Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

News Release

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Auditor General Issues "Qualified" Opinion on Province's Books

(TORONTO) For the first time in 23 years, the Auditor General issued a qualified opinion on the Consolidated Financial Statements of the Province of Ontario because the financial statements did not properly present the pension asset adjustment in the comparative 2014/15 numbers as required by Canadian accounting standards, Auditor General Bonnie Lysyk says in her *2016 Annual Report*.

"Although the government correctly adjusted its financial statements this year to reflect the fact it could not claim as assets any money in two public pension plans, it is important for the government to provide comparable numbers between fiscal years so that users of the Statements can make 'apples-to-apples' comparisons," Lysyk said today after her Report was tabled in the Legislative Assembly.

Accordingly, if the comparative 2014/15 numbers were restated, opening accumulated deficit would have increased by $8.201 billion, education expense would have increased by $956 million, general government and other expense would have decreased by $3 million, the annual deficit would have increased by $953 million, and the ending accumulated deficit would have increased by $9.154 billion.

The Office of the Auditor General notified the provincial Controller's office in June 2016 that there was a potential accounting issue related to the pension assets of plans the government jointly sponsors with teachers and public servants. The government sought external actuarial, accounting and legal advice from July through October, but was still unable to provide adequate support for its view that these pension assets should remain on the government's financial statements.

Lysyk said she was "surprised" on October 3 when, for the first time, the government released the statements without an opinion from the Auditor, which was provided on October 5. She added that it was also unusual for the government to pass a regulation that allowed it to only partially comply with Canadian accounting standards.

"We continue to caution against the use of legislated accounting treatments, which could increase the risk that the future financial results of the Province may not be fairly stated," she added.

For example, the government previously approved another regulation requiring Ontario Power Generation and Hydro One to prepare their financial statements using U.S. accounting rules. Subsequently, the government included the two entities' financial statements, based on the U.S. accounting rules instead of the required Canadian accounting standards, in the Consolidated Financial Statements of the Province. This could potentially lead to material differences in financial results as early as the next fiscal year.

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