Office of the Provincial Controller Division

# Foundational Overview for Minister

Office of the Provincial Controller Division

# Public Accounts Planning and Process

# Public Accounts Deliverables

1. **2017-18 Annual Report and Consolidated Financial Statements**
   a) Financial Statement Discussion and Analysis (FSD&A)
      i. Narrative of the Province's actual results against Budget, prior year actuals and earlier years' actuals (5-year trend)
      ii. Discusses indicators of financial condition (e.g. net debt, debt to GDP, etc) and other information
   b) Audited consolidated financial statements (CFS) prepared in accordance with PSAS
   c) Management's Statement of Responsibility
      iii. Province's acknowledgement of responsibility for effectiveness of internal controls and the objectivity and integrity of the financial statements and related note disclosures
   d) Auditor General's Opinion[1]
      iv. The Auditor General's opinion on the whether the financial statements are fairly stated and free from material misstatement

2. **Supplementary Volumes 1, 2, 3**
   a) Volume 1 – expense summaries (summary schedules – revenue and expense, detailed ministry statements, schedules of debt, other schedules (loans, claims, etc.)
   b) Volume 2 – consolidated entity statements (excl. hospitals, school boards, colleges)
   c) Volume 3 – schedule of payments

3. **Various Communication Products**
   d) News release, Q and As, briefing binders (limited distribution)

[1]In 2016-17, the Auditor General issued a qualified audit opinion for recognition of OTTP/OPSEU pension assets and inclusion of IESO market accounts in the Province's financial statements. A qualified opinion specifies the matters on which the Auditor General is not in agreement with the preparer on the current accounting application.

# Key Dates & Considerations

- **Public Accounts Planning Meeting**
  - Finalized prior to the end of the fiscal year
  - Meeting occurs between AG and Deputy Ministers of TBS and MOF to discuss audit plan and select issues of focus during the audit

- **Ministers' Offices Briefings on Public Accounts**
  - Commence in early June
  - To provide overview of Public Accounts process and timelines

- **Public Accounts Steering Committee Meetings**
  - Kickoff meeting mid-June
  - Results meetings throughout July and early August
    - Historically, preliminary expenses and revenues (excluding corporate and personal income tax) are reported first week of July; tax revenues and further variance explanations are refined in late July

# Key Dates & Considerations (cont.)

- **Fiscal Prep Committee Briefing** – mid to late August
  - Focus on consolidated results, including variance analysis

- **Expected audit opinion date** – as outlined in the Audit Plan
  - Management Representation Letter (to be signed by DM)
  - Meeting between AG and Deputy Ministers to discuss audit findings and the AG's error summary (Summary of Unadjusted Differences) after which the signed audit opinion letter will be provided

- **Release date** – as determined by Ministers' Office
  - *Financial Administration Act* requires release of the Public Accounts within 180 days after the fiscal year-end (September 27, 2018)
    - For 2016/17, the Public Accounts was released on September 7, 2017

TBS

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# Standing Committee on Public Accounts

# Standing Committee on Public Accounts

- Treasury Board Secretariat (TBS) is to appear before the Standing Committee on Public Accounts (SCOPA) for consideration of Chapter 2 (Public Accounts of the Province of the 2017 Annual Report of the Auditor General of Ontario and Recommendations) on February 28, 2018, along with the following ministries and agencies:
  - Ministry of Finance;
  - Ministry of Energy;
  - Ontario Power Generation;
  - Independent Electricity System Operator; and
  - Ontario Financing Authority.

- Briefing materials for the appearance are under development.

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# Public Sector Salary Disclosure 2017

# Background

The *Public Sector Salary Disclosure Act* (PSSDA) requires that public sector organizations (including non-profit organizations that receive significant funding from the Province) make public the names, position titles, salaries and taxable benefits paid to anyone defined as an “employee” under the PSSDA who earned $100,000 or more in the previous calendar year.

- In addition to providing reporting templates and instructions on its website, Treasury Board Secretariat (TBS) releases a Compendium of all PSSD information from ministries and accountable organizations for ease of public access. This is done in addition to any separate reporting that accountable organizations may choose to undertake.
- Organizations subject to the *French Language Services Act* (FLSA), including the OPS, are also required to report in French.

# Timing of Release

- Current year disclosure must take place by <u>March 31, 2018</u> as per the PSSDA.
- Under s. 3(1) of the PSSDA:

  *“Not later than March 31 of each year every employer shall make available for inspection by the public without charge a written record of the amount of salary and benefits paid in the previous year by the employer to or in respect of an employee to whom the employer paid at least $100,000 as salary.”*

- The Compendium has normally been released on the last business day of March.

# Dates in PSSD Production Process

| Date | Milestone Activity |
| --- | --- |
| **Mid to Late January** | Mock training session to select (high volume) ministry staff |
| **January 22** | OPCD provides the annual PSSD presentation to all accountable organization contacts |
| **January 31** | OPCD provides the annual PSSD presentation to all Ministry contacts |
| **Mid-February** | OSS provides OPS 2016 salary information in Excel to each ministry |
| **February 21** | Ministries send their OPS salary disclosure files to OPCD signed off by HR/SBU Director |
| **March 1** | OPCD sends print-ready OPS salary files to ministry CAOs for verification and sign-off |
| **March 7** | Deadline for BPS organizations to submit records to ministries through an automation system |
| **March 9** | Cut-off for Compendium input from ministries. CAOs to sign-off on completeness of ministry and accountable organizations' submissions |
| **March 10 to 19** | OPCD reviews ministries and automation system's final submissions, confirms required edits, performs final checking/formatting of files, and prepares Compendium |
| **March 20** | Final files sent to TBS web group for HTML conversion and AODA compliant web posting. Three business days needed for preparation and review of web-site material. |
| **March 20 to 23** | Hard copies printed and bound (limited) |
| **March 29** | Deadline for release of PSSD |

# Key Dates in PSSD Production Process

# Communication Considerations

- PSSD receives the greatest number of hits on the Ontario.ca website
- OPCD prepares and briefs TBS DMO and TBS MO on the Compendium results, including analysis of year-over-year changes, list of seconded employees, and Top 10 lists of employees/salaries for each sector and overall.
- TBS Communications prepares news release to announce availability of the Compendium, including the President of the Treasury Board speaking to overall results and disclosure requirement.
- OPCD and TBS Communications prepare supporting Q&As and Corporate Issues Note (CIN).
- Ministries and BPS organizations are responsible for their own communications.
  - Ministries' communication branches develop communications materials for their respective ministries and reporting entries.
  - Treasury Board Secretariat advises ministries on the date and time of the Compendium release to ensure they are prepared for associated enquiries, as well as other pertinent information (e.g. relevant "Top 10" salaries).

TBS

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# Accounting for Jointly-sponsored Pensions

# Accounting for Jointly-sponsored Pensions

- Since 2001-02, the Province's share of the jointly-sponsored pension assets of the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Service Employees' Union Pension Plan (OPSEUPP) have been reflected on the audited consolidated financial statements of the Province (except 2015-16) based on a policy considered to be consistent with PSAB standards related to accounting for retirement benefits.
  - In 2015-16, the government passed a time-limited regulation to require the full write-off of the net assets of both of these plans for the 2015-16 Public Accounts pending further consultation
- Under Canadian PSAS, an asset arises when the government's total contributions to a plan, including interest earned thereon, are greater than the pension expense recognized since the start of the plan
  - The standards have not changed since their issuance in 2001
- Based on professional staff's interpretation of Canadian PSAS, supported by
  - The report of the Pension Asset Expert Advisory Panel released in February 2017 stating that the Government should record an asset for its share of the surplus reported in the accounting valuations for each plan and that no valuation allowance is required;
  - An opinion from Deloitte LLP dated October 2, 2016 on OTPP supporting the ability to recognize a pension asset in the absence of having a unilateral right to reduce contributions to the plan;
  - Analysis completed by EY confirming no valuation allowance was required for either plan at March 31, 2017;

  the government believes that pension assets for OPSEUPP and OTPP should be reported in order to fairly present the Province's financial position

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# Supporting Ontario’s Fair Hydro Plan

# Ontario's Fair Hydro Plan

- The Ontario Fair Hydro Plan Act ("OFHPA") provides Ontario ratepayers with a portion of the average 25% reduction in their electricity bills (approximately 18%) by way of spreading the cost of Ontario's clean energy investments over the expected lifecycle of the generation infrastructure assets

- As amounts collected from ratepayers will occur over a longer timeframe than payments to generators under current contracts for clean energy, the OFHPA requires the IESO to create and maintain a variance account (referred to in the OFHPA as a 'regulatory asset') for the shortfall to be recovered from the ratepayers over the long term

- The OFHPA does <u>not</u> establish any accounting definitions for this variance for financial reporting purposes, nor does is prescribe any specific accounting to be applied

- Under accounting principles issued in the US for regulated entities (which the IESO is considered), the regulatory asset created under the OFHPA satisfies the definition of an asset under Canadian public sector accounting standards (PSAS) as a direct result of the legislative right to collect past costs through rate setting on based on expected power consumption from future ratepayers (referred to as rate-regulated accounting)

- While PSAS does not address a specific accounting issue such as rate-regulated accounting, preparers are permitted to apply professional judgment in the application of other sources of GAAP, including US GAAP which is the only North American guidance on rate-regulated activities provided it is consistent with the concepts under Canadian PSAS

# Ontario's Fair Hydro Plan

- As outlined in the Special Report on the Fair Hydro Plan, the Office of the Auditor General disagrees that rate-regulated accounting is permitted under Canadian PSAS
- The position of the OAGO is that all amounts related to the shortfall are an **expense** to the government in the period they occur and would increase the deficit, and the subsequent recovery from ratepayers would constitute a **revenue** which would reduce the deficit in the later years
- In the opinion of the OAGO in her Special Report, the accounting treatment for the OFHPA is a result of the direction under the *Act* to report the shortfall as a regulatory asset (i.e. legislated accounting)
  - While the Act makes reference to a regulatory asset by name, it is not prescribing any specific accounting for the item; the accounting has been established through the application of generally accepted accounting principles for government and professional judgment
- The OPG Trust, which will fund the shortfall to the IESO in part through debt, is consolidated with the results of OPG in the Province's financial statements on a net basis in accordance with Canadian PSAS (i.e. the assets and liabilities are combined with OPG's assets and liabilities and shown as a single number)
  - The Trust will purchase the right given to the IESO to collect from ratepayers legislated under the OFHPA, thereby making the IESO whole
- In the 2017-18 Public Accounts, OPCD is exploring additional voluntary disclosures to provide greater transparency of the details relating to the Fair Hydro Plan