FOLLOW UP OF CHAPTER 2: PUBLIC ACCOUNTS OF THE PROVINCE TABLED IN 2016

Ministry/Agency: TREASURY BOARD SECRETARIAT
Report Title: CHAPTER 2: PUBLIC ACCOUNTS OF THE PROVINCE (CHAPTER 2, 2016 OAGO ANNUAL REPORT)

Rec #	Recommendation	Implementation Status of Each Action in the Recommendation (see note below) and Steps Taken to Support the Status	Documentation Provided to Support the Implementation Status of Each Action	Work Outstanding (if action not fully implemented)	Estimated Implementation Date for Each Action Not Fully Implemented (Month & Year)
1.	We recommend that the Treasury Board Secretariat and the Ministry of Finance finalize their position on the pension asset issue.	(1) Fully Implemented The Office of the Provincial Controller completed its analysis on the accounting for the pension plans in a net surplus position and provided these position papers to the Office of the Auditor General (OAG) in 2017.	N/A – position papers previously provided to the OAG.	N/A	N/A
2.	In order to ensure that appropriate, timely and complete information is provided to the Office of the Auditor General during the conduct of the audit of the consolidated financial statements for the Province of Ontario, the Office of the Provincial Controller Division should: • proactively alert senior officials in the Treasury Board Secretariat and the Ministry of Finance to significant issues that arise during the course of the annual audit; • provide the Office of the Auditor General with complete and timely position papers on significant accounting issues that detail its accounting positions and support for those positions; and • strengthen and increase internal resources dedicated to providing accounting advice and preparing and finalizing the consolidated financial statements.	(1) Fully Implemented The Office of the Provincial Controller Division (OPCD)ensures that senior officials are advised of significant issues as part of an on-going series of regular updates throughout the year. The staff of OPCD and the Office of the Auditor General (OAG) engage in regular communication in the months leading up to the audit of the Public Accounts. OPCD staff initiated more regular meetings with staff of the OAG and the AG during the 2016-17 audit, and those meetings have continued with regular bi-weekly meetings for the 2017-18 Public Accounts began in late November 2017. Staff discuss pertinent issues relating to the financial activities of the current fiscal year, and the Province's accounting staff work with ministry controllership offices to accumulate and provide information to the OAG staff in advance of the year end for review and response. Complex accounting issues are presented to OAG staff as position papers detailing research and references used to arrive at a recommended approach, as well as identifying the alternative options considered and any rationale for not adopting those alternatives. In 2018, the Office of the Provincial Controller Division created the Controllership Policy and Accounting Consultation branch, bringing together the resources	N/A	N/A	N/A

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		from three existing units within OPCD and obtaining approval to add a director and two additional analysts. This new branch has been in operation since January 2018. The branch provides enhanced financial management and complex accounting advisory expertise to government ministries and Treasury Board/Management Board of Cabinet.			
3.	Given that the Office of the Auditor General is the appointed auditor for the consolidated financial statements of the Province of Ontario, and in the interest of ensuring that all information is provided to the Office of the Auditor General on a timely basis, the Treasury Board Secretariat should: • provide copies of contracts with the expert advisers it uses for accounting advice and opinions in order to ensure that the Office of the Auditor General understands the work that the expert advisers are performing and the impact it has on the annual audit; and • request that their external advisers, engaged to provide accounting advice and opinions related to the public accounts audit, notify the Office of the Auditor General of the engagement as required by the Code of Professional Conduct of the Chartered Professional Accountants of Ontario.	(1) Fully Implemented Governments have the legal authority to engage external professionals on the wide range of legal, policy and financial issues that fall within their executive authority. It is also widely recognized that a government is entitled to a zone of confidentiality in which to consider this advice before any final decision is made. This is with the full understanding that ultimately the government will be accountable to the public and the Legislature for its decisions. Treasury Board Secretariat's use of external expertise for accounting and financial reporting matters supplements its own resources on complex or emerging accounting and reporting matters. External advisors are generally engaged to provide advice and guidance to supplement internal analysis. Treasury Board is committed to working with the Office of the Auditor General to discuss issues, once the professional staff has completed its analysis of the issue. In addition, Treasury Board believes frequent communication with the Office of the Auditor General is important and to that end, requested additional meetings with both the staff and the Auditor General during the 2016-17 audit. Where required by the CPA Ontario Code of Professional Conduct, the Auditor General has been, and will continue to be, advised of external advisor involvement.	N/A	N/A	N/A

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4.	We recommend the government follow the accounting standards established by PSAB, rather than using legislation and regulations to prescribe accounting treatments.	(1) Fully Implemented The Province is committed to provide high-quality financial reports in accordance with Public Sector Accounting Standards (PSAS) that support transparency and accountability in reporting to the public, the legislature and other users. For the 2015-16 Public Accounts, the government passed a time-limited regulation prescribing the accounting treatment for net pension assets in order to allow Treasury Board Secretariat and Ministry of Finance officials to sign off on Public Accounts consistent with the fiscal impact of the Auditor General's interpretation of PSAS. This regulation is the only example of where the accounting treatment was legislated, and the legislation did not align with the requirements of PSAS.	N/A	N/A	N/A
5.	In order to address the Province's growing total debt burden, the government should work toward the development of a long-term total-debt reduction plan that is linked to its target of reducing its net debt-to-GDP ratio to its pre-recession level of 27%.	(2) In the Process of being implemented. Ontario's net debt-to-GDP ratio peaked in 2014–15 at 39.3 per cent and has trended downwards since then, now forecast at 37.1 per cent in 2017—18, below the forecast of 37.5 per cent for 2017–18 presented in the 2017 Budget. The net debt-to-GDP ratio is forecast to remain below the 2014-15 peak and resume a downward trend in 2022–23.	The 2018 Budget	The projections are all forecast and will be confirmed with the release of the Public Accounts for each year.	Projections for 2017-18 onwards will be confirmed with the release of the Public Accounts for each year in question.
6.	We recommend that the Province of Ontario include Hydro One and OPG financial information in the consolidated financial statements using the IFRS reporting framework as required by PSAB standards.	(1) Fully Implemented In 2016-17, the results of Ontario Power Generation and Hydro One were included in the Province's financial statements using International Financial Reporting Standards (IFRS). Previous to 2016-17, the results for these organizations were included in the financial statements of the Province using US accounting standards, consistent with the standalone statements of these organizations, as the differences between IFRS and US accounting standards were not material.	2016-17 Annual Report and Consolidated Financial Statements – note 16	N/A	N/A

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7.	To ensure that the Province's ongoing contaminated sites liability is reasonably and consistently calculated, the Office of the Provincial Controller Division should continue to work with the ministries to ensure that the Public Sector Accounting Board standards continue to be applied effectively in accounting and measuring these liabilities.	(1) Fully Implemented OPCD has developed the Environmental Contamination Accounting & Financial Reporting Policy and Guidelines to support consistency in the recognition, measurement and reporting of environmental liabilities reported in the Province's financial statements. The guidance document builds on PSAB standards to provide specific policy direction and guidelines to support improved consistency in liability recognition and measurement for accounting purposes.	Environmental Contamination Accounting & Financial Reporting Policy and Guidelines	N/A	The Environmental Contamination Accounting & Financial Reporting Policy and Guidelines was issued on April xx, 2018
8.	To further improve the accountability and transparency of Ontario's Consolidated Financial Statements for users, the Office of the Provincial Controller Division should expand note disclosures in the consolidated financial statements for pensions and revenues.	(1) Fully Implemented The note disclosures of the consolidated financial statements were expanded in 2016-17 to provide further information to financial statement readers regarding revenue and pension information. The Province expanded an explanation of revenue and its recognition policies under its significant accounting policies disclosure in note 1, as well as expanding its pension plan information, including government key assumptions used to determine pension obligations and other key plan information, in note 6.	2016-17 Annual Report and Consolidated Financial Statements – notes 1(e) and 6	N/A	N/A
9.	We recommend that the Treasury Board Secretariat and the Ministry of Finance benchmark and review the 2016/17 pension economic assumptions for reasonableness	(1) Fully Implemented As part of the process of setting the economic assumptions for each budget, the Ministry of Finance (MOF) compares the province's assumptions with those used by the consolidated plans. MOF also looks at general economic conditions and the annual funding report from the Financial Services Commission of Ontario, which summarizes the assumptions used by all defined benefit pension plans that filed in the last three years.	N/A	N/A	N/A

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		For example, in recent years, there has been a general downward trend in the discount rates used by the consolidated plans. This trend was consistent with the trend for all defined benefit pension plans in Ontario. MOF adjusted its discount rates downward to reflect this trend.			
10.	To ensure compliance with financial disclosure requirements under the Fiscal Transparency and Accountability Act, 2004, the Ministry of Finance should work with the Minister of Finance's office to ensure that: • the Third Quarter Finances report is prepared and publicly released on a timely basis; • when there are delays in issuing Ontario's Long-Term Report on the Economy and a letter is tabled to that effect, the letter includes the reasons for the delay; and • delayed information is tabled as soon as it is available.	***RE: 3rd Quarter Finances -*** (1) Fully implemented The Ministry of Finance released the 2016-17 Third Quarter Finances on February 21st, 2017. Before the FTAA February 15th deadline, a letter was sent to the clerk outlining the rationale for release after the deadline. The Ministry of Finance released the 2017-18 Third Quarter Finances on February 15th, 2018, meeting the FTAA deadline. ***RE: Long-Term Report -*** (2) In Process of Being Implemented The Ministry of Finance released the 2017 Long-Term Report on February 8, 2017. Before the FTAA June 12, 2016 deadline, a letter was sent to the clerk notifying that the release will be delayed.	***RE: 3rd Quarter Finances -*** Website Links: 2016-17 Third Quarter Finances: https://www.fin.gov.on.ca/en/budget/finances/2016/ofin16_3.html 2017-18 Third Quarter Finances: https://www.fin.gov.on.ca/en/budget/finances/2017/ofin17_1.html Attached: - 2016-17 Third Quarter Finances - 2016-17 Letter to the Clerk - 2017-18 Third Quarter Finances MinisterLettertotheClerk_Q3_2016-17.pdf	***RE: 3rd Quarter Finances -*** N/A ***RE: Long-Term Report -*** N/A	***RE: 3rd Quarter Finances –*** N/A ***RE: Long-Term Report -*** N/A

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			60_2016-17 Third Quarter Finances.pdf 80_ThirdQuarterFinances_Report.pdf ***RE: Long-Term Report -*** 2017 Long-Term Report: https://www.fin.gov.on.ca/en/economy/ltr/2017/ LRT Letter to the Clerk (June 2016).pdf LTR Final Report.pdf		