TBS

Office of the Provincial Controller Division

Public Accounts Briefing

June 29, 2017

Briefing Outline

- Key Public Accounts deliverables
- Consideration of other financial reporting products
- Impact of BPS line-by-line presentation
- Current accounting issues
- Key dates and update timelines

Public Accounts Deliverables

1. **2016-17 Annual Financial Report, including**
   - Financial Statement Discussion and Analysis (FSD&A)
     - Discusses the Province's actual results against Budget, prior year and earlier years' actuals
     - Discusses indicators of financial condition and other information
   - Audited consolidated financial statements (CFS)
   - Management's Statement of Responsibility
     - Province's acknowledgement of responsibility for effectiveness of internal controls and the objectivity and integrity of the CFS and related notes
   - Auditor General's Audit Opinion
     - The AG's opinion that the financial statements are fairly stated
     - Expect qualified opinion for recognition of OTTP/OPSEU pension assets and inclusion of IESO regulatory assets/liabilities in the Province's financial statements
2. **Supplementary Volumes 1, 2, 3**
   - **Appendix 1** provides further details
3. **Various Communication Products**
   - News release, Q and As, briefing binders (limited distribution)

Financial Statement Discussion & Analysis

- **Purpose** – To enhance the users' understanding of the government's actual results compared to the approved Budget and prior years' results
- **Process –**
  - Identification of potential themes consistent with other public documents
  - Drafting content of FSD&A with input from stakeholders
  - Oversight of the Public Accounts process (compilation, production, audit issues and communications) by the Public Accounts Steering Committee
  - TBS and MOF Ministers approval obtained on final version

Consideration of Other Financial Reporting Products

- Consistency of messaging and results between the Public Accounts and other financial reporting products is important, including:
  - **1st Quarter Economic Accounts (released by July 15)**
    - First public update on economy following Budget release
    - Previews messaging of 1st Quarter Finances (in-year outlook)
  - **1st Quarter Finances (released by August 15th)**
    - Signals governments performance against Budget plan
  - **Other**
    - 2017 Budget
    - 2018 Budget and Pre-Election Report

Impact of BPS Line-by-Line Presentation

- Presentation change only, which has no fiscal impact (i.e. no impact to annual deficit, net debt or accumulated deficit)
- Revenues and expenses will be grossed up by the same amount of BPS third -party revenues
  - BPS direct receipt of federal transfers will be reported as revenue from Government of Canada
  - BPS fees, donations and other revenues will be reported as provincial revenue
  - Program spending of MOHLTC, EDU and MAESD will increase
  - Interest on debt (IOD) expense will increase by reflecting net interest expense on BPS debt

Impact of BPS Line-by-Line Presentation (cont'd)

- Impact to key financial indicators
  - No change to indicators related to the annual deficit, net debt or accumulated deficit
  - Favorable impact to debt charge to total revenue and net debt to total revenue
  - Program spending per capita will increase, but is expected to remain the lowest based on the restated interim results
- 2016 Budget and historical results have been restated reflecting line-by-line consolidation of BPS sectors.
- OPCD is stakeholdering with sector ministries and central agencies on the line-by-line variance analysis
  - See **Appendix 2** additional details on line-by-line presentation

Current Accounting Issues

- **Pensions:**
  - Impacts related to OPCD review of pension plan adjustments for OTTP,OPSEU and PSPP (estimated annual deficit impact of $125M and opening balance sheet/net debt impact of $0.6B)
  - OAG has confirmed no issues with pension assumptions
  - AG has not accepted Province's position on net pension assets for OTPP and OPSEUPP and has advised that she will qualify her audit opinion for 2016-17 Public Accounts
- **Hydro Sector IFRS:**
  - OPG and H1 to be reported on an IFRS basis effective April 1/16 (AG supports)
  - Change from US GAAP to IFRS will have an estimated transitionary impact of $0.7B (excluding AOCI) on the Province's opening accumulated deficit, impacting net debt.
  - Change will also impact annual surplus/deficit in current and future years

Current Accounting Issues

- **Remedy:**
  - EDU has updated the AG on status of negotiations and proposed accounting impacts (status quo)
  - OPCD/EDU will monitor and track the status for potential subsequent event impact
- **Contaminated Sites:**
  - AG VFM follow-up audit on-going
  - Grassy Narrows analysis from MOECC to be finalized and provided to OAG. Planned announcement and proposed funding may impact AG's assessment.
- **IESO Accounting Change**
  - The AG has expressed concerns with the IESO's accounting change to reflect market books and rate regulated accounts.
  - OPCD supports the IESO's change in accounting.

Key Dates

- **Expected audit opinion date** – August 18, 2017
  - Management Representation Letter (to be signed by DM)
  - Meeting between AG and Deputy Ministers to discuss audit findings and the AG's error summary (Summary of Unadjusted Differences) after which the signed audit opinion letter will be provided

- **Release date** - Late August
  - FAA legislated release within 180 days after the fiscal year-end (September 27, 2017)
  - 2015/16 release date (Audited version of PA- Oct 6, 2016)
  - 2016/17 - tentative date for planning purposes August 28, 2017

Updates on Financial Results

- **Two update points**
  - **Mid July** – Update on preliminary consolidated results, including:
    - Actual expense by ministry with placeholders for outstanding or unresolved matters
    - Consolidated actuals and preliminary deficit range
    - Revenue by source with placeholders for outstanding tax accruals
    - Ranges of variance identified to measure risk of changes in results, including potential impacts from unresolved reporting items
  - **Early/Mid August –**
    Update on preliminary consolidated results, including:
    - Final 2016-17 fiscal results and associated debt, net debt and accumulated deficit
    - Tax revenue numbers (PIT data to be received late July)
    - Detailed analysis for significant variances

Appendix 1: Supplementary Volumes to the Public Accounts

- **Volume 1:**

  Consolidated Revenue Fund (CRF) schedules and ministry statements on an accrual basis

- **Volume 2:**

  Financial statements of selected Crown Corporations, Boards, Commissions, and other miscellaneous statements

- **Volume 3:**

  Details of transfer payments and vendor payments by ministry (including salary and benefit payments to non-government entities), statutory salaries of Ministers and Parliamentary Assistants, and travel expenses of Ministers, Deputy Ministers as well as specific individual ministry staff where expenses exceed threshold

Appendix 2: BPS Line-by-Line Impact