DRAFT MANAGEMENT RESPONSE TO AG

AG Recommendation #1 *We recommend the government record valuation allowances to offset the net pension assets it has recorded from the Ontario Teachers' Pension Plan and the Ontario Public Sector Employees' Union Pension Plan until such time as it obtains formal written authorization from their pension plan co-sponsors that they are able to lower minimum contributions or withdraw surpluses from the pension funds within the next 12 months.*	*[OPCD]*

DRAFT MANAGEMENT RESPONSE TO AG

AG Recommendation #2 *We recommend that the government remove the Independent Electricity System Operator's Market Accounts from the Province's consolidated financial statements.*	*[OPCD, with Energy and IESO input]*

DRAFT MANAGEMENT RESPONSE TO AG

AG Recommendation #3 *We recommend the government follow the accounting standards established by the Public Sector Accounting Board and the Province's historical accounting precedent, and implement the recommendations in the Special Report issued by our Office and tabled in the legislature on October 17, 2017, titled The Fair Hydro Plan: Concerns About Fiscal Transparency, Accountability and Value for Money, as follows:* • *Record the true financial impact of the Fair Hydro Plan's electricity rate reduction on the Province's budgets and consolidated financial statements; and* • *Use a financing structure to fund the rate reduction that is least costly for Ontarians.*	*[Energy, with IESO, OFA, OPCD input]*

DRAFT MANAGEMENT RESPONSE TO AG

AG Recommendation #4 *The Office of the Auditor General is the appointed under the Auditor General Act as the auditor for the consolidated financial statements of the Province of Ontario. We recommend that the Treasury Board Secretariat:* • *Proactively supply copies to the Auditor General of all contracts it enters into for accounting advice and opinions in order to ensure that our Office is aware of the work the advisers are performing, can assess significant issues in a timely manner, and can determine the impact on the Province's consolidated financial statements and our annual audit; and* • *Build into its contracts with external advisers the requirement that the advisers engaged to provide accounting advice and opinions that affect the consolidated financial statements notify our Office of their engagement as required under the Code of Professional Conduct of the Chartered Professional Accountants of Ontario.*	*[OPCD]*

DRAFT MANAGEMENT RESPONSE TO AG

AG Recommendation #5 *We recommend that the Independent Electricity System Operator (IESO), an "other government organization," use the Canadian Public Sector Accounting Standards (PSAS) in the preparation of its financial statements. Specifically, it should:* • *Remove market accounts recorded on its financial statements; and* • *Discontinue the inappropriate use of rate-regulated accounting in the preparation of its financial statements.* *To ensure that the members of the Legislative Assembly receive financial information on the operations of the IESO prepared in accordance with Canadian PSAS, the Office of the Auditor General will conduct an attest audit of the December 31, 2017, financial statements of the IESO as permitted under the Electricity Act, Subsection 25.2(2), which states: "The Auditor General may audit the accounts and transactions of the IESO. 2014, c. 7, Sched. 7, s. 3 (1)."*	*[IESO with ENERGY and OPCD]*

DRAFT MANAGEMENT RESPONSE TO AG

AG Recommendation #6 *We recommend the government follow the accounting standards established by the Public Sector Accounting Board, rather than using legislation and regulations to prescribe accounting treatments.*	*[OPCD]*

	DRAFT MANAGEMENT RESPONSE TO AG
AG Recommendation #7 *We recommend that in order to address the Province's growing total debt burden, the government work towards the development of a long-term total-debt reduction plan linked to its target of reducing the net debt-to-GDP ratio to its pre-recession level of 27% as measured using proper accounting for net pension assets and the projected costs of the Fair Hydro Plan. The government should also discuss publicly how it plans to pay down the debt.*	*[OFA]*

DRAFT MANAGEMENT RESPONSE TO AG

AG Recommendation #8 *We recommend that the Office of the Provincial Controller undertake thorough planning involving all stakeholders, including Treasury Board Secretariat, ministries and provincial government agencies, to identify the barriers and key areas to be addressed to achieve earlier finalization of the Province's consolidated financial statements, including the estimation risks associated with corporations tax and personal income tax revenues.*	*[OPCD with input from OEP]*

DRAFT MANAGEMENT RESPONSE TO AG

Recommendation #9 *We recommend that the government avoid establishing arm's length trusts in order to record an expense in its consolidated financial statements before it is necessary, given that it loses the ability to ensure that funds are ultimately provided to the appropriate beneficiaries.*	*[OPCD]*

	DRAFT MANAGEMENT RESPONSE TO AG
AG Recommendation #10 *We recommend that the government determine when it will issue a regulation as outlined under subsection 11(1) of the Fiscal Transparency and Accountability Act, 2004 confirming the source of reference for the Pre-Election Report and the timeline for issuance of the report that will be subject to our review under the Act.*	*[MOF – OB]*