TBS

OPCD

Public Accounts
Focus areas for 2016/17

Update to CAO Forum

October 20, 2016

Areas of Focus -- 2016-17 Public Accounts

High risk

1. Pension assets (OTPP, OPSEUPP)
   - Both plans are jointly sponsored by the Province, therefore the Province accounts for its share of the plan; both plans have been in a net asset position on the province's books for many years
   - A net asset position on the sponsor's books results when cumulative contributions and investment returns exceed cumulative expense recognized
   - Pension accounting standards requires the sponsor to evaluate whether it can benefit from a net asset that is recognized
   - The AG provided her interpretation of PSAB re: the requirements to recognize an asset, which the Province did not agree with, nor did it meet
   - A time-limited regulation was introduced to require the public accounts to be prepared in accordance with the AG's interpretation
   - The impact was to increase the deficit by $1.5 B ($3.5B to $5 B) and increase net debt and accumulated deficit by $10.7B as of March 31, 2016
   - The Province announced that it is forming an expert panel to review the accounting, with a report back due by the end of December
   - Various other work streams are in process including reviewing the future accounting for HOOPP and CAATT

Areas of Focus -- 2016-17 Public Accounts

High risk

2. Enhanced pension-related disclosures (e.g. economic assumptions) – follow up from 2015-16 audit
3. OPG and H1 –US GAAP based consolidation vs. IFRS
   - AG did not qualify on US GAAP based consolidation on the basis of materiality in 2015-16, but required disclosure of differences using a methodology for OPG's asset retirement obligation that is inconsistent with OPG's view of a preferred accounting policy; AG has stated she will continue to require the same methodology in 2016-17 (expected deficit impact of $1B – increase to annual deficit)
4. Accounting for transfer payments – AG rejected guidance agreed to by previous AG that had been used for year-end transfers, increasing risk for future TPs for year-end expense recognition
5. General – expecting AG to reduce materiality re: path to balance goals (2015-16 materiality set at $660M; reported errors > $15M)

- Compiled from planning memo, draft audit findings report for 2015-16, and SUDs listing

Areas of Focus -- 2016-17 Public Accounts

Medium risk

6. Liabilities for contaminated sites
   - Follow up on prior year audit on adoption of standard – focus on both measurement of liability and completeness (e.g. new sites)
7. Additional sale of Hydro One
   - Sale to OPG (related party) and transactions with Chiefs of Ontario/First Nations
8. Accounting for Cap & Trade proceeds – new transaction stream
9. Consolidation – both what is consolidated and how
   - Universities – AG will review analysis at university level
   - Children's Aid Societies -- AG believes these should be consolidated
   - Monitoring WSIB and MVAC
   - Consolidation principles used by BPS – income statement expense presented net of 3rd party revenues -- AG recommends line by line consolidation
10. Non-Ontario Nuclear Funds Agreement unrealized gains/losses – AG recommends they should be recorded in statement of revenues and expenses – not recognized currently

Compiled from planning memo, draft audit findings report for 2015-16, and SUDs listing

Areas of Focus -- 2016-17 Public Accounts

Low risk

11. Deferred capital contributions
    - Included in planning memo as a risk, but since then PSAB issued is post implementation review report and determined no additional guidance would be issued. AG communicated verbally that she would not be pursuing any additional discussion.

- Compiled from planning memo, draft audit findings report for 2015-16, and SUDs listing