

FW: Auditor General responds to Public Accounts

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Date: Thu, 07 Sep 2017 15:36:45 -0400
Attachments: Independent Auditor's Report.pdf (565.45 kB)

I can't remember if I sent this to you already.

See below.

Thanks

From: Colford, Jonathan (CAB)
Sent: September 7, 2017 2:07 PM
To: Lazarus, Jordan (OPO)
Cc: Killorn, Bill (OPO); Forgione, Andrew (OPO); McMichael, Rhonda (CAB); Covelli, Mary Anne (CAB); Farrow, Alicia (CAB); Pontikis, Maria (CAB); Heitshu, Tania (CAB); Cesca, Stephanie (CAB); Paech, Arielle (CAB); Deschamps, Angèle (CAB); @CAB-Issues
Subject: Auditor General responds to Public Accounts

Hi Jordan,

Just moved on the Auditor General's website. Text below. She says the deficit is understated by \$1.444 billion for 2016/17 (\$1.831 billion in 2015/16) and the net debt is understated by \$12.429 billion for 2016/17 (\$10.985 billion in 2015/16). She also warned that the accounting design the Government created for the electricity bill reduction under the Ontario Fair Hydro Plan Act, 2017 may lead to a larger understated deficit and net debt next year. **A Special Report on this subject will be tabled in the fall.**

Ontario Government Understates Annual Deficit and Net Debt: Auditor General

(TORONTO) The Auditor General of Ontario issued a qualified audit opinion on the Consolidated Financial Statements of the Province of Ontario, saying the statements significantly understated the 2016/17 deficit, as well as the Province's net debt.

The deficit is understated by \$1.444 billion for 2016/17 (\$1.831 billion in 2015/16) and the net debt is understated by \$12.429 billion for 2016/17 (\$10.985 billion in 2015/16).

“I have issued a qualified audit opinion because the statements were not prepared following Canadian Public Sector Accounting Standards,” Auditor General Bonnie Lysyk said today after the Government issued the Public Accounts of Ontario.

“The legislature and all Ontarians must be able to rely on the Province’s consolidated financial statements to fairly report the fiscal results for the year. This year they cannot do so,” she added.

Lysyk also warned that the accounting design the Government created for the electricity bill reduction under the Ontario Fair Hydro Plan Act, 2017 may lead to a larger understated deficit and net debt next year. A Special Report on this subject will be tabled in the fall.

Under the Auditor General Act, Lysyk must review the Province’s financial statements and give an opinion as to whether they fairly and accurately reflect the state of the Province’s finances. The Auditor General issues a qualified opinion when she believes, based on the audit evidence obtained, the statements are significantly misstated.

Lysyk said two issues in the Province’s consolidated financial statements failed to conform to Canadian Public Sector Accounting Standards (PSAS), which led her to issue a qualified opinion. The first relates to the Government’s accounting for its calculated surplus of \$12.429 billion for two pension funds it co-sponsors, the Ontario Teachers’ Pension Plan and the Ontario Public Service Employees’ Union Pension Plan.

Although the Government recorded \$12.429 billion this year as a net pension asset related to these pension plans, it does not have the unilateral legal right to access this amount without first receiving the formal written consent of plan members. It has no such consent at present. As well, the Government’s half of the actual funded surpluses within these two pension funds is only \$5.7 billion, which is considerably lower than the Government’s calculated surplus on its consolidated financial statements.

Lysyk said her Office did considerable work, including extensive consultations with external experts, in reaching its position on the net pension asset last year. She added that her Office’s position is consistent with how the provinces of British Columbia and New Brunswick, and the Toronto Transit Commission apply Canadian PSAS. The Ontario Government based its accounting treatment this year not on Canadian PSAS, but on the recommendations of a panel of individuals the Government appointed after

the Auditor General's qualified opinion last year, the first in 23 years. The Auditor General also took the panel's report into account in reaching her audit opinion this year.

Lysyk's qualified opinion this year states that the panel's recommendations "are not an authoritative source on the application of Canadian Public Sector Accounting Standards."

The second issue relates to the Government inappropriately recording the market account assets and liabilities of the Independent Electricity System Operator on its financial statements (market accounts track transactions between power generators and power distributors).

Lysyk said the market accounts as recorded in the Province's financial statements do not meet the definition of assets and liabilities under Canadian PSAS because the Province has no access or discretion to use these assets for its own benefit. As a result, other assets and other liabilities in the consolidated financial statements are both overstated by \$1.652 billion in 2016/17 (\$1.443 billion in 2015/16).

The Auditor General's qualified opinion can be read [here](#).