



## Chapter 2: Public Accounts of the Province

### 2018 Value-for-Money Audit

#### Why We Did This Audit

- The Auditor General is responsible for auditing the consolidated financial statements of the Province, which are prepared by the government.
- The objective of the audit is to obtain reasonable assurance that the Province's consolidated financial statements are free of significant errors or omissions.

#### Why It Matters

- The Auditor General must determine whether the statements are presented fairly and in accordance with Canadian Public Sector Accounting Standards (PSAS).
- An *unqualified* audit opinion indicates the consolidated financial statements are reliable.
- A *qualified* audit opinion indicates the Auditor General has concerns about the government's compliance with Canadian PSAS.

#### What We Found

- The Auditor General concluded that the Province's consolidated financial statements for the 2017/18 fiscal year are fairly presented and free of material errors.
- This year's unqualified opinion came after the current government made appropriate changes to the Province's financial statements in two key areas to comply with Canadian Public Sector Accounting Standards (PSAS) as follows:
  - 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 has no legal authority to draw on the assets as at March 31, 2018.
  - 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. In addition, the government 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 in 2016/17.
- We continue to recommend that the Treasury Board Secretariat notify our Office and request our input when a private-sector accounting firm provides accounting advice to the government, and that the Secretariat consult with us when a government agency or organization plans to engage and/or retain the same private-sector accounting firm for both accounting advice and auditing services.
- The Province's growing debt burden (without plans to manage it) also remains a concern this year, as it has been since we first raised the issue in 2011. The Province should provide legislators and the public with long-term targets for addressing Ontario's current and projected debt.
- The IESO recently communicated to us that it will appoint us as the attest auditors for the year ended December 31, 2018, and that it will be retroactively adjusting its 2016 and 2017 financial statements to remove the market accounts and to reverse the use of rate-regulated accounting. Its accounting policies will revert back to what they were in the audited financial statements for the year ended December 31, 2015.

#### Conclusions

- The government prepared and fairly presented the consolidated financial statements of the Province in accordance with Canadian Public Sector Accounting Standards.