

[No Subject]

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We thank the Auditor General for her response to the Pre-Election Report. The Treasury Board Secretariat and Ministry of Finance work closely with the Auditor General of Ontario on a wide variety of issues on a regular basis, and her oversight and insight is welcomed both during our regular interactions and during the release of special reports, including this one.

Our government introduced the Fiscal Transparency and Accountability Act in 2004, which sets out the principles governing fiscal planning and public reporting requirements in Ontario. The Act is reflective of our commitment to openness and transparency. Through the Pre-Election Report and the Office of the Auditor General's (OAG's) analysis, Ontarians are given the information they need to make an informed decision ahead of a provincial election.

The 2018 Pre-Election Report on Ontario's Finances presented the fiscal plan for 2018–19 to 2020–21 fiscal years. As verified by the Auditor General, the majority of the province's estimates regarding revenue, program expenses and interest on debt are based on prudent and cautious assumptions, as required by the Fiscal Transparency and Accountability Act. Ontario's fiscal policy also recognizes the need for flexibility to respond to an ever changing world. The Auditor General concluded overall that " the Pre-Election Report provides a reasonable and somewhat cautious underpinning for the medium-term fiscal forecasts."

We know Ontario's economy has grown steadily in recent years, but we know that more must be done to encourage increased growth and create more jobs in an uncertain global economy. As we move forward, we must also ensure that the benefits from this growth are equally shared. The government has made a deliberate decision to invest in people – in high quality childcare, homecare, support for seniors and pharmacare, with OHIP+, for children, youth and seniors.

The Auditor General mentions two specific topics that represent ongoing conversations and technical accounting disputes between government and her office, and these two disputes have in turn led to a difference of opinion regarding deficit numbers.

The first item of dispute is the accounting treatment for a portion of the Fair Hydro Plan. We continue to believe that the government's accounting for the Fair Hydro Plan is appropriate, and specifically the use of rate-regulated accounting to account for the component of the plan recoverable from the ratepayers, is supported by United States Generally Accepted Accounting Principles, as Public Sector Accounting Standards are silent on this issue. The second issue is the accounting for the net pension assets of the Province's two jointly sponsored pension plans, which is supported by an expert panel of accountants, actuaries and lawyers. The government's opinion on these two matters has not changed.

Changes made to the IESO's accounting practices hinge on a technical disagreement

regarding the agency's use of rate regulated accounting. As the change has brought greater transparency to \$17b worth of transactions, and is consistent with the accounting practices of the IESO's predecessor, the OPA, the government believes the current accounting treatment is the most appropriate and transparent.

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Thanks,

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Vivienne

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