billion? How did this happen and what are you doing to address it?**

This year, the Auditor General presented the province with a new fiscal interpretation of public sector accounting standards as it relates to the treatment of pension assets.

After careful consideration, the Province agreed to adopt the Auditor General's fiscal interpretation. The government made a regulatory amendment to allow us to amend our accounting policies for the 2015-16 Public Accounts in order to comply with the Auditor's fiscal interpretation. The impact of the change resulted in an additional $10.7 billion being added to the net debt and accumulated deficit.

Despite this change, and as our results show, the government has once again beaten its deficit targets and remains on track for a balanced budget by 2017-18, and remaining balanced in 2018-19.

19. How will this affect the province's debt? Does this mean the province owes more money?

No. Total debt remains unchanged by the pension adjustment.

The change in the Province's accounting treatment for pension assets of jointly sponsored pension plans, while increasing net debt, has no impact on the Province's borrowing requirements.

20. Should taxpayers be concerned about the rise in net debt and accumulated deficit?

No.

The Province's financial results show that the government has once again beaten its deficit targets and remains on track for a balanced budget by 2017-18, and remaining balanced in 2018-19.

The treatment of pension assets is a complex accounting issue. In fact, the Public Sector Accounting Board has initiated a project to review pension accounting standards. PSAB will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs. Ontario will participate in this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

21. The Auditor General has recommended that the government work toward implementing a long-term debt reduction plan with the target of reducing its

net-debt-to-GDP ratio to pre-recession levels of 27% This year the ratio has risen again. What is the government doing to lower this ratio?

The government continues to maintain a target of returning to the pre-recession level of 27 per cent. The first key step in achieving this is to balance the budget. Debt is incurred for two main reasons: to finance deficits and to invest in capital assets.

The government plans to invest more than $137 billion in capital over the next 10 years. Most of these capital investments are amortized over a period of time corresponding to the useful life of these assets. Even with a balanced budget, the difference between the cash investment to build the assets and the amortization (which is a non-cash amount) will continue to increase the debt.

The government's plan to reduce the ratio of net debt to GDP therefore hinges on both balancing the budget and investing in capital assets, both of which will help achieve the 27 per cent target.

22. What is the difference between "Public Accounts" and "Financial Statements"?

Answer below needs fact check by OPCD

Our financial statements include the Province's annual report and consolidated financial statements. These documents provide financial highlights of the past fiscal year compared to the Budget plan and report on performance in priority areas.

The full Public Accounts would also include these components, as well as:

- a report by the Auditor General containing an audit opinion
- supplementary financial information in three volumes

The full Public Accounts will be tabled with the house once the Auditor General's audit opinion is available.

23. You say you're releasing your financial results in the public interest. Aren't you creating confusion by having two sets of books – yours and the AG's?

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the fiscal outcome proposed by the Auditor General.

Our officials continue to work with the AG's office. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

24. How different will the AG's numbers be?

TBC OPCD

25. Why didn't you just release Public Accounts last week to meet your legislated timelines?

As stated in the house there will be delay in tabling the Public Accounts because of ongoing discussions with the Auditor General to work through a complex accounting issue related to pension assets.

Our officials continue to work with the AG's office. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

26. Clearly the government is in a spat with the AG – releasing unaudited financial statements seems like a slap in the face. What does this say about your relationship with the AG?

The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General. As a government, we value our important and ongoing relationship with each of these officers.

Our officials continue to work with the AG's office to resolve this complex accounting issue related to pension assets. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

27. The Auditor General claims you have been using creative accounting to overstate your numbers – how do you respond to that?

That is simply not true.

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the Auditor's assessment of our treatment of pension assets. We believe that this reflects the fiscal outcome proposed by the auditor.

Prior to implementing this change, the government had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years – resulting in unqualified (clean) audit opinions. It has also been accepted by three previous Auditors General.

There has been no change to the relevant accounting standards over the past 14 years.

28. So at the end of the day if your numbers are the same as the Auditor General's what's the issue?

TBC OPCD

29. What's the difference between "audited" and "unaudited" financial results?

In practice, there should be no difference between audited and unaudited results.

An independent audit of an organization's financial results provides independent assurance that the results fairly represent the financial position of the organization, and that those results are in accordance with generally accepted accounting principles.

The Province's unaudited financial statements include a Statement of Responsibility. This statement describes how the financial report is prepared, and attests to the government's responsibility for the objectivity and integrity of the consolidated financial statements.

The government also attests to its responsibility for maintaining appropriate systems of internal control. The systems support the integrity and completeness of the financial information reported.

30. What's the difference between a "qualified" and "unqualified" audit opinion?

Audit reports represent an auditor's professional opinion on whether an organization's financial position and results of its operations are presented fairly in its financial statements.

An unqualified, or clean opinion, is a judgment that an organization's financial records and statements are fairly and appropriately presented.

A qualified opinion indicates an auditor has concerns with the financial information. Those concerns could include things like the availability of sufficient information for users to make an informed decision, or the organization's reporting in accordance with public sector accounting standards.

In this case the Auditor General has chosen not to issue an opinion at all – either unqualified or qualified.

31. Why didn't the AG issue an audit opinion? Is this even legal?

Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the Auditor's assessment of our numbers. We believe that this reflects the fiscal outcome proposed by the auditor with respect to the treatment of the pension assets in question.

Our officials continue to work with the AG's office to resolve this complex accounting issue. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

TBC Legal on question of whether it is legal for AG to not issue an opinion

32. What is a jointly-sponsored pension plan?

The Ontario Public Service Employee's Union Pension Plan (OPSEUPP) and Ontario Teachers' Pension Plan (OTPP) are jointly sponsored pension plans where the Government of Ontario is a co-sponsor.

The assets of both pension plans are held in a trust for the beneficiaries of the plans. The plans are co-managed by the sponsors, and decisions regarding benefits and contributions require negotiation and agreement between both parties.

During the 2015-16 Public Accounts audit, the Auditor General raised some questions about Ontario's past accounting practices related to pension assets for the OPSEUPP and OTPP plans.

Pension accounting is complex and requires the application of professional judgment. Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

33. How does the Auditor General want you to account for jointly-sponsored pension plans?

During the 2015-16 Public Accounts audit, the Auditor General expressed a different interpretation of the existing PSAB standards which would impact the accounting for pension assets of jointly-sponsored pension plans.

The Auditor General's view is that the government does not have legally enforceable right to unilaterally access the assets of these jointly sponsored pension plans. As such, with no agreement in place to the contrary, the Auditor General believes that the pension asset should be removed from the Province's balance sheet.

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the Auditor's assessment of our numbers. We believe that this reflects the fiscal outcome proposed by the auditor with respect to the treatment of the pension assets in question.

Our officials continue to work with the Auditor General's office to resolve this complex accounting issue. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

General Media Qs&As

34. Is the government artificially balancing the budget through the one-time sale of assets like Hydro One?

The government's plan to eliminate the deficit does not depend on revenues from asset sales. Maximizing the value of these assets is part of the government's economic plan for Ontario. The net revenue gains from these transactions are helping the government to deliver on its plan by investing in infrastructure.

The government is committed to dedicating the net revenue gains from asset optimization activities, including the broadening of ownership of Hydro One and real estate sales to the Trillium Trust which will be used to invest in transit, transportation and other priority infrastructure projects under Moving Ontario Forward.

35. According to your numbers the deficit was down $5 billion from the $8.5 billion projected in last year's budget. Where did this money come from?

The improvement over plan was largely due to revenues that were $4.0 billion above the forecast of $124.4 billion.

This reflects higher than expected tax revenue and net revenues from the first phase of broadening Hydro One ownership, and stronger overall performance from government business enterprises. Maximizing the value of these assets is part of the government's economic plan for Ontario.

36. Does the fact that your deficit is $5 billion lower than projected mean you have more money to bring to the table in labour negotiations (e.g. doctors)?

It is important to point out that through the Public Accounts process, we are reporting on past performance, whereas labour negotiations impact future fiscal pressures.

Our government is committed to balancing the budget by 2017-18 and remaining balanced in 2018-19. We know we have difficult choices ahead, but people can be assured that their government will take a fair and balanced approach, one that protects and improves the services that matter to Ontarians.

Managing compensation costs is critical to balancing the budget, as over half of government spending goes to salaries and benefits in the Ontario Public Service (OPS) and the broader public sector (BPS).

Compensation costs must be addressed within Ontario's existing fiscal framework and all public-sector partners must continue to work together to control current and future compensation costs.

While continuing to work to achieve fiscal balance by 2017–18, the government is achieving significant results in priority areas for Ontarians.

We know there is more hard work ahead as we work towards a balanced budget, and we are confident that our partners will work with us to build Ontario up.

37. Will you still be able to balance the budget if Ontario's economy does not perform as strongly as you forecast? Even the FAO has said that your forecast is optimistic.

The government is committed to balancing the budget by 2017-18 and remaining balanced in 2018-19.

The Ontario economy continues to grow in a challenging global environment. In fact, Ontario posted higher real GDP growth in the first quarter of 2016 than Canada, the U.S. and all other G7 countries.

While uncertainty in the global economy has increased, along with increased volatility in global financial and currency markets, Ontario has a diversified economy – meaning the Province is well positioned to respond to changing global economic conditions.

With the economy expected to continue to grow, and the Province's ongoing commitment to transform government programs and services, Ontario is well positioned to achieve balance.

38. Are you cutting back on vital services like health care to balance the budget?

No. Through Program Review, Renewal and Transformation (PRRT), we are helping the government achieve better outcomes while also lowering costs.

The primary focus of this transformation is on ensuring that services are delivered efficiently and in a way that effectively meets Ontarians' needs.

Through cross-ministry horizontal collaboration, we are taking focused action on major transformation and efficiency initiatives that will improve outcomes for Ontarians while helping to free up resources to reinvest in key priorities, such as health care and education.

To improve programs, we are moving towards a focus on evidence-based decision making – gathering and analyzing the best available information to improve how outcomes are identified and achieved across government.

PRRT is about more than just savings targets – it is about doing government differently – improving outcomes for Ontarians while freeing up resources to reinvest in key government priorities, such as health care.

39. This is the seventh year in a row that you have reported a deficit lower than forecast. Are you purposefully overestimating your deficit projections?

The government remains committed to balancing the budget by 2017-18 and is taking deliberate and responsible steps to achieve this goal.

The government recognizes that a fiscally sound approach to managing the Province's finances will provide the foundation for the long-term well-being and prosperity of Ontarians, and protect the public services that Ontarians rely on.

The government's fiscal projections are based on the best economic and fiscal information available at the time. They reflect a realistic and responsible plan to manage the Province's resources, while still protecting the vital services that Ontarians rely on.

Ontario's fiscal projections also incorporate prudence in the form of a reserve to protect the fiscal outlook against unforeseen adverse changes in the Province's revenue and expense, including those from changes in Ontario economic performance or the impact of natural disasters.

For 2015-16, Ontario is on track to beat its deficit target for the seventh year in a row. Beating our deficit targets helps to keep interest on debt at a manageable level and protects future generations from rising interest costs, which could otherwise crowd out spending on government priorities.

40. You spent $433 million more than you budgeted for programs. How is your government keeping spending in check?

Program Review, Renewal and Transformation (PRRT) is helping the government achieve better outcomes while also lowering costs.

The primary focus of this transformation is on ensuring that services are delivered efficiently and in a way that effectively meets Ontarians' needs.

Through cross-ministry horizontal collaboration, we are taking focused action on major transformation and efficiency initiatives that will improve outcomes for Ontarians while helping to free up resources to reinvest in key priorities, such as health care and education.

41. How would the Ontario Rebate for Electricity Consumers impact Ontario's plans for a balanced budget? How will the province pay for this $1 billion rebate?

The government remains committed to balancing the budget by 2017-18 and remaining balanced in 2018-19 by continuing to invest in the economy, our people and a healthy, clean and prosperous low-carbon future. These investments will help enhance the public services that Ontarians rely on, as well as stimulate economic growth.

Questions related to the Ontario Rebate for Electricity Consumers should be referred to my colleague, the Minister of Energy.

42. How is the money spent on the now defunct Ontario Retirement Pension Plan reflected in Public Accounts? How does the government justify this expense?

TBC OPCD + MOF

43. Was the delay in tabling Public Accounts because you can't afford the childcare commitment and the electricity rebate?

No. Public Accounts is a retrospective document that compares Ontario's actual performance to what was planned in the Budget.

I have directed senior Treasury Board officials to work with the Office of the Auditor General to develop a plan and finalize the Public Accounts as soon as possible.

44. In 2003, your government brought in legislated timelines for Public Accounts, yet you're past the deadline and you still haven't tabled them. Why didn't you adhere to your own legislation?

We have been working with the Office of the Auditor General to try to come to an agreement on the treatment of pension assets.

The Public Sector Accounting Board has initiated a project to review pension accounting standards, and will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs. Ontario will participate in this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

In order to be transparent, and in the public interest, the government is releasing its Financial Statements in order to show the province's financial position.

We believe that this reflects the fiscal outcome proposed by the auditor with respect to the treatment of the pension asset in question.

45. Disagreement with officers of the legislature seems to be a recurring theme – at least with the AG – what's your position on this? Does this government have a problem with officers of the legislature?

The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General. As a government, we value our important and ongoing relationship with each of these officers.

46. Is the fact that you've changed your accounting standards an indication of financial mismanagement on the part of government?

No. The Province's financial results show that the government has once again beaten its deficit targets and is on track for a balanced budget by 2017-18 and remaining balanced in 2018-19.

Prior to implementing this change, the government had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

For 2015-16 financial statements, the government legislated its accounting treatment for pension assets of its jointly-sponsored pension plans.

47. Are you concerned about how the credit rating agencies will view this issue?

The Province's financial results show that the government has once again beaten its deficit targets and remains on track for a balanced budget by 2017-18 and remaining balanced in 2018-19.

Our government remains committed to balancing the budget in 2017-18. At the same time, we will continue to invest in vital government services, such as health care, education and infrastructure that are important to the people of Ontario.

In 2016 the C.D. Howe Institute, an independent research organization that assess the fiscal planning and reporting of governments in Canada, also commented positively on the financial reporting practices of Ontario relating to its fiscal reporting activities that include Public Accounts, the annual Budget and Estimates.

48. Can credit rating agencies adjust their ratings based on this new development? What about bondholders?

TBC OPCD

Hydro One

49. Why are you selling off Hydro One?

The government is broadening the ownership in Hydro One to improve the company's long-term performance and unlock billions in value for investment in major infrastructure projects that will help grow Ontario's economy for years to come.

This approach will create an improved company that would operate more efficiently and better serve the interests of ratepayers and customers of Hydro One.

The net revenue gains from broadening the ownership of Hydro One shares will provide the government with approximately $4 billion to be credited to the Trillium Trust to invest in key infrastructure and create thousands of jobs, as well as $5 billion to reduce debt.

50. What is the Hydro One deferred tax benefit?

As a result of Hydro One exiting the Payment in Lieu (PILs) regime and the revaluation of its fixed assets upon entering the corporate tax regime, the company recognized a deferred tax benefit in fiscal 2015-16, which positively affected its net income.

At consolidation in Public Accounts of the Province's portion of Hydro One's net income, Hydro One's recognition of a deferred tax benefit increased the Province's revenues by $2.4 billion. The gain associated with Deferred Tax Benefit from the IPO has been allocated to the Trillium Trust.

51. Why did you loan the electricity unions money to buy shares of Hydro One?

In connection with the IPO, the Province sold $116 million worth of Hydro One shares to trusts of the Power Workers' Union (PWU) and the Society of Energy Professionals (SEP) trusts. Of the shares sold to the Trusts, about $108 million was purchased using loans provided by the Province. The gains from those share sales will be credited to the Trillium Trust over time as the loans are repaid.

The government is fully committed to dedicating net revenue gains from the sale of designated assets to the Trillium Trust to help fund further investments in transit, transportation and other priority infrastructure as part of Moving Ontario Forward.

The $3.2 billion being credited to the Trust at this time does not include amounts associated with shares purchased by the Power Workers' Union (PWU) and the Society of Energy Professionals (SEP) trusts using loans provided by the Province.

52. The government is being sued over the sale of Hydro One. Was the sale worth it to balance you budget now that you're being sued?

I understand Ontario has been served with a notice of claim. As this matter may be subject to litigation, it would be inappropriate to comment further.

53. The FAO has warned that the partial sale of Hydro One will have direct implications on the provinces debt and ability to balance the budget. What do you say to these concerns?

To date, Ontario has sold approximately 30 per cent, or about half of the 60 per cent of shares the government intends to sell, and with this $3.2 billion credited to the Trillium Trust is well on track to meet its multi-year asset optimization target to generate $5.7 billion over time to support investments in infrastructure.

Crediting the $3.2 billion to the Trillium Trust demonstrates Ontario's commitment to investing in infrastructure projects that help stimulate economic growth and create good, well-paying jobs.

The government acknowledges the important role played by the FAO in providing independent analysis to the Assembly on the state of the Province's finances.

Bargaining and Compensation

54. What is the government doing to control executive compensation in the Broader Public Sector?

In March 2015, the government proclaimed the Broader Public Sector Executive Compensation Act, 2014 (BPSECA) into force. This legislation allows the government to establish compensation frameworks for designated senior executives in the broader public sector.

An Executive Compensation Framework came into force on September 6, 2016. The framework reinforces that designated BPS employers are accountable for compensation decisions, sets caps and prohibitions on certain types of compensation, requires enhanced public transparency and allows impacted employers to balance the need to attract the necessary talent to deliver high quality public services while managing public dollars responsibly.

The framework applies to all designated employers under BPSECA, including hospitals, school boards, colleges and universities, community care access corporations, provincial agencies and named hydro entities.

The framework caps salary and performance-related payments for designated executives at no more than the 50th percentile of appropriate comparators and prohibits elements like signing bonuses and pay in lieu of perquisites.

The framework also requires that each designated employer engage in public consultation on their compensation program before it is finalized and requires final programs to be posted on the designated employer's website. These requirements enhance transparency and give Ontarians the opportunity to provide input on executive compensation in the BPS.

BPSECA includes significant compliance and enforcement measures: employers will be required to complete reports concerning compliance with the framework and individuals could be subject to penalties if they willfully fail to provide a report, provide a false report or obstruct an auditor.

55. How are you managing the costs of public sector compensation?

Managing compensation costs is critical to balancing the budget, as more than half of government spending goes to salaries and benefits, including those of both the Ontario Public Service (OPS) and broader public sector (BPS). All public-sector partners must continue to work together to control current and future compensation costs.

Since July 2012, the average annual negotiated wage increase across Ontario's provincial public sector has been 0.6 per cent. This is lower than:

- Ontario's municipal public sector (1.7 per cent)
- the federal public sector in Ontario (1.7 per cent)
- Ontario's private sector (1.9 per cent)

56. Where is the agreement with OPSEU reported in Public Accounts? Was this truly net-zero?

The agreement reached with OPSEU's Central and Unified bargaining units on October 30, 2015 is net-zero and remains consistent with the fiscal plan outlined in both the 2014 and 2015 Budgets.

To achieve a net-zero outcome, there are no wage increases in 2015 and 2016. In 2016 there will be a modest 1.4% one-time lump sum payment that does not form part of employees' base salaries, and in 2017 there is a 1.4% pay increase. Both are offset through changes to employee benefits and entitlements over the three-year term of the contract, including a freeze on salary progression in 2016 and 2017 and capping of termination payments.

This agreement will support the government's ongoing efforts to eliminate the deficit while protecting the valued public services Ontario families rely on.

57. The Premier recently said the era of net zero is over. How will this affect labour negotiations?

As a government, we'll continue to do what we've always done in terms of negotiations. As the time comes to negotiate new contracts, whether it's Treasury Board Secretariat that's negotiating or an individual ministry, they always come to Treasury Board to get an approved mandate. So we'll carry on with that practice of coming to Treasury Board for an approved mandate that will fit within the fiscal plan.

Ontario's Financial Position

58. The FAO has warned that if Ontario's fiscal position deteriorates beyond 2017-18, the four international credit rating agencies could lower Ontario's credit rating, which could lead to higher borrowing costs and more challenging fiscal position. What is the government doing to manage the debt?

The government remains firmly committed to balancing the budget by 2017–18.

The deficit for 2015-16 is $3.8 billion, a $5 billion improvement compared to the 2015 Budget. This marks the seventh year in a row that Ontario has beaten its annual deficit target, reflecting the government's responsible and balanced approach to fiscal management.

Given ongoing challenges in the broader economic environment, the government recognizes that now is the time to be making investments in people, modern infrastructure and a dynamic and innovative business climate — investments that will help to spur economic growth and create the new jobs necessary to support eliminating the deficit.

Alongside these strategic investments, the government is also taking deliberate actions to ensure it can continue to manage spending and improve outcomes for Ontarians. Together, these investments and deliberate actions will help ensure that the priority programs and services that people rely on are maintained and enhanced while the deficit is eliminated.

59. Some have said your government has a spending problem, not a revenue problem. As the largest subnational borrower, what do you say to that?

The government beat its deficit target for the seventh year in a row. Last fiscal year's deficit is $3.8 billion, down $5 billion from the $8.5 billion projected in last year's budget.

The government is projecting a deficit of $8.5 billion in 2015-16, $4.3 billion in 2016-17 and a return to a balanced budget in 2017-18.

The improvement over plan was due in large part to the Ontario government's strong focus on managing growth in spending. Ontario consistently has the lowest per capita program spending among all Canadian provinces.

Over the past four years the Province has held the average annual growth in program spending to 1.9 per cent, less than the rate of inflation, while investing in services that people rely on.

Key elements of the government's plan to eliminate the deficit are:
- Program Review, Renewal and Transformation
- managing compensation costs
- maintaining tax fairness and a level playing field for business
- strengthening government transparency, financial management and fiscal accountability

60. How much did government spend in 2015-16?

TBC OPCD

61. Why was total expense $300 million higher than projected in the 2015 Budget plan?

Total expense in 2015–16 was $132.2 billion, $0.3 billion higher than the 2015 Budget plan. Program spending was $121.2 billion, up by $0.7 billion from a planned spending of $120.5 billion.

The increase largely reflects the government's decision, announced in the 2015 Ontario Economic Outlook and Fiscal Review, to invest $0.3 billion through the new Green Investment Fund. As well, spending in the health, children's and social services, justice sectors and other programs was higher than planned.

Total program spending was $757 million higher than the Budget, resulting in actual program expense of $121.2 billion. The increases were attributable to:

- Health sector expense was $294 million, or about 0.6 per cent, above plan. Higher spending resulted from increased drug costs as well as higher hospital sector expense, partially offset by underspending in agencies.

- Children's and social services sector expense that was $124 million higher than planned, due mainly to additional spending to address demand for the Ontario Disability Support Program and the cost of prescription drugs for social assistance recipients.

- Justice sector expense increased by $120 million, mainly due to settlements under the Proceedings Against the Crown Act and higher-than expected bad debt provisions related to unpaid fines.

- Other programs expense was $628 million higher than expected. The increase was due to one-time investments through the Green Investment Fund, higher than anticipated expense for the Ontario Production Services Tax Credit and costs related to the Hydro One IPO.

Increases in these sectors and programs were offset by:

- Education sector expense was $233 million lower than expected, due in part to a higher share of funding spent on capital projects that are capitalized and amortized instead of expensed, higher-than-forecasted revenues from education development charges, and slightly lower-than-projected enrolment.

- Post-secondary and training sector expense was $176 million lower than expected, mainly due to lower spending on post-secondary operating grants and lower student financial assistance as a result of lower-than-forecast enrolment. As well, spending on employment and training programs was below plan, partially offset by higher expense on tax credits to employers to support training.

62. What are you going to do if Ontario's economy does not perform as strongly as you forecast?

The Province has included prudence as part of the fiscal plan to help ensure it meets future fiscal targets as it moves towards a balanced budget in 2017–18.

As required by the Fiscal Transparency and Accountability Act, 2004 (FTAA), the fiscal plan continues to incorporate prudence in the form of a reserve to protect the fiscal outlook against adverse changes in the Province's revenue and expense, including those resulting from changes in Ontario's economic performance. The reserve has been set at $1.0 billion in 2015–16, and has been set at $1.2 billion in each of 2016–17 and 2017–18.

The fiscal plan also includes contingency funds to help mitigate expense risks that may otherwise negatively impact Ontario's fiscal performance.

In keeping with sound fiscal practices, the Province's revenue outlook is based on prudent economic assumptions. The Ontario Economic Forecast Council, established under the FTAA, reviewed the Ministry of Finance's economic assumptions in February 2015. All council members found the assumptions to be reasonable.

63. What if interest rates go up? What affect would higher interest rates have on debt?

The Province is operating under a historically low interest rate environment, however, if interest rates did increase, a one percentage point change will result in an impact of approximately $350 million to the Province's interest expense.

64. What is the government's annual borrowing program?

The amount of money the government borrows varies from year to year and is dependent on the deficit, proposed investments in capital and amount of debt that is maturing.

Over the three years 2016-17 to 2018-19 average long term public borrowings are estimated to be $26 billion per annum, considerably lower than what the Government borrowed over the past three years which averaged at $33 billion per annum. The lower borrowings are primarily due to the Government's efforts in reducing the deficit and balancing in 2017-18.

65. Did you use your reserve fund to pad your fiscal results and pay down the debt?

For planning purposes, a reserve is included in the budgeted surplus/deficit each year to guard against unforeseen revenue and expense changes that could have a negative impact on the Province’s fiscal performance. The 2015 Budget plan included a $1.0 billion reserve. Without the reserve, the actual deficit result of $3.5 billion would not have been affected.

Budget Surplus and Revenue Increase

66. Can you explain the $4.0 billion increase in revenue since your 2015 Budget?

The increase in revenues primarily reflects stronger-than-projected 2015 personal income tax assessments and a strong Ontario housing market in 2015 which boosted Sales Tax and Land Transfer Tax revenues.

Taxation revenues also reflected a one-time increase in Electricity payments-in-lieu of taxes related to Hydro One ownership broadening in 2015-16.

67. How did net income from government business enterprises increase by $100 million from your 2015 Budget projection?

This increase was mostly attributable to combined higher net income from the Liquor Board of Ontario (LCBO), Ontario Lottery and Gaming Corporation (OLG) and Ontario Power Generation Inc. (OPG).

Higher net income from these business enterprises, however, was partially offset by lower net income from Hydro One, primarily reflecting impacts from broadening Hydro One ownership.

Contingency Fund / Reserve

68. What is the difference between the contingency fund and the reserve?

The contingency fund is an amount of expense that is approved by the Legislative Assembly at the beginning of the year to cover expenses due to unforeseen events (e.g. fighting forest fires). This approved spending limit is allocated during the year to ministries for their programs and activities.

The reserve is an amount included in the forecast each year to protect the plan against unforeseen revenue and expense changes that could have a negative impact on the Province's fiscal performance.

Budget Projections vs. Public Accounts Reporting

69. What accounts for the $4.4 billion increase in taxation revenues from your 2015 Budget projection?

The increase in revenues primarily reflects stronger-than-projected 2015 personal income tax assessments and a strong Ontario housing market in 2015 which boosted Sales Tax and Land Transfer Tax revenues.

Taxation revenues also reflected a one-time increase in Electricity payments-in-lieu of taxes related to Hydro One ownership broadening in 2015-16.

70. Why did Ontario's net debt increase by $10.3 billion in 2015-16?

Net debt is the Province's total debt and other liabilities, less its financial assets, including cash and investments. The increase of $10.3 billion in net debt is primarily due to the deficit and investments in capital assets.

71. How do you explain the $12.4 billion increase in total debt in 2015-16?

The increase of $12.4 billion in total debt is due to borrowing for the deficit and investments in capital assets for 2015-16. It also includes pre-borrowing of $2 billion to take advantage of low interest rates and continuing demand for the Province's Debt.

72. Why is the government now including 5-year trends in the Public Accounts?

The increased disclosure and discussion on 5-year trends is in line with recommended disclosure practices of the Public Sector Accounting Board. This increased disclosure enhances the quality of financial reporting to the public, Legislature and other users to better meet their transparency and accountability needs. In addition to the disclosure in the Annual Report, the government is also making available supplementary information through data visualization.

73. Why is the interest on debt for 2015-16 $400 million lower than forecast in the 2015 Budget?

Interest on debt expense was $0.4 billion below plan in 2015-16, as a result mainly of lower-than-forecast interest rates, the lower-than-planned deficit and cost effective borrowing and debt management.

74. Why is interest on debt for 2015-16 $400 million higher than in 2014-15?

Interest of debt is higher by $332 million from last year, mainly due to the funding of the deficit and investment in capital assets and partly offset by the impact of lower interest rates.

Program, Review, Renewal and Transformation

75. How are you reviewing and transforming government programs?

Program Review, Renewal and Transformation (PRRT) is helping the government achieve better outcomes while also lowering costs.

The primary focus of this transformation is on ensuring that services are delivered efficiently and in a way that effectively meets Ontarians' needs.

Through cross-ministry horizontal collaboration, we are taking focused action on major transformation and efficiency initiatives that will improve outcomes for Ontarians while helping to free up resources to reinvest in key priorities, such as health care and education.

To improve programs, we are moving towards a focus on evidence-based decision making – gathering and analyzing the best available information to improve how outcomes are identified and achieved across government.

76. Has PRRT achieved any tangible results/savings?

The government has achieved a number of efficiencies to make programs more sustainable, such as negotiating lower prices for goods and services and managing compensation.

But PRRT is about more than saving money — it is a continuous planning approach focused on improving outcomes for government programs and services to ensure they are effective, efficient, relevant and sustainable.

77. What do you have to say to those public sector workers who have lost their jobs or are at risk of losing their jobs because of PRRT?

Program Review, Renewal and Transformation (PRRT) is helping the government achieve better outcomes while also lowering costs.

The primary focus of this transformation is on ensuring that services are delivered efficiently and in a way that effectively meets Ontarians' needs.

Government Assets

78. What is the government doing to extract value from any government assets?

With the 2014 Budget, the government began the process of unlocking the economic value of the Province's assets, including setting up the Premier's Advisory Council on Government Assets, chaired by Ed Clark, former Group President and Chief Executive Officer of TD Bank Group.

The council delivered recommendations on the electricity sector to the Province in advance of the 2015 Budget, including broadening the ownership of Hydro One. This would involve an initial public offering of about 15 per cent of the voting securities in Hydro One, with additional share sales in subsequent years. Over time, share offerings would total up to 60 per cent of the voting securities in Hydro One.

The Province is also moving forward with its plans to unlock value from its real estate assets, including OPG's head office building, and the Seaton and Lakeview lands. In June 2016, the Province closed the sale for the Liquor Control Board of Ontario's (LCBO) head office lands, raising $260 million in gross proceeds.

All net revenue gains from the sale of qualifying assets will be dedicated to the Trillium Trust to help fund further investments in transit, transportation and other priority infrastructure as part of the Moving Ontario Forward initiative.

Trillium Trust

79. Have the net proceeds from the sale of the GM holdings and the partial sale of Hydro One been dedicated to the Trillium Trust, and how is that being reported in Public Accounts?

The Trillium Trust Act, 2014, provides for the dedication of net revenue gains from the sale of qualifying assets to help support key infrastructure priorities, such as roads, bridges and public transit. A schedule in Volume 1 of the Public Accounts reports on the financial activities of the Trillium Trust.

Volume 1 shows that $1.35 billion was available for the Trillium Trust at March 31, 2016, to help fund investments. This reflects the sale and redemption of the Province's shares in General Motors in earlier years.

In August 2016, a regulation was put in place that credited the trust with $3.2 billion from the net revenue gains resulting from the Hydro One IPO, the gain on sale of shares in November 2015 and the share of the deferred tax benefit to Hydro One that has been recognized by Ontario through its share of Hydro One net income as a result of its ownership position in Hydro One.

The net revenue gains from the secondary offering in April 2016 will be reported in the 2016-17 Public Accounts and credited to the Trillium Trust.

80. How have you spent the funds dedicated to the Trillium Trust?

As announced in the 2016 Budget, the government plans to begin drawing on the balance in the Trillium Trust in 2016-17 to support the largest investment in public infrastructure in Ontario's history.

Based on planned expenditures, in 2016–17 the Trillium Trust would support Moving Ontario Forward initiatives, such as GO Transit Regional Express Rail, Hurontario Light Rail Transit and the Ontario Community Infrastructure Fund.

81. Why are you allocating non-cash items like the deferred tax asset generated in the Hydro One transaction to the Trillium Trust?

TBC OPCD

Moving Ontario Forward

82. In the 2015 Budget, the government stated that $3.5 billion would be dedicated to the Moving Ontario Forward plan. So far, only $1.35 billion has been dedicated to the Trillium Trust. How do you propose to supply the $2.15 billion difference?

Moving Ontario Forward dedicated funds would be largely supported by:

- Dedicated proceeds from 7.5 cents of the existing provincial gasoline tax to public transit and transportation infrastructure priorities. This would be over and above the existing gas tax funding to municipalities, with no increase to the current tax rate.

- Repurposing revenues from the existing Harmonized Sales Tax charged on the current provincial taxes on gasoline and road diesel.

- Dedicated proceeds from targeted revenue measures.

- The government's asset optimization strategy, with net revenue gains dedicated to the Trillium Trust to help support investments in public infrastructure.

- Working with the federal government to secure federal funding through the Building Canada Plan.

83. How much did the government spend on Moving Ontario Forward in 2015-16?

Moving Ontario Forward is part of the government's commitment to invest more than $137 billion in public infrastructure over the next 10 years. Investments are underway, including providing $100 million per year to small, rural and northern municipalities through the Ontario Community Infrastructure Fund to build and repair critical infrastructure.

Like most large infrastructure investments, initial spending on Moving Ontario Forward projects is focused on planning, design, property acquisition and other activities to get projects construction-ready. Spending would ramp up significantly once this preliminary work is completed and construction activity is underway. Over the 10-year Moving Ontario Forward period, all of the dedicated funds are expected to be spent on priority infrastructure projects.

84. Why aren't the additional $2.2 billion in revenues dedicated to the Moving Ontario Forward plan reported in the Public Accounts?

In the 2015 Budget, the government committed to dedicate $31.5B over 10 years to support infrastructure projects under the Moving Ontario Forward plan, which included $5.7B from its asset optimization strategy. In 2014-15, this amounts to about $3.5B in dedicated funds including $1.3B from asset optimization. The remaining $2.2B in 2014-15 would be largely supported by:

- Dedicated proceeds from 7.5 cents of the existing provincial gasoline tax to public transit and transportation infrastructure priorities. This would be over and above the existing gas tax funding to municipalities, with no increase to the current tax rate.

- Repurposing revenues from the existing Harmonized Sales Tax charged on the current provincial taxes on gasoline and road diesel.

- Dedicated proceeds from targeted revenue measures.

- Working with the federal government to secure federal funding through the Building Canada Plan.

These additional amounts are largely taxation revenues and are reflected in the total revenue figures in the 2014-15 Public Accounts.

85. How does investing in public infrastructure impact the economy?

A large and growing body of independent research shows that infrastructure investments support jobs, augment personal incomes and produce real growth in the economy. For example, a September 2015 report by the Broadbent Institute and the Centre for Spatial Economics showed that, on average, investing a dollar in public infrastructure in Canada raises gross domestic product (GDP) by $1.43 in the short term and up to $3.83 in the long term.

The Province's planned investments in infrastructure are expected to support over 110,000 jobs, on average, each year.

86. The Public Accounts makes reference that the Province's investment in capital assets is guided by sound asset management planning principles, so why is the education sector facing large renewal needs?

The Province has announced new renewal investment, including: increased investments in GO Transit rehabilitation and renewal; additional annual funding of $50 million to assist hospitals in maintaining their facilities in good repair; and a $1.1

billion investment to repair and renew schools across the province (allocated to school boards in proportion to their renewal needs).

In the education sector, the School Condition Improvement program addresses renewal needs focusing on ensuring that facilities are in good condition, energy efficient and accessible and meet modern service standards. The funding will enable school boards to repair roofs, update HVAC units and modernize electrical and plumbing systems. It will also significantly improve more visible elements of schools that impact students' learning and well-being, including flooring, walls, ceilings, playing fields and more. To support transparency, the government has also released detailed information regarding the condition and renewal needs of each of Ontario's publicly funded schools.

Transparency

87. You say the Province's Annual Report is a central element in demonstrating transparency in reporting financial activities and accountability, yet the FAO continues to criticize your government for withholding information. What do you say to these criticisms?

The relationship between the FAO's office and our government is very important.

Our door is open to meet with the FAO and his staff upon request, and our government has tried to be proactive in reaching out to provide clarification when it could be of use.

We want to be accommodating and helpful, while also respecting the requirements of the 2013 FAO Act. With this in mind, Treasury Board has provided additional information to complement and/or further clarify our responses to the FAO when we've received follow-up requests from his office.

We have also reformatted information into machine-readable charts upon request, when it was possible and consistent with legislation. All requests from the FAO office to the Treasury Board Secretariat have been responded to.

Pan Am Games

88. How much was spent on the games, where does it appear in Public Accounts? And how does your government justify this expense?

These were the largest, most successful Pan/Parapan Am Games ever – creating 26,000 jobs, boosting Ontario's GDP by $3.7B and leaving a lasting legacy that will benefit Ontario for years to come. The economic boost that resulted from the Games acted as a catalyst for economic, social, infrastructure and athletic development and we were proud to host these Games.

Questions related to the PanAm Games should be referred to my colleague, the Minister of Tourism, Culture and Sport.

Underground Economy

89. How are you ensuring revenue integrity?

A fair and efficient tax system is critical to sustaining public services. The 2014 Budget noted that when businesses aggressively avoid or evade paying taxes, everyone else is left to make up the shortfall, putting the competitiveness of legitimate businesses at risk.

Since 2013–14, the Province has taken concrete measures to help ensure tax fairness and a level playing field for business. These include enhanced auditing and compliance activities, such as a multi-year agreement with the Canada Revenue Agency to address the underground economy and corporate tax avoidance in Ontario. The Province has also targeted areas at high risk of underground economic activity with pilot initiatives that focus on mitigating unfair and unsafe circumstances for Ontario's workers and consumers.

In total, these efforts have generated an estimated $1.1 billion for Ontario to date. The Province will build on these successful initiatives with new approaches to ensuring revenue integrity.

Post technical-briefing speaking points

Minister Sandals' Statement – Release of Financial Statements

Earlier today I met with Auditor General to discuss the 2015-16 Public Accounts. I did so because this year, the Auditor General presented the province with a new interpretation of public sector accounting standards. These standards relate to a complex accounting issue – the treatment of jointly-sponsored pension plans.

In preparing the 2015-16 Annual Report and Consolidated Financial Statements, professional public servants and the Auditor General engaged in discussions regarding the treatment of these pension assets – which is subject to a range of interpretations.

Despite our best efforts to try to resolve the concerns, the Province's professional accounting staff and the Auditor General continue to have differences of opinion.

To remain clear and transparent, the government exercised its statutory authority to regulate the treatment of this particular issue for 2015-16. The government regulated the treatment of pension assets in a manner that is consistent with the fiscal outcome proposed by the Auditor General.

The government is now releasing its financial statements to ensure transparency with respect to province's financial position. The government believes it is in the public interest to release its financial information. The government also believes it is in the public interest for the Auditor General to issue an audit opinion on Ontario's finances.

Although these financial statements are unaudited, it is important to stress that the Province's financial results show that the government has once again beaten its deficit targets and is on track for a balanced budget by 2017-18, and remaining balanced in 2018-19.

It is also important to stress that the two pension plans in question – the Ontario Public Service Employee's Union Pension Plan, and the Ontario Teachers' Pension Plan – are both healthy and well-funded.

Based on our respective positions at this time, we believe that this particularly complex accounting matter would benefit from additional discussions, information and consideration.

The Public Sector Accounting Board has recognized the complexity of this issue and is working with governments across Canada to set an appropriate standard. Ontario will be part of this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

Prior to making this change, Ontario had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years, resulting in unqualified – or clean audit opinions. It has also been accepted by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

In 2016 the C.D. Howe Institute, an independent research organization that assess the fiscal planning and reporting of governments in Canada, also commented positively on the financial reporting practices of Ontario relating to its fiscal reporting activities that include Public Accounts, the annual Budget and Estimates.

Our officials will continue to work with the Auditor General's office to resolve this complex accounting issue related to pension assets so that we can table the audited Public Accounts with the Lieutenant Governor in Council as soon as possible.

Minister Sousa's Statement – on the fiscal outlook (TBC input by MOF comms)

The government is dedicated to a fiscally sound approach to managing the Province's finances.

As outlined in the 2016 Budget, the government is committed to eliminating the deficit by 2017-18 and remaining balanced in 2018-19.

The 2016–17 First Quarter Finances also confirmed that the government is projecting a deficit of $4.3 billion in 2016–17, unchanged from the 2016 Budget forecast.

The Ontario economy continues to grow in a challenging global environment. In fact, Ontario posted higher real GDP growth in the first quarter of 2016 than Canada, the United States, and all other G7 countries.

Based on the government's plan, net debt-to-GDP is expected to peak at 39.6 per cent in 2015–16, remain level in 2016–17 and begin to decline in 2017–18 – supporting greater sustainability in the Province's management of its debt.

The government's path to a balanced budget is being achieved through responsible fiscal management, which involves:

- Managing growth in program spending, and
- Maintaining the integrity of Provincial revenues.

At the same time, the government continues to make investments in the economy, its people, and a healthy, clean and prosperous low-carbon future.

Ontario.ca Landing Page

Ontario's 2015-16 Annual Report and Consolidated Financial Statements

The Province's Annual Report and Consolidated Financial Statements look back at the government's revenues and expenses. They compare the province's financial performance with the goals outlined in the Budget.

Learn more about the Ontario Budget cycle

Overview

The documents present the government's financial statements and provides a picture of how finances were managed over the last fiscal year (April 1 to March 31).

They are made up of:

- an annual report
- a financial statement, discussion and analysis
- consolidated financial statements
- three supporting volumes

As part of our Open Government initiative, you can find additional tools, features and tables to make the government's financial information easier to access, use and understand.

Annual report

The annual report is a high-level summary of the fiscal year's results. It includes financial statements, analyzes the state of the province's finances and outlines achievements for the fiscal year.

Read the annual report (2015-16)

Consolidated financial statements

These statements compare government revenues to its expenses (the cost of providing programs and services and financing debt). The result is the annual surplus or deficit. These statements also display the budget plan and last year's numbers for comparison.

Read the consolidated financial statements (2015-16)

Volume 1: ministry statements and schedules

Volume 1 contains ministry statements, detailed schedules of debt and other items. This volume details where government revenue comes from, including taxes, non-tax revenue and income from enterprises like the LCBO), alongside the expenses of ministries.

Read Volume 1 (2015-16)

Data Visualization (same as current on site, but with updated data)

This graphic visualizes ministry spending information in Volume 1 of the Public Accounts for 2015-16, not including financial reimbursements or recoveries. Financial reimbursements or recoveries include internal chargebacks between ministries for shared services, as well as reimbursements from external sources for the delivery of services. As a result, some amounts may differ from these documents.

Select a ministry to learn more about their spending. You can also download the Public Accounts data to create your own visualization.

Get Volume 1 data

Volume 2: financial statements of government organizations and business enterprises

Volume 2 contains the individual financial statements of government organizations, business enterprises and other financial statements. These organizations and enterprises include agencies like Metrolinx and Hydro One and organizations like the Workplace Safety and Insurance Board.

Read Volume 2 (2015-16)

Volume 3: detailed schedules of payments

Volume 3 contains the transfer payments made by ministries to recipients that are not a part of the Government of Ontario, such as hospitals, community agencies and schools. It also includes payments to vendors for goods and services, such as third-party staffing agencies, consultants and telecom providers.

Read Volume 3 (2015-16)

Volume 2

Volume 2 contains the individual financial statements of government organizations, business enterprises and other miscellaneous financial statements. These organizations and enterprises include agencies like Metrolinx and Hydro One and organizations like the Workplace Safety and Insurance Board.

Volume 2 PDFs

- Read Volume 2a: Financial Statements of Government Organizations (2015-16)
- Read Volume 2b: Financial Statements of Government Organizations (2015-16)
- Read Volume 2c: Financial Statements of Government Business Enterprises, Trusts and Miscellaneous Statements (2015-16)

Government Organizations Summary

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Government Business Enterprises Summary

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Trusts Summary

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Volume 3

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Download the PDF for Volume 3: Detailed Schedules of Payments

Detailed Schedules of Payments

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