Abridged Media Scan – Differences in Acccounting Treatment

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BYLINE: Lorriegoldstein
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ILLUSTRATION: Stan Behal, Toronto Sun Files / KATHLEEN WYNNE; / SOUSAFinance minister;
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TORONTO SUN: *GRIT NUMBERS DON'T ADD UP; INDEPENDENT FINANCIAL OFFICERS SAY WYNNE GOVERNMENT'S BOOKS CAN'T BE TRUSTED; A8; 2017.12.17 (STORY ALSO APPEARED IN THE OTTAWA SUN)*

It's unprecedented in Ontario's political history.

With less than six months to go before the June 7 election, two independent, non-partisan financial watchdogs of the Ontario Legislature say the books of Premier Kathleen Wynne's Liberal government cannot be trusted.

Both the Auditor General and the Financial Accountability Office (FAO) say that despite claims by Wynne and Finance Minister Charles Sousa that the government's books are now balanced and will be for at least the next two years, the reality is the Liberals are running multi-billion-dollar deficits that will only get bigger over time.

While the government predicted a balanced budget for the current 2017-18 fiscal year in its April 28 budget speech, FAO Chief Economist David West and Auditor General Bonnie Lysyk predict the actual deficit this year will be in the range of $4 billion to $4.5 billion.

The Liberals' budget speech also predicted balanced budgets for the 2018-19 and 2019-20 fiscal years.

But the FAO last week, supporting earlier findings by Lysyk, projected a $7.1 billion deficit in 2018-19, $7.8 billion in 2019-20, $9 billion in 2020-21 and $9.8 billion in 2021-22.

Counting all government fiscal obligations, the FAO projected that, "Ontario's net debt will increase by more than $75 billion over the next four years to approximately $400 billion, on the Auditor General's accounting basis."

(When the Liberals took office in 2003, Ontario's net debt was $138.8 billion) The FAO warned "rising debt will increase the Province's net debt-to-GDP ratio (a key indicator of financial health) to over 41% by 2021-22, well above the government's interim target of 35% by 2023-24."

Wynne's goal of reducing the net debt-to-GDP ratio to prerecession levels of 27% by 2029-30 appears even more unlikely.

Lysyk and the FAO warn there are serious financial implications to the fact the province now has, in effect, two sets of books, one by the Wynne government and the other by independent financial officers of the Legislature whose job is to report on the province's fiscal situation.

In her Dec. 6 annual report, Lysyk warned "there is a very real risk" the "government's continued use of non-standard accounting" will "seriously distort the true state of the province's finances...The government uses these incorrect accounting treatments to claim it has balanced the province's books, but in reality, legislators, the financial community and all Ontarians will be misled as to the true condition of the province's finances."

In its fall economic and fiscal outlook released last week, the FAO warned, "since the government has not adopted the Auditor General's recommended accounting for both the Fair Hydro Plan and net pension assets, it is becoming more difficult for legislators and the public to assess the government's fiscal projections. This has reduced the transparency and reliability of Ontario's fiscal plan."

Lysyk argues the government is improperly claiming the $11.5 billion surplus in the Ontario Teachers'Pension Plan as an asset, because it cannot access these funds without the permission of Ontario's teacher unions.

She also contends the financial borrowing required to finance Wynne's reduction of electricity rates by 25% is improperly designed to keep the costs from impacting Ontario's annual deficits and debt, and will require the public to pay $4 billion more than necessary in interest payments over three decades.

As a result, Lysyk has refused to give the Wynne government's Consolidated Financial Statements a clean bill of health, issuing a "qualified opinion" regarding their accuracy last year, the first time an Ontario auditor general has done so in more than two decades.

The Wynne government disagrees with Lysyk's conclusions, portraying it as an accounting dispute.

In November 2016 it hired what it described as an expert, fourperson pension advisory panel, with a budget of up to $435,000 for salaries, excluding expenses, which in February 2017 backed the government's accounting on the teachers'pension plan.

The government also issued a 1057-word rebuttal of Lysyk's findings on its Fair Hydro Plan, stating, "the government of Ontario does not agree with the assertions and conclusions expressed in the report by the Office of the Auditor General", adding it had consulted "legal, accounting, financial and energy sector third-party experts" to ensure it was in compliance with "Public Sector Accounting Standards."lgoldstein@postmedia.com @sunlorrie

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EDITION: ONT
BYLINE: Robert Benzie Toronto Star
KEYWORDS: fiscal,watchdog,warns,provincial,budget,balanced
WORD COUNT: 603

Toronto Star: *Accounting difference leaves Ontario's deficit in question; The books are in the black, Liberals say, but watchdog is expecting $4B shortfall; A4, 2017.12.12*

Ontario's fiscal watchdog warns the provincial budget is not balanced - due to a difference of opinion over accounting that was first raised by the auditor general last year.

The Financial Accountability Officer (FAO) said Monday that there will be a $4-billion deficit in 2017-18 even though the Liberals maintain the books are in the black.

J. David Wake said the government's "decision not to adopt the auditor general's accounting recommendations has contributed to a significant and growing gap between the fiscal outcomes projected by the FAO and the province."

At issue is whether approximately $11 billion in the government co-sponsored Ontario Public Service Employees' Union Pension Plan and the Ontario Teachers' Pension Plan can be counted toward the bottom line at Queen's Park.

Auditor general Bonnie Lysyk and her predecessors booked the holdings as an asset starting in 2002, but she changed her mind last year.

The government appointed Tricia O'Malley, chair of the Canadian Actuarial Standards Oversight Council, to lead a blue-ribbon panel to study the accounting change.

O'Malley - along with Murray Gold, of Koskie Minsky LLP, Uros Karadzic of Ernst and Young and Paul Martin, a controller with the New Brunswick government and former partner at Grant Thornton LLP - concluded the Liberals' accounting was sound.

But Lysyk said she is not changing her mind. Her argument is bolstered by Wake's fall update.

The FAO also backed the auditor general in questioning the complex mechanism the government has developed to bankroll the 25-per-cent electricity rate cut.

Because of the actuarial tussle, "it is becoming more difficult for legislators and the public to assess the government's fiscal projections."

Even though the economy is growing at a pace ahead of the Canadian average, the accounting adjustment left the FAO projecting shortfalls of $7.1 billion in 2018-19, $7.8 billion in 2019-20, $9 billion in 2020-21, and $9.8 billion in 2021-22.

"The FAO is projecting very strong growth for the Ontario economy in 2017," Wake wrote in his 28-page report. However, that will be more than offset by increased spending, leading to the deficits, he warned. That could lead to Ontario's net debt eclipsing the $400-billion mark in the next four years.

Premier Kathleen Wynne said the government will stick with accounting practices that include the pension assets.

"I want to thank the FAO for his report. He ... confirmed that under the accounting presentation that we've been using for the last 16 years, the budget is balanced, and in fact, there's a small surplus for 2017-18," Wynne told the House. "So the report actually shows that our plan is working: The economy is growing, our unemployment rate is the lowest it has been in 17 years, and more than 843,000 net new jobs have been created since the recession."

Progressive Conservative MPP Vic Fedeli said the findings were "a blistering indictment" of the Liberal government and urged voters to opt for his party in the June 7 election.

"The PC plan is different from the Liberal plan. (We) will find two cents on every dollar through eliminating waste this government doesn't even believe exists. The premier says savings are impossible," Fedeli said. Wynne countered that electing the Tories would mean $12 billion "out of health care and education and services in this province."

NDP Leader Andrea Horwath, for her part, expressed concern.

"The most important lesson from the FAO is, once again, him saying ... that the Liberal borrowing scheme that they put forward is not in the best interest of the people of Ontario," Horwath said.

"It's really clear that the FAO has identified a really big problem here."

Sudbury Star: Liberal ads waste money, sicken coffee shop crowd; A10; 2017.12.27 (story also appeared in the Cornwall Standard Freeholder, Chatham Daily News, Brockville Recorder & Times, Brantford Expositor, Belleville Intelligencer, Kingston Whig-Standard, Niagara Falls Review, North Bay Nugget, London Free Press, Owen Sound Sun Times, Sarnia Observer, Peterborough Examiner, Daily Observer (Pembroke), Stratford Beacon-Herald, Sault Star, St. Catharines Standard, Timmins Daily Press, Sudbury Star, Simcoe Reformer, Woodstock Sentinel-Review, Welland Tribune)

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DATE: 2017.12.27
SECTION: Opinion
EDITION: Final
BYLINE: Jim Merriam
SOURCE: Sudbury Star
KEYWORDS: level,mismanagement,wasteful,spending,revealed,recent
WORD COUNT: 579

Liberal ads waste money, sicken coffee shop crowd

The level of mismanagement and wasteful spending revealed in the most recent Ontario auditor general's report is mind boggling.

Bonnie Lysyk even found government financial statements are "unreliable," concealing a deficit of up to $4.5 billion on current operations.

Those of us who have been harping about the deficit and debt are not surprised by this finding. However, we take no comfort in Lysyk's confirmation of our fears.

In the U.S. it is a criminal offence to lie to the FBI. Perhaps we should consider flipping that and make it a criminal offence for politicians to lie to the people about financial matters.

In Ontario, we'd have to build more jails.

The AG said that expenditures on government advertising are out of control in Ontario. An even bigger problem is the fact a lot of that money is spent trying to make the party in power look good.

The recent audit found $58 million spent for government ads in 2016-2017, a 10-year high.

A full 30 per cent of these ads are clearly partisan and are conceived by Liberal officials twisting into pretzels to pat themselves on their backs.

This is the kind of unfair waste of taxpayer money that's easier for people to grasp than other items in the AG report, such as the fact that Ontario has one of the largest waiting lists in the country for social housing, at 3.4 per cent of the population.

Also, the advertising issue lands with a thud squarely on Premier Kathleen Wynne's desk since she had no help from previous Liberal administrations digging this particular hole.

Even the government of her predecessor, Dalton McGuinty, pretty much admitted that it couldn't be trusted on the advertising front and gave the AG power to spike ads deemed too partisan.

After Wynne took over, she introduced legislation that in effect told the AG to get her nose out of the ad budget.

Let's check in at a coffee shop in rural Ontario on the issue.

Complaints about over-the-top provincial advertising varied from the newshound who disliked her BBC news feed being interrupted by an Ontario ad every few minutes, to the elderly couple who are sick of "every third ad on television" being from the Ontario government.

Here's how the advertising issue was summed up by these consumers.

"First they spend our money on these programs. Then they spend more of our money telling us about the programs we just paid for."

Sadly, all this advertising is not the only way the taxpayers of Ontario will be helping the Liberals stay in power.

Wynne has undertaken a series of town hall meetings where she will meet provincial residents and hear their concerns.

So far the few meetings haven't gone all that well for one of the most unpopular premiers in the history of the province. But she does get grudging admiration for standing on the firing line.

Many more such meetings are planned for 2018 and guess who's paying the freight? Of course, it's being paid by taxpayers since these are meetings with the premier, as opposed to election meetings with the leader of a party.

But clearly the meetings are electioneering, plain and simple. They are designed to make Wynne and her government look good prior to next summer's vote.

It's cynical political manipulation of the system at its ugliest. Voters only have to wait until next June's election to pass judgment on this kind of conduct. jimmerriam@hotmail.com

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SECTION: Comment
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BYLINE: David Reevely
SOURCE: London Free Press
KEYWORDS: ontario,facing,years,worsening,deficits,major
WORD COUNT: 635

LONDON FREE PRESS: *ONLY FIX FOR ONT. DEFICIT: RAISE TAXES OR SPEND LESS; A9; 2017.12.12 (STORY ALSO APPEARED IN THE NORWICH GAZETTE, PARIS STAR, NORTHERN DAILY NEWS (KIRKLAND LAKE), BRANTFORD EXPOSITOR, BELLEVILLE INTELLIGENCER, PETERBOROUGH EXAMINER, DAILY OBSERVER (PEMBROKE), NIAGARA FALLS REVIEW, CORNWALL STANDARD FREEHOLDER, TIMES-JOURNAL (ST.THOMAS), SIMCOE REFORMER, KINGSTON WHIG-STANDARD, WOODSTOCK SENTINEL-REVIEW, WELLAND TRIBUNE, INGERSOLL TIMES, ST. CATHARINES STANDARD, SARNIA OBSERVER, BROCKVILLE RECORDER & TIMES, NORTH BAY NUGGET, TIMMINS DAILY PRESS, SAULT STAR, SUDBURY STAR, OWEN SOUND SUN TIMES, CHATHAM DAILY NEWS, TILLSONBURG NEWS, STRATFORD BEACON-HERALD)*

Ontario is facing years of worsening deficits because none of the major parties has a plan to make the province's spending line up with its income, says the government's Financial accountability Office.

"To the extent the government delays making those adjustments today, the adjustments will become more difficult in the future, and you're shifting it to future generations and to young people," said David West, the office's chief economist, releasing the agency's latest economic and fiscal outlook Monday morning.

The Liberals under Premier Kathleen Wynne have put a lot of their political capital into a promise to balance the provincial budget this year, and they've done it, but it won't last, according to the watchdog's numbers.

The Liberals are selling assets, getting a big bubble of federal infrastructure money, selling carbon market permits and booking the last year of revenues from a debt retirement charge for the electricity system they're pledging to scrap. The province's strengthening economy will mean equalization payments that shrink after this year. The government is scrapping the debt retirement charge on electricity bills.

The Liberals want to run the numbers in a way that makes them look good and they're not obviously wrong, but all the government's independent officers with anything to say about it - the auditor general, the financial accountability officer - say what they're doing is not OK.

Next year, using accounting rules on the politician-friendly "easy" setting, we'll run a deficit of $1.9 billion. In 2022, the deficit will be $3.7 billion, the FAO says.

If we run the numbers the hard way, the deficit by 2022 is $9.8 billion.

There's no magic solution to this.

The government can raise taxes and fees or it can cut spending.

"raising tax rates could impact economic growth, while program restraint would place greater stress on (limited budgets)," West said.

This is happening in pretty good times. The Liberals are projecting a strong economy during the next few years and West and the FaO don't disagree. They're all expecting Ontarians to be well employed and the economy to grow.

Finance minister Charles Sousa liked that part, saying, "The FaO confirms that Ontario's economy is growing and he expects this growth to continue." but, the minister went on, "(W)e know that even though our economy is growing, not everyone is benefitting from this growth. That's why we're creating fairness and opportunity by raising the minimum wage, making university and college tuition free and making prescription drugs free for young people."

Nobody ever says three years from now we'll be in a recession that'll rip through the government's books like a wildfire. Those always arrive unexpectedly, as far as the forecasters are concerned, which makes the assumption that we'll overspend even in good times even more worrying. This is when you pay debt off, not take on more. more broadly, Ontario can't go on indefinitely with a government that's at war with the legislature's designated experts over billions of dollars in assets and debts the government might have, or not.

The Progressive conservatives are a little deeper in this muck than even the Liberals are. They brandish the auditor general and budget watchdog reports and accuse the Liberals of cooking the books, and yet they're using the Liberals' numbers as the foundation for their own fiscal plan.

The last time a new party took power in Ontario, when the Liberals defeated the Tories in 2003, we had a similar situation: the Liberals used the Tory numbers to build their own plan. Then, they got into office and proclaimed their horror at the $5.6-billion deficit lurking on the desk. under any but the very most optimistic projections, whoever wins June's election is in for a similar reality check. What they're going to do about it should be a central campaign question.
dreevely@postmedia.com

Toronto Star: Accounting spat leads to $1.5B discrepancy; Auditor general at odds with provincial government; A4; 2016.10.04

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EDITION:	ONT
BYLINE:	Robert Benzie Toronto Star
KEYWORDS:	depending,believe,deficit,billion,finance,minister
WORD COUNT:	376

Accounting spat leads to $1.5B discrepancy; Auditor general at odds with provincial government

Depending on whom you believe, Ontario's deficit last year was either $3.5 billion or $5 billion.

And the province's net debt was either $294.5 billion or $305.2 billion.

Finance Minister Charles Sousa and Treasury Board President Liz Sandals insist it's the former.

Auditor General Bonnie Lysyk says it's the latter.

That's because she no longer believes the government should include on its bottom line its share of assets from the teachers' and public servants' pension funds that it co-sponsors.

Against the backdrop of the accounting dispute, Sousa and Sandals on Monday released an unaudited version of the province's public accounts for the fiscal year that ended March 31.

"I'm disappointed that the government decided that this was the appropriate thing to do," Lysyk, an independent watchdog, said of the Liberals' extraordinary move. While the ministers agreed to her deficit and debt numbers for the time being, there will be an independent review by experts of accounting practices in coming months that could result in the lower figures being used.

Sousa stressed the province will balance the books in next year's budget regardless of the interpretation of the $10.7 billion in pension assets.

"The impact of this change resulted in our deficit number being $1.5 billion higher than it otherwise would have been in the 2015-16 had we used the same standards employed for the past 14 years," the finance minister said, noting the auditor general signed off on the pension assets in previous years.

"These standards have been consistently accepted by the past four auditors - including the current auditor general," he said.

"This year - two weeks before the Sept. 27 deadline for the tabling of public accounts - we learned in writing from the auditor general of her new interpretation of the accounting treatment for our jointly sponsored pension funds."

Asked what changed, Lysyk said her office took a closer look at the government's claim to the Ontario Public Service Employees' Union Pension Plan and the Ontario Teachers' Pension Plan, which it co-sponsors.

"I had my staff review that asset much more than in past years," she told the Star, concluding that, because the government does not have ready access to the funds, they should not be considered assets.

Toronto Star: Pension surplus counts as asset: report; Wynne gains ammunition in spat against auditor general about money's use in deficit; A6; 2017.02.08

PUBLICATION:	Toronto Star
PAGE:	A6
DATE:	2017.02.08
SECTION:	News
EDITION:	ONT
BYLINE:	Rob Ferguson Toronto Star
KEYWORDS:	premier,kathleen,wynne,welcoming,report,accounting
ILLUSTRATION:	Without the pension surplus, last year's deficit was $5B, not $3.5B, as Wynne's Liberals had calculated.

WORD COUNT: 499

Pension surplus counts as asset: report; Wynne gains ammunition in spat against auditor general about money's use in deficit

Premier Kathleen Wynne is welcoming a report from four accounting experts that says a $10.7-billion pension surplus can be counted as an asset on the province's bottom line.

The finding gives her Liberal government ammunition in a spat with Auditor General Bonnie Lysyk, who concluded with her staff of accountants last year that the money, which is not readily available to the province, should no longer be listed as an asset.

"There was a conflict between the advice that the auditor general is giving us and the advice that our officials were giving us," Wynne said Tuesday.

"We sought independent third-party advice and you know we have to take that independent advice very seriously."

The report, on which the auditor general was briefed last week, will be made public later this month.

Lysyk's ruling, which reversed 14 years of counting the surplus as an asset, became a point of contention because it affects the size of Ontario's deficit, which Wynne promised to eliminate by 2018 when she seeks re-election.

Without the surplus from the Ontario Public Service Employees' Union and Ontario Teachers' pension plans, last year's deficit was $5 billion, not the $3.5 billion the government calculated.

Lysyk's new interpretation of the accounting treatment for the money came after her office took a closer look at the government's claim on the pension plans it co-sponsors.

The change prompted opposition parties to warn the government suddenly had a massive hole in its budget, but Finance Minister Charles Sousa maintained that the budget would be balanced on schedule regardless.

The practice of counting the pension surplus as a government asset dates to the previous Progressive Conservative government.

"The people of Ontario have to ask themselves who are they going to believe: the independent auditor general or a scandal-plagued Liberal government?" said Progressive Conservative MPP Vic Fedeli, his party's finance critic.

"The Liberals continue to be mired in waste, mismanagement and scandal, and now they're looking for anybody that will back up their opinion in their fight with the auditor general."

He noted the auditor refused to sign off on the government's financial statements for the fiscal year that ended last Mar. 31, marking a first in Ontario history.

"That's a very serious step," Fedeli said, adding that raises questions for credit-rating agencies examining Ontario's finances and debt load.

Lysyk declined to comment until the report is released, but told the Star's Martin Regg Cohn on Monday that she is sticking to her conclusion.

Wynne said the expert panel included four people with "vast experience" on such issues.

The panellists are: Tricia O'Malley, chair of the Canadian Actuarial Standards Oversight Council; Murray Gold, of Koskie Minsky LLP, a law and pension consulting firm; Uros Karadzic, a partner at Ernst and Young, and Paul Martin, a controller with the government of New Brunswick and a former partner at accounting giant Grant Thornton LLP.

"What we have to do as government is get the best advice that we can," Wynne said Tuesday.

Toronto Star: Auditor demands proof on pensions; 'Clean audit opinion' depends on permission from union to count surpluses as assets; A10; 2017.02.17

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DATE:	2017.02.17
SECTION:	News
EDITION:	ONT
BYLINE:	Robert Benzie Toronto Star
KEYWORDS:	sticking,accounting,experts,concluded,auditor,general
ILLUSTRATION:	Auditor general Bonnie Lysyk refuses to count pension surpluses as assets. Nathan Denette/The Canadian Press
WORD COUNT:	611

Auditor demands proof on pensions; 'Clean audit opinion' depends on permission from union to count surpluses as assets

Queen's Park is sticking with accounting experts who concluded the auditor general miscalculated when she claimed the government could not count $10.7 billion of taxpayer-funded pension surpluses as assets.

Treasury Board President Liz Sandals said the government is taking the advice of Tricia O'Malley, Chair of the Canadian Actuarial Standards Oversight Council, over auditor general

Bonnie Lysyk. "Recognizing the asset will provide an accurate representation of the province's financial position. This means that the province will continue to represent pension assets on its financial statements as it has since 2001," Sandals said Thursday.

Her comments came after Lysyk insisted the Ontario Public Service Employees' Union Pension Plan and the Ontario Teachers' Pension Plan shouldn't be booked as assets because the government doesn't have ready access to the funds.

The legislative watchdog said she would only issue a "clean audit opinion" of the province's books this year if she receives proof "in writing" from the unions that they are OK with counting the surpluses as a public asset for accounting purposes.

"Show me the letter that says you can use that pension money with permission - with an agreement," Lysyk told reporters at Queen's Park.

"Until that happens, the bottom line is this office can't give its stamp of approval on this particular issue."

There has been no suggestion the government intends to raid the pension funds, which would be illegal.

The question is whether the pension surplus can be counted as an asset.

The accounting dispute is worth the equivalent of $1.5 billion to the province's bottom line this year and could be the difference between balancing the books or remaining in deficit.

On Monday, a panel of four government-appointed outside accounting experts led by O'Malley ruled the funds are indeed a public asset.

"We believe that an asset does exist - the net pension asset meets the definition of an economic resource, which is what an asset is," she said, dismissing the dispute as "a difference of a professional opinion" between bureaucrats and the auditor.

"Many government assets are not accessible. A road is an asset to a government because it allows it to provide public services of transportation, but you can't move a road or you can't sell a road unless it's a toll road, but it's still an asset."

Also on the expert panel were Murray Gold, a partner at Koskie Minsky LLP, Uros Karadzic, a partner at Ernst and Young, and Paul Martin, comptroller of the New Brunswick government.

As for Lysyk's demand for permission from the unions, Sandals noted the panel "concluded that the government does not need a letter from either of the unions because the joint pension agreements spell out how the surplus will be dealt with."

"There are no public-sector accounting standard requirements for any additional letter to be in place specifying when or by how much contributions will be reduced beyond the joint pension plan agreements already in place," the Treasury Board president said.

But Lysyk, who blindsided the government in September by reversing her position on surpluses that had been signed off on by her and her predecessors for years, was defiant.

"It is not my money," she said. "That money is for the benefit of employees and retirees ... so it's not my pension. It's not my budget deficit."

The actuarial spat means the auditor general will likely issue a "qualified audit opinion" of the government's books instead of a "clean audit opinion" later this year.

Essentially that could be seen as the accounting equivalent of an asterisk in the sporting record books for disputed achievements because her qualified audit opinion is unlikely to affect the government's credit rating.

The Hamilton Spectator: Beware watchdogs who like to grab headlines; Lysyk does not practice what she preaches in seeking public servant emails; A11; 2017.10.20

PUBLICATION:	The Hamilton Spectator
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DATE:	2017.10.20
SECTION:	Opinion
EDITION:	First
BYLINE:	Martin Regg Cohn
KEYWORDS:	electricity,governed,physics,government,bound,rules
ILLUSTRATION:	Ontario auditor general Bonnie Lysyk claims the Liberal government has added millions unnecessarily to provincial debt. But her rationale is questionable, as is her motivation, writes Martin Regg Cohn.Christopher Katsarov, The Canadian Press
WORD COUNT:	826

Beware watchdogs who like to grab headlines; Lysyk does not practice what she preaches in seeking public servant emails

Electricity is governed by the laws of physics. Government is bound by the rules of accounting.

But political power and electrical power have one thing in common: They follow the path of least resistance.

Now, Ontario's auditor general is trying to bend both to her will. Ahead of the next election, Bonnie Lysyk is fighting another rearguard action against the Liberal plan to curb hydro rates.

The auditor made headlines this week by accusing the government of short-circuiting the accounting rules with complex financial manoeuvres that could add $4 billion in borrowing costs over 30 years. Oddly, though, Lysyk doesn't quibble with their plan to cut hydro rates by 25 per cent - despite her mandate to seek value for money - possibly because it's far too popular with voters.

I've argued before that it's an expedient shell game that mortgages our future by refinancing power projects over a longer amortization term. But all major parties keep promising cheap electricity today (for higher rates tomorrow), so perhaps the auditor is wiser than me by staying silent on the overall strategy.

Instead, her quibble is over tactics - that the Liberals are borrowing the money through Ontario Power Generation (OPG), their wholly-owned electrical utility, instead of carrying it on the government's own balance sheet. And while the auditor bristles at this description, at root it's an arcane accounting dispute - though she is surely setting the stage for a broader political dispute that could affect the coming campaign.

It's true that the Liberals were loath to add billions of fresh debt to bankroll this hydro rebate, because they had promised in the last campaign to eliminate the budget deficit by this year (which they did). Better to bury the borrowings in their OPG subsidiary, claim a balanced budget, and cast themselves as credible stewards of the province's finances.

This wouldn't be the first government to rely on creative financial engineering to restructure our electricity infrastructure and engineering costs. Ontario's consolidated balance sheet has always required a decoding ring, and the auditor is right to question its complexity - even if her answers offer no greater clarity.

She faults the Liberals for off-loading the borrowing on a subsidiary, and then using creative (but legal) accounting techniques to count future "regulated" revenues as an upcoming asset. Lysyk likens that to treating your credit card debt as an asset.

That's a peculiarly misleading analogy for the auditor to make. No, you don't count your own credit card debt as an asset, but the bank surely does - it's an account receivable. And a regulated revenue stream is eminently reliable cash flow.

The Liberals argue that power projects have historically remained on the books of power producers like OPG. The difference, of course, is that the old Ontario Hydro once generated all our power, before it was dismembered and downsized (it's a pecuniary irony that OPG is being asked to clean up the mess from the stealth privatization of the energy sector).

The last time Lysyk attacked the government's deficit calculations, an outside panel of experts rejected her arguments - because not even an auditor can make a surplus disappear from a balance sheet. There is no permanent arbiter for auditors, but Lysyk is no longer the last word on accounting disputes - merely one of many voices, right or wrong. Expect that voice to grow louder next year when she formally assesses the 2018-19 spring budget - and once again challenges Liberal claims of deficit elimination.

The conventional narrative frames this as a political clash pitting our fearless auditor against feckless Liberal politicians. In fact, her fight is with senior public servants, the provincial comptroller, treasury board staff, and outside accounting firms - all of whom describe it as a "professional disagreement" over accounting standards.

Most of these experts, who are governed by their own professional code of conduct, gave their seal of approval to the government's books - rightly or wrongly. Lysyk countered that they are cooking the books - and demanded their internal correspondence in search of dissenters.

Without providing details, the auditor points ominously to emails (unreleased, unidentified and unquantified) from some bureaucrats questioning the government's plans - as if this is the ultimate proof point for her point of view. Was she expecting unanimity?

Interesting but irrelevant, until you consider this fun footnote: While the auditor was demanding confidential emails from public servants who give private counsel, she flatly rejected an Access to Information request filed this year by my colleague, Robert Benzie, for her office's sometimes testy correspondence with bureaucrats. The response? An Access to Information request demanding to know Benzie's identity (no secrets here - he readily waived the automatic confidentiality of the process). The auditor still refused to release any correspondence.

So much for publicly accepted principles of Access to Information, transparency and reciprocity. Some watchdogs don't like being watched.

National Post: Government borrowing to lower hydro bills gets broadside from AG; A5; 2017.10.18

PUBLICATION:	National Post
PAGE:	A5
DATE:	2017.10.18
SECTION:	Canada
EDITION:	National
BYLINE:	David Reevely
SOURCE:	National Post
KEYWORDS:	hiding,billions,dollars,ontario,government,borrowing
ILLUSTRATION:	Brian Thompson, Postmedia News / Hiding billions the Ontario government is borrowing to lower electricity bills for a few years will cost hydro users an extra $4 billion, the province's auditor general says.;
COLUMN:	Comment
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Government borrowing to lower hydro bills gets broadside from AG

Hiding billions of dollars the Ontario government is borrowing to lower electricity bills for a few years will cost hydro users an extra $4 billion, the province's auditor general reported Tuesday.

Maybe worse, Bonnie Lysyk said in a special report on the Liberals' "Fair Hydro Plan," the tricks the government is using throw doubt on all the province's books. The government, citizens, auditors and giant institutions that lend the province money are pretty much operating in a post-truth universe, where what the Liberals say is going on with Ontario's finances has begun to drift from any previously understood shared reality.

What the Liberals have done "would be unacceptable in the private sector, and we maintain that this is also unacceptable in the public sector," Lysyk reported. "If the consolidated financial statements are so unreliable that an adverse opinion is warranted, terms like 'balanced budget, 'deficit, 'asset' and 'net debt' will be meaningless."

Here's what's happening. Earlier this year, Premier Kathleen Wynne gave up defending the increases in the price of electricity since the Liberals took over in 2003. She and her cabinet put together a plan to cut bills that amounted to paying today's costs with borrowed money and repaying it with interest later. It has already cut residential bills by an average of 25 per cent, beginning last summer. And it will increase them by a combined total of $21 billion over time, when all that interest has to be paid, according to a report by Ontario's financial accountability officer (whose job is specifically to run budget numbers independently of the government, and whose findings Lysyk used for her dollar figures).

The argument the government makes is that the investment in cleaner and more reliable power will benefit us for a long time, so we should pay for it over more years - that's "fairer." This is debatable but not obviously ludicrous. That additional "fairness" is costing $17 billion in interest, spread out over years.

The Liberals really, really, really wanted to keep that debt off their books, so they could also go into the next election saying the budget is balanced. Borrowing billions in an election year would get in the way. So they did some financial engineering to put the debt on Ontario Power Generation instead. The Crown corporation is publicly owned but it doesn't get interest rates as good as the provincial government itself, so that's where the $4-billion premium comes in.

Her team looked at emails from the upper reaches of several government ministries, though the Ministry of Energy kept some back, Lysyk's report says. "Hopefully they'll come to the conclusion that it can be financed by the province ... rather than externally, as that would be a lot simpler and cheaper," she quotes one unnamed senior official, in an email. Nope. OPG is borrowing the money on our behalf and then there's a complicated interplay of regulatory and financial manoeuvres to book money we're expecting hydro users to pay for electricity in the 2020s, '30s and '40s as assets that balance off the debt. The essence is to say Ontarians are borrowing these billions as hydro ratepayers, not as voting citizens.

Same people, different hats, different rules.

All of which is bull, Lysyk says. The point of accounting is to tell you how much money you have, how much you owe and how much you are owed. That's what the standards for Canadian public-sector accounting are supposed to achieve.

"These standards are there to ensure that the financial reporting of government policy decisions reflects common sense: borrowings are debt, unearned revenue is not an asset today and when your expenses exceed your revenues, you incur a deficit," Lysyk said Tuesday. Nobody has used electricity in 2025 yet, let alone 2040. You can't count guesstimates of use and prices 20 years down the line as an asset today.

The usefulness of doing so was visible when Energy Minister Glenn Thibeault and Treasury Board president Liz Sandals responded to Lysyk's report. They think the $4-billion estimate for the extra cost of hiding the debt is too high. They argue the gap between the government's interest rate and Ontario Power Generation's might not be as big as the financial accountability office thinks.

They could be right - we won't know for sure till the 2040s. So it's a bit weird to account for it as if it's fait accompli.

The government even went shopping for different accounting standards it might use, Lysyk's report says, trying out rules used for private businesses in the U.S. because they seemed friendlier. Consulting firm Deloitte told the government this was OK, a position it repeated at the government's request on Tuesday after Lysyk released her report.

Maybe reasonable accountants can disagree about this. But the ground they're fighting over is whether the trick the Liberals used to keep the debt off the government books at a cost of billions of dollars is an acceptable trick, not whether they're keeping the debt off the government books or whether it's going to cost billions of dollars.

Which is just what you want from your government, right? Ottawa Citizen

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Toronto Star: Hydro rate cuts to cost $21B: watchdog; Stephen LeClair says price of provincial Liberal's subsidy could balloon over decades; A8; 2017.05.25

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Hydro rate cuts to cost $21B: watchdog; Stephen LeClair says price of provincial Liberal's subsidy could balloon over decades

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Short-term gain on your hydro bill could translate into long-term fiscal pain.

The Liberal government's Fair Hydro Plan, which lowers electricity bills by 25 per cent, will ultimately zap Ontarians to the tune of $21 billion over the next three decades, the province's budget watchdog has found. In a 15-page report released Wednesday, financial accountability officer Stephen LeClair said the scheme will cost the province $45 billion over the next 29 years while saving ratepayers $24 billion for a $21-billion net expense.

But LeClair warned his estimates are only applicable if "the province is able to achieve and maintain a balanced budget over 29 years." The cost of the subsidy could balloon to between $69 billion and $93 billion if the government has to borrow to pay for it.

Finance Minister Charles Sousa balanced the books last month after nine years of deficits. The average monthly hydro bill of $156 per household will drop to $123 once the 25-per-cent cut takes effect next month.

Recent public opinion polls suggest that Premier Kathleen Wynne's Liberals appear to be benefiting from the forthcoming lower electricity prices, as two recent surveys show they are closing the gap with the front-running Progressive Conservatives.

Both the Tories and Andrea Horwath's New Democrats oppose the Liberals' rate-cutting measure.

LeClair acknowledged it will keep homeowner's electricity costs lower than they would have been over the next decade, although they will be slightly more expensive after 2027.

"Although eligible electricity ratepayers are projected to achieve overall savings of $24 billion, the savings is not distributed evenly over time," the independent legislative officer wrote.

"From 2017 to 2027, electricity costs are projected to be lower under the (Fair Hydro Plan) compared to the status quo (for a total savings of $33 billion), while after 2027, electricity costs are projected to be higher under the FHP compared to the status quo (for a total cost of $9 billion)," he continued.

"This results in net savings of $24 billion over 29 years."

The budget officer questioned why the government is bankrolling the cut through its electricity utility Ontario Power Generation, which keeps the debt off the province's books, but could mean an additional $4 billion in interest costs.

Auditor general Bonnie Lysyk said she will also be doing a separate report on the hydro rate scheme later this year.

As is LeClair, Lysyk is concerned about the way the government is funding the cut.

"The government will do what the government will do; my job is to opine on whether the actions taken - the transactions recorded - are in accordance with public sector accounting standards," she told reporters at Queen's Park.

Last Thursday, Energy Minister Glenn Thibeault introduced legislation for the plan, promising it would spread the costs of big-ticket electricity-system improvements in the past decade over a longer period of time. Thibeault likened it to "refinancing a mortgage" to have lower payments now, while acknowledging there will be additional interest payments over the longer term.

"We've always said that the proposed Fair Hydro Plan will cost more over the long-term, but it will share the costs of our investments more fairly over a longer period of time, and lower bills, by 25 per cent on average, starting this summer," the minister said Thursday.

"It's important to remember that the FAO's projection of electricity costs reflects a point-in-time estimate that demonstrates how we can ensure greater fairness and affordability in the short and medium term," he said. "Later this summer, our government will release the next Long-Term Energy Plan, which will take additional costs out of the system and address affordability over the long-term."

Thibeault insisted any rate increases would be held at the rate of inflation - about 2 per cent - over the next four years.

However, a leaked cabinet document obtained by the Tories - and dismissed by the Liberals as an early draft of the plan - said rates would rise steeply, starting with 6.5 per cent in 2022 and topping out at 10.5 per cent in 2028, when average monthly bills would be $215.

"Kathleen Wynne's unfair hydro plan is a sham. The government's own numbers confirm it and independent experts confirm it. Rates are going up. Period," PC Leader Patrick Brown said in a statement.

"It's time for Kathleen Wynne to stop covering up the truth: under her plan, our hydro bills will go up. Everything will cost more. This will have a devastating impact on household budgets and the economy."

NDP MPP Peter Tabuns (Toronto Danforth) said "the impact is greater than we feared" of subsidizing ratepayers.