

## Chapter 3

### Section 3.06

# Public Accounts of the Province

## Standing Committee on Public Accounts Follow-Up on Chapter 2, 2015 Annual Report

On October 5, 2016, the Standing Committee on Public Accounts (Committee) held public hearings on Chapter 2, Public Accounts of the Province, of the Office of the Auditor General of Ontario (Auditor)'s 2015 Annual Report. The Committee tabled a report in the Legislature resulting from this hearing in May 2017. The report can be found at [www.auditor.on.ca/en/content/standingcommittee/standingcommittee.html](http://www.auditor.on.ca/en/content/standingcommittee/standingcommittee.html).

The Committee made six recommendations and asked the Treasury Board Secretariat (Secretariat)

to report back by the end of September 2017. The status of the Committee's recommended actions is shown in **Figure 1**.

We conducted assurance work between April 2, 2018 and September 20, 2018, and obtained written representation from the Secretariat that, effective October 31, 2018 they provided a complete status update of the recommendations made by the Committee.

**Figure 1: Summary Status of Actions Recommended in May 2017 Committee Report**

Prepared by the Office of the Auditor General of Ontario

	# of Actions Recommended	Status of Actions Recommended				
		Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	1		1			
Recommendation 2	1	1				
Recommendation 3	1	1				
Recommendation 4	1	1				
Recommendation 5	1	1				
Recommendation 6	1	1				
<b>Total</b>	<b>6</b>	<b>5</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>%</b>	<b>100</b>	<b>83</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Overall Conclusion

As of September 20, 2018, 83% of the Committee's six recommendations were fully implemented. For example, the Secretariat provided the Committee with its rationale for excluding the Workplace Safety Insurance Board's financial results from the Province's consolidated financial statements and its rationale for presenting the Trillium Trust transactions in its own schedule. The Secretariat is in the process of developing a long-term debt reduction plan and providing it to the Committee. The government has indicated that the recommen-

dations of the Independent Financial Commission of Inquiry will inform future fiscal planning and that it has not yet had the opportunity to establish a targeted net debt-to-GDP ratio.

## Detailed Status of Recommendations

**Figure 2** shows the recommendations and the status details that are based on responses from the Secretariat, and our review of the information provided.

**Figure 2: Committee Recommendations and Detailed Status of Actions Taken**

Prepared by the Office of the Auditor General of Ontario

Committee Recommendation	Status Details
<p><b>Recommendation 1</b></p> <p>Treasury Board Secretariat provide the Committee with a long-term debt reduction plan (medium and long term) that is linked to the government's target of 27% for the net-debt-to-GDP ratio, based on the facts presented in the Auditor General's report.</p> <p><b>Status: In the process of being implemented.</b></p>	<p>At the time of this report, the government did not have a long-term debt reduction plan. In the 2017 Ontario Budget, the former government reported that it was targeting to reduce its net debt-to-Gross Domestic Product (GDP) ratio to its pre-2008 recession level of 27% by the 2029/30 fiscal year. With the election of a new government in June 2018, an Independent Financial Commission of Inquiry was created to review past spending, accounting practices, and identify opportunities to improve the fiscal planning process in the future. The Commission's report, released September 2018, recommended that the government conduct analysis to determine and set an appropriate target and timeline to reduce the Province's ratio of net debt-to GDP. The government has indicated that the recommendations of the Commission will inform future fiscal planning and that it has not yet had the opportunity to establish a targeted net debt-to-GDP ratio.</p>
<p><b>Recommendation 2</b></p> <p>Treasury Board Secretariat provide the Committee with details on how it has or will incorporate the Public Sector Accounting Board (PSAB)'s Statements of Recommended Practice (SORP) into the Province's Financial Statement Discussion and Analysis (FSD&amp;A).</p> <p><b>Status: Fully implemented.</b></p>	<p>Starting with the 2015/16 Public Accounts, the Secretariat took into account PSAB's recommended practices for the Province's Financial Statement Discussion and Analysis (SORP1), Assessment of Tangible Capital Assets (SORP3) and Indicators of Financial Position (SORP4).</p> <p>The Secretariat made the following changes to financial reporting in its annual report:</p> <ul style="list-style-type: none"> <li>• An expanded comparison of current year results to prior year results, including an analysis of the trends over a five-year period as related to several financial items, including an expanded discussion on balance sheet items.</li> <li>• A description of the Province's capital assets, showing their impact on the Province's financial condition.</li> <li>• A description of risks and uncertainties that affect the government's financial results and details on how the government manages those risks.</li> </ul> <p>The Deputy Minister of Finance at the time provided these details to the Committee on September 14, 2017.</p>

Committee Recommendation	Status Details
<p><b>Recommendation 3</b></p> <p>Treasury Board Secretariat provide the Committee with its rationale for excluding the Workplace Safety Insurance Board (WSIB)'s financial results from the Province's consolidated financial statements.</p> <p><b>Status: Fully implemented.</b></p>	<p>According to the Secretariat, the WSIB is classified as a trust under administration. Public Sector Accounting Standards indicate that trusts are excluded from the government reporting entity. The WSIB's classification is based on the nature and structure of the organization, as well as the organization's relationship to the Province. The WSIB does not receive any funding from the Province. The Province does not have ongoing access to the assets of the WSIB, nor ongoing responsibility for any losses.</p> <p>The Secretariat monitors the classification of the WSIB regularly, specifically with respect to the impact of the unfunded liability on its classification. In 2011, the WSIB had an unfunded liability of \$14.2 billion. An unfunded liability occurs when revenues from premiums are insufficient to cover the costs of expected employee claims. The WSIB has since reduced its unfunded liability, and at September 30, 2017, its unfunded liability was \$1.8 billion.</p> <p>The Deputy Minister of Finance at the time provided this rationale to the Committee on September 14, 2017.</p>
<p><b>Recommendation 4</b></p> <p>Treasury Board Secretariat provide the Committee with its rationale for presenting the Trillium Trust transactions in its own schedule.</p> <p><b>Status: Fully implemented.</b></p>	<p>The Secretariat indicated to the Committee that the Public Accounts include a separate schedule for the Trillium Trust to provide users with information to assess the government's financial performance and promote transparency and accountability in financial reporting.</p> <p>The Deputy Minister of Finance at the time provided this rationale to the Committee on September 14, 2017.</p>
<p><b>Recommendation 5</b></p> <p>The Ministry provide the Committee with the plan for funding the liability for contaminated sites for \$1.79 billion.</p> <p><b>Status: Fully implemented.</b></p>	<p>According to the Secretariat, the government is ultimately responsible for financial management relating to contaminated sites for which it is directly responsible or has accepted responsibility for remediation. All ministries use the annual program review process to identify funding risks related to remediation work on new contaminated sites, revise liability estimates for existing contaminated sites, and manage costs for sites covered under the accounting standard PSAB 3260.</p> <p>The Secretariat's fall 2017 program review submissions outlined funding requirements for the remediation of 65 specific high-risk sites, including annual and long-term funding strategies for remediating the province's contaminated sites with a focus on those assessed as higher priority for the next eight-year period.</p> <p>The Deputy Minister of Finance at the time provided these details to the Committee on September 14, 2017.</p>
<p><b>Recommendation 6</b></p> <p>Treasury Board Secretariat outline to the Committee the rationale for having legislation in place that could override public sector accounting standards.</p> <p><b>Status: Fully implemented.</b></p>	<p>According to the Secretariat, as a senior government in Canada, Ontario is sovereign, and not bound by Public Sector Accounting Standards (PSAS). The Ontario Government decided as a policy choice to use PSAS as the basis to prepare the annual budget and the Public Accounts.</p> <p>Through the <i>Financial Administration Act</i> (Act) clauses 1 and 2 of 1.0.10(1), the Secretariat, subject to the approval of the Lieutenant Governor in Council, can pass regulations on accounting policies and practices to support the preparation of the consolidated financial statements. An amendment to the Act added a clause that expanded the authority for regulations to cover the government's accounting practices and policies.</p> <p>The Deputy Minister of Finance at the time provided this rationale to the Committee on September 14, 2017.</p>