TBS
Communications

Public Accounts Communications

August 28, 2017

Overview

TBS

- Treasury Board Secretariat will release the 2016-17 Public Accounts of Ontario on September 7, 2017 (TBC).
- Public Accounts are key accountability documents that:
  - Provide **financial statements for 2016-17**, audited by the Auditor General (AG)
  - Compare Ontario's actual financial performance with the goals set out in the **2016 Budget**
- Public Accounts are part of the Ontario government's annual fiscal cycle and a legislative requirement under the Financial Administration Act (FAA).
- The President of the Treasury Board submits the Public Accounts for each fiscal year to the Lieutenant Governor in Council on or before the 180th day after the end of the fiscal year (September 27, 2017).

This Year's Narrative

- Demonstrate that Ontario is fiscally responsible and that the path to balance is working.
- Public Accounts for 2016-17 shows that Ontario has beaten its deficit targets eight years in a row.
- 2016 Budget accomplishments will be profiled, such as:
  - Transforming health care
  - Building tomorrow's infrastructure now
  - Investing in education
  - Growing the economy
- Use data visualizations to show Ontario's continued commitment to openness and transparency.

2016-17 Accounting Changes

- Pension asset accounting:
  - The pension assets for OTPP and OPSEUPP have been reflected on the books in 2016-17, on a basis consistent with that used since 2001 and the recommendations of the Pension Asset Expert Advisory Panel. The 2015-16 comparative balances have been restated to reflect this presentation.
  - The AG has not accepted the Province's position on accounting net pension assets for OTPP and OPSEUPP and will be **issuing a qualified opinion** for this item. The AG has quantified the deficit at $2.4 billion.

- Independent Electricity System Operator (IESO) accounting:
  - IESO has reported assets and liabilities on their books relating to market accounts (amounts due to and owing from market participants of $1.6 billion). There is no impact on the annual deficit, net debt or the accumulated deficit. The AG does not agree with the accounting change and will be **issuing a qualified opinion** for this item.
  - IESO has also adopted rate-regulated accounting. Using this new accounting method, IESO's auditor, KPMG, provided a clean audit opinion. The AG has drawn attention to this in the audit opinion as an Other Matter relating to a potential material impact in future years related to the Fair Hydro Plan.

2016-17 Accounting Changes cont.

- New presentation for hospitals, school boards and colleges financials:
  - Public Accounts is presenting third party revenues of hospitals, school boards and colleges together with all other revenues of the Province. These revenues were previously netted against the sector expenses.
  - The change in presentation does not affect the annual deficit, net debt or accumulated deficit.
  - The AG **supports this change.**
  - The 2017 Budget was prepared before the presentation change but the 2017 Fall Economic Statement and the 2018 Budget will be prepared under the new presentation.

- International Financial Reporting Standards (IFRS) for hydro sector:
  - Ontario Power Generation and Hydro One will be reported in the consolidated financial statements using IFRS instead of US GAAP. The AG **supports this change**.
  - This change to the annual deficit is not material in 2016-17, but may be material in the future.

Strategic Communications Approach

- Medium profile, proactive, short term communications approach via traditional, digital and social media.
- TBS will focus on the issues specific to Public Accounts, and work in tandem with MOF and Energy to ensure peripheral issues, such as Trillium Trust and Fair Hydro Plan, are positioned accordingly.
- Objectives:
  - **Promote** strong financial management, and transparency and accountability
  - **Leverage open data** and other digital components to **profile achievement of 2016 budget commitments**
  - Mitigate potential issues with strong issues management plan
- Strategic Approach:
  - Remain **neutral** and **factual**, balancing need for gov't to clearly state its position, while demonstrating respect for all parties involved
  - Communications plan, scalable tactics and messaging to remain **flexible** and **adjustable** based on coordination with MOF and Energy
  - Tactics and messaging will be **reassessed**, as needed, to respond to **AG's position**

Issues Management Plan

Issues management takes into consideration research and analysis of past media coverage, FAO commentary, Hansard scripts etc., in identifying key issues and considerations. The Issues Mitigation Options (see appendix) contemplates scalable tactics to factually support government's position (e.g. use of third party opinions/endorsements).

Key Issues

- Public Accounts specific:
  - AG's qualified audit opinion (pension asset accounting, IESO accounting treatment of market accounts)
  - AG's criticisms regarding the use of rate-regulated accounting by IESO
  - BPS presentation change
  - Trillium Trust drawdowns
- Other:
  - Questioning balanced budget narrative
  - Growing debt burden
  - Relationship with AG and her criticism of the Fair Hydro Plan

Tools & Tactics

External	Internal
Media Advisory	Memos and resources for ministry communications directors
News release	Issues Mitigation Plan
Backgrounder	Media Qs&As
Web content	House Book Notes • Corporate • TBS-specific
Tweets	
Minister’s memos to opposition leaders, critics and MPPs	

Key Messages

- The Public Accounts for Ontario show Ontario's **deficit for 2016-17 is $991 billion**. This result is **$3.3 billion lower** than the $4.3 billion projected in the 2016 Budget. It is **$0.5 billion lower** than the interim projection in the 2017 Budget of $1.5 billion.
- Ontario has beaten its deficit target eight years in a row.
- Ontario's plan is working. By responsibly managing the Province's finances, Ontario balanced the budget in 2017-18, and will maintain a balanced budget for the future. A balanced budget means more funding for the programs and services people and families rely on most.
- As promised in the 2016 Budget, Ontario grew its economy while transforming healthcare, building vital infrastructure and investing in people's talents and skills.
- To help Ontarians better understand their government's finances, new digital tools have been developed that present the Public Accounts data in innovative, visual formats. These tools make Ontario's finances easier to understand, access, and use.
- Presenting the Public Accounts data in innovative, visual formats is part of Ontario's commitment to Open Government.
- The government will continue to build on its track record of responsible fiscal management.

Appendix: Issues Mitigation Options

Issue	Response	Proof Points
Auditor General's qualified opinion on pension asset accounting.	After significant deliberation, including consideration of the recommendations of the Pension Asset Expert Advisory Panel, Ontario confirmed that the accounting for these plans prior to 2015-16 was appropriate. We continue to apply the accounting treatment of pension assets that the Province has used consistently since 2001.	Public PAEAP's Reports on Ontario.ca and news releases Internal Ernst & Young analysis PAEAP's media briefing deck Supporting memo from the OPTrust Deloitte Summary Opinion on OTPP
Auditor General's qualified opinion on IESO market accounts and her criticism of rate regulated accounting.	Public Sector Accounting Standards are silent on this issue. However, like all major accounting frameworks, PSAS encourages both preparers and auditors to consider guidance in other accounting frameworks when accounting for transactions not specifically addressed by the specific standards.	Public IESO 2016 annual report (March 2017) OPA's annual reports for 2013 & 2014 KPMG's unqualified audit opinion **TBC** Internal KPMG's memorandum to AG
AG's accusations that the government withheld information from her on Fair Hydro Plan accounting.	We respectfully disagree with the Auditor General's claim. Ministry officials from Treasury Board Secretariat, Energy and Finance have met with the Auditor General several times to discuss the Fair Hydro Plan.	Internal Timeline of OPCD's meetings with the AG and her office
Effect of qualified opinion on Ontario's credit rating.	Following the release of the 2017 Budget, all four rating agencies have confirmed Ontario's long-term credit ratings. This reflects rating agencies' confidence in our government's plan to grow Ontario's economy and create jobs for Ontarians.	Last year's qualified opinion did not impact Ontario's credit rating Public Credit ratings on OFA's webpage
Accusations that budget is artificially balanced.	The Public Accounts for Ontario show Ontario's deficit for 2016-17 is $991 billion. In eight years, Ontario has reduced its deficit by $18.3 billion and has balanced its budget.	Public C.D. Howe Institute's Fiscal Accountability Report
Criticism of Ontario's debt burden.	The balanced budget and the government's continued focus on capital investment will add to economic growth, helping to lower the net debt-to-GDP ratio to the government's pre-recession level of 27%.	Public The Centre for Spatial Economics Study April 2017