

FW: End-of-Day Summary: AG Response to Pre-Election Report

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Attachments: End of Day Wrap Up - AG Response to PER - Apr 25 2018.doc (146.94 kB); Media Scan -AG Response to PER - Apr 25, 2018.docx (34.08 kB); Social Media Scan - AG Response to PER - April 25, 2018.docx (42.67 kB)

FYI

From: Gurovsky, Elena (TBS)
Sent: April 25, 2018 5:07 PM
To: Hosick, Sarah (TBS); Laughton, Patrick (TBS); Liu, Mary (TBS); Nelson, Dane (TBS); Skoberne, Vivienne (TBS); Ue, Allison (TBS); Walsh, Laura M. (TBS); Hadisi, Lawvin (TBS); Rubin, Jack (TBS)
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Subject: End-of-Day Summary: AG Response to Pre-Election Report

Hello Everyone:

Please find the end-of-day wrap on the AG's response to the PER representing a brief analysis of coverage on TBS-related issues following the release of the report. The document includes:

- Media events and overview
- Media scan
- Social media (Twitter) review.

Also attached, you will find:

- A media scan
- A social media scan.

Articles posted after 5:00 p.m. as well as broadcast coverage will be shared tomorrow once transcripts become available.

As the newest member of TBS's Issues Team, I look forward to getting to know you all.

Have a pleasant evening.

All the best,
Elena

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April 25, 2018

Summary

The Auditor General's response to the 2018 Pre-Election Report was released on April 25, 2018 at 10:30 am. A press conference was held at noon.

This report provides a brief analysis of coverage on TBS-related issues following the release of the report, looking at media events, media coverage, and social media (Twitter) coverage.

Media Events

Timeline

- * 10:30am: Auditor General tables her response to the Pre-Election Report in the Legislature and posts it to the AG website with a news release.
- * Immediately following: Post Question Period Media Scrums with Ministers McMahon and Sousa
- * 12:00pm: The AG held a press conference and took several questions from reporters.
- * Immediately following: NDP response to the AG's report
- * Immediately following: PC response to the AG's report

Attendees of Press Conference

- * Reeves - QP Today
- * McGrath - TVO
- * Morris - Newstalk
- * Morissette - TFO
- * Smith Cross - QP Briefing
- * Artuso - Sun
- * Blackwell - Post
- * Benzie - Star

- * 1 TV camera operator
- * 1 unidentified reporter

Overview of Events

• * Auditor General Media Event Summary

- * The Fiscal Transparency and Accountability Act says that in a fixed election year the government must provide a report on the province's finances. Today we fulfil this legislative requirement.
- * After a thorough analysis we have determined that the Pre-Election Report is not a reasonable presentation of Ontario's finances.
- * It dramatically understates the expense estimates for two major items, using legislated accounting and not public sector accounting:
 - * Fair Hydro Plan: The government did not include the cost of compensating power generators or the interest on the money borrowed to pay that compensation in its forecasted expenses. The government passed legislation allowing it to create accounting rules
 - * Jointly sponsored Pension Plans for Public Employees: The government forecasts pension revenue from the Ontario Teacher's Pension Plan and forecasts insufficient pension expense from the Ontario Public Services Employee's Union Pension Plan. This has reduced on paper the government's overall pension expense. The government, however has no legal right to use its share of any plan surpluses without first reaching a formal agreement with the plans other joint sponsors.
- * After adjusting for the understated expenses, the deficit for 2018-19 should be forecast as 11.7 billion, or 75 percent more than the 6.7 billion presented by government. In 2019-20 which should be forecasted as 12.2 billion, or 85 percent more than the presented 6.6 billion, and in 2020-21, 12.5 billion, or almost double the presented 6.5 billion.
- * The consequences are significant.
 - * First, it creates the perception that the government has more money available to it than it actually does, which could lead decision makers to allocate that is needed to pay for expenses that were not properly recorded
 - * Second, these understated numbers suggest that the government's debt picture is better than it is.
- * The firms that the government consulted with have provided an opinion, but have not consulted with us. These firms are only looking at their piece of the puzzle, and are not providing an opinion of the consolidated picture.
- * With the exception of the Fair Hydro and Pension Plans, generally the government's estimates of revenues, program expenses and interest on debt were based on cautious assumptions as required by the Act.
- * We are hopeful that whether it's the government returning or whether it's the opposition parties becoming government, they choose to adopt the accounting option that we've laid out because it is the right one.

• * Government Response – Post Question Period Media Scrums

- * Ontario has been noted for having the most transparent numbers from the Conference Board of Canada. Everything that is happening in Ontario is fully disclosed, transparent. The agencies and the other organizations have clean audits by their accounting firms. Nothing is hidden.
- * As verified by the Auditor General, the majority of the province's estimates regarding revenues, program expenses and interest on debt are based on prudent and cautious assumptions, as required by the Fiscal Transparency and Accountability Act. The report is prudent, it's cautious, it's appropriate.
- * The two issues in dispute are a matter of technical accounting differences. The government's opinions on these two matters are well supported by internal public service that is extraordinary.

• * NDP Response – Media Event with MPP John Vanthof

- * We've been opposed to the Fair Hydro-Plan interest from the beginning. The go into \$40 billion dollars, but it doesn't show up on the books. By changing the accounting forward books that are more favorable to the government than previously.
- * When government makes a decision to spend money, it should show up clearly
- * Ultimately, it's the people who buy hydro in Ontario who are going to pay.
- * When Andrea Horwath is Premier, we are going to sit down with the Auditor General and the Financial Accountability Officer and work together to ensure that Ontario's books are open and transparent.

• * PC Response – Media Event with MPPs Vic Fedeli and Lisa MacLeod

- * We accept the Auditor General's numbers and we are going to spend some time to review precisely what the Auditor General has revealed today.
- * The government is deliberately misleading the people of Ontario and the legislators. It's a startling set of data that the government's numbers were off by 75 per cent this year, 85 per cent next year and 100 per cent the year after that.
- * The Pre-Election Report deficit amount is just one in a series of lies, including the balanced budget.
- * Ontario families are going to be stuck with an \$11.7 billion deficit, a \$12.2 billion deficit next year and a \$12.5 billion deficit the year after that. When this Liberal government took office the debt per person in this province was at \$11,000. Today it's at over \$23,000.
- * If elected, the first thing we will do is bring in an outside audit to assist the Auditor General and look at all of the books across all of the government.
- * We listen to the independent Auditor General, the independent Financial Accountability Officer and have learned again today, that there is a secret hidden ledger.

Auditor General's

Media Scan

Coverage on April 25, 2018 – 10:30am to 5pm:

- * There were approximately 6 stories focusing on the Auditor General's response to the Pre-Election Report, with the CP story being reprinted by outlets such as the National Post, the Huffington Post, Global, CP24, and the Hamilton Spectator.
- * Overall key themes included: the integrity of accounting practices, the understating of the deficit by billions of dollars and the consequences of this understatement.

- * Notable articles include:

- * ["In scathing pre-election report, Ontario auditor says deficit is \\$11.7B, not \\$6.7B" \(Toronto Star – Robert Benzie\)](#)

"Auditor general Bonnie Lysyk, who has an ongoing accounting dispute with Premier Kathleen Wynne's Liberals, said Wednesday that this year's shortfall is \$11.7 billion, not \$6.7 billion, as Finance Minister Charles Sousa forecast March 28.

[...] The accounting disagreement stems from whether around \$11 billion in the government co-sponsored Ontario Public Service Employees' Union Pension Plan and the Ontario Teachers' Pension Plan can be counted toward the bottom line.

[...] Aside from being at odds with the government over its Fair Hydro Plan scheme to borrow money to reduce electricity rates by 25 per cent, she has railed against the Liberals diminishing her authority when it comes to overseeing government advertising."

- * ["Ontario Liberals understating deficit by billions: auditor" \(CBC News\)](#)

"Lysyk said the government failed to account properly for the financial impact of its Fair Hydro Plan on provincial coffers and improperly treated the revenues and expenses related to two provincial pension plans.

For the same reasons, the auditor says the Liberals are underestimating the deficits in future years:

• \$6.6 billion deficit in 2019-20 should be \$12.2 billion

• \$6.5 billion deficit in 2020-21 should be \$12.5 billion"

- * ["Auditor General Slams Government's Books as "not reasonable" in Pre-Election Report" \(QP Briefing – Jessica Smith Cross\)](#)

"When expenses are understated, the perception is created that government has more money available than it actually does," Lysyk wrote. "Government decision-makers might therefore budget more money to be spent on initiatives and programs, when that money is actually needed to pay for expenses the government has failed to record properly. Therefore, more money will need to be borrowed to pay for the unrecorded expenses even when government reports an annual surplus or a balanced budget."

"A perception is also created of an improving trend in the relationship between the government's financial obligations and its capacity to raise funds to meet them, when the burden of net debt is actually increasing."

Social Media Review

- * *Note: The AG's Report became a trending topic on Twitter. General tone was negative. Key themes surround the integrity of accounting practices and the substantial difference in amounts reported.*
- * *For more tweets, please see the Social Media Scan – AG Response to PER – April 25, 2018.*

Top Tweets from April 25, 2018:

Auditor General ON @OntarioAuditor

Government statement on finances "not reasonable:" Auditor General [#onpoli https://bit.ly/2KdIEMh](https://bit.ly/2KdIEMh)
9:40 AM · 25 Apr 2018

Antonella Artuso @suntooz

"The deficit forecast should be higher by 75% in 2018/19," statement from Ontario auditor Bonnie Lysyk says. It's \$11.7 billion, not the \$6.7 billion projected by Ontario Liberal government., according to auditor's pre-election report. [#onpoli](#)
10:51am · 25 Apr 2018

Steve Paikin @spaikin

this is a pretty devastating conclusion from ontario's auditor-general: "The ont. govt's presentation of the prov's finances in its Pre-Election Report last month is "not reasonable" because it understates ont's deficit and expense estimates by billions of dollars." [# onpoli](#)
11:04am · 25 Apr 2018

Marieke Walsh @MariekeWalsh

A story that is red meat for the opposition parties just two weeks before the election writ is set to drop. AG says Ontario's books are "not reasonable" [# onpoli ipolitics.ca/2018/04/25/ont...](#)
11:23am · 25 Apr 2018

Victor Fedeli @VictorFedeli

The opening sentence of the @ OntarioAuditor 's blistering report says it all. The numbers from the government are "not a reasonable presentation of Ontario's finances." The deficit is actually \$11.7 billion ... up by \$5 billion ... they're off by 75% this year alone!
11:29am · 25 Apr 2018

Lisa MacLeod @MacLeodLisa

When the Liberals took over per person share of the debt was just over \$11,000. Today, the Liberals debt per person is over \$26,000. I guess the question is, do you feel your share of the debt is worth it given the Liberals' record? I don't.
11:30am · 25 Apr 2018

John Michael McGrath @jm_mcgrath

The other drama at Queen's Park is that opposition parties won't commit explicitly to agreeing with Lysyk's numbers if they form government. (I've argued before that the Liberals have given their rivals a gift of sorts.) [tvo.org/article/curren...](#)
12:45pm · 25 Apr 2018

Mike Crawley @CBCQueensPark

PCs @ MacLeodLisa & @ VictorFedeli say the Liberals lied about deficits, but aren't committing to releasing a fully-costed election platform, nor to Doug Ford's previous promise to balance the budget. [# onpoli cbc.ca/news/canada/to...](#)
12:54pm · 25 Apr 2018

Catherine Fife @CFifeKW

Ontario Liberal government can run...but they can't hide. Not from the Auditor General anyway. [# onpoli @ 570NEWS](#)
1:17pm · 25 Apr 2018

Norman Levine @levinepmc

How is this not criminal? Public companies, and their senior executives, misrepresenting their financial statements to such a large degree, would be charged with fraud. But somehow @ Kathleen Wynne gets a bye. How is this possible? [torontosun.com/news/provincia...](#)
1:15pm · 25 Apr 2018

Ontario Chamber @OntarioCofC

Time to resolve dispute between the Government of Ontario and Auditor General says Rocco Rossi, President and CEO of the Ontario Chamber of Commerce. [@ roccorossiTO # onpoli bit.ly/2FgfsRr](#)
2:50pm · 25 Apr 2018