QUESTIONS FOR SCOPA DRY-RUN

February 26, 2018

Pension Asset Accounting

1. With the pension asset accounting, IESO accounting, and now Ontario's Fair Hydro Plan accounting being called into question, aren't you concerned that the province is going down a path of incorrect – or at least non transparent and costly to taxpayers – accounting schemes to serve political interests?

2. The Auditor General points out that the pension asset advisory panel is not an authoritative source on the application of accounting standards. Why did you do an end-run around the Auditor General by setting up this panel? Whose idea was it to set up the panel?

3. On the pension asset matter, the Auditor General says you don't have a "legally enforceable right" to use the asset. Is there any legal precedent for this sort of thing? What sort of legal advice did you get on this?

4. In discussing Ontario's adoption of US GAAP in the pension asset dispute, the Auditor General says that the province can't choose which US GAAP rules it wishes to follow, while ignoring others. Why are you cherry-picking rules to suit your needs?

5. The Auditor General and the Office of the Provincial Controller have disagreed on the interpretation of Public Sector Accounting Standards now for two years in a row with no resolution in sight. How can you be ok with continuing to disagree with the Auditor General indefinitely? At what point should you adopt the interpretation of an independent officer of the legislature over your own?

6. On the pension asset issue, the province relied on an outside accounting opinion from Deloitte to back its position. I note that your provincial controller, Ms. Cindy Veinot, used to be a partner at Deloitte. Was Ms. Veinot in a real – or perceived – conflict of interest here?

IESO Accounting

7. How can IESO claim transparency? Why do they need to be treated exceptionally?

8. The Auditor General says that using rate-regulated accounting would allow governments to "manipulate their bottom line to disclose whatever financial result they desire." Are you making up rules to allow the government to manipulate the province's bottom line? How does this square with your oaths as public servants?

9. You state that currently 8 out of 9 electricity system operators in North American markets employ accounting for rate-regulated assets, including IESO. The majority of these however are American. So how can this serve as an excuse for IESO deviating from Canadian PSAS?

Ontario Fair Hydro Plan

10. The AG likened the OFHP accounting structure to a person treating their credit card debt as an asset. This makes zero sense to me. Can you please explain this logic?

11. Did you warn the government the Fair Hydro Plan would cost more, as the AG claims in her special report?
    - What did you do when they didn't listen to you?
    - As the guardians of the public purse, how could you allow them to do this?
    - What were the other options you identified?

12. In setting up the Fair Hydro Plan accounting, was the government's primary motivation to keep the costs from showing up on the province's books?
    - What was their primary motivation?
    - Do you agree with this approach?

13. The Auditor General mentioned emails and other documents that she reviewed to inform her Special Report on the Fair Hydro Plan. Can you provide the Committee with copies of those documents?
    - Why do you charge excessive fees and keep extending timelines for requests for information? Aren't you delaying access to important information and not being open and transparent?

14. Will OPG benefit financially from the OFHP financing arrangement? By extension, will the general coffers of government benefit?

15. You say your estimates are lower than the FAO's $4B. Can you confirm your way is the most affordable? If not $4B, what is the number?

16. Given the concerns that public servants and the Auditor General raised about the accounting for the Fair Hydro Plan, what advice did you give the Premier on this item?

17. The Auditor General points out that her office is mandated under law to be the auditor of Ontario's consolidated financial statements, and yet she claims you didn't seek her position on the proper accounting for the Fair Hydro Plan. Why not? Why did you decide to buy your opinions instead?

18. Why has the government legislated accounting, when the Auditor General said a similar move was made in the late 1990s – but the government at that time listened to the Auditor General's concerns?

19. Would you agree that the Ministry of Energy has a responsibility to keep rates affordable? Under what circumstances is it acceptable to take actions that will increase rates over time? Do you think the Fair Hydro Trust meets that test?

20. The Auditor General talks about the province using rate-regulated accounting for its Fair Hydro Plan – did you do this to set the stage for the government to be able to recognize a made-up asset in the future?

21. On the issue of Fair Hydro Plan accounting, the Auditor General points out that international standard setters share the view that a government's ability to raise revenue in the future is not an asset today. Yet that's what you've effectively done with the Fair Hydro Plan. Taken to the extreme, if you think about the government's unlimited ability to impose taxes to raise revenues, couldn't these future revenues also be counted against the bottom line, thus making the government's actual financial statements meaningless?

22. How much was spent on outside consultants and other third parties to help execute the first tranche of debt? Or was it solely internal organizational advice that was used to complete the transaction?

23. Can you please explain how switching to GAAP and keeping this off the tax base was a benefit to the people you serve? To the energy system and rate payers? The Fair Hydro Act after all, is Ministry led legislation.

Pre-Election Report

24. Why has it taken so long for the government to release a decision about the Pre-Election Report? As public servants, aren't you concerned that this is part of a broader trend of the government's efforts to reduce transparency and accountability?

Province's Fiscal Situation

25. We don't trust the government's numbers. We attempt to hold this government to account on their finances in question period but we can't get a straight answer. You're the people we want to talk to because you know what's really going on. Is the government deceiving Ontarians about the state of its finances?

26. Is Ontario running a structural deficit, as many claim?

27. Two independent officers of the legislature, the AG and the FAO, have both called into question this government's finances. These folks are non-partisan, and have nothing to gain by disagreeing with the government. Are you saying they're both wrong?

28. Who is responsible for writing the budget?

29. What does the annual debt cost taxpayers?

30. Do you think the government is capable of balancing its budget as promised?

31. A downgrade in credit ratings could lead to higher borrowing costs. Clearly, a public spat between the Auditor General and the government about the province's books can't be good for investor confidence. What are the government's plans in the event that credit rating agencies downgrade Ontario?

32. The Auditor has described the province's debt as being a "burden on future generations". How can the government continue to pass the buck down to our kids?

33. How can your debt reduction plan be trusted if you're not using proper accounting for pension assets, IESO, and the Fair Hydro Plan?

Preparation of Public Accounts

34. The AG says that an audit qualification is a rare occurrence, and in fact prior to last year it hadn't happened in 22 years. Do you think it's a coincidence that this happened to a government that is heading into an election, a government that is struggling with overspending and desperate to make its finances look as good as possible?

35. Secretary Orsini, I understand that you were personally briefed in the spring of 2017 about a proposal to establish an external provincial audit committee. Such a committee would further undermine the independent Auditor General. Why are you considering this, and do you support the idea?
    - Whose idea was this?
    - Was this proposal ever presented to the government?

36. So how is it that you are accounting for things in a way that allows the liberal government to hide its deficit?

37. If you used your old approach for accounting for pensions and rate discounts, do you agree the numbers would look much worse?

38. You don't find it suspicious that your accounting treatment is suddenly new and unique?

39. You say it's allowable, but it is accurate? Is it honest?

40. Did you decide this before talking to people in the Premier's Office, or after?

41. Why couldn't you take more time to explain these new processes to the Auditor?

42. Are you saying the Auditor doesn't know what she's talking about? Or that she is somehow playing a political game?

43. Given the serious concerns the Auditor General has raised, aren't you concerned that she may issue an adverse opinion on the 2017-18 Public Accounts if nothing changes?

44. Right at the end of Chapter 2 the Auditor General says that Ontario wrote off $267M in uncollectible accounts. That's a significant sum, which could have been invested in critical public services like health care or education. How can the province allow this kind of waste to happen?

45. The Auditor General says your accounting has resulted in the deficit being understated by a whopping $12B. That's a pretty significant amount. Were you directed to do this by the elected government?

Other

46. Do you think it is fair that Ontarians should pay for liberals buying votes?

47. As public servants, what do you do when you disagree with a government's course of action? Did you disagree with anything the government has chosen to do with respect to anything mentioned in Chapter 2?

48. In general, how much political influence has there been over your ministry's work regarding accounting treatments or policy decisions as described in Chapter 2 of the Auditor General's Annual Report?

49. Is it possible the government will reverse its course and adopt the AG's numbers?

50. Secretary Orsini, as head of the OPS, do any of the allegations contained in Chapter 2 concern you? What are you doing to address them?

51. Secretary Orsini, how do you feel about your officials being engaged in such a high-profile disagreement with an independent officer of the legislature? What have you done to intervene in this matter?
    - What is your relationship with the Auditor General?

52. With the pension asset accounting, IESO accounting, and now Ontario's Fair Hydro Plan accounting being called into question, aren't you concerned that the province is going down a path of incorrect – or at least non transparent and costly to taxpayers – accounting schemes to serve political interests?