INTRODUCTORY REMARKS - OUTLINE

Secretary Orsini – Introduction (Optional)

- Good afternoon and thank you to members of the Committee
- The Standing Committee on Public Accounts plays an important role in providing legislative oversight and guidance.
- Role of the public servant: non-partisan nature of public service; duty to provide our best advice; accountability and transparency

Deputy Angus – Introduction

- Good afternoon and thank you
- I'd like to take a moment to introduce my colleagues who are sitting with me here today:
    - Scott Thompson, Deputy Minister of Finance
    - Serge Imrogno, Deputy Minister of Energy
    - Cindy Veinot, Assistant Deputy Minister and Provincial Controller
    - And, as many of you know, I am Helen Angus, Deputy Minister of the Treasury Board Secretariat.
- We also have representatives here from the Ontario Financing Authority, Ontario Power Generation, the Independent Electricity System Operator, and other ministry officials, who are here to answer questions and would be pleased to join us at the table as needed.
- We welcome this opportunity to provide information and answer your questions regarding the Committee's consideration of the Chapter 2 of the Auditor General's 2017 Annual Report on the Public Accounts of the Province.

Overview of Public Accounts

- Public Accounts presents the government's financial statements and gives a picture of how finances were managed over the last fiscal year.
- Producing the Public Accounts of Ontario requires the teamwork and collaboration of many stakeholders across Ontario's public sector.
- The Office of the Auditor General plays a critical role in auditing and reporting on the province's financial statements.
- The province's financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).
- PSAS is set by an independent standard-setting body in Canada focused specifically on the public sector, and is used by all senior governments in Canada.
- PSAS is principle based – the standards are not a set of specific prescriptive rules. Applying them requires the application of professional judgment.

Overview of Accounting Changes

- When preparing the 2016-17 Public Accounts, Ontario's professional accounting staff adopted accounting changes to further enhance accountability and transparency
- These changes include:
  - Accounting for hospitals, school boards and colleges.
  - Accounting for energy sector government business enterprises.
  - Accounting for the Independent Electricity System Operator (IESO) - the IESO has adopted rate-regulated accounting, and is now recognizing its market accounts assets and liabilities in its financial results.
  - Accounting for net pension assets of jointly sponsored pension plans - the Province is reporting net pension assets for jointly sponsored pension plans. This is in line with Public Sector Accounting Board standards and the recommendations of the independent Pension Asset Expert Advisory Panel.

Auditor General's 2017 Annual Report

- The government thanks the Office of the Auditor General for its recommendations.
- As I mentioned earlier, the Office of the Auditor General plays a critical role in auditing and reporting on the province's financial statements.
- However, there are times when we disagree, and it is our role as public servants to continue our due diligence, act with impartiality, and provide our best advice.
- Our professional staff exercises judgment in applying accounting standards and, as necessary, consults with external experts and advisors.
- They provide the Office of the Auditor General with their written analysis on all significant issues that impact the financial statements for the year being audited, and they discuss the issues with the Office of the Auditor General.
- All Chartered Professional Accountants (CPAs), including those employed by the Ontario Public Service (OPS), are required to comply with the Code of Professional Conduct for CPAs. One of those rules is that they not be associated with false or misleading information.
- That means that if the professional accountants in the OPS do not agree with the judgment of the Ontario Auditor General, it is not as simple as just agreeing to accept the interpretation of the Office of the Auditor General if they believe that interpretation would result in false or misleading financial statements.
- While we expect professional accountants to agree on the vast majority of issues, we acknowledge that they may not agree on everything and when that occurs, and the difference is material to the financial statements, the Office of the Auditor General can choose to issue a qualified audit opinion.

Management Response to the Auditor General's Recommendations

- The Auditor General's annual reports provide for an opportunity for conversation, and in response to the Auditor General's recommendations, the government provided a detailed response to each of the 10 recommendations.
- As requested by the Committee, we have provided a response to each recommendation in the Summary Status Table, which you now have in front of you.
- This table includes more detail than you may have previously seen in chapter two of the Annual Report.
- Each response, on which we would be pleased to provide further detail, outlines the process and rationale as to why the government chose to either continue or adopt changes to accounting treatments.

Updates on Progress – From the Summary Status Table

- *To be added – any key updates/highlights on progress from the Summary Status Table*

Conclusion

- I would like to emphasize that, in our role as public servants, it is our job to exercise due diligence and professional judgment, consult external advisors when needed, carefully consider options, and provide our best advice.
- It is for this reason that accounting changes were adopted in the 2016-17 Public Accounts, and it for this reason that Deputy Thompson, Provincial Controller Veinot, and myself as the Deputy of the Treasury Board Secretariat signed a statement of responsibility, reaffirming our responsibility for the objectivity and integrity of the Public Accounts of the Province.
- As always, we welcome the opportunity to provide the Committee with information and to answer any questions.
- Thank you.