# RE: Another Piece

**From:** "Veinot, Cindy (TBS)" <"/o=govon/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=veinot, cindy (tbs)d57">
**To:** "Hughes, Karen (TBS)" <karen.hughes@ontario.ca>
**Date:** Sat, 21 Apr 2018 09:12:48 -0400

Karen - here is the section on the income statement for your review -- not sure you will be comfortable with the last sentence.

I've only sent these two sections to you at this point.

Cindy

We note you have edited your comment regarding the exclusion of an income statement in the same format as that provided in 2011 to say ".. the Pre-Election report does not contain a prescribed general purpose future oriented income statement (a consolidated statement of estimated Revenues, Expenses and Reserve), as required by guidance for future oriented financial information issued by the Canadian Professional Accountants of Canada."

As provided in our initial feedback and discussed yesterday, we believe this comment and others elsewhere in your Statement should be deleted.

Paragraph 20 of Section 4250 (CPA Handbook, Part V) notes, in part, "*include at least an income statement, distinguishing the items recommended in* INCOME STATEMENT, *Section* 1520." Paragraph 2 and 3 of Section 1520 prescribe the contents of an income statement, although footnote 2 to paragraph 3 states that some of the items listed may be better presented in a note.

The income statement presented in Table 1 of the 2018 Pre-Election Report on Ontario Finances complies with the requirements of Section 1520.

Your response to our comment includes the following:

.21 General purpose future-oriented financial information would include an income statement and such other financial statements considered necessary to ensure that adequate information is provided to the users of the information. To evaluate the financial prospects of an entity, users need, at a minimum, information about expected future results of operations. It may also be desirable to present a balance sheet, a statement of retained earnings, and/or a cash flow statement to illustrate the effects of future events or economic conditions on the financial position of the entity and to provide information on expected future cash flows. Presentation of future-oriented financial information in the format of historical financial statements facilitates comparisons with such statements.

We note that this guidance explains that which we included from paragraph .20 and does not include any supplementary requirements. We consider the highlighted section to be the important element – a focus on ensuring that adequate information is provided to the users. We believe adequate information is provided to the users, and would note the content of the information is identical to that provided in 2011.

While we believe the income statement information provided meets the requirements of Section 4250, we would also note that the Office of the Auditor General communicated to the government that the use of CSAE 3001 vs. CSAE 3000 was in part, determined because while an income statement in the same format that was included in 2011 was not included in 2018, the information provided was consistent with the requirements of Section 4250 of Part V. We find the change in position at the end of the engagement surprising and disingenuous.

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**From:** Hughes, Karen (TBS)
**Sent:** April 21, 2018 8:50 AM
**To:** Veinot, Cindy (TBS)
**Subject:** Re: Another Piece

Thanks

Sent from my BlackBerry 10 smartphone on the Rogers network.

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**From:** Veinot, Cindy (TBS)
**Sent:** Saturday, April 21, 2018 8:48 AM
**To:** Hughes, Karen (TBS)
**Subject:** Re: Another Piece

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Drafting it now.

Sent from my BlackBerry 10 smartphone on the Rogers network.

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**From:** Hughes, Karen (TBS)
**Sent:** Saturday, April 21, 2018 8:47 AM
**To:** Veinot, Cindy (TBS)
**Subject:** Re: Another Piece

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Thanks

Do you also want something specific about the income statement?

Sent from my BlackBerry 10 smartphone on the Rogers network.

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**From:** Veinot, Cindy (TBS)
**Sent:** Saturday, April 21, 2018 8:32 AM
**To:** Hughes, Karen (TBS)
**Subject:** RE: Another Piece

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Here is a draft of content to be included in the email re: that addition:

We note that you have added "…" to your statement.

As provided in our initial feedback and discussed yesterday, we disagree with your characterization of the differences in our respective views on the accounting treatment under PSAS for the net pension assets of OTPP and OPSEUPP and the Global Adjustment Refinancing Aspect of the Fair Hydro Plan as assumptions that are not "cautious and prudent in nature."

Paragraph 3 of Section 4250 of Part V of the CPA Accounting Handbook states, in part:

> **Future-oriented financial information** is information about prospective results of operations, financial position and/or cash flows, based on assumptions about future economic

conditions and courses of action.

No issues have been raised with us regarding concerns with the economic assumptions used to estimate the pension impact of either OTPP or OPSEUPP (e.g. assumption re: discount rate/rate of return, assumption re: salary escalation, etc.) or the Global Adjustment Refinancing Aspect of the Fair Hydro Plan (e.g. assumption re: electricity consumption, assumption re: market price of electricity). Nor have any issues been raised with us regarding assumptions about the future courses of actions for either of these items. As you have used the government's estimates to portray your view of the appropriate accounting treatment for these items, we have assumed that you agree with the assumptions used to estimate these amounts.

We acknowledge that we have a disagreement with the Office of the Auditor General over the application of PSAS to these items, which in summary are (1) the requirement to have unilateral control of an asset to recognize it, and (2) the use rate-regulated accounting under PSAS. Neither of these disagreements relate to assumptions, and we believe characterizing the disagreements as such is misleading to the reader of the report.

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**From:** Hughes, Karen (TBS)
**Sent:** April 21, 2018 8:19 AM
**To:** Veinot, Cindy (TBS)
**Subject:** RE: Another Piece

Hi, on page 5 – second bullet. It first indicates all assumptions are consistent with the budget. It then talks about fiscal plan needs to be cautious and prudent and how assumptions for Fair hydro and pensions are not cautious and prudent. All reference to PIT that was there has been deleted.

It then goes on to say all other assumptions are suitably supported.

Hope that helps.

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**From:** Veinot, Cindy (TBS)
**Sent:** April 21, 2018 7:59 AM
**To:** Hughes, Karen (TBS) <Karen.Hughes@ontario.ca>
**Subject:** RE: Another Piece

Hi Karen -- yes we would disagree -- I'll draft something re: our disagreement. I want to check if there is a definition of assumptions in GAAP that we can include. I'll work on that now.

For clarify -- can you point out which paragraph this is in.

Thx

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**From:** Hughes, Karen (TBS)
**Sent:** April 21, 2018 7:25 AM
**To:** Veinot, Cindy (TBS)
**Cc:** Laughton, Patrick (TBS); Sharda, Raj (TBS)
**Subject:** Another Piece

Hi, another piece for consideration that has been added on page 5 – where it used to talk about the revenue projections and PIT

The wording has been added that "the assumptions underlying the expense estimates for the Fair Hydro Plan and the pension expense are not cautious and prudent in nature".

Assume we disagree with this addition. Can you please confirm.

Thanks

Karen