Government Transparency, Financial Management and Fiscal Accountability

Ontario continues to act on opportunities to further strengthen government transparency, financial management and fiscal accountability in order to support its fiscal plan and to exercise effective stewardship of public funds.

Commented [IS1]: MO suggestion: **Ontario continues to further strengthen government transparency, financial management and fiscal accountability.**

Government Transparency

Recent Developments in Public Sector Accounting Standards

The government continues to work with the Public Sector Accounting Board (PSAB) on a number of initiatives, including PSAB's review of its conceptual framework, employment benefits, such as pensions, and accounting for financial instruments and foreign currency translation. PSAB has also initiated projects to review the accounting for asset retirement obligations, revenue reporting and public-private partnerships.

To meet the needs of users, including the legislature and the public, for accountability in government reporting and decision making, it is essential that public sector financial statements reflect the economic substance of the government's activities.

PSAB's current project on employment benefits will review existing accounting standards for pension plans while considering the public sector operating environment, as well as the recent introduction of different types of employee benefit plans. The project is expected to cover various areas related to employment benefits, including the application of deferral and smoothing provisions, discount rates, shared risk plans, multi-employer plans, defined benefit plans and sick leave.

Changes in Provincial Reporting Policies

The 2016–17 consolidated financial results of the Province will reflect:

- A number of changes consistent with the requirements of PSAB accounting standards and the Introduction to the PSA Handbook. Specifically, the Province's 2016–17 Public Accounts will reflect: accounting for jointly-sponsored pension plans to recognize net pension assets for the Province's jointly-sponsored pension plans, including the Ontario Teachers' Pension Plan and the Ontario Public Service Employees' Union Pension Plan;
- A change in the basis of consolidation of the financial results for Ontario Power Generation and Hydro One to reflect International Financial Reporting Standards (IFRS); and
- Line-by-line presentation of the annual operating results for hospitals, school boards and colleges on the Statement of Operations.

Accounting for Pensions of Jointly Sponsored Pension Plans

Consistent with the accounting policy the Province adopted in 2001 for jointly sponsored pension plans and the results of the Pension Asset Expert Advisory Panel,[1] the Province's 2016–17 Public Accounts will report the net pension assets for jointly sponsored pension plans in accordance with PSAB.

In the Public Accounts of Ontario 2015–2016, the government adopted the Auditor General's interpretation for the treatment of net pension assets for 2015–16 through a time-limited regulatory amendment (the "Pension Adjustment"), and subsequently established an independent Pension Asset Expert Advisory Panel[2] to assess and confirm the appropriate accounting policy for pensions.

The Panel released its report[3] earlier this year which recommended that jointly sponsored net pension assets be recognized on the Province's financial statements. The government has accepted the Panel's advice.

Pension Asset Expert Advisory Panel's Advice

The panel's report concluded that the province's share of the net pension assets of both the OTPP and the OPSEUPP should be recognized as an asset in Ontario's financial statements.[4]

Accounting for Government Business Enterprises

The financial results of the Province's rate-regulated Government Business Enterprises (Ontario Power Generation Inc. and Hydro One Ltd.) are included in the Province's consolidated financial reports. The entities' stand-alone financial statements are reported based on U.S. Generally Accepted Accounting Principles (US GAAP), but under PSAB standards government business enterprises would be required to be reflected based on International Financial Reporting Standards (IFRS). As of April 1, 2016, the Province will consolidate the results of these rate-regulated entities as they would be reported under IFRS (including IFRS 14 – Regulatory Deferral Accounts). While the impact of this change on the Province's 2016–17 results is not material, there are expected to be significant differences between US GAAP and IFRS-based results for future years. The entities themselves will continue to issue financial statements prepared on a US GAAP-basis as permitted by securities regulators.

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1 https://news.ontario.ca/tbs/en/2016/11/pension-asset-expert-advisory-panel-members.html
2 https://news.ontario.ca/tbs/en/2016/11/pension-asset-expert-advisory-panel-members.html
3 https://www.ontario.ca/page/pension-asset-expert-advisory-panel-report
4 https://news.ontario.ca/tbs/en/2017/02/pension-asset-expert-advisory-panel-submits-report.html

Presentation of Hospitals, School Boards and Colleges

Starting with the 2016–17 Public Accounts, the Province's Statement of Operations will reflect the revenues and expenses of hospitals, school boards and colleges on a line-by-line basis. Previously, the results of these sectors were presented on a net-expense basis, netting third-party revenues against the sector expenses. These organizations continue to operate under balanced budget requirements, and third-party revenues are not accessible to the government for program funding. This change in presentation will not impact the Province's financial results; however, third-party revenues will be reported with other government revenues and will no longer be netted against sector expenses, which will be presented on a gross-basis.

Financial Management

Interim Appropriation Act

The Interim Appropriation for 2017–2018 Act, 2016, received Royal Assent in December 2016 and came into force on April 1, 2017, to provide interim legal spending authority for anticipated 2017–18 spending. All spending under this Act must be charged to the proper appropriation following the voting of supply for the 2017–18 fiscal year. This is expected to enable the government to continue operations until the Legislative Assembly has completed its consideration of the 2017–18 Expenditure Estimates and a related supply bill.

Enterprise Risk Management

The government is transforming and modernizing public services by finding new and smarter ways to both improve outcomes for Ontarians and meet the Province's fiscal commitments. Government decisions must be focused on the need to both create and protect value, informed by an understanding of internal and external contexts and stakeholder needs, supported by evidence, and guided by a full consideration of both threats and opportunities.

The Province continues to implement enterprise risk management (ERM) across the Ontario Public Service. This will support the achievement of provincial objectives through the enterprise-wide integration of risk management into decision-making, policy development, operations and transformation activities of ministries and Provincial agencies.

Fiscal Accountability

Reporting and Designated Purpose Tracking

With the 2017 [Document], the government is reporting on the first investments to be tracked through a Designated Purpose Account. The Trillium Trust, along with the Greenhouse Gas Reduction Account, are the first two examples that use the new accountability framework to track and report on the progress of designated-purpose spending commitments based on identified revenue streams.