June 10, 2020

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Christopher Tyrell
Clerk of the Committee
Standing Committee on Public Accounts
99 Wellesley Street West
Room 1405, Whitney Block, Queen's Park
Toronto, ON
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Dear Mr. Tyrell,

Thank you for your letter dated February 18, 2020. The IESO appreciates the opportunity to provide written feedback to the Standing Committee on Public Accounts' tabled report on the Public Accounts of the Province (Chapter 2, 2018 Annual Report of the Office of the Auditor General of Ontario), and the recommendations contained therein.

In your letter, you ask the IESO to respond to the recommendations listed on pages 8 and 9 of the above noted report. The recommendations that the IESO is providing comments on are those that contemplate amendments to the *Auditor General Act* (recommendations 1a, 1b and 2).

With respect to recommendation #1, the Standing Committee on Public Accounts is recommending that the *Auditor General Act* be amended to require ministries, agencies and crown corporations consolidated into the Province's financial statements, to give advance notice to the Auditor General on external auditing firms they propose to hire to perform an audit, and allow the Office of the Auditor General of Ontario to reject the proposed selection.

Over the past two years, the IESO has taken a number of steps to improve its relationship with the Office of the Auditor General of Ontario and increase the collaboration between our two organizations. In this spirit, the IESO has committed to providing notice to the Auditor General and her office of any changes to IESO accounting policies, or to a third-party firm that is used by the IESO to conduct its financial audits.

When the IESO procured the services of Grant Thornton to conduct its financial audits and provide tax advisory services in 2019, the IESO took proactive steps in identifying this change to the Auditor General. Grant Thornton was awarded a five-year contact with an option to extend for up to an additional 5 years.

More recently, in October 2019, the IESO engaged the Auditor General's office, seeking their input in establishing the IESO's first-ever IESO Market accounting framework. This effectively illustrates that the IESO will not change its accounting policies without properly notifying and seeking input from the Office of the Auditor General of Ontario as an important stakeholder.

Regarding recommendation #2, the Standing Committee on Public Accounts is recommending that the *Auditor General Act* be amended to give the Office of the Auditor General of Ontario the authority and discretion to be the appointed financial statement auditor of agencies, organizations and crown corporations consolidated into the Province's financial statement.

In response to this recommendation, it is important to highlight existing authorities provided to the Auditor General under the *Electricity Act*, 1998. Specifically, under section 25.2 (2), it is noted that the Auditor General may audit the accounts and transactions of the IESO.

Given our commitment to work closely with the Auditor General, and the existing authorities provided to the Auditor General under the *Electricity Act*, 1998, we believe there are sufficient safeguards and governance built into the current environment to effectively meet the spirit of the Standing Committee's recommendations.

Please do not hesitate to contact me should you have additional questions.

Yours truly,

Peter Gregg,
President and Chief Executive Officer, IESO