

Briefing for March 27

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Your morning briefing

27.03.2018

Headlines

The Auditor General [slammed the IESO's accounting treatment](#) of the Fair Hydro Plan, and warned she may issue an unprecedented adverse opinion of Ontario's consolidated financial statements. The broadside comes in the lead-up to the provincial election where Auditor General **Bonnie Lysyk** is expected to play a role, as she will scrutinize the proposed Liberal budget soon after it is released on Wednesday. Lysyk and the government have regularly sparred over the past couple of years, and the independent officer criticized the IESO for a lack of co-operation while she audited the organization, including not telling her about the timing of a board meeting. For its part the IESO said it had over 40 meetings with the Auditor General's office and complied.

The CBC [looks at diversity](#) at the top of the Sunshine List, and finds that it's lacking. There are only three women among the top 25 earners in the province, and no people of colour. The first person of colour is ranked 33rd on the list. **Michael Coteau**, the minister responsible for anti-racism, told CBC that it's important for the civil service to reflect the province's population, and also to ensure that it is maximizing its potential by being inclusive. Treasury Board President **Eleanor McMahon** added that the government is unable to enforce diversity throughout the civil service, and that there is limited turnover among the most highly-paid positions.

In case you missed our stories Monday:

- [Auditor General slams IESO accounting as 'bogus,' warns she might issue adverse opinion on province's books](#)
- [Government launches next phase of digital framework](#)
- [Spurned Hamilton-area PC candidate to face off again against past winner amidst criminal probe](#)
- [Province to pour \\$300 million into special ed as report skewers 'flawed' funding formula](#)
- [Your Question Period briefing: The Liberal laugh track edition](#)

A [poster campaign](#) has popped up in downtown Toronto in opposition to PC leader **Doug Ford**. The notdoug.com project shares past quotes of Ford, including comments about the LGBTQ community and children with autism. It is not currently known who is behind the postering campaign and website, although the Liberals and NDP deny it's them, reports the *Star*.

Jagmeet Singh's brother **Gurratan** hopes to [run for the NDP](#) in the newly-formed Brampton East riding in the upcoming June election, reports the *Brampton Guardian*.

The Ministry of Transportation should be ready for your Highway 61 Revisited jokes, as it's [studying a four-lane stretch](#) of the highway in Thunder Bay.

Windsor doctor **Robert Stewart Cameron** [gave up his medical license](#), becoming the first Ontario physician disciplined for excessively doling out opioids, reports the *Globe*.

Liberal Scarborough MPPs vow to champion local hospital projects, [reports toronto.com](#).

The *Waterloo Region Record* looks at pushback from local councillors against [increasing density](#) in the form of 12 and 13-storey residential buildings. Some local councillors would prefer four and six storeys on the sites.

The NDP has [nominated the party's first openly-trans candidate for MPP](#). The *Ottawa Citizen* reports 25-year-old **Lyra Evans** will run in Ottawa–Vanier, a seat that is currently held by Liberal **Nathalie Des Rosiers**.

Ontario was the only province that saw a significant increase in restaurant prices, a response to the hiked minimum wage, [reports the Financial Post](#).

And in the opinion pages:

- **David Reevely** looks at Green Party leader **Mike Schreiner**'s visit to Ottawa, where the would-be politician says the party is on the [verge of a breakthrough](#).
- **Jamie Watt** argues that NDP leader **Andrea Horwath** [needs to maintain a high-wire act](#) in order for the party to take advantage of its electoral opportunity.
- In TVO **David Tabachnick** looks at a lawsuit from 40 hunters in northeastern Ontario, and how the case highlights the complications of [Aboriginal rights as collective rights](#).
- **Martin Regg Cohn** outlines [how election-year budget proposals become platforms](#) and why policymaking isn't the priority.
- **John Michael McGrath, Jennifer Pagliaro and Alison Smith** [take to the Ryerson Review of Journalism's podcast Pull Quotes](#) to discuss the unique experience of covering an unconventional politician like Doug Ford.

Bills and motions

Second Reading of Bill 6, An Act to enact the Ministry of Community Safety and Correctional Services Act, 2018 and the Correctional Services and Reintegration Act, 2018, to make related amendments to other Acts, to repeal an Act and to revoke a regulation.

Ms. Horwath — Therefore the Legislative Assembly calls on the government to ensure all Ontarians, regardless of age, income, source of income, or where they live, can access dental care and drug coverage.

Committees

9 a.m.

Standing Committee on Government Agencies will meet to consider intended appointments. Room 2.

Events

9:15 a.m.

The Ontario Medical Association will be releasing their platform. Media Studio, Queen's Park.

9:30 a.m.

Premier Wynne to make an announcement alongside Minister **Charles Sousa** and Minister **Indira Naidoo-Harris**. Nelson Mandela Park Public School Library, 440 Shuter Street, Toronto.

10 a.m.

OPSEU President Warren (Smokey) Thomas: Invest in corrections – or nobody's safe. Media Studio, Queen's Park.

11:45 a.m.

Demonstration on the south lawn by TTC Riders, to advocate to "fairly fund the TTC in the upcoming Provincial budget, so riders get better service and lower fares." Around 70 people expected. South Lawn, Queen's Park.

12 p.m.

Premier Wynne to meet with **Eric Holcomb**, Governor of Indiana and participate in an MOU signing on economic cooperation and trade relations. Queen's Park, Room 275.

1 p.m.

Premier Wynne to attend a Caucus Meeting. Queen's Park, Room 247.

Auditor General slams IESO accounting as 'bogus,' warns she might issue adverse opinion on province's books

26.03.2018

Auditor General **Bonnie Lysyk** is accusing a Crown corporation of using "bogus" accounting practices that she contends were put in place to help the Ontario government avoid running a deficit this year, and of giving her office "a lot of non-truths" when she decided to audit its books.

Lysyk has completed a special audit of the Independent Electricity System Operator (IESO), which she says was triggered by the Crown corporation's decision to retroactively adopt a different accounting standard, rate-regulated accounting, last year.

That decision, Lysyk contends, "set the stage" for the government to implement the Fair Hydro Plan, a complex financial scheme that allows the borrowing of billions of dollars to subsidize Ontarians' hydro bills in an election year, without that debt showing up on the province's books.

While Minister of Energy **Glenn Thibeault** has repeatedly said the plan was intentionally structured to keep the borrowing off the tax base because it applies to ratepayers, Lysyk argues the accounting practices used are inappropriate, as it was the government, not an independent electricity rate regulator, that made the decision to temporarily lower Ontarians' electricity bills by taking on debt.

Lysyk told the public accounts committee last week that the accounting problem arose because the private auditing firm KPMG was retained by the IESO to advise on the Fair Hydro Plan, and to be its third-party auditor.

"The other thing I wanted to mention in terms of an update is that IESO normally has an audit fee of \$86,500 a year on their audit. For the year January to December 2017, KPMG has billed nearly \$600,000 to the organization," said Lysyk.

Part of that cost was to handle the auditor general and her audit: Lysyk said \$230,000 of it was to answer her office's questions.

"It's ridiculous; we think it's ridiculous," Lysyk told the committee. "But, anyway, just on this aspect of the fair hydro plan, KPMG has generated about half a million dollars."

"We think this accounting is bogus," she continued.

In the course of her audit, she identified four problems: A lack of co-operation with her office from the IESO management and board; the inappropriate use of rate-regulated accounting; an understatement of the IESO's liabilities in regards to its unfunded benefit plan; and the IESO's failure to disclose that its participation in the province's Fair Hydro Plan has obligated it to pay its carrying costs on debt associated with the plan ahead of the province's power generators.

"If the accounting is not corrected, we will have to consider the impact of this on our Independent Auditor's Opinion on the province's consolidated financial statements," Lysyk wrote in a letter to the committee containing her report on the IESO special audit. "The impact at a minimum will result in a qualified audit opinion, but has the potential to result in a first-time adverse opinion on the province of Ontario's consolidated financial statements."

An adverse opinion, Lysyk wrote, means the province's public accounts do not fairly present its financial position.

"Therefore, the fact that we have to contemplate the possibility of having to issue an adverse opinion on the province's consolidated financial statements is a serious matter."

The IESO disputes nearly all of what Lysyk has said.

Terry Young, vice president of policy, engagement and innovation, told *QP Briefing* in an interview that the ISEO went out of its way to co-operate with the Auditor General's office: holding more than 40 meetings with her staff, responding to over 225 requests for information, arranging for seven staff members to work on IESO's premises while they were conducting the audit, and giving the auditors direct access to personnel.

But Lysyk put it differently: the IESO responded to some of her office's questions with "non-truths" and failed to inform her office of the timing of an important board meeting.

"We also comment that during our work, management of IESO and the board would not co-operate with us, in the sense that they continually say they're co-operating, but they stalled on giving us information... They basically treated, I think, my audit team like we were subservient to KPMG. In terms of the law in the Ontario, that would be the reverse."

She specifically cited IESO's refusal to sign the management representation letter that states the Crown corporation has provided her office with all of the relevant information for the audit: Young said that's because it misrepresents the relationship between the AG's office and the ISEO, as it is KPMG, not the AG, that is its third-party auditor.

However, Young said he couldn't say why the AG sees things differently on the issue of co-operation.

Young also denied there that the IESO adopted rate-regulated accounting in order to help the province keep the Fair Hydro Plan debt off its books, saying it was a decision the IESO had been seriously considering. He denied there is a problem with having KPMG serving in dual roles, as both an adviser on the Fair Hydro Plan and the IESO's third-party auditor.

In a statement, KPMG said, "the concerns expressed by the AGO result from a difference of opinion in the application of professional judgement," and said it made every effort to be responsive to the Auditor General's requests.