RE: FOLLOW UP REQUIRED: Province's experience with clean audit opinions (since 1993/94)

From:	"Fong, Pauline (TBS)" <pauline.fong@ontario.ca>
To:	"Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
Cc:	"Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>, "Patel, Bharat (TBS)" <bharat.patel3@ontario.ca>, "Scheifley, Rob (TBS)" <rob.scheifley@ontario.ca>, "Keates, James (TBS)" <james.keates@ontario.ca>
Date:	Fri, 23 Sep 2016 12:14:59 -0400
Attachments:	Pension Q&As.docx (31.18 kB)

Hi Nadine,

Attached is the Q for the history of the accounting position of OTPP and OPSEUPP.

Regards,

Pauline

From: Scheifley, Rob (TBS)
Sent: September-23-16 11:49 AM
To: Petsche, Nadine (TBS); Fong, Pauline (TBS); Jim Keates (jimkeates@hotmail.com)
Cc: Veinot, Cindy (TBS)
Subject: RE: FOLLOW UP REQUIRED: Province's experience with clean audit opinions (since 1993/94)

Q: Was the Province qualified 25 years ago (91/92)?
A: The PA of 91/92 received a clean audit opinion.

Q: How far do we go back, and to the extent that we do, in how many years has the Province been qualified?
A: Since fiscal year 1970/71, Ontario has received a clean audit opinion in every year except fiscal year 1992/93.

Q: Can we say that since the province adopted PSAB standards (since 93/94) it has received unqualified opinions?
A: Yes. This statement is factually correct.

Q: Was the cash accounting issue in 92/93 that cause the qualification due to a surplus in the plan, i.e. any resemblance to the current issue we are working through?
A: No. Today's issue is related to pension valuation. The issue in 92/93 was related to the basis of accounting / timing of recognition of an expense (i.e. a payment was made after March 31 relating to a pension expense prior to year-end). It is in 92/93 that the AG indicated that future PA would be audited against PSAAB standards and urged Ontario to produce their PA on that basis (accrual).

Q: Is 15 years the time period during which we have had an asset on our books? If that's the case, what happened prior to that -- was there a liability? **Pauline to provide a short summary.**

Q: How long have the relevant pension accounting standard been in place? If they haven't changed over the last 15 years, when was the last time that they did?
A: The current standard has been in effect since September 2001. Subsequent to 2001, only editorial changes had been made to the standard (no substantive changes to the standard since 2001)..

From: Petsche, Nadine (TBS)
Sent: September-23-16 7:54 AM
To: Fong, Pauline (TBS); Jim Keates (jimkeates@hotmail.com); Scheifley, Rob (TBS)
Cc: Veinot, Cindy (TBS)
Subject: FOLLOW UP REQUIRED: Province's experience with clean audit opinions (since 1993/94)
Importance: High

Pauline/Jim/Rob,
The DM has some questions on the research we had provided yesterday. Can you please follow up as indicated below and prepare response in terms of Q&As. Thanks.
Nadine

From: Orencsak, Greg (TBS)
Sent: September 23, 2016 7:36 AM
To: DiMuzio, Sofie (TBS); Petsche, Nadine (TBS); Veinot, Cindy (TBS); Hughes, Karen (TBS); Chen, Raymond (TBS); Laughton, Patrick (TBS)
Cc: MacIntyre, Kyle (TBS)
Subject: Re: Province's experience with clean audit opinions (since 1993/94)

A couple questions on this then:

- was the Province qualified 25 years ago (91/92)? (I already answered, no)
- how far do we go back, and to the extent that we do, in how many years has the Province been qualified? Rob to research years prior to 93/94
- can we say that since the province adopted PSAB standards (since 93/94) it has received unqualified opinions? Rob & Jim to confirm (but Accounting Standard No 5 was PSAB and we received unqualified opinions previously, so I think we'd want to make references to those years as well….when did PSAB initially introduce pension standards and were we receiving unqualified audit opinions on them appears to be the question)
- was the cash accounting issue in 92/93 that cause the qualification due to a surplus in the plan, i.e. any resemblance to the current issue we are working through? Pauline to provide details.

Our other point of reference is 15 years, which resulted in some questions from the Minister yesterday that we agreed to clarify:

- is 15 years the time period during which we have had an asset on our books? If that's the case, what happened prior to that -- was there a liability? Pauline to provide a short summary.
- how long have the relevant pension accounting standard been in place? If they haven't changed over the last 15 years, when was the last time that they did? Jim to provide history.

Greg

> In the past 25 years, Ontario has received 24 clean audit opinions. The significance of 22 years: Ontario has had 22 consecutive years of clean opinions (since the PA of 1993-94).
>
> Ontario's <u>only qualified opinion during the last quarter century came in FY 1992-93</u> (Erik Peters' first year as AG).
> The reason for the qualification in this 1992-93: the modified cash treatment of the Teachers' Pension Plan and the Public Service Pension Plan resulted resulting in a material misstatement for the period. Further to the qualification was the AG's recommendation that the province prepare its financial statements in accordance with PSAAB (now PSAB) for the 1993/94 Public Accounts.
>
> The province accepted the AG recommendations in the following year and received the first of 2

consecutive clean audit opinions.

Please see the attached the Auditor’s Reports for the three years mentioned above.