Q&As

1. **Why are you releasing your financial statements without the Auditor approving them?**

   On Monday, October 3, Minister Sandals and Minister Sousa met with the Auditor General to discuss the 2015-16 Public Accounts. They did so because this year, the Auditor General presented the province with a new interpretation of public sector accounting standards as it relates to an accounting issue – the treatment of pension assets.

   Ontario has followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years, resulting in unqualified – or clean audit opinions. It has also been accepted by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

   In preparing the Annual Report and Consolidated Financial Statements, professional public servants and the Auditor General have engaged in discussions regarding the treatment of pension assets – which is subject to a range of interpretations.

   Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

   To remain clear and transparent, the government exercised its statutory authority to regulate the treatment of this particular issue for 2015-16. The government regulated the treatment of pension assets in a manner that is consistent with the fiscal outcome proposed by the Auditor General.

   The government is now releasing its financial statements to ensure transparency with respect to province's financial position.

   The Public Sector Accounting Board is working with governments across Canada to set an appropriate standard. Ontario will be part of this national discussion. Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

2. **The province has been treating pensions the same way since 2001. When did the Auditor tell you about this new accounting treatment?**

Well into this year's audit, the AG came to a view which she communicated to the Province on September 13.

3. **Is what the government release considered Public Accounts?**

   No. However, the treatment applied is consistent with the fiscal outcome proposed by the Auditor General.

4. **On what exactly do you disagree with the Auditor?**

   This year, the Auditor General presented the province with a new interpretation of public sector accounting standards as it relates to an accounting issue – the treatment of pension assets.

   In preparing the Annual Report and Consolidated Financial Statements, professional public servants and the Auditor General have engaged in discussions regarding the treatment of these pension assets – which is subject to a range of interpretations.

   Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

   To remain clear and transparent, the government exercised its statutory authority to regulate the treatment of this particular issue for 2015-16. The government regulated the treatment of pension assets in a manner that is consistent with the fiscal outcome proposed by the Auditor General in the last 10 days.

   The government is now releasing its financial statements to ensure transparency with respect to province's financial position.

5. **Was there something wrong with the accounting rules that the government was using before?**

   No.

   Prior to this change, Ontario had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

   In 2016 the C.D. Howe Institute, an independent research organization that assess the fiscal planning and reporting of governments in Canada, also commented positively on the financial reporting practices of Ontario relating to its fiscal reporting activities that include Public Accounts, the annual Budget and Estimates.

6. **So what happens next? When will you table the actual Public Accounts?**

   The government will continue to work with the Auditor General to expedite the tabling of the 2015-16 Public Accounts.

   The Public Sector Accounting Board has initiated a project to review pension accounting standards, and will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs. Ontario will participate in this national discussion.

   Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

7. **Is the government still committed to balancing the budget by 2017-18?**

   Yes. The Province's financial results show that the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18 and remaining balanced in 2018-19.

8. **What's the difference between "audited" and "unaudited" financial results?**

   In practice, there should be no difference between audited and unaudited results.

   An independent audit of an organization's financial results provides independent assurance that the results fairly represent the financial position of the organization, and that those results are in accordance with generally accepted accounting principles.

   The Province's unaudited financial statements include a Statement of Responsibility. This statement describes how the financial report is prepared, and attests to the government's responsibility for the objectivity and integrity of the consolidated financial statements.

   The government also attests to its responsibility for maintaining appropriate systems of internal control. The systems support the integrity and completeness of the financial information reported.

9. **What's the difference between a "qualified" and "unqualified" audit opinion?**

   Audit reports represent an auditor's professional opinion on whether an organization's financial position and results of its operations are presented fairly in its financial statements.

   An unqualified, or clean opinion, is a judgment that an organization's financial records and statements are fairly and appropriately presented.

   A qualified opinion indicates an auditor has concerns with the financial information. Those concerns could include things like the availability of sufficient information for users to make an informed decision, or the organization's reporting in accordance with public sector accounting standards.

   In this case the Auditor General has chosen not to issue an opinion at all – either unqualified or qualified.