

**Chapter 3**  
**Section**  
**3.04**

# Public Accounts of the Province

## Standing Committee on Public Accounts Follow-Up on Chapter 2, 2017 Annual Report

On February 28, 2018, 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 *2017 Annual Report*. The Committee tabled a report in the Legislature resulting from this hearing in May 2018. A link to the full 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 two recommendations and asked the Treasury Board Secretariat (Secretariat) to report back by the end of September 2018. See **Figure 1** for the status of the Committee's recommendations. A dissenting opinion by the members of the Progressive Conservative Party was included as an Appendix to the report.

We conducted assurance work between April 1, 2019, and October 4, 2019, and obtained written representation from the Secretariat that,

effective November 7, 2019, they had provided a complete status update of the recommendations made by the Committee.

### Overall Conclusion

As of October 4, 2019, 100% of the Committee's recommendations have been implemented.

### 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 1: Summary Status of Actions Recommended in May 2018 Committee Report**

Prepared by the Office of the Auditor General of Ontario

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	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable	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

## 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>The Standing Committee on Public Accounts recommends that Government accounting practices, and those of its agencies, that affect the consolidated financial statements of the Province, must be carried out in accordance with Canadian Public Sector Accounting Standards.</p> <p>Status: Fully implemented.</p>	<p>In fiscal 2016/17, the province received a qualified opinion from the Office of the Auditor General of Ontario (OAGO) on its consolidated financial statements. The province's consolidated financial statements for the year ended March 31, 2017, were fairly presented except for the following two items:</p> <ul style="list-style-type: none"> <li>• The government overstated the net pension asset relating to the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Service Employees' Union Pension Plan (OPSEUUPP).</li> <li>• The government inappropriately recognized and consolidated the market account assets and liabilities relating to transactions between power generators and distributors managed by the Independent Electricity System Operator (IESO).</li> </ul> <p>In addition, the province inappropriately recognized rate-regulated assets in its consolidated financial statements, which is not permitted when applying Canadian Public Sector Accounting Standards (PSAS) to government financial statements. This departure did not result in a qualification, as the amounts did not yet have a material impact on the consolidated financial statements.</p> <p>In fiscal 2017/18, the current government made appropriate changes to the Province's consolidated financial statements in two key areas to comply with PSAS as follows:</p> <ul style="list-style-type: none"> <li>• It recorded a full valuation allowance on the net pension assets relating to the Ontario Teachers' Pension Plan and the Ontario Public Service Employees' Union Pension Plan to reflect that it had no legal authority to draw on the assets as at March 31, 2018.</li> <li>• It excluded the Independent Electricity System Operator (IESO) market accounts from the province's consolidated financial position in 2017/18 and restated the comparative 2016/17 balances.</li> <li>• It reversed the inappropriate use of rate-regulated accounting in connection with certain balances recorded by the IESO in connection with Ontario's electricity rate reduction.</li> </ul> <p>As a result, the province received an unqualified or "clean" opinion from the Auditor General on its consolidated financial statements for the year ended March 31, 2018.</p> <p>In addition, in 2018 the IESO appointed the OAGO as the attest auditor for its financial statements for the year ended December 31, 2018. During the audit, the IESO retroactively restated its 2017 financial statements to remove the market accounts and to reverse the use of rate-regulated accounting. Essentially, the IESO's accounting policies for these items reverted to what they were in its audited financial statements for the year ended December 31, 2015. As a result, the OAGO issued an unqualified opinion on the IESO's financial statements for the year ended December 31, 2018.</p>

Committee Recommendation	Status Details
<p><b>Recommendation 2</b></p> <p>The Standing Committee on Public Accounts recommends that the Office of the Controller for the Province of Ontario should provide copies of all terms of reference to the Auditor General's Office when they engage private sector firms for accounting advice or opinions.</p> <p>Status: Fully implemented.</p>	<p>In the 2016/17, 2017/18 and 2018/19 fiscal years, during the audit of the province's consolidated financial statements, the OAGO requested that the Office of the Provincial Controller Division (Controller Division) provide copies of contracts relating to any expert advisors it uses for accounting advice and opinions. The Controller Division provided the OAGO with four contracts for experts it engaged for accounting advice in 2016/17, two contracts for 2017/18, and one additional contract for 2018/19. These expert advisors provided advice and guidance to supplement the Controller Division's internal analysis of significant accounting issues.</p> <p>Furthermore, the Secretariat has agreed to request its external advisors—engaged to provide accounting advice and/or opinions relating to the OAGO's audit of the public accounts—to notify the Office of the Auditor General of their engagement, as required under the Code of Professional Conduct of the Chartered Professional Accountants of Ontario.</p>