Scenario: Government aligns with Auditor General's interpretation (NEW)

Option 1 – Auditor General gives an unqualified opinion

Overview:

- The Province must pass a regulation to implement the Auditor General's interpretation of the pension asset standards.
- This means the **financial results** reported in Public Accounts **would be revised** to align with her numbers (e.g. a $5 billion deficit in 2015-16). The impact of the change would also result in an additional $10.6 billion being added to the province's accumulated deficit.
- With these revisions, it is possible the Auditor General may give the Province an **unqualified opinion**.

Key Considerations

- Even using the revised numbers, the Province still beats the deficit projection outlined in the 2015 Budget.
- Communications would have to focus on the fact that government is still on track to balance the budget by 2017-18 despite the revised deficit numbers.
- Decision would need to be made about how proactively to profile the increased accumulated deficit numbers (a $10.6B addition). The increase could be profiled proactively in the news release, the backgrounder, and/or Minister's forward, or addressed reactively through media QsAs. Proactively profiling the increase would give the government the opportunity to frame the issue, vs. reacting to others' interpretations of the increase.

Issues Management Strategy:

Issue/Consideration	Mitigation Strategy	Key Message*
Media and opposition may question why government needed to pass a regulation for this year's Public Accounts.	Proactive or reactive tactics to explain the government's rationale (see key considerations above).	• Ontario has followed the same pension accounting treatment for the past 15 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General, and there has been no change to the relevant accounting standards over the past 15 years. • As part of this year's Public Accounts work, the Office of the Auditor General raised some questions regarding the Province's historical practices of reporting pension assets.

Issue/Consideration	Mitigation Strategy	Key Message*
		• To adopt the Auditor General's interpretation, we needed to make a regulatory change in our accounting practices.
Media and opposition will question what impact the $10.6B increase to accumulated deficit will have on the bottom line. Media and opposition may criticize the government for not being able to meet its deficit targets and balance the budget.	Communications will focus on the fact that the results still beat the forecast in the 2015 Budget.	• At $5.0 billion, Ontario's deficit is $3.5 billion lower than projected in the 2015 Budget. • This marks the seventh year in a row that Ontario has beaten its deficit target. • Our government remains committed to balancing the budget in 2017-18. • Lower than forecast deficit projections confirm that our government's plan to achieve fiscal balance by 2017–18 is working while we continue to invest in the programs and services that matter to Ontarians.
Media and opposition may ask questions about how the pension assets issue impacted the fiscal plan, including what this means for future years.	Communications will remain at a high level to speak to the impact of the new accounting treatment.	• Following a review of the Province's accounting policies for pension assets related to jointly sponsored pension plans, a decision was made to pass a regulation to change the government's accounting policy for pension assets. (More details to be added on reason for adopting new standard) • The government will be tabling a Fall Economic Statement in the coming weeks that will provide an update on the multi-year fiscal outlook.
Media/public may perceive this shift as the government misstating previous years' financial information.	Communications messaging will demonstrate how this change is strictly about the treatment of pension assets and that the fiscal plan remains on	• Ontario has followed the same pension accounting treatment for the past 15 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General, and

Issue/Consideration	Mitigation Strategy	Key Message*
	target.	there has been no change to the relevant accounting standards over the past 15 years. • As part of this year's Public Accounts work, the Office of the Auditor General raised some questions regarding the Province's historical practices of reporting pension assets. • To adopt the Auditor General's interpretation, we needed to make a regulatory change in our accounting practices. • Lower than forecast deficit projections confirm that our government's plan to achieve fiscal balance by 2017–18 is working while we continue to invest in the programs and services that matter to Ontarians.
Media/public may be concerned over the impact to provincial pensions.	Communications will reassure that the pension plans are stable.	• I want to stress this issue relates solely to the Province's reported financial results and our interpretation of the accounting standards. The pension funds themselves continue to perform well and are currently reporting a funding surplus.

Potential Communication Tactics and Products

- News release
- Backgrounder
- Qs&As
- Key Messages for Minister
- Minister's Foreword
- Data visualization tools (TBC depending on impact)

Option 2 – Auditor General gives a qualified opinion

Overview:

- The Province must pass a regulation to implement the Auditor General's interpretation of the pension asset standards.
- This means the **financial results** reported in Public Accounts **would be revised** to align with her numbers (e.g. a $5 billion deficit in 2015-16). The impact of the change would also result in an additional $10.6 billion being added to the province's accumulated deficit.
- Despite these revisions, the Auditor General may still give the Province a **qualified opinion** as she may believe that a regulation was not necessary to implement her interpretation of the standards.

Key Considerations

- Even under the revised numbers, the Province still beats the deficit projection outlined in the 2015 Budget.
- Communications would have to focus on the fact that government is still on track to balance the budget by 2017-18 despite the revised deficit numbers.
- Decision would need to be made about how proactively to profile the increased accumulated deficit numbers (a $10.6B addition). The increase could be profiled proactively in the news release, the backgrounder, and/or Minister's forward, or addressed reactively through media QsAs. Proactively profiling the increase would give the government the opportunity to frame the issue, vs. reacting to others' interpretations of the increase.
- Government will have to simultaneously manage the issues of increased deficit numbers as well as the Auditor General's qualification (the first in 23 years).
- The issue will be very confusing to the public. They will not easily understand how the government's numbers could be right if the Auditor General has still issued a qualification.
- Auditor General's reasons for qualifying the Public Accounts are weakest in this scenario. Government's messaging could include it has done everything it could to comply with the AG's opinion.

Issues Management Strategy:

See Scenario 4, Option 1 for issues relating to increased deficit numbers. Unique issues to this Scenario:

Issue/Consideration	Mitigation Strategy	Key Message*
Media and opposition will react negatively to a qualified opinion.	Communications will focus on the fact that the results still beat the forecast in the 2015 Budget.	• At $5.0 billion, Ontario's deficit is $3.5 billion lower than projected in the 2015 Budget. • This marks the seventh year in a row that Ontario has beaten its deficit target. • Lower than forecast deficit projections confirm that our government's plan to achieve fiscal balance by 2017–18 is working while we continue to invest in the

Issue/Consideration	Mitigation Strategy	Key Message*
		programs and services that matter to Ontarians.
Auditor General may proactively criticize government's regulation as unnecessary step.	Scale up messaging could be leveraged to make the Auditor General's position seem unreasonable.	• Ontario has followed the same pension accounting treatment for the past 15 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General, and there has been no change to the relevant accounting standards over the past 15 years. • As part of this year's Public Accounts work, the Office of the Auditor General raised some questions regarding the Province's historical practices of reporting pension assets. • To adopt the Auditor General's interpretation, we needed to make a regulatory change in our accounting practices. • We have now brought that regulation into force and aligned with her interpretation. We have done everything we could to comply with the AG's opinion. We respectfully disagree with Auditor General's decision to qualify the Public Accounts after we aligned with her interpretation. • The treatment of pension assets is a complex accounting issue, the Public Sector Accounting Board has initiated a project to review pension accounting standards. They are currently in the process of scoping their project and will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support

Issue/Consideration	Mitigation Strategy	Key Message*
		transparency and accountability and meet user needs. • We will also provide input into this discussion.
The Auditor General is seen as a credible and authoritative source.	Scale up messaging could be leveraged to make the Auditor General's position seem unreasonable.	• To adopt the Auditor General's interpretation, we needed to make a regulatory change in our accounting practices. • We have now brought that regulation into force and aligned with her interpretation. We have done everything we could to comply with the AG's opinion. We respectfully disagree with Auditor General's decision to qualify the Public Accounts after we aligned with her interpretation.

Potential Communication Tactics and Products

- News release
- Backgrounder
- Qs&As
- Key Messages for Minister
- Minister's Foreword
- Data visualization tools (TBC depending on impact)