Issues Summary - AG's Report on Ontario's Pre-Election Finances

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Hi all,

There has been media coverage about the Auditor General's report on Ontario's pre-election finances from all major outlets.

Articles are focused on the difference between our government's annual deficit figures and the Auditor General's.

The Auditor has stated that after adjusting for the Fair Hydro Plan and the accounting of net pension assets, the government's annual deficit figures are 11.7B in 2018-19, 12.2 in 2019-20 and 12.5 in 2020-21.

General Articles

Robert Benzie, Toronto Star - In scathing pre-election report, Ontario auditor general says deficit is $11.7B, not $6.7B
CBC - Ontario Liberals understating deficit by billions: auditor
Canadian Press - Ontario government understates deficit by billions: auditor general
Jessica smith, QP Briefing - Auditor General Slams Government's Books as "not reasonable" in Pre-Election Report
Artonella Artisuso, Toronto Sun - Ontario deficit will be double what Wynne claimed: Auditor general
National Post - Ontario Liberals understated deficit by billions, according to AG. Wynne calls it an 'accounting dispute
David Reevely, Ottawa Citizen - Ontario's government can't keep up a permanent war with its auditor

Key Messaging

Topline Messaging

- We thank the Auditor General for her response to the Pre-Election Report.
- The Auditor General concluded in the introduction of her report that the assumptions we made in our fiscal plan are cautious, prudent and reasonable.

- The two technical accounting disagreements that we have with the auditor general are issues that we have been talking about publicly for a number of years.
- Our government will continue to present the provinces finances fairly and accurately and in accordance with the Canadian Public Sector Accounting Standards.
- Our government passed the Fiscal Transparency and Accountability Act to reflect our commitment to openness and transparency.
- The Pre-Election Report on Ontario's Finances, introduced in 2007, was the first of its kind in Canada, and today remains one of only a few such documents in the world.
- Through the Pre-Election Report and the Auditor's corresponding analysis, Ontarians are given the information they need to make an informed decision ahead of a provincial election.

The OAG mentions two (2) specific topics that represent ongoing conversations and technical accounting disputes between government and her office.

Pension Accounting Messaging:

- The government's position regarding the accounting of pension assets has long-since been supported by a panel of well-known experts.
- We continue the use of the United States Generally Accepted Accounting Principles when the Public Sector Accounting Board's standards are silent, as they are in this instance.
- The AG continues to not accept the application of the Canadian Public Service Accounting Board Standards regarding pension accounting for the provinces jointly sponsored pension plans.
- However, in this instance, we do not agree with the assertions and conclusions expressed by the Auditor General.

Fair Hydro Accounting Messaging:

- At the core of this issue is a technical issue about if the IESO is a rate regulated agency and should thus use rate regulated accounting.
- As the change in the IESO's accounting practice has:
    - eliminated a second set of books that was previously kept,

- has brought greater transparency to $17b worth of transactions,
- and furthermore is consistent with the accounting practices of the IESO's predecessor, the OPA, the **government's opinion has not changed.**

- Our government presents the provinces finances fairly and accurately and in accordance with Canadian Public Sector Accounting Standards.
- And the impact of the Fair Hydro Plan will be transparent in the consolidated financial statements of the province.
- These are policy choices we made to ensure that we continue to have a clean, reliable affordable electricity system for the ratepayers of today, and the ratepayers of tomorrow.
- That's exactly what the Fair Hydro Plan has done, and what it will continue to do into the future.

Best regards,

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