TBS

Communications Branch

Your Strategic Partner

Standing Committee on Public Accounts

Secretary of the Cabinet Briefing on Chapter 2, Public Accounts of the Province

February 9, 2018

Overview

- Auditor General's Annual Report, Chapter 2, makes 10 recommendations regarding Public Accounts of the Province.

- Recommendations largely reflect opinions expressed in previous reports, including AG's audit opinion in 2016-17 Public Accounts and Special Report on the Fair Hydro Plan.

- The province disagrees with the characterization of the majority of the recommendations, and re-iterates its commitment to producing high-quality financial reports on a timely basis and in accordance with Canadian Public Sector Accounting Standards (PSAS).

Logistics

- Agenda
  - *See: Tab 1 p. 1 of the Briefing Binder*
- Room setup
  - *See: Tab 1 p. 2 of the Briefing Binder*
- Media access
  - *See: Tab 1 p. 2 of the Briefing Binder*
- Ministry/organization representatives to attend
  - *See: Tab 1 p. 3 & 4 of the Briefing Binder*
- Committee members
  - *See: Tab 1 p. 5 of the Briefing Binder*

Strategic Approach

- Provide **evidence and facts** as basis of decision-making wherever appropriate (e.g. other jurisdictions, external advisors).

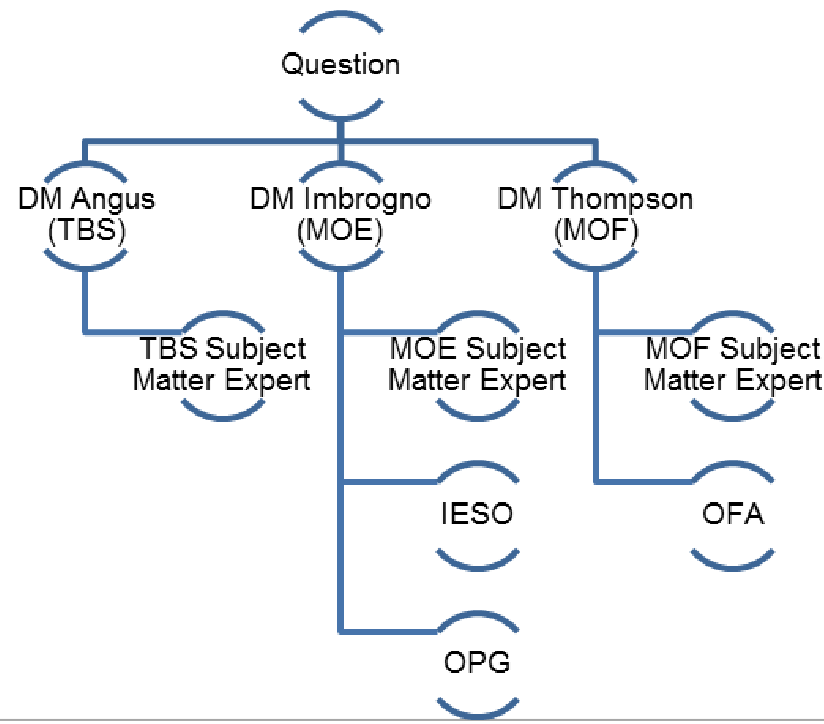
- Emphasize **role of public servant** to provide factual, non-partisan information to committee based on due diligence and application of professional judgment.

- Use committee appearance as opportunity to communicate facts and rationale for decision to **adopt/continue accounting practices** in response to AG's recommendations.

- Highlight **due diligence in decision making** (Ontario Fair Hydro Plan accounting, pension asset accounting, Independent Electricity System Operator [IESO] market accounts, IESO rate-regulated accounting).

Roles & Responsibilities

- Secretary of the Cabinet will be seated in the first row behind the three Deputy Ministers.
- Deputy Ministers to provide initial messaging then pass to subject matter experts where appropriate.
- Specific roles and responsibilities are outlined in Tab 3 of Briefing Binder.



Key Issues

- Based on AG's 2017 Annual Report, media and Hansard analysis, and SCOPA invitee list, anticipated key issues include:
  - Ontario Fair Hydro Plan accounting
  - IESO accounting (market accounts; rate-regulated accounting)
  - Pre-Election Report
  - Pension asset accounting
  - Province's debt

- Additional considerations:
  - Stakeholder reports and commentaries (e.g. Ontario Chamber of Commerce Economic report; FAO report on Hydro One; Fraser Institute commentaries on fiscal situation)
  - Third Quarter Ontario Finances
  - Executive compensation (e.g. OPG & IESO)
  - IESO/OPG "inappropriate expenses"
  - IESO Audit Committee meeting
  - OPG Financing of Regulatory Assets

Issues Management Strategy Summary

Issue	Strategy	Key Messages
Pension asset accounting TBS lead	• Emphasize due diligence and objective advice to support government decision-making. • Leverage external analysis where appropriate. • Reaffirm commitment to working with AG.	• The province has a strong track record of producing high-quality financial reports on a timely basis and continues to present the province's finances fairly and accurately and in accordance with Canadian PSAS. • The province will continue to evaluate the need for a valuation allowance annually.
IESO accounting Finance/IESO lead TBS to speak to government decision to accept accounting	• Emphasize due diligence and objective advice to support government decision-making. • Leverage external analysis where appropriate. • Reaffirm commitment to working with AG.	• The province supports this enhanced reporting and greater transparency for the economic activities of the IESO. • The province is open to continue to discuss the issue in the hopes of resolving this matter.
Ontario Fair Hydro Plan Energy/OPG/IESO lead TBS to speak to accounting	• Highlight due diligence included in OFHP decision-making, and that the accounting structure is still being finalized. • Avoid any speculation on political decision-making or future events.	• It would be inappropriate to speculate about how the Auditor General may issue an opinion for Public Accounts next year. • The implementation of OFHP is ongoing, with significant decisions with accounting and financial implications still being finalized.

Issues Management Strategy Summary

TBS

Issue	Strategy	Key Messages
Pre-Election Report Joint TBS/Finance lead	• Reaffirm government's commitment to working with Office of Auditor General. • Avoid speculation on political decision-making or future events.	• The province remains committed to meeting the legislative requirements of the FTAA and working constructively with the Office of the Auditor General. • *(TBC as decisions are finalized.)*
Province's Fiscal Situation Finance/OFA lead	• Provide context, evidence and facts; refer to documents in public domain where appropriate. • Highlight due diligence. • Avoid speculation on political decision-making or future events.	• The province has a strong track record of producing high-quality financial reports on a timely basis and continues to present the province's finances fairly and accurately and in accordance with Canadian PSAS.
Preparation of Public Accounts TBS lead Finance to speak to timelines re: tax revenues	• Avoid speculation on political decision-making or future events. • Reaffirm commitment to working with AG. • Confirm province seeks external expertise when appropriate as normal course of business.	• It would be inappropriate to speculate about how the Auditor General may issue an opinion for Public Accounts next year. • The province's use of external expertise for accounting and financial reporting matters supplements its own resources on complex or emerging accounting and reporting matters.

Issues Management Strategy Summary

Issue	Strategy	Key Messages
Insisting on Speculation	• Emphasize role of public servant is to provide objective advice to support government decision-making. • Avoid speculation on political decision-making or future events.	• As a public servant, it would be inappropriate for me to speculate on the intentions of the government. • We provide neutral advice to support decision-making.
Confidential Advice	• Emphasize role of public servant is to provide objective advice to support government decision-making. • Avoid any commitment if unsure whether information is confidential or not.	• This matter could be considered confidential advice provided. • I would be happy to look into this matter further to clarify the scope of confidentiality and provide a written response back to the committee.
Out of Scope	• Provide responses that are relevant and in scope of the consideration of chapter two of the Office of the Auditor General's report.	• I am happy to provide a response to the question as it relates to chapter two of the Annual Report. • I cannot speak to the specific point you are raising, and as mentioned, [____] would be more appropriate to respond.

Response to Recommendations

- Refer to Appendix A for the province's management response to the Office of the Auditor General's recommendations.

Anticipated Questions

- Refer to Appendix B for anticipated top questions, including key messaging for Secretary of the Cabinet.

- Refer to Tab 6 of Briefing Binder for comprehensive list of anticipated questions and answers.

Supporting Products

- Summary status table
- Introductory remarks
- Comprehensive Q&As
- Long-form member Q&As
- Issues notes