[NOTES] Auditor General in the Media Studio - Pre-Election Report - April 25, 2018

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Date: Wed, 25 Apr 2018 12:35:04 -0400

Speaker: Bonnie Lysyk

Media: Smith Cross, Artuso, Morissette, Reeves, McGrath, Brûlé, Benzie, Rath, Jeffords,

Attending: Fedeli, Smith, Vanthof

Lysyk:
Explain why we are here today
In a fixed election year good must provide report on finances
Pre election report must include 3 year projections
My office reviews report determine whether it's reasonable
We have determined pre election report is not a reasonable presentation of gov finances
These lower estimates lead to provinces forecasted deficits understated for next three

years
Determined after adjusting for understated expenses, deficit should be 11.7 billion, 75% more than what the government presented
2019-20 12.2 billion
2020-21 12.5 billion or almost double
Consequences of these differences are significant
Create perception gov has more money to it than it does
Decision makers allocate money to programs when that money is needed for paying unrecorded expenses
Numbers show debt picture is better than it is
Net debt rising more than gov showed in pre election report
The government did not properly reflect the true financial impact of the electricity rate reduction from FHP
Plan gives discount to hydro bills but someone still has to compensate reduced revenues
That someone is the gov
They must borrow to pay for its compensation
Second major item relates to pension
Pension expense reduced on paper
Government has no unilateral legal right
Gov contributes 2 billion to pension plans
By excluding expenses from gov decision pre election report doesn't provide
Ontarians a clear picture needed for true transparency
Exception of these two items, gov estimates were based on cautious assumptions as required by the act
Will differ because future events are not certain, have unpredictable impacts

Smith cross: qualified opinion?

Lysyk:
Have to say it's reasonable or not
Qualification comes about when audit comes Audit hasn't come for 17-18 but at that point we will see impact

Benzie: assurances from parties to use your accounting?

Lysyk:
Haven't had discussions on that
Hopeful anyone chooses accounting answer we laid out because it's the right one

Walsh: gov says disputes between accountants

Lysyk:
Gov creating an accounting gov is using in its books OEB didn't have a hearing where people could come forward and make a ruling It's a gov chosen decision

Media: gov says they have experts support them, could thi not just be a dispute amongst experts?

Lysyk:
No big firms given opinion on gov accounting None given assurances that all pieces work together Auditor generals are only ones who audit I reached out to see if they had opinions

Walsh: explain significance between you saying you have whole picture and gov has narrow scope

Lysyk:
KPMG and EY looked at their piece of the puzzle But not how it works at top level Asked if they providing opinion they said no

Rath: is gov purposely misleading

Lysyk:
This is legislated accounting not public sector accounting in natural way

Global: are they fudging books

Mulligan:
We know intent was to make it look like net debt wasn't going up with FHP They didn't look at it at a holistic level Concern is after evidence we presented to various party's it didn't seem to make a difference

Mulligan: they're way makes it look healthier, yours makes it look not rosy?

Lysyk:
Ya

Artuso: what should voters assume? Deficit is promised spending based on if they're re elected, what is starting base without additional spending?

Lysyk:
Bottom line is higher than 5 billion for next fiscal year etc

Artuso: party starts with 5 billion deficit?

Media: how about 17-18, gov said surplus

Lysyk:
Onto that next
Auditing accounts now
Impact of not correcting these transactions will play out

Walsh: why does this matter to tax payers

Lysyk:
That's a truer financial position of gov This is a truer place gov is at Legislated accounting should not be expected in any province in Canada

Walsh: legislated accounting? Cooking the books?

Lysyk:
2012 gov passed legislation to create accounting rules so it's lawful Gov not in accordance of accounting standards Hydro issues is more fundamental to ensure gov makes decisions they're held accountable

Mulligan: finance minister said accounting firms signed off so they're right, what do you say to that

Lysyk:
Gov knew we would have issue with accounting Obvious understanding we would take issue with it so intent was to keep us out They had advisers but that's difference than someone sign their opinion Paid their advisers and they have them their opinions Asked what they should put in legislation so they will sign off on it It's fine if governments get advice But for us to be left out of the loop in hopes we wouldn't take issue with this was bounds to do so They took risk with this

Mulligan: blocked you? Are they allowed

Lysyk:
We are legislated auditors
Need transparent communication
Fact it didn't break that was is inappropriate

Rath: gov passed law so they could create own accounting rules to look better to public?

Lysyk:
Put legislation to create legislative assets in order to have design create bottom line they wanted

Crawley: simplistic way you can communicate what is going on here

Lysyk:
Pre election report expenses for 3 years have been understated Deficits that are planned are actually higher Comes from FHP accounting created by legislative accounting

Smith cross: forecasts on home resale prices

Lysyk:
Not as many people you can go to get checks Gov has own model We looked at that and thought it was reasonable

Smith cross: housing market hotter or cooler,

Bill:
Slowing down

Walsh: gov has more rosy view?

Staff:
Gov has higher resale price than private thought Prices to go down more than gov has projected

Walsh: how much

Staff:
20% year over year

Lysyk:
Rationalize based on current information So not a serious issue

Jeffords: sounds like you acted against govs trying to make own rules does this make you less credible

Lysyk:
Our mandate is to audit gov accounts
We're doing our job

Reeves: political component to way your numbers are used, is thought given to the ramifications?

Lysyk:
We can't think that way
We have to do our job
Put out a report that's fact based
Can't be thinking about that

Walsh: fund doing so well gov thinks it can do this?

Lysyk:
Fact that different discount rate is used by gov pension plan liabaility and pension plan itself There's no value in it as it istheoretical

Walsh: put your experience with how gov has responded to your recommendations in context to colleagues across country what do you expect for the response to be

Lysyk:
Typically you sit down and discuss it
When something big is happening and you change accounting public sector That would be discussed Get used to job we do Defensive tactics used there must be sense of worry around issue