MEDIA EVENT: MINISTER STATEMENTS AND MEDIA AVAILABILITY FOLLOWING TECHNICAL BRIEFING ON PROVINCE'S FINANCES

October 3, 2016

Time / Location:

2:45 p.m. - Kenora/Nipigon/Nipissing Rooms

Speakers:

Ministers Sandals and Sousa; PC MPPs MacLeod and Fedeli

Media Attendance:

Print – 5 TV – 5 Radio – 1

Media Outlets:

Jones – CP; Benzie – Star; Morrow – Globe; Jeffords – Sun; Nanji– QP Briefing; Lamoureux - Radio Canada TV; Global; Rath - CHCH Television; Tumelty - City TV; Other unidentified reporters

	Statement by Minister Sandals: So, good afternoon, everyone. And I would just like to start by confirming that Ontario's annual report and unaudited Consolidated Financial Statements for 2015/16 show that Ontario's deficit is \$3.5 billion lower than the \$8.5 billion projected in the 2015 budget. With the province's deficit for 2015/16 at \$5 billion. This is \$0.7 billion lower than the \$5.7 billion interim projection that we showed in the 2016 budget. So, as I assured the house last week, this marks the seventh year in a row that Ontario has beaten its deficit target. And we are committed to balancing the budget in 2017/18, and remaining balanced in 2018/19. In preparing the 2015/16 annual report and unaudited Consolidated Financial Statements, Treasury Board staff worked with our colleagues in ministries across government to assemble financial information for the annual report and unaudited Consolidated Financial Statements. The Auditor General, who issues an opinion on the government's adherence to independently-established accounting standards, then reviews this work. Earlier today, Minister Sousa and I met with the Auditor General to discuss finalization of the 2015/16 Public Accounts. We did so because this year Treasury Board public servants and the Auditor have been engaged in discussions regarding the accounting treatment of pension assets based on a new interpretation of public sector accounting standards taken by the Auditor. Unfortunately, at this time, the Auditor General has not provided an audit opinion on the province's financial statements for 2015/16. This is why the government is releasing these unaudited financial statements to ensure openness and transparency. We felt it important for there to be one set of numbers with respect to the province's financial position. The government believes it is in the public interest to release its financial

	information now since we are six days past the legislated deadline. I would now like to take this opportunity to discuss the pension issue in more detail. Pension accounting requires the application of professional judgement. And working together as much as they could, the province's professional accounting staff and the Auditor General could not reach an agreement on the appropriate application of the public sector accounting board's standards in relation to pension accounting. To be clear, Ontario had followed the same pension accounting treatment for the past 14 years. In fact, the current Auditor General has accepted this treatment for the last two years, resulting in unqualified or clean audit opinions. Three previous auditors general have also accepted it. There has been no change to the relevant accounting standard over the past 14 years. In order to maintain the integrity of the public service, which recommended that the previous accounting treatment continue, and show respect for the auditor, who recommended a new treatment, our government looked to find an immediate solution. This resulted in the government regulating the treatment of pension assets to reflect the fiscal outcome proposed by the Auditor General. We wanted to take a cautious approach during the period under which this issue will be reviewed by experts. This approach also reassures the public the government is on track in regard to its fiscal targets. The impact of the change resulted in an additional \$1.5 billion added to the deficit and an additional \$10.7 billion being added to the net debt. The public sector accounting board has recognised the pension issue and is working with governments across Canada to provide additional clarity to the current standard, and Ontario, of course, will be part of this national discussion. Ontario will also be engaging with the experts to support a full review on the basis and nature of the differences. The province will consult individuals with a range of backgrounds and experience, including people who prepare accounts, joint sponsors, and auditors of public sector financial reports. It is important to stress that the two pension plans in question, the OPSEU pension plan and the Ontario Teachers' pension plan, are both healthy and well-funded. Second, I would like to take this opportunity to say a little bit more about the 2015/16 financial statements. Although these financial statements are unaudited, it is important to stress that the province's financial results show that the government has once again beaten its deficit targets, and remains committed to achieving a balanced budget next year in 2017/18, and remaining balanced in 2018/19. And for emphasis, the province is taking the same view of the 2015/16 results as the auditor. Openness and transparency is a top priority for our government, and we believe it is in the public interest for the Auditor General to issue an audit opinion on Ontario's

	finances so that the public account can in fact be released as expeditiously as possible. And I would now like to turn it over to my colleague, Minister Sousa. **Statement by Minister Sousa:** For the past 14 years, our government and previous governments have followed the same accounting standards with respect to the treatment of jointly sponsored pension plans. These standards have been consistently accepted by the past 4 Auditors, including the current Auditor General. Under the same standards has provided unqualified or clean audited opinions for the past 2 years. This year, two weeks before the September 27th 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 plans, which would result in those assets being written off with no value. In addition, as you know, this new interpretation has resulted in a difference of opinion from accountants from within the Ontario Public Service and the office of the Auditor General. I have great respect for the expertise and independence of both the office of the Auditor General and the province's professional accounting staff. I believe their respective opinions warrant additional discussion and analysis. However, we also have a responsibility to the people of Ontario to be open and transparent about our financial position. It's important that Ontarians see that even in this time of global economic uncertainty, Ontario's economy continues to grow and our fiscal plan continues to improve. In fact, Ontario posted higher real GDP growth in the first quarter of 2016 than Canada, the United States, and all other G7 countries. It's also important that we remain open and transparent so investors in the financial markets can maintain their confidence that Ontario's still on track to balance the budget in 2017-18. That's why we've decided to release our financial statements to the public today despite the divergence in accounting opinions. In order to do this, we regulated a treatment of the pension assets in a manner that's consistent with the fiscal outcome proposed by the Auditor General for the 2015-16.We believe this to be the most cautious approach that ensures the public has access to our financial statements and that our numbers aligned with those of the Auditor General, at least until an independent review of the opposing opinions can be completed. 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 results had we used the same standards employed for the past 14 years. Now I want to reiterate what Minister Sandals has said: that even after incorporating the Auditor's proposed accounting interpretation, we have still beaten our annual deficit target for the seventh year in a row. We've done this by controlling the growth and spending, by making sure every dollar spent provides maximum value to taxpayers, and by providing the integrity of our province's revenues. The 2016-17 first

	quarter finances also confirmed that the government's projecting a deficit of $4.3 billion in 2016-17, unchanged from 2016 budget forecast. Our government's committed to eliminating the deficit by 2017-18 and remaining in balance in 2018-19 as outlined in our most recent budget. The new accounting interpretation does not change the commitment, nor does it change the progress we've made in creating jobs and growing the economy. It's also important to note that regulated accounting change has no impact on the province's borrowing requirements. I should also add that just today Moody's released a report noting that, and I quote, "Ontario's debt burden and debt service cost will remain manageable thanks to low interest rates as well as the province's improving fiscal position and conservative debt management policy." As we prepare the 2016 fall economic statement and 2017 budget, the Auditor's revised interpretation of the accounting standard and the subsequent ongoing review of the accounting treatment will need to be taken into consideration, along with emerging economic information. This is particularly important as we continue to track toward our commitment to balance the budget by 2017-18 and 2018-19. And with that, we'll take questions.
Q:Jones: Can you still get to balance under the Auditor General's proposed (inaudible)?	Sousa: We are on track to balance as I have said already, notwithstanding the changes that have been made, we, in fact, our balance is not affected. In fact our budget, last budget deficit is further reduced from what we anticipated at $8.5 initially, $5.7 and now it is at $5B in keeping with the Auditor's revisions and new principals that she has provided.
Q; Benzie: The Auditor says the reason, what has changed since last year, is that her officials got a bit suspicious or they were wondering how you were counting money that you could not have access to as an asset. I am just wondering…	Sousa: The President of the Treasury Board can respond to this as well. But we are not here to dispute the interpretation. We are here to determine and release the statements for the benefit of the public. And we have released them in keeping with the Auditor General's revisions. We have actually directed our public service who have done an excellent job but are not in agreement. Notwithstanding, we provided the statements as the Auditor has requested and we have released them to the public.
Q: Morrow: Is the worry here is that if the Auditor says you know this particular accounting practice that everyone has been using for 15, 14 years or whatever, that is wrong as the net debt, that she might find other things in your books that she decides that we are going to have to do this differently as well and that is just going to pile on more and more debt. Is that sort of the concern here, there might be (inaudible)?	Sousa: I will ask Minister Sandals to respond as well. But let's be clear. We have a matter of dispute between accounting professionals. We as the politicians and recognizing the need to release these statements have done so and directed our public servants to do so within the Auditor's requirements. The Auditor and three other auditors before her have been working and reviewing our financial statements and have full confidence in our public service and the work they do. They are all professionals and they have all provided great advice to the province over time. We have been open and transparent. C.D. Howe Institute has again rated Ontario's financials with an A recognizing that we surpass all others in terms of transparency. Sandals: Yeah I would like to agree with Minister Sousa.

	This isn't really about worrying about a lot of what if that and what if that. It is really about a conundrum that we faced as ministers and as Cabinet which is on one hand is that we had advice from the Auditor saying do it this way. On the other hand we had advice from our professional public service saying do it another way. We had to find some sort of a resolution and the resolution was to pass a regulation which said we will in fact present the books in 2015-16 in the way the Auditor has requested for the current 2015-16 year. So it was simply a matter from our point of view of not weighing in on the accounting. We'll ask experts to do that in the coming months. It was simply trying to find a way in which we could actually get you the books so you could see what is going on. And the regulation was a way in which we could facilitate that.
Q: Benzie: The Auditor says she is disappointed that the government has chosen to have this briefing the way you are having while her office is still in talks with your office and Charles' office about this accounting squabble. Are you guys playing politics with her because the government has had issues with her on the Government Advertising Act and other issues in the past? Is this another flare-up in a war that you have (inaudible)?	Sandals: No, this truly is not about politics. This about the fact that according to Financial Accountability Act, we are to table the public accounts by 180 days after the end of the fiscal year. September 27th was 180 days after the end of the fiscal year. So what we've been trying to figure – what we tried to figure out was a way in which we could achieve the legislative requirement to table the public accounts. Now technically this is not tabling the public accounts because we don't have and audited opinion. But what it does do is it makes exactly the same financial information available to the public that would've been available to the public had we tabled the accounts on time and it also adopts the accounting treatment for this year, which was requested by the Auditor General.
Q: Morrow: You guys must be steamed though. I mean, the Auditor comes in on September 13 and says, 'Well, hey guys, by the way, I found this thing, and now your deficit is going to be $1.5 billion higher than you wanted to announce. There's all this extra debt.' That must be annoying to you guys after you've worked so hard to bring the deficit down.	Sandals: I think what I would say is what has been challenging for us is to find a way in which we could present the public accounts which recognized that we seem to have an insoluble problem in terms of two different opinions. We found a way to present the books and I'm very pleased we're able to get the books to you and leave absolutely no question that in fact we have met the deficit targets, with or without the extra $1.5 billion. Minister Sousa: I may also add that you saw the tone of questioning today in the House. Obviously the opposition have wind of the fact that there's a dispute underway. We can't have that lack of confidence in the public realm. We need to ensure that people understand what is out, what our numbers mean, and what our financial state of affairs are. And that's one of the very reasons we came forward. If there are discussions being taken by the opposition with other offices of the legislature, that's unacceptable. We want to make certain it's available to all.
Q: Jeffords: So why not just accept the Auditor General's interpretation?	Sousa: It's not up to us to accept, as we must ensure that the public service accountants who are actually preparing the documents will also sign. At this point they do not and they will not because they disagree with the interpretation

	being provided, a new interpretation by the Auditor that our professional accountants do not agree with. So it's important for us to ensure – and we've directed them to provide the numbers – a way of regulation and keeping with the Auditor's request and enabling us time to provide for professional accountants to review the matter and effectively provide an opinion on behalf of all of us so we can operate effectively. But in the meantime, we've done what the Auditor General's asked, we presented the statements for the benefit of the public, and we want to make certain that everyone understands where we stand and where we must go.
Q: Benzie: Are you saying she is in cahoots with the opposition? You're saying that she's sharing information that the opposition [inaudible]?	Sousa: Not at all. I'm saying that the opposition has just come forward with questions in regards to this matter. We – and I don't want to have uncertainty as to what's happening in the financial state of affairs of the province. It's important for us to get this out quickly.
Q: Tumelty: Minister, I understand you had a meeting with the Auditor General this morning? Did you not? Or did your staff have a meeting with her staff this morning? And if so, did you mention you were going to have this press conference this afternoon?	Sousa: Well we did have a meeting with the Auditor General this morning and we discussed the issues before us. We referenced that the financial statements are what they are. And she cited that she wouldn't provide an audited opinion. And then we would say this is a matter of urgency and we want to make certain it's out there. I respect the office of the Auditor General and the work that she's doing. We have an obligation, of course, to ensure that we release the documents.
Q: Tumelty: But did she know that—	Sandals: We identified that we had an urgent need to get the financial statements to the public because of the fact that we had passed the legislative time limit, and that we did have an urgent need to get the information to the public.
Q: Tumelty: So you didn't tell her you were going to have press conference this afternoon?	Sandals: We told her that we had an urgent need to get the information to the public. Sousa: Thank you everybody.
	Statement by MacLeod: (Joined in progress) (inaudible) today it looks like we have an $11 billion dollar hole in the government's books and you could drive a Mac truck straight through it. This dispute, it appears that the government wants to continually undermine independent officers of this assembly and has produced unaudited, unverified documents to the assembly and through the media to the public, and as a result I think a good question to ask is what is the government continuing to hide? And secondly, who are we supposed to trust? The government with their fantastical numbers? Or the Auditor General who has an independent office for the people of the province, And with that, I'll pass it over to our finance critic, Vic Fedeli. **Statement by Fedeli:** Well, we'll take questions, I just wanted to basically add two comments. The Auditor General has raised concerns, and what does the government do?

	They issue an unaudited annual report. They cannot issue their Public Accounts, so it's apparent that they are trying to usurp the Auditor General by coming out with a series of unaudited, and calling it an annual report. There—This is not the time for an annual report. We're looking for the public accounts, which look in the rear-view mirror and tell us about the numbers that have actually been spent. When the Auditor finds an $11 billion hole in the budget, in the Liberal accounting, and the Liberal answer is to release this unaudited report, the (inaudible) obviously has concerns, and the Liberals have now changed the rules. They've come out with a one-time, time-limited version of what they're allowed to do. That is unacceptable, unparalleled, and really tells you the true state of our finances here in the province of Ontario.
Q: Benzie: But if these assets we're counting, these pension assets were counted as assets when the Tories were in power for 2001, 2002, 2003, would that mean that there was then—that we've been deluded about the debt even when you guys were in government? And the deficit, I don't believe you guys had a deficit the last year in office, but I think there was one in 2002.	MPP Fedeli: So, if the Auditor has decided that this is the set of rules that need to be followed, rather than be standing here—and you saw, they're in full-blown panic mode, there were 40 or 50 Liberal staffers here today, this isn't light-hearted as Ms. Sandals said, oh, this is just a little issue with paperwork. There are 40 or 50 staff here. This is full-blown panic mode. This is serious. The Auditor General says this is the way we are accounting, and the Liberals didn't agree with that. This is—if they're so convinced that they're right, why not meet with the Auditor General on an ongoing basis until it's resolved? If you're that confident, if they're convinced that their numbers are right, meet with the Auditor General and get through these numbers and get to an agreement. Don't pull a run, an end run with all of your team here and try to usurp her with an unaudited report. That is not standing behind your numbers. Now, I think, the accounting world will have even larger questions. If Minister Sousa thought, as he said in response to Lisa MacLeod's question this morning which seems to have prompted all this, if he thought that the accounting world will be calmed by what happened here today, I think we now realise you've got major forces at war.
Q: Benzie: How big do you think the deficit is? Do you think it's $5 billion? (inaudible)	Look, I'm waiting to hear what the deficit is from the true professionals, the Auditor General and our Financial Accountability Officer.
Q: Morrow: (inaudible) battles between the Auditor and the province? What's the (inaudible)	MPP MacLeod: So, I think we've got a problem here with the government whenever they've disclosed. Whether that's a scandal and there's an auditor general's report, whether that's on electricity (inaudible), they try to discredit this particular Auditor Genera, and they've done that several times, including Minister Chiarelli (inaudible) the current Auditor General despite her background in the energy sector that this was too complex. Secondly, let's be perfectly clear. A former independent officer of this assembly has become so disgruntled with the Liberals he had decided to run as a Progressive Conservative in a tough seat. But let's be perfectly clear here: This is a government that as early as

	last week had some of its government staffers contact our offices to indicate this would be a significant hole in their budget. They contacted us; it's not an independent officer contacting the Progressive Conservatives. We have known for close to a week now that the government was in this dispute. And we learned from them, we learned again over Friday, as I suggested in my question, that three senior bureaucrats with the government were planning to call the Auditor General partial. And I think this is just a continuation of a desperate government that has 18 months to go and sees historic lows in the Premier's popularity. I think it is down to 16% now and they are just trying to find a way to get out of a mess. And by the way they still haven't table the Public Accounts so there is still is a delay in the Financial Accountability Legislation that the government tables. I don't know if Vic has something else to add. Fedeli: More questions?
Q: Benzie: I think (inaudible) is a lot higher that 16%.	MacLeod: I think it is 17% with the Throne Speech. (laughter) Fedeli: At the end of the day, you can see again they are surrounded by 30, 40, 50 staffers here, full panic mode. They are trying to continue with the message about balancing. Now most of them have left the room because they don't, you know. They are trying to talk about the fact they are going to balance but it is artificial. The Financial Accountability Officer has told us the only way they are going to reach balance is by the one-time sale of assets and when that stops after the election, we plunge back into deficit. That is the message they don't want to see, don't want people to talk about, and that is why they are out at any opportunity they can to talk about this and I will call it again an artificial balancing of the budget. And they got caught again today.
Q: Jeffords: The FAO has warned about increased borrowing costs. The government has said today this will have no impact on the province's borrowing requirements. What do you think?	Fedeli: Well I am eager to see what the Auditor General tells us. Again, the Public Accounts is a rear view mirror. This looks backwards. It's their budget that we will look forward and give us forecasts. Public Accounts is only a rear-view mirror which tells us exactly what was spent. There is no ifs, no ands, no buts, no forecasting, it's numbers, just raw accounting. And that is the biggest concern. If it was a budget, and there is lots of fluff in a budget, you are forecasting, you might say something, you might say something else. This is Public Accounts. This is where the Auditor audits your numbers and the Auditor tells you looking back, here is the picture, here is the real picture. That is why there is a real problem here. So whether this will affect it on a go-forward, the budget will tell us that. They will have to put a number in that budget. That's fair. MacLeod: All good? Thanks everyone. Thanks Vic.

N.B.: Comments captured are not verbatim quotes	

Prepared by:

Guy Lepage, Senior Issues Analyst
Becky Dier-McComb, Senior Media Analyst
Sally Law, Media Analyst