<u>Public Accounts – Communications Contingency Planning</u>

DRAFT – CONFIDENTIAL ADVICE TO CABINET

Issue:

There is potential that the Auditor General will issue a qualified audit opinion on the 2015-16 Public Accounts of Ontario.

Strategic Approach:

- Communications approach is to remain **neutral and factual -** balancing the need for the government to state its position, **while demonstrating respect for all parties involved**, i.e. AG, members of the Legislative Assembly and public.

- Position government as **cooperative and diligent** and acting with **integrity** in its attempt to resolve the issue.

- Narrative will **highlight complexity** of the issue and that it **requires ongoing deliberations** to reach a mutually agreeable solution.

- Communications tactics will be **scalable and flexible** to give the government the ability to **employ multiple channels to communicate** its position.

- Government can also **leverage** new tools like **data visualizations** and a new whiteboard video as well as recent updates to the FSD&A **to demonstrate its commitment to transparency** (optional).

- To the extent that circumstances allow, the communications approach and tactics will **leverage third party advice** in its messaging.

Communications objectives:

1. **Communicate clearly** the government's position on the treatment for pension assets **without overcomplicating the issue.**
2. **Reassure** the public and stakeholders that the province's fiscal situation is fairly presented in the Public Accounts and stable in regards to the fiscal plan.
3. **Demonstrate** the government's commitment to **openness and transparency**
4. Continue supporting a **positive working relationship** with the Office of the Auditor General.

Scenarios:

Four scenarios are currently under consideration:

1. Timed Delay release of Public Accounts **without amendments**
   OR
2. **Accept a qualified** audit opinion and **establish joint panel** to review issue
   OR
3. **Accept a qualified** audit opinion with a **commitment** to work with Auditor General
   OR
4. **Amend** the Financial Administration Act to allow the government to table Public Accounts beyond the legislated deadline of Sept. 27 so that discussions on the issue can continue

Scenario 1 – Timed delay the release of Public Accounts without amendments

Overview:

- Public Accounts would **not be tabled** by the deadline but X days later.
- TBS MO to liaise with GLHO to **confirm next steps** on this option
- Approach would involve **no legislative action**, but would inform the Legislature of the delay.

Key Considerations:

- Significant legal risks have been identified including that an extension of this nature would not prevent debate on the late tabling of the Public Accounts or prevent a court challenge regarding the failure to table the Public Accounts within the current FAA statutory deadline
- Avoids the process of introducing an amendment regarding the delay in the Public Accounts.
- Media and Opposition will call into question the government's reason for delaying the publication of Public Accounts. They may also imply that the government is withholding key financial information for reasons other than just resolving the issue with the Auditor General.
- Delaying the Public Accounts may not lead to a resolution of the issue with the Auditor General causing the government to receive a qualified audit opinion as an end result.

Potential Communication Tactics and Products

- Holding messaging for Minister to use as needed.
- Issue a media bulletin on Newsroom (web posting only, no email distribution to subscribers) following introduction to provide a record the government can point to. Can also be emailed to gallery.
- Supplementary messaging and Qs&As on the reason for delay for use in media scrums, as well as a statement to be issued.
- As a scale up measure, government could consider organizing a technical briefing on the pension asset issue, including third party experts

Top Line Messages

For Minister:

- Professional accountants and senior officials with Treasury Board take their responsibility for accurately presenting financial information seriously.
- As Minister, I have seen first-hand the hard work and due diligence that professional public servants do every day to ensure that the province's finances are portrayed in a transparent manner.
- I have directed senior Treasury Board officials to look into this matter further by (insert decided plan of action here – panel, working with AG, collaborating with national professional associations, etc.) and to develop a plan to best address the issues raised by the Auditor General's Office. (If possible mention timeline).

For Ministry Officials:

- Today, the government asked the Speaker for a temporary extension to the tabling timeline for the 2015-16 Public Accounts until XXX. The delay is being sought to ensure that the accounting treatment of pension assets is appropriate and results in a fair presentation of the Province's results.
- Public Accounts is a retrospective report that compares Ontario's actual performance to what was planned in the Budget. Public Accounts are prepared by the Treasury Board Secretariat in accordance with legislation and established accounting standards set out by the Public Sector Accounting Board, an independent body that sets nationwide accounting standards for Canada's public sector.
- Before they are released, Public Accounts are independently audited by the Auditor General to ensure all of the accounting standards have been met. This year, the Auditor General has questions about how the province reports pension assets.
- We believe this complex accounting matter would benefit from additional discussion and consideration before finalizing this year's Public Accounts.

Scenario 2 – Accept a qualified audit opinion and propose establishing a joint panel to review issue

Overview:

- Government accepts a **qualified audit opinion** and reports the **results based on its interpretation** of the Public Sector Accounting Standards.
- This means the **financial results** reported in Public Accounts, including the 2015-16 deficit of $3.5 billion **remain unchanged**.
- AG's audit opinion would **disclose her estimate** of the impact on the province's results (that the overall **deficit should be higher by $1.5 billion and that the currently reported pension assets ($10.6 billion)** should be written off and added to the accumulated deficit and net debt).
- Tone is **respectful,** but highlights that the **government does not agree** with the Auditor General based on our interpretation of the standards and feels that **working jointly to seek independent advice** would be in the public interest.

Key Considerations:

- Because this would be the **first time the Province has received a qualified audit opinion in 23 years**, it will attract **negative media and opposition reaction**. The public will also be confused as to what this means for the province's finances as well as pension plans.
- Provides time to have an independent panel understand the facts and considerations, but risks that external panel may ultimately agree with the Auditor General's reasons to qualify the Province's Public Accounts.
- Allows for areas of uncertainty and disagreement to be clearly identified for future consideration by PSAB in its current Project on Employee Future Benefits.
- Allows opposition and media to call into question the Province's financial position and reporting. Puts onus on the government to explain the nuances of a complex accounting procedure – which the public is unlikely to understand

Potential Communications Tactics and Products:

- News release, backgrounder, data visualization tools
- Supplement existing products with messaging specifically on this issue (qualification) and outlining next steps for the panel for use in scrums/media inquiries
- Government could consider organizing a technical briefing on the pension asset issue, including third party experts

Top line key messages:

- The Public Accounts is a central document used to demonstrate the province's transparency in reporting the province's financial activities and position. It is a retrospective document that compares Ontario's actual performance to what was planned in the approved Budget.
- We have a responsibility in ensuring that the financial information as presented in Public Accounts best reflects the underlying economic substance of the government's activities in serving the needs of users of the government's financial statements.
- The province received a qualified audit opinion from the Auditor General on the 2015-16 Public Accounts regarding the Province's treatment of pension assets which is the first qualified audit opinion in the past 23 years.
- The Province has sought external advice, including a third-party accounting opinion, which helped to inform the government's decision on the appropriateness of its accounting for pensions. [PENDING 3RD PARTY APPROVAL]
- It is our view that the Public Accounts are presented in a way that fairly presents the underlying economic substance of the Province's financial activities – including its pension assets.
- 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 Auditor Generals, and there has been no change to the relevant accounting standards over the past 15 years.
- 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 transparency and accountability and meet user needs.
- Going forward, the Province will invite the Auditor General to jointly form an independent panel to review the area of disagreement.

Scenario 3 – Accept a qualified audit opinion with commitment to continue to work with Auditor General over the next year to resolve issue

Overview:

- Government accepts a **qualified audit opinion** and reports the **results based on its interpretation** of the Public Sector Accounting Standards.
- This means the financial results reported in Public Accounts, including the 2015-16 **deficit of $3.5 billion remain unchanged**.

- However, the **AG's audit opinion would disclose her estimate** of her opinion of the error on the province's results

- Government would focus on the fact that this is a **complex issue** and that they will continue to work with PSAB to determine best practice for the accounting treatment of pension assets.

- Tone is respectful, but highlights that the **government does not agree with the Auditor General**.

Key Considerations:
- See Scenario 2.

- Issue communicated to PSAB to address (clarify guidance) as part of its project on Employee Future Benefits.

Potential Communications Tactics and Products:
- News release, backgrounder, data visualization tools
- Supplement existing products with messaging specifically on this issue (qualification) and outlining next steps for the panel for use in scrums as well as a statement to be issued.
- Government could consider organizing a technical briefing on the pension asset issue – TBC (include external experts/statements from external experts)

Top line key messages:
- The Public Accounts is a central document used to demonstrate the province's transparency in reporting the province's financial activities and position. It is a retrospective document that compares Ontario's actual performance to what was planned in the Budget.

- We have a responsibility in ensuring that the financial information as presented in Public Accounts best reflects the underlying economic substance of the government's activities in serving the needs of users of the government's financial statements.

- The Province has sought external advice, including a third-party accounting opinion, which helped to inform the government's decision on the appropriateness of its accounting for pensions. [PENDING 3RD PARTY APPROVAL]

- As part of this year's Public Accounts work, the Auditor General has raised some questions regarding the Province's historical practices of reporting pension assets.

- 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 Generals, and there has been no change to the relevant accounting standards over the past 15 years.

- 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 transparency and accountability and meet user needs.

- We look forward to working with the Auditor General and the Public Sector Accounting Board to ensure that public sector accounting standards continue to support transparency and accountability in reporting to the public, legislature and other users.

Scenario 4 – Amend the Financial Administration Act

Overview:

- Amend the Financial Administration Act to allow the government to table Public Accounts beyond the legislated deadline of Sept. 27. 2. Amendments could be made to:
    a. Implement a new deadline (timing TBD)
    b. Add new language based that on that found in the Fiscal Transparency and Accountability Act
    c. Allow the Minister to make a statement to explain why the deadline wasn't met

- Tone is **cooperative and respectful** and demonstrates government's **commitment to the integrity** of the Public Accounts by taking time to resolve issue

Key Considerations:

- Media and Opposition will call into question the government's reason for delaying the publication of Public Accounts. They may also imply that the government is withholding key financial information for reasons other than just resolving the issue with the Auditor General.

- Delaying the Public Accounts may not lead to a resolution of the issue with the Auditor General causing the government to receive a qualified audit opinion as an end result.

Potential Communications Tactics and Products:

- Minister's statement
    - Very brief introduction of amendment.
    - Ministerial Statement in the house that outlines rational for the delay.
- Issue a media bulletin on Newsroom (web posting only, no email distribution to subscribers) following introduction to provide a record the government can point to. Can also be emailed to gallery.
- Supplementary messaging and Qs&As on the reason for delay for use in media scrums, as well as a statement to be issued.
- Government could consider organizing a technical briefing on the pension asset issue

Top line key messages:

- The Public Accounts is a central document used to demonstrate the province's transparency in reporting the province's financial activities and position. It is a retrospective document that compares Ontario's actual performance to what was planned in the Budget.
- We have a responsibility in ensuring that the financial information as presented in Public Accounts best reflects the underlying economic substance of the government's activities in serving the needs of users of the government's financial statements.
- As part of this year's Public Accounts work, the Auditor General has raised some questions regarding the Province's historical practices of reporting pension assets. We believe that this particularly complex accounting matter would benefit from additional discussions and consideration before finalizing this year's Public Accounts.
- *[We have agreed to a joint process with the Auditor General to review the accounting treatment of pension assets on the Province's books. TBC]* OR *[In light of this, the province is proposing to defer the tabling of Public Accounts until this issue is resolved or by date TBC.]*
- 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 Generals, and there has been no change to the relevant accounting standards over the past 15 years.

- 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 transparency and accountability and meet user needs.

Next Steps as of September 21

- External accounting opinion is expected by September 22 23
- Letter to the AG Auditor General, together with supporting documentation (and copy of external accounting opinion and legal opinions) to be sent on September 23 **TBC**
- Decision on path forward **TBC**

Holding Messaging for Scenario 1 – Timed Delay

Holding Messaging for Minister – Request delay without amendment being introduced in Legislature:

- Professional accountants and senior officials with Treasury Board take their responsibility for accurately presenting financial information seriously.
- As Minister, I have seen first-hand the hard work and due diligence that professional public servants do every day to ensure that the province's finances are portrayed in a transparent manner.
- I have directed senior Treasury Board officials to look into this matter further by (insert decided plan of action here – panel, working with AG, collaborating with national professional associations, etc.) and to develop a plan to best address the issues raised by the Auditor General's Office. (If possible mention timeline).

Statement for Scenario 4 - Amend the Financial Administration Act

Draft Messaging for Statement:

The Public Accounts is a central document used to demonstrate the province's transparency in reporting the province's financial activities and position. It is a retrospective document that compares Ontario's actual performance to what was planned in the Budget.

We have a responsibility in ensuring that the financial information as presented in Public Accounts best reflects the underlying economic substance of the government's activities in serving the needs of users of the government's financial statements.

As part of this year's Public Accounts work, the Auditor General has raised some questions regarding the Province's historical practices of reporting its pension assets. We believe that this particularly complex accounting matter would benefit from additional discussions and consideration before finalizing this year's Public Accounts.

Ontario is not alone when it comes to facing issues such as this. New Brunswick and Alberta have both faced similar issues.

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 transparency and accountability and meet user needs.It is in the mutual best interest of the Province and the Auditor General to ensure that the accounting treatment is appropriate to achieve fair presentation of the Province's results.

We are introducing an amendment to seek a temporary delay in the publishing the 2015-2016 Public Accounts. We will table them by XXX.

We are committed to working with the Auditor General, the Public Sector Accounting Board as well as third-party experts to resolve this issue. (TBC)