QUESTIONS & ANSWERS

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QUESTIONS FOR THE SECRETARY OF THE CABINET

1. **Secretary, we want to hear from you, as the head of the Public Service – can you answer the question on ___?**

   Thank you for your question.

   If applicable:
   What I can say is that [*refer to key messages below*].

   I cannot speak to the specifics of your question, but I would be happy to pass it over to my colleague, Deputy ___.

2. **How can you say the province is responsibly managing its finances when Ontario is the most indebted sub-sovereign jurisdiction, has received a qualified audit opinion two years in a row, and continues to go down a path of questionable accounting with the Fair Hydro Plan?**

   Thank you for your question.

   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 Public Sector Accounting Standards.

   We will continue to ensure appropriate due diligence is completed in all objective advice that we provide to support government decision-making.

   This includes completing our own internal analysis, building prudence into financial forecasts, looking to other jurisdictions or external advisors to supplement our own analysis, and always bringing our best professional judgment to the table.

   If you'd like further details on these points, I will pass it over to my colleagues, who would be pleased to provide the Committee with further information.

3. **If your colleagues are, as you say they are, providing objective, good advice, why do you think the elected government continues to ignore the public service and go ahead with policy decisions like the Fair Hydro Plan?**

   Thank you for your question.

As a public servant, as you can appreciate, it would be inappropriate for me to speculate on the intentions of the government.

What I can say is that I am confident in my colleagues, who like me, work to provide our best, objective advice to support government decision-making.

Whether it is for the Ontario Fair Hydro Plan, or anything else, the province will continue to prepare its consolidated financial statements in accordance with Public Sector Accounting Standards.

Where these standards are silent, our professional staff will exercise their professional judgment and apply the standards' guidelines as appropriate.

For the purposes of Ontario's Fair Hydro Plan, the province considered a range of implementation options and consulted with legal, accounting, financial, and energy sector experts to provide advice and ensure due diligence was completed.

For further details on the Fair Hydro Plan, I will pass it over to Deputy Imbrogno. He and his team would be pleased to provide the Committee with further information.

4. **What advice did you give the Premier regarding on the Ontario Fair Hydro Plan?**

Thank you for your question.

As a public servant, it is our role to provide our best, objective advice to support government decision-making.

I am unable to speak to the specific advice that was provided, as this would be considered confidential. However, I would like to assure the Committee that for this policy matter, like any other, our professional staff ensured due diligence was completed in providing their advice.

For further details on that due diligence, including the consideration of a range of implementation options and consultations with legal, accounting, financial, and energy sector experts, I will pass it over to Deputy Imbrogno. He and his team would be pleased to provide further details.

5. Is the province willing to move forward, ignoring the advice of the Auditor General, at the risk of another qualified audit opinion – or worse, an adverse audit opinion? Don't you think this would affect the province's credit rating, and make debt even worse than it is for future generations?

Thank you for your question.

As you can appreciate, it would be inappropriate for me to speculate on how the Auditor General may issue an opinion for the next Public Accounts.

What I can say is that the province has a strong track record of producing high-quality financial reports on a timely basis. We will continue to present the province's finances fairly and accurately and in accordance with Canadian Public Sector Accounting Standards.

If you would like further details on the preparation of Public Accounts and the province's work with the Office of the Auditor General, I would be happy to pass it over to Deputy Angus.

If you would like further details on the province's fiscal management, I would be pleased to pass it over to Deputy Thompson.

6. Why has the government avoided a clear answer on the Pre-Election Report? Will you, as per legislative requirements, issue this important accountability document?

Thank you for your question.

I want to stress that the province takes the Auditor General's recommendations seriously.

Our teams are engaging all officers of the legislature to keep them informed and engage constructively on considerations and approaches to ensure the people of Ontario are provided with an independent review of the province's fiscal position in advance of the election.

The government has not yet made a decision on whether and when to release a Pre-Election Report.

For further details on the Pre-Election Report, and how the province has been working with the Office of the Auditor General, I will pass it over to Deputy Angus and Deputy Thompson.

7. How can you justify the exorbitant salaries that are being paid to consultants, to OPG and IESO executives, when the people of this province are struggling to make ends meet?

Thank you for your question.

I would like to emphasize that province remains committed to ensuring transparency and accountability in how broader public sector employers manage executive compensation.

I believe this topic may be out of scope for today's consideration of chapter two of the Auditor General's 2017 Annual Report.

8. What has been your relationship with the Auditor General? As the head of the public service, aren't you concerned that the government continues to undermine independent officers of the legislature?

Thank you for your question.

I speak for myself and my colleagues when I say that the OPS has the utmost respect for all independent officers of the legislature, and we value the important and necessary perspective they bring.

Our professional staff will continue to take a proactive approach to raising issues with the Office of the Auditor General.

I know, for example, that the Office of the Provincial Controller works closely with the Office of the Auditor General to identify audit issues early and to ensure that stakeholders are engaged in discussions regarding risks and resolution.

As public servants, we will continue to ensure due diligence and provide our best, objective advice to support decision-making. In addition, we will continue to work with all officers of the legislature to keep them informed and engage constructively on considerations and approaches.

For further details on recent collaborations with the Office of the Auditor General on the topic of the preparation of Public Accounts, I will pass it over to Deputy Angus.

9. Secretary, why does the province continue to turn to consultants or external advisors whenever there is disagreement with the Auditor General? Doesn't the public service have the expertise in-house? Or do

you just turn to external experts as a way to circumvent the opinions and recommendations expressed by the Auditor General?

Thank you for your question.

I would like to emphasize that the OPS has the utmost respect for all independent officers of the legislature, and we value the important and necessary perspective they bring.

Our professional staff will continue to take a proactive approach to raising issues with the Office of the Auditor General.

The province's use of external expertise for accounting and financial reporting matters supplements our own resources on complex or emerging matters.

External advisors are generally engaged to provide advice and guidance to supplement our own internal analysis. This is within a normal course of business, and is part of our responsibility to ensure due diligence.

We remain committed to working with the Office of the Auditor General to discuss issues.

For further details on how we use external expertise to support our own internal analysis, I will pass it over to Deputy Angus.

PENSION ASSET ACCOUNTING

Key Messages

- The province continues to move forward and present the province's finances fairly and accurately and in accordance with Canadian Public Sector Accounting Standards (PSAS).
- We respectfully disagree with the Auditor General's interpretation of the accounting standards.
- The province is open to continue to discuss the matter in the hopes of resolving this matter.
- For more information on pension asset accounting, I will now pass it over to:
    - Deputy Angus

IESO Accounting

Key Messages

- The province consolidates the entities it controls, in accordance with Public Sector Accounting Standards (PSAS) and its internal reporting policies.
- In 2016, the Independent Electricity System Operator (IESO) changed the accounting for the market accounts and recognized these balances on its financial statements.
- The financial statements of the IESO for the year-ended December 31, 2016 were subject to an external audit and received an unqualified (or clean) opinion.
- The government 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.
- For further details on the province's decision to accept IESO market accounts on the province's consolidated financial statements, I will pass it over to:
  - Deputy Angus
- For further details on the IESO's decision to adopt market accounts, I will pass it over to:
  - Deputy Imbrogno

Ontario Fair Hydro Plan

Key Messages

- The province will continue to prepare its consolidated financial statements in accordance with Public Sector Accounting Standards (PSAS).
- The proposed accounting for the Ontario Fair Hydro Plan (OFHP) reflects the economic substance of the transaction by differentiating costs borne by taxpayers versus those borne by ratepayers.

- The province's professional staff have appropriately applied PSAS guidance in assessing the accounting for the OFHP.
- For further details on the province's decision to accept OFHP accounting, I will pass it over to:
    - Deputy Angus
- For further details on the OFHP, I will pass it over to:
    - Deputy Imbrogno

PRE-ELECTION REPORT

Key Messages

- The province takes the Auditor's recommendations seriously and remains committed to working constructively with the Auditor General.
- The government has not yet made a decision on whether and when to release a Pre-Election report.
- My colleagues are engaging with all officers of the legislature to keep them informed and engage constructively on considerations and approaches to ensure the people of Ontario are provided with an independent review of the province's fiscal position in advance of the election.
- For further details, I will pass it over to:
    - Deputy Angus

PROVINCE'S FISCAL SITUATION

Key Messages

- 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 Public Sector Accounting Standards.
- We are projecting a balanced budget in 2017-18.

- The Ministry of Finance is committed to a responsible fiscal plan and they build prudence into our forecasts.
- For further details, I will pass it over to:
  - Deputy Thompson

PREPARATION OF PUBLIC ACCOUNTS

Key Messages

- The Treasury Board Secretariat and the Ministry of Finance are supportive of the timely delivery of Public Accounts.
- The province's financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).
- Our professional staff exercise judgment in applying the standards and as necessary consult with external experts and advisors.
- The Office of the Provincial Controller works closely with the Office of the Auditor General to identify audit issues early and to ensure that stakeholders are engaged in discussions regarding risks and resolution.
- 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.
- External advisors are generally engaged to provide advice and guidance to supplement internal analysis, and in the normal course of business.