



News Release

For Immediate Release

December 8, 2008

AUDITOR CONCERNED ABOUT GOVERNMENT LEGISLATING ACCOUNTING RULES

(TORONTO) In what may be a first in Ontario, the government has taken it upon itself to “decree” how transactions will be accounted for rather than applying generally accepted accounting rules, Auditor General Jim McCarter warns in his *2008 Annual Report*, released today.

“For government financial statements to be credible, we ... believe that users should have confidence that the statements adhere to generally accepted and identifiable standards that are established by an independent, arm’s-length standard-setting body,” McCarter wrote in the Report.

The Canadian Institute of Chartered Accountants created the Public Sector Accounting Board (PSAB) in 1981 to develop public-sector accounting and reporting standards. PSAB continues to develop standards, and all governments in Canada, including Ontario’s, use them.

However, in the *Investing in Ontario Act, 2008*, the Ontario government decreed that every government transaction under the Act will be recorded as a government expense regardless of whether it meets the criteria of an expense under PSAB accounting standards.

“Not every government transfer of money is an expense. For instance, if a government was to pre-flow money to a municipality for social-assistance benefits that it expects the municipality will provide in future, that money is an advance by the government. It is not yet an expense because, at that point in time, the welfare recipients are not entitled to the benefits, nor have any payments been made to them,” McCarter explained.

“While this may seem like merely a technical accounting issue,” he added, “depending on the amounts involved, the annual fiscal results of the province could be significantly misstated if these legislated provisions were ever used to override PSAB standards.”

McCarter said he sought to present his concerns to the legislative committee studying the Act, but a motion to allow him to appear was voted down by the government majority on the committee, and the Act passed into law without his concerns being addressed.

“All governments over the past 15 years have made substantial progress in enhancing the accountability, credibility, and usefulness of their financial statements,” McCarter wrote in his Report.

“Attempting to establish accounting principles through legislation would be a step backwards from the substantial progress made to date,” said McCarter.

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