RCMP
OFFICIAL CRIMINAL BREACH OF TRUST BY PUBLIC OFFICERS, FRAUD AGAINST THE PUBLIC, AND INVESTMENT AND SECURITIES FRAUD COMPLAINT

Re: The Canadian and Provincial Governments of Canada

August 19, 2019

IFRS International Financial Accounting Standards Canada Wide; Accounting, Investment and Securities Fraud through seditious intentions to legalize corruption.

1. Breach of trust by public officer,
2. Fraud against the Public,
3. Investment and Securities Fraud affecting the public market

The Canada wide Investment and Securities Fraud committed by:

1. the Prime Minister, Justin Trudeau
2. the Minister of Finance, Bill Morneau
3. the Treasury Board
4. and all Provincial Premiers having implemented the IFRS, ignoring the auditors
5. including the CEO and Boards of all private corporations
6. Canadian and Provincial public-owned Crown Corporations such as the Bank of Canada,
7. and those within the Public-Private Partnerships,

Others involved in Investment and securities fraud by accepting the new IFRS scam

8. Government of Canada, all Provincial and Territorial governments, Municipal Governments and Band Councils,
9. The Bank of Canada and the Canadian Infrastructure Bank,
10. Canadian Council Public-Private Partnership (CCPPP),
11. Canadian Accounting Standards Board (AcSB),
12. Canadian Securities Administrators (CSA),
13. International Accounting Standards Board (IASB)

International Players

14. World Trade Organization (WTO)
15. The World Bank & World Bank Partners, Public-Private Partnership Infrastructure projects, the International Monetary Fund (IMF), and the Organisation for Economic Co-operation and Development (OECD)
16. Over 100 International countries who have adopted the International Financial Accounting Standards (IFRS) and,
17. The USA who is allowing the International private corporations and international countries to use the IFRS reporting scheme to the USA instead of GAAP.

Criminal Code of Canada

Criminal Charges:

1. Breach of trust by public officer
   122 Every official who, in connection with the duties of his office, commits fraud or a breach of trust is guilty of an indictable offence and liable to imprisonment for a term not exceeding five years, whether or not the fraud or breach of trust would be an offence if it were committed in relation to a private person.
   R.S., c. C-34, s. 111

2. Fraud
   380 (1) Every one who, by deceit, falsehood or other fraudulent means, whether or not it is a false pretence within the meaning of this Act, defrauds the public or any person, whether ascertained or not, of any property, money or valuable security or any service,

   (a) is guilty of an indictable offence and liable to a term of imprisonment not exceeding fourteen years, where the subject-matter of the offence is a testamentary instrument or the value of the subject-matter of the offence exceeds five thousand dollars; or
   (b) is guilty

   (i) of an indictable offence and is liable to imprisonment for a term not exceeding two years, or

   (ii) of an offence punishable on summary conviction, where the value of the subject-matter of the offence does not exceed five thousand dollars.

   **Marginal note: Minimum punishment**

   (1.1) When a person is prosecuted on indictment and convicted of one or more offences referred to in subsection (1), the court that imposes the sentence shall impose a minimum punishment of imprisonment for a term
of two years if the total value of the subject-matter of the offences exceeds one million dollars.

**Marginal note: Affecting public market**

(2) Every one who, by deceit, falsehood or other fraudulent means, whether or not it is a false pretence within the meaning of this Act, with intent to defraud, affects the public market price of stocks, shares, merchandise or anything that is offered for sale to the public is guilty of an indictable offence and liable to imprisonment for a term not exceeding fourteen years.

R.S., 1985, c. C-46, s. 380 R.S., 1985, c. 27 (1st Supp.), s. 54 1994, c. 44, s. 25 1997, c. 18, s. 26 2004, c. 3, s. 2 2011, c. 6, s. 2


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**Canadian and provincial public assets at risk since 2008 to immediately look into:**

- All Canadian and Indigenous Public Corporations and Assets under the Public-Private Partnership Corporations.
- All Pension Funds
- Canadian & International Investors

**Preventing an economic backlash and lawsuits against Canada and the Provinces at the financial cost to the Canadian citizens**

If we do not stop the IFRS from being enforced upon all sectors of accounting of our public administration which is presently illegal and unconstitutional given that the IFRS does not qualify as a per section 59 of the Financial Administrations Act within the Canadian constitution Canadians will lose everything.

The actions of both the federal and provincial governments have been supporting the use of the IFRS since 2010, and are refusing after many attempts by the Auditor Generals of the Provinces to fix the problems with the new IFRS accounting or to remove it, as it is creating hardships in meeting the constitutional requirements due to its many failings in accurate, and reliable financial reporting to the Public Canadian Citizens, investors or Parliament.

Canadian Federal and Provincial Governments Committing National and International Securities Fraud by inflating:
• Canadian Public Assets,
• Public-Private Partnership Assets,
• Private Corporation Assets

Furthermore; Canadian Governance and administration of our Public Assets is now for profit under the Public-Private Partnerships.

The citizens of Canada are no longer protected against Government fraudulent activities, no matter which party is in Government or who sits in Parliament pretending to represent the People.

Examples:

• Ontario Hydro One; Province of Ontario
• 407 ETR = 407 International Inc.; Canada Pension Plan Investment Board (CPPIB, INTOL), SNC Lavalin, Cintra.

Other levels of investigation should be of relevant consideration to participants such as “Ministers without Portfolio” in regards to the Public-Private Partnership negotiations and implementation who, may have been in a conflict of interest.

The International Financial Accounting Standards (IFRS) is culminating in possible Securities fraud and being committed by Canada and all other countries by adopting and enforcing the IFRS accounting strategy instead of the GAAP methodology, used to enable hidden agendas within the globalization of the Public-Private Partnerships and Global Corporate Governance implemented against the Canadian people, National and International Investments and Investors.

Furthermore, the IFRS is unconstitutional, as it fails to demonstrate “GOOD” accounting practices stipulated in the Financial Administrations Act and goes against previous Securities Fraud court case precedents in regards to the FAA good accounting measures. The IFRS accounting standards, now allows what was deemed as illegal and criminal, to become legal.

• IFRS Canadian integration: January 2008
• IFRS Adoption: January 01, 2010
• Implementation date: January 01, 2011

What used to be and still considered corruptive measures of Securities Fraud is being committed by all levels of the federal, provincial, municipal and band Councils within the government of Canada, including all international and national private corporations and specifically those involved in the Public-Private Partnerships due to the Canadian federal and provincial governments enforcement use of the IFRS accounting strategy as its
methodology. The IFRS accounting system is unconstitutional and inappropriate according to the regulations under the Financial Administration Act (FAA).

These actions serve to place the Canadian citizens and the Indigenous Nations of Canada at risk of more lawsuits and further responsible for the criminal, illegal actions of the Canadian federal, provincial, municipal and band council governments. This incompetence and the legalizing of corruption in plain sight.

As it stand, we can clearly see that the federal and provincial governments are trying to come up with strategies to reduce the reporting burden that are too stringent on the IFRS and the Public-Private Partnerships scheme which does classify the IFRS scheme, as being unconstitutional as it does not meet the “GOOD” accounting standards required in the Constitution in responsible reporting to the public.

The focus of the Ontario and Canadian government according to the comments as seen below, seems to be trying to find solutions through the manipulation of the Ontario Securities Commission, and Auditors to abdicate our existing constitutional accounting protection that has been in place, under the generally accepted accounting principles (GAAP) to suit the Private Corporations under the IFRS standards that does not conform.

Furthermore, it indicates that both the federal and provincial governments have abdicated their duty to govern by replacing their duties to maintain our services to the people, through their implementation of new Public-private corporations with the private corporations to have a 51% minimum or more control of our assets and decision-making authority, above the control of the government for periods of 20 to 30 years. This means that our governance is now for profit.

**The private corporations can also resell their shares during the 20 to 30 year time frame, while making their profits.**

The intentional fraudulent activities of legalizing “corruption opportunities” in Investment and Securities Fraud being committed by the Canadian Government, is not just about unlawfully changing regulations to suit business and trade cooperation.

It is also about the treasonous theft of our country’s assets, resources and sovereignty from the People of Canada and worldwide, at the hands of all levels of the Canadian and Provincial Government officials, to handover governance control and profits to the Private Corporations, and International Institutions under the auspices of accommodating International trade.

**The growing concern over the Canadian Government and the Province of Ontario debts, and the IFRS implementation which hide the financial borrowing costs and debt instability of the Provinces and to Canada itself, to attract investors or to also hide the reality from the Canadian people in regards to our Canadian and provincial public accounts, by the Auditors should be a wake up call.**
What happens when our governments themselves are perpetrating crimes, then cover those crimes with enabling laws to protect themselves, and to render corruption measures into law as done with lobbying which should be illegal?

Who protects the Canadian People when this has been perpetrated since 1982, when the Prime Minister Pierre Trudeau and the Ministers, the Provincial Premiers, the Judiciary, the Queen and the Governor general purposefully agreed to leave out the People as the Sovereigns with veto power of their Royal Prerogative Rights?

What happens when the Canadian governments themselves are enabling and perpetrating Investment and Securities fraud, and seem to play a major role in a National and International Organized Crime Financial Corporate Syndicate in the name of good governance?

In a report posted by Public Safety Canada, titled “Organized Crime Research Brief no. 26, Securities and Organized Crime” stated that:

*Evidence of traditional organized crime in securities markets is scare, but the industry is vulnerable to fraudulent activity perpetuated by market insiders.*

This report is based on a review of the academic literature, interviews with law enforcement, and securities regulators, and legislation and regulations governing Canadian securities markets. While the operation of traditional organized crime groups in securities markets was identified as having occurred other jurisdictions, there is marginal evidence of such infiltration in Canada. Notably, there have not been any prosecutions of securities violations in Canada making use of the criminal organization provisions of the Canadian Criminal Code.

The complex nature of the Canadian securities sector is in large part a result of division of powers between federal and provincial levels of government. The federal government is responsible for legislation addressing criminal offences affecting the securities market in Canada, and issues relating to systemic risk and potential impact of regional and national importance. Provinces are responsible for the administration of civil and criminal justice systems, regulation of property and civil rights including the regulation and quasi-criminal offences in the securities market in their respective jurisdictions. According to the authors, this has led to a ‘piecemeal’ approach to current securities oversight in Canada, and could leave the sector vulnerable to organized crime.

Despite progressive movement towards greater national oversight and integration, the traditional oversight role of provinces for capital markets that function in their jurisdiction was upheld in a 2011 Supreme Court of Canada decision, where it rejected a move towards a national securities regulator. In effect, there are national integrated approaches to oversight, but these are not necessarily centrally controlled or harmonized.
The Canadian securities sector plays a key role in financial services, industry and the economy in Canada by enabling governments and business to:

1) raise equity capital and debt; 2) attract foreign investment; and 3) allow investors to trade in domestic and international capital markets. In 2010, the total market capitalization amounted to C$2.3 trillion or 4 per cent of total trading among global capital markets. As such, even a small percentage of wealth diverted from this sector can translate into very large amounts in absolute dollar value.

The report discusses common schemes that occur in Canadian securities markets, including: fraudulent high-yield investments; pyramid and Ponzi schemes; fraudulent illicit offshore investments; and high-pressure telemarketing. The authors noted there are differences in the types of schemes prevalent within the provinces. For example, in Ontario, it is common to see boiler-room operations involving shell corporations or reverse takeovers and corporate identity hijacking, and Ponzi schemes including the use of foreign exchange trading systems. In Quebec, there seems to be greater emphasis on market manipulation, which requires access to registered investment funds, funds transfers and the artificial inflation of accounts and relevant investments. The most commonly reported groups were sophisticated organized crime groups already operating in other illicit markets, such as Outlaw Motorcycle Gangs and traditional Italian organized crime.

The authors identified a number factors which could contribute to the vulnerability of the sector to organized criminal activities, such as: rare use of criminal procedure and sanctions against unlawful activities; information asymmetry between investors and market insiders; high cost of investigating and prosecuting securities market related offences; and failures among companies to report malfeasance in order to maintain investor confidence.

The authors conclude that the complexity of the Canadian securities market presents certain challenges relating to the design of effective countermeasures. While all market participants have an interest in protecting themselves from risk, and the public from victimization, this must be balanced against the need to ensure economic growth and prosperity.

The report recommends raising public awareness of white-collar crimes, while securities regulators, criminal justice officials and the media should place greater emphasis on the public shaming and stigmatizing of offenders, and promote a culture of lawful and ethical behaviour.

The authors also call for an ‘integrated intelligence model’ where control agencies would function interdependently, rather than independently within a clear set of defined goals and a coordinated strategy to detect and deter violations, thereby reducing the impact and harm by issuing proportionate sanctions.

For more information on organized crime research at Public Safety Canada, please contact the Organized Crime Research Unit at ocr-rcr@ps-sp.gc.ca.

Organized Crime Research Briefs are produced for Public Safety Canada. Organized Crime Research Briefs supports the objectives of the National Research Agenda on Organized Crime by making accessible topical, evidence-based information on organized crime topics for consideration in the development of policy and conduct of operations. The summary herein reflects an interpretation of the report authors’ findings and do not necessarily reflect the views of the Department of Public Safety Canada.

**Government Hypocrisy**

After reading the comments made in the article posted by the Department of Public Safety Canada, you have to wonder about the hypocrisy of the Canadian government departments hiding behind veils of pretentious ignorance to the fraud by all governing levels which has been transpiring in Canada since 1982 and more evidently since 2008 until now. The auditors reports and forensic audits already expose this travesty and negligence by all levels of government hiding their complicit, illicit activities.

**Example:**


At first glance, it seems to be that Ontarians can finally get justice however, once you read to the bottom of the document is Sec.19.

**Immunity**

19 Apart from a claim by the Crown against the Minister or the Premier in respect of an amount payable under section 16, no cause of action arises and no action or other proceeding may be brought in respect of a requirement of this Act.

**Minister and Premier Accountability Measures**

**Statement re missed deadline**
15 If the Minister does not meet a deadline under this Act, the Minister shall release a statement on or before the deadline in which the Minister explains why the deadline was not met and sets a new deadline to be met.

Financial penalty for missed deadline

16 (1) If the Minister does not meet a deadline under this Act, the following rules apply:

1. The Minister shall pay into the Consolidated Revenue Fund a penalty equal to 10 per cent of the annual salary payable to the Minister under subsection 3 (1) of the Executive Council Act.

2. The Premier shall pay into the Consolidated Revenue Fund a penalty equal to 10 per cent of the annual salary payable to the Premier under subsections 3 (1) and (2) of the Executive Council Act.

Timing of payment

(2) The Minister and the Premier shall make the payments required under subsection (1) within 30 days of the deadline that was not met.

Personal payment

(3) An amount payable under this section shall be paid personally and shall not be paid or reimbursed, directly or indirectly, from the Consolidated Revenue Fund.

General

Manner of releasing information

17 (1) A requirement in this Act that requires the Minister to release information is satisfied if the information is made available to the public without charge on a website of the Government of Ontario.

Same, format

(2) Information that, under this Act, is required to be released on a specified date may be released together or separately.

Non-application of Act during election period

18 This Act does not apply to the Minister for the period beginning on the day that the writs for a general election, as defined in section 1 of the Election Act, are issued and ending on the day that is 30 days after the appointment of the first Executive Council under section 1 of the Executive Council Act following that election.
Immunity

19 Apart from a claim by the Crown against the Minister or the Premier in respect of an amount payable under section 16, no cause of action arises and no action or other proceeding may be brought in respect of a requirement of this Act.

20, 21 Omitted (amends, repeals or revokes other legislation).

22 Omitted (provides for coming into force of provisions of this Act).

23 Omitted (enacts short title of this Act).

https://www.ontario.ca/laws/statute/19f07c#BK25

False democracy hypocrisy with no real accountability to the public.

Most Canadian citizens think that we live in a democratic society and free country when in fact we do not. Simply voting in election or participating in them does not mean we live in a free democratic country and society. Individual rights and freedoms do not translate into collective rights as the official public shareholders of the Crown of Canada and all of its assets of which by lawful rights, we should have the benefit of and veto power over our governments in final decision-making authority.

The hypocrisy of accountability to the public has been the “elephant” in the room of Canadian politics. The reason why votes are so important to the political parties is because it allows them control the people of taking away the proxy rights of the people under false pretenses of being the voice of the people.

However and unfortunately; the Canadian citizens understand that this type of voting is to mean that they do have a voice when in reality, they do not, at least not in Ontario and let alone Canada.

Ontario, Section 4 of the Members’ Integrity Act, 1994, states that:

- Influence
  4 A member of the Assembly shall not use his or her office to seek to influence a decision made or to be made by another person so as to further the member’s private interest or improperly to further another person’s private interest. 1994, c. 38, s. 4.


The government of Canada is also one of the few remaining jurisdictions in the world that has retained its Aaa/AAA credit rating—the highest that can be assigned. This means demand for Canadian government debt, both federal and provincial, is high, especially among investors looking for relatively risk-free investments. This demand works to push down interest rates. And, because investors associate Ontario debt with the perceived credit-worthiness of the
federal government, Ontario benefits from the relative strength of investor faith in federal government debt.

Even with its most recent downgrade, Ontario has the same credit rating as Quebec and the Maritime provinces, with a Moody’s credit rating of Aa2. Only the federal government and the Western provinces have higher ratings.


Letter of the Ontario Auditor General Live Press Conference October 17, 2017

Remarks by Bonnie Lysyk, Auditor General of Ontario,
on tabling of the Special Report on the Fair Hydro Plan

October 17, 2017

Check Against Delivery
Good morning everyone. I’m Bonnie Lysyk, the Auditor General of Ontario.
I want to thank you for this opportunity to discuss our Special Report on the Fair Hydro Plan.

By way of background, I am an independent, non-partisan Officer of the Legislative Assembly. The Auditor General Act requires me to speak out when financial information of the government is not, or will not be, presented fairly to the Legislature or to Ontarians.

This is such a case. The government’s accounting treatment for the Fair Hydro Plan creates concerns of transparency, accountability and value for money.

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Let me be clear—I am not speaking about the decision to provide ratepayers with temporary relief from high electricity bills.

That’s a policy decision, well within the government’s authority, and not something on which the Auditor General comments.

What I AM speaking about is the WAY the government has set up the accounting to implement this decision.

There’s still time to fix it, and we’re encouraging the government to do so. That’s why we’re coming out with a Special Report. It recommends the government
record the true financial impact of its electricity rate reduction plan in the province's budgets and consolidated financial statements, and use the least costly financing structure to fund the rate reduction.

Allow me to cut to the chase. The government’s structure will hide from Ontarians the real financial impacts of its electricity rate reduction.

In order to do this, the government is proposing to use accounting that does not follow its own policy for preparing financial statements. The province has had a policy of applying Canadian Public Sector Accounting Standards.

I want to stress that this is not, as some may suggest, a difference of opinion between accountants on some obscure rule of bookkeeping.

This is far more serious.

Under the leadership of the Public Sector Accounting Standards Board, Canadian Public Sector Accounting Standards were developed over decades to ensure that government finances are reported transparently, and in a way that allows them to be properly compared to each other and to previous years.

The province has brushed aside these standards, which are used by all the federal and provincial governments of Canada. And these standards are the law for municipal governments.

The Ontario government has chosen to replace these standards, going so far as to create an asset in new legislation to avoid reporting the true cost of its policy decision on its financial statements.

This is a significant issue.

We sought extensive advice from the Auditors General across Canada, a former Saskatchewan and British Columbia Auditor General, and many external advisers, including the recently retired Director of the Canadian Public Sector Accounting Standards Board, Mr. Tim Beauchamp, who is here today.

The accounting proposed by the government is wrong.

That’s a really strong statement. So let me explain why we’re saying it.

Ontario power producers are guaranteed a certain price for their electricity. If ratepayers get a discount on their hydro bills, someone else will have to pay the difference. Someone has to pay the piper ... right now.
That “someone” is the province. So it can either raise revenue (for example, by increasing taxes or fees), or borrow to cover the shortfall. The government has chosen to borrow.

When a government borrows to cover a shortfall between revenues and costs, what does it mean to you? It means the government has not raised enough revenue to cover its costs and has incurred a loss.

In other words, it’s spending more than it has coming in. And under the government’s proposed accounting, you will not see that annual loss on any financial statements in Ontario.

The government’s proposal is to treat that loss as an asset. That’s like you treating your credit card debt as an asset in your own books. Does that sound right to you?

In proper accounting, borrowing money and losses should result in net debt increasing and higher deficits. This is Government Accounting 101.

Instead, the government has created an elaborate ... non-transparent ... and complicated financing structure. This structure is to be used to avoid recording the true cost of its policy decision, and avoid recording losses and an increase in net debt.

This decision was made knowing that it could cost Ontarians significantly more in interest costs than if the government had borrowed money directly. Instead, most of the money is to be borrowed through entities it owns at higher interest rates. In May 2017, the Financial Accountability Officer reported that this structure could cost ratepayers about 4 billion dollars in additional interest, for a total of 21 billion dollars in interest expense.

Internal records show that senior government officials were aware this approach to borrowing could result in Ontarians paying significantly more interest.

So the question is, “Why?” Why plan to pay more than you have to? Simply put, it’s about achieving a desired accounting result.

That desired accounting result is to:

(1) keep the cost of the policy decision out of the annual surplus and deficit; and

(2) keep the impact of borrowing from showing up in the net debt.

In other words, to obscure the financial impact of the rate cuts on both the province’s budgets and financial statements, the government plans to pay more than it has to.
There are other things that our Office found concerning.

In analyzing how the government came up with this approach, we looked at thousands of internal government emails.

They showed us how the government enlisted senior officials and spent at least 2 million dollars hiring outside advisers to design this complex accounting and financing structure.

The emails we examined made clear that the instruction to those officials by government was that there should be no impact on the fiscal plan from its policy decision.

In other words, they had to come up with something that would not derail the government’s promise to present balanced budgets for 2017/18 and the next few years.

As I wrap up, let me say this: The public expects sound fiscal transparency, accountability and value for money from its government. We encourage the government to implement the two recommendations from our report:

(1) record the true financial impact of the Fair Hydro Plan’s electricity rate reduction on the province’s budgets and consolidated financial statements; and

(2) use a financing structure to fund the rate reduction that is least costly for Ontarians. There’s still time to do the right thing.

Now, I’d be pleased to take your questions.

More on the IFRS scam by a Forensic auditor privy to the Government of Canada accounts and the effects and dangers of the IFRS in regards to Canadian and provincial public accounts.

Dr. Al Rosen, FCA, FCMA, FCPA, CFE, CIP and Mark Rosen, MBA, CFA, CFE, provide independent, forensic accounting investment research to investment advisors and institutional portfolio managers. Learn more at Accountability Research Corporation and Rosen & Associates Limited.
Look to the marijuana industry to see the flaws of IFRS

Canadians accepted the adoption of IFRS primarily because we were told it would improve financial comparability around the world, it was a “mere extension” of previous Canadian GAAP, and it constituted improved financial reporting. Plenty of evidence now exists that none of these claims are close to reality in Canada. Those who believe otherwise should simply read a cross-section of recent audited IFRS financial statements and realize that a major step backwards occurred when IFRS became adopted.

Nowhere is this more evident than in the fast-growing marijuana industry. Canadian growers are receiving clean audit reports showing huge profits, when the vast chunk of alleged but audited profit is simply management’s inflated “valuation” of their still-growing marijuana plants.

One of the most devastatingly false claims about IFRS was that it was a “principles-based” extension of old Canadian GAAP. The latter, for many decades, was based on not recording and reporting unless high quality, third-party evidence existed. Only actual dollars of completed transactions were worthy of reporting. Yes, phony trades could occur but collusion would be required, and verification steps would have to be carried out.

In sharp contrast, IFRS encourages corporate management to record their chosen “value” of assets, and the corresponding income, without the need for a third-party sale, and confirmation of cash collection.

We can only speculate on the behaviour of the accountants and the auditors in arriving at the marijuana plant “values.” How much test-smoking has to occur before the to-be-reported values are chosen? Unless an active market with verifiable prices is readily available, the audited figures become highly speculative. Active, unbiased markets simply do not exist for many asset and liability situations.

Old Canadian GAAP recorded which horse won the race and by how much, which came second, and similar statistics. IFRS, in contrast, heavily leans upon speculation about which horse may win a future race, despite all the uncertainties that the future holds. The distinction is not trivial. IFRS is the exact opposite in evidence requirements to old Canadian GAAP, not a “mere extension.”

Covering-up dreadful, recent past performance has become child’s play under IFRS, and management still receives its big bonuses. The more freedom given to corporate management to value marijuana-type assets, the less “comparable” across the world are the figures. Comparability is, at best, merely an IFRS dream for far too many industries.
When Cash is “Up in Smoke”

Another deficiency of IFRS is that it constitutes an extreme of accrual accounting. That is, extensive non-cash-based valuation adjustments (such as for capitalized leases) separate the months or years between reporting a profit, and when cash might eventually be received for related sales/services/financial accomplishments.

Validating the credibility of reported profit by comparing it with current cash flow from operations has long been a useful analytical tool. But when revenue can be recognized using a 50.001% of management-decided probability of eventual cash collection, combined with vague concepts such as hoping to receive future “economic benefits,” a major disconnect in time and dollars occurs.

In essence, IFRS is an extreme example of rejecting traditional bargained measurements of what constitutes cash-verified income or profit. Cash interest received from having invested in a bond surely is evidence of earnings or income. Promises of future dividends form the basis of potential frauds and Ponzi schemes.

EBITDA was an early attempt by tricksters to inflate reported income. Adjusted EBITDA and other non-GAAP measures then widened the gap between actual cash receipt and reported fake income. In my opinion, IFRS is a swindler’s dream — invent your own, hallucinated dollars of profit. This is exactly what has occurred now in Canada.

What Should Be Done?

Canada has an especially long history of financial failures, from financial institutions like Castor Holdings and Confederation Life, to rosy valuations of property utilized by corporations to cover up for non-receipt of cash interest and principal on mortgages. Investor losses are typically in the billions for such reported profit versus operating cash flow disassociations.

That history was ignored by the adopters and proponents of IFRS. Canada has repeatedly displayed a fondness for attracting new capital from unsuspecting people. Our assumption that an endless supply of victims exists is worthy of debate.

We should conclude that the foundations of IFRS are irreparable and a far too flimsy foundation upon which to build a future for financial reporting. We should accept that fact before millions of dollars in investment in the most Canadian recent fad goes “up in smoke.”
Canada’s Minister of Finance involvement in the enforcement of the IFRS International accounting standards instead of our Canadian Accounting standards GAAP.

Please read the attached document or view the links below:

**Books and records guidance**

The Canadian Accounting Standards Board (AcSB) requires publicly accountable enterprises to use IFRS in the preparation of all interim and annual financial statements.

Most private companies also have the option to adopt IFRS for financial statement preparation.

Since mandatory adoption of International Financial Reporting Standards (IFRS) started in Canada in 2011, publicly accountable enterprises (PAEs) have to measure, value, and present financial statements differently from those prepared under Canadian generally accepted accounting principles (GAAP) in earlier years. Other qualifying enterprises have the option to also adopt IFRS for financial statement preparation.

To integrate IFRS and the requirements of the Canadian Income Tax Act and Excise Tax Act, PAEs and other qualifying enterprises are required to maintain, on a legal entity and/or partnership basis, additional documentation to support the income tax and GST/HST tax returns filed with the Canada Revenue Agency (CRA).

This documentation must be maintained at the same location where the enterprise maintains its records. All of the records and supporting documents must be kept for a period of six years that starts at the end of the tax year to which the records relate. Records and supporting documents concerning long-term acquisitions and disposal of property, the share registry, and other historical information that would have an impact upon sale, liquidation or wind-up of the business must be kept indefinitely.

The purpose of the following guidance is to address the additional documentation that qualifying enterprises are expected to maintain to support amounts filed on their General Index of Financial Information (GIFI) and tax returns.

This guidance should be read in addition to our information on Keeping records and Preparing your financial statements using General Index of Financial Information (GIFI).
Minimum records to be maintained

The information below outlines key documentation that will be necessary to support the tax obligations of an enterprise.

Reconciliations

Financial statements

Reconciliations from both:

- the amounts recorded on the GIFI to the IFRS financial statements
- the IFRS financial statements to the financial records (including those that are not maintained using IFRS)


The Minister of Finance, Bill Morneau is asking the regulatory departments for the easing of regulatory burden to suit the International accounting measures at the cost of Canadians through deregulations of our Constitutional accounting protection against fraud.
Provincial Governments such as:

Ontario OSC

OSC STAFF NOTICE 11-784  BURDEN REDUCTION January 14, 2019

Purpose

• Seek suggestions on ways to further reduce unnecessary regulatory burden.

• Announce a March 27, 2019, roundtable discussion on reducing regulatory burden.

What is the OSC?

The Ontario Securities Commission (the OSC) has a statutory mandate under the Securities Act (the Act) to provide protection to investors from unfair, improper or fraudulent practices; to foster fair and efficient capital markets and confidence in capital markets; and to contribute to the stability of the financial system and the reduction of systemic risk.

Under the Act, one of the fundamental principles guiding our work is that business and regulatory costs and other restrictions on the business and investment activities of market participants should be proportionate to the significance of the regulatory objective sought to be realized.

The OSC has several ongoing projects to reduce regulatory burden. For example, the OSC and the other members of the Canadian Securities Administrators (the CSA) are currently proceeding with the burden reduction initiatives described in CSA Staff Notice 81-329 Reducing Regulatory Burden for Investment Fund Issuers and CSA Staff Notice 51-353 Update on CSA Consultation Paper 51-404 Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers.

Here I will demonstrate, the difference in levels of how difficult it is to identify Securities fraud, using the IFRS Accounting standards instead of following the RULES under GAAP as being done since 2010. You will also see how many lesser charges were brought in under Securities fraud not cough under the IFRS scheme.

Public-Private Partnership Example: 407 International Inc.
407 ETR Ontario in control of voting power over the Provincial and Federal Government organizations.
The best example to look at is the 407 International Inc. corporation, which is a Public-Private Corporation, where the two private corporations with a total of 60% shares and control, can dictate over the 40% control of the Canada Pension Plan Investment Board (CPPIB) and further have input and control of our Vehicle Licensing Laws.

“Sale Agreements”

In 2002, the sale agreements pertaining to Highway 407 ETR were made accessible to the public. To make it easier for individuals wanting to read the contract or obtain a copy, we have posted all public agreements below. Should you have any questions related to this contract, please call our Communications and Government Relations department at 905-264-5232.

To make it easier for online viewing, the entire contract has also been separated into two main parts: (1) The Share Purchase Agreement (plus Schedules) and (2) The Concession Ground Lease Agreement (plus Schedules). Together, the entire contract is comprised of over 600 pages. Law enforcement and personal information has been excluded based on the order by the Information and Privacy Commissioner of Ontario.


(2) 407 Share Purchase Agreement: https://www.407etr.com/documents/sales/SPA.pdf

Schedules to the Share Purchase Agreement:

1. Schedule 1.1(ar) (56KB) - Description of Highway 407 Central
2. Schedule 1.1(bi) (118KB) - Pro Forma Balance Sheet
3. Schedule 1.1(bt) (286KB) - Restriction on Transfer Agreement
4. Schedule 4.1(ab) (157KB) - Insurance
5. Schedule 4.1(ad) (189KB) - Material Contracts
6. Schedule 4.1(ae) (152KB) - Litigation
7. Schedule 4.1(af) (1351KB) - Terms of Employment
8. Schedule 4.1(i) (24KB) - Consents
9. Schedule 4.1(o)(i) (52KB) - Historical Traffic Data
10. Schedule 4.1(o)(ii) (45KB) - Historical Revenue Data
11. Schedule 4.1(w) (18KB) - Lease of Real Property
12. Schedule 6.1.3 (12KB) - Form of Concessions Agreement and Amendment thereto respecting the Highway 407 East Completion
13. Schedule 6.1.4 (406KB) - Legal Opinion of Counsel to Vendor
I would not be wrong by stipulating that this corporate globalization, the changing of our regulations and standards that are inconsistent to our constitutions, and the expectations from our Canadian institutions, are created to destroy the rights, and freedoms of all peoples living in free democratic countries in the process. It is nothing short of an outright Corporate “WORLD COUP and theft of Sovereign Rights” to suit Private Corporations. These actions are creating massive debts to peoples and countries.

All of which has been instigated and implemented without the Canadian peoples and the Indigenous Nations consent, and launched by our governments since 1991 through the World Trade Organization in 1993 with the implementation of the
Public-Private Partnership agenda, and now the final blow through the IFRS accounting scheme, defrauding the peoples of all countries involved.

When looking at the whole picture of what has been transpiring in our governments, the Banking and Financial Institutions and the Private Corporations, we can clearly see how and why we could have escalated in the amount of fraud being committed at all levels with no end in sight, if we as Canadians, do not put an end to it in Canada immediately. Otherwise, we will lose everything including the quality of life we are to live.

*Sounding the Alarm

Office of the Auditor General of Ontario
Bonnie Lysyk, Auditor General, October 2017, Toronto, Ontario

4.0 Inappropriate Legislated Accounting Not Allowed Under Canadian Public Sector Accounting Standards

This section describes how and why the government’s desired accounting result of not showing a deficit or an increase in net debt from its Policy Decision is not achievable on the Province’s consolidated financial statements when applying Canadian Public Sector Accounting Standards

4.1 Overview of Canadian Public Sector Accounting Standards

The accounting profession follows generally accepted accounting principles (GAAP) in private and public-sector accounting for several reasons, key of which is that financial statements prepared under GAAP should be fairly presented, should be reliable and should be comparable to past years.

In Canada, GAAP for the consolidated financial statements of federal, provincial and municipal governments (and for certain other government organizations) is referred to as Canadian Public Sector Accounting Standards (PSAS).

While public sector accounting standards are, for the most part, similar to private-sector standards, they do differ in several significant areas. The government of Ontario has historically chosen to follow Canadian PSAS as the basis of accounting for the preparation of the consolidated financial statements of the Province of Ontario.

Canadian PSAS can be found in the Public Sector Accounting Handbook of CPA Canada, Canada’s national organization for Chartered Professional Accountants.

4.2 The Complex Accounting

Design Fails the Canadian PSAS

Substance Test
Canadian PSAS enshrine a no-nonsense approach to accounting that follows the principle of “substance over form.” That is, an organization’s financial statements must show the economic impact of its transactions, not just their legal form. No transaction should be recorded to hide its financial impact and thereby mislead the reader of the financial statements.

Following this principle of “substance over form”:

• When a government spends more than it takes in, it incurs a deficit.
• When a government needs to borrow to cover that deficit, net debt increases, and it incurs interest expense.

Under Canadian Public Sector Accounting Standards, the IESO’s accounting treatment for recording a rate-regulated asset and market accounts must be eliminated on consolidation into the Province’s financial statements.

A government should not record on its own set of statements or have its statements impacted by an asset it creates under legislation. In essence, the government is making up its own accounting rules.

Further, a regulatory asset cannot be recorded on financial statements prepared using the Canadian Public Sector Accounting Standards framework. We obtained extensive advice confirming these points from the current Auditors General in Canada, a former Auditor General of Saskatchewan and British Columbia and external advisers, including, but not limited to, the recently retired Director of the Canadian Public Sector Accounting Board.

Difference Between GAAP and IFRS

What is GAAP?

There are general rules and concepts that govern the field of accounting. These general rules—referred to as basic accounting principles and guidelines—form the groundwork on which more detailed, complicated, and legalistic accounting rules are based. For example, the Financial Accounting Standards Board (FASB) uses the basic accounting principles and guidelines as a basis for their own detailed and comprehensive set of accounting rules and standards.

The phrase "generally accepted accounting principles" (or "GAAP") consists of three important sets of rules:

(1) the basic accounting principles and guidelines,
(2) the detailed rules and standards issued by FASB and its predecessor the Accounting Principles Board (APB), and

(3) the generally accepted industry practices.

If a company distributes its financial statements to the public, it is required to follow generally accepted accounting principles in the preparation of those statements. Further, if a company's stock is publicly traded, federal law requires the company's financial statements be audited by independent public accountants. Both the company's management and the independent accountants must certify that the financial statements and the related notes to the financial statements have been prepared in accordance with GAAP.

GAAP is exceedingly useful because it attempts to standardize and regulate accounting definitions, assumptions, and methods. Because of generally accepted accounting principles we are able to assume that there is consistency from year to year in the methods used to prepare a company's financial statements. And although variations may exist, we can make reasonably confident conclusions when comparing one company to another, or comparing one company's financial statistics to the statistics for its industry. Over the years the generally accepted accounting principles have become more complex because financial transactions have become more complex.

Read more: [https://www.accountingcoach.com/accounting-principles/explanation](https://www.accountingcoach.com/accounting-principles/explanation)

More on IFRS Vs GAAP

Last updated on May 19, 2017 by Surbhi S

IFRS Vs GAAP is the most debatable topic in accounting where the former is defined as the financial reporting method having universal applicability while the latter are the set of guidelines made for financial accounting. Since past few years, IFRS has gained significant importance, due to which over hundred countries of the world have adopted IFRS as the standard for accounting. The issuing organizations of the two are continuously working on their convergence.

IFRS or otherwise known as International Financial Reporting Standard implies a principle-based set of standards. On the other hand Generally Accepted Accounting Principles (GAAP) is the assemblage of rules, conventions, and procedures, that explains the accepted accounting practice. There is only a few difference between IFRS and GAAP.

Conclusion

As efforts are continuously made to converge these two standards, so it can be said that there is no comparison between GAAP and IFRS. Moreover, the
differences between the two are as per a particular point of time that may get a change in the future.

Key Differences Between GAAP and IFRS

The important difference between GAAP and IFRS are explained as under:

(1) GAAP stands for Generally Accepted Accounting Principles. IFRS is an abbreviation for International Financial Reporting Standard.

(2) GAAP is a set of accounting guidelines and procedures, used by the companies to prepare their financial statements. IFRS is the universal business language followed by the companies while reporting financial statements.

(3) Financial Accounting Standard Board issues GAAP (FASB) whereas International Accounting Standard Board (IASB) issued IFRS.

(4) Use of Last in First out (LIFO) is not permissible as per IFRS which is not in the case of GAAP.

(5) Extraordinary items are shown below the statement of income in case of GAAP. Conversely, in IFRS, such items are not segregated in the statement of income.

(6) Development Cost is treated as an expense in GAAP, while in IFRS, the cost is capitalised provided the specified conditions are met.

(7) Inventory reversal is strictly prohibited under GAAP, but IFRS allows inventory reversal subject to specified conditions are fulfilled.

(8) IFRS is based on principles, whereas GAAP is based on rules.
Under the IFRS scheme, “GOOD” accounting is not possible, as too much of our accounting standards are being left out of the IFRS accounting system itself as stated, over and over by Canadian Provincial Auditors.

These warnings since at least 2008 from our own Canadian Provincial Auditors reports and others in many countries. The most disturbing is the European Court of Auditors reports that clearly indicate their level of frustrations in regards to Public-Private Partnerships (P3's or PPP). They want to halt all P3's immediately.
The outrageous under quoted, then inflated costs of finalizing an infrastructure project through the Public-Private Partnership undertakings have serious consequences, when leaving it up to private corporations to handle our public services, and to manage our infrastructure projects. This type of Governance is lethal as they become a huge financial-economic burden to the people of the countries. See Report from the European Court of Auditors 2018.

The use of PPP’s has proven themselves to be the driving force behind the bankrupting of countries, through improperly incurred debts created by the public-Private Partnerships. Now, adding the IFRS accounting scheme and the amount of pressure of our world-wide Auditors to be manipulated or silenced by our governing bodies to accept lower accounting standards in opposition to our Constitutional requirements.

The actions of the Minister of Finance and the Government of Canada and the Government of Ontario including the other Provinces involved and doing this for the benefit of the private corporations is done at the detriment of the Canadian citizens. Our economy and resources and investors is further evidence that our governments are incompetent, and work for the private corporations rather than for the public, we the people, the equal owners, shareholders of our assets and country.

Given this information, it is clear to see that all of our Canadian Public Corporations, our Assets and Country fall at risk of financial collapse, as it did with Greece at the very hands of those we the people, have elected to properly manage our affairs and to protect this country from harm.

The Governments have failed the People in this given their continuous actions in advancing the legislative, legalization of fraud as previously done with lobbying that used to be considered fraudulent. Their actions constitute nothing short of treason against Canadians and the Indigenous Nations, their sovereign rights and the country itself by suppressing National Sovereignty, our Sovereign Economy and Laws, to suit International Corporations and Organizations contravening the Canadian Constitution until they purposely legalize these fraudulent activities.

Auditors reports of all provinces and the Government of Canada and from 2004 to 2019 should be investigated along with their forensic audits

(1) CANADIAN SECURITIES ADMINISTRATORS REPORT FY2018/19

From April 1, 2018 to March 31, 2019, CSA members concluded a total of 94 matters involving 177 respondents.

(2) CANADIAN SECURITIES ADMINISTRATORS REPORT 2017

Calendar year: from January 1 to December 31, 2017, CSA members commenced a total of 66 matters involving 160 respondents (both individuals and companies).
Proceedings Commenced

Proceedings commenced are cases where Commission staff have filed a statement of allegations or have sworn an Information before the courts (or in Québec, where a statement of offence has been served on the defendant), any of which allege wrongdoing. Many of the proceedings commenced in 2009 were still underway at the end of the year, and in such cases, decisions have yet to be rendered. The 124 total proceedings commenced in 2009 include 154 individuals and 112 companies. By comparison the 171* total proceedings commenced in 2008 included 247 individuals and 127 companies.

Concluded Cases

CSA members concluded 141 cases in 2009, involving 160 individuals and 103 companies. By comparison, the 123 concluded cases in 2008 involved 193 individuals and 129 companies.

What Are Pump-and Dump Schemes?

Pump-and-dump schemes involve the artificial inflation, or “pumping,” of a stock price through false and misleading positive statements, so that the perpetrators can later sell their cheaply purchased shares at a higher price. Once the scheme organizers “dump” their stock, the price falls and other investors, not aware of the scheme, lose money. Most common with smaller-cap stocks and some crypto-assets, this type of securities fraud can cause harm in several ways:

- Financial losses to individual investors;
- Damage to the reputation of Canada’s capital markets; and
- Support of funds for organized crime

Prepared by: Nicole Lebrasseur August 17, 2019
As per: Comment by the Auditor general in the 2008 report:

2.2 Responsibility for the Public Accounts

Government is responsible for providing the House of Assembly with the Province’s financial statements (the Public Accounts). While Treasury Board prescribes the manner and form in which the Public Accounts of the Province are prepared, the actual statements, schedules and notes are prepared by the Comptroller General.

The Consolidated Summary Financial Statements include a Statement of Responsibility, signed by the Minister of Finance and President of Treasury Board, and the Comptroller General. The Statement indicates that "Responsibility for the integrity, objectivity and fair presentation of the consolidated summary financial statements of the Province of Newfoundland and Labrador rests with the Government. As required under Section 59 of the Financial Administration Act, these consolidated summary financial statements are prepared by the Comptroller General of Finance in accordance with the applicable legislation and in accordance with the accounting policies as disclosed in Note 1 to these consolidated summary financial statements. These consolidated summary financial statements are prepared based upon information provided by the various Government departments and the noted Crown corporations, boards and authorities pursuant to Section 19 of the Transparency and Accountability Act and Section 20 of the Financial Administration Act. The Government is responsible for maintaining a system of internal accounting and administrative controls in order to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records are properly maintained."

2.3 Auditor's Report on the Financial Statements of the Province

The Auditor’s Report on the Consolidated Summary Financial Statements of the Province for the year ended 31 March 2008 reads as follows:

   To the House of Assembly
   Province of Newfoundland and Labrador

   I have audited the consolidated statement of financial position of the Province of Newfoundland and Labrador as at 31 March 2008 and the consolidated statements of change in net debt, operations, change in accumulated deficit and cash flows for the year then ended. These financial statements are the responsibility of Government. My responsibility is to express an opinion on these financial statements based on my audit.
I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Government, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated summary financial statements present fairly, in all material respects, the financial position of the Province of Newfoundland and Labrador as at 31 March 2008 and the results of its operations, the changes in its net debt and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles and, pursuant to section 11 of the Auditor General Act, in accordance with the accounting policies of the Provincial government as disclosed in Note 1 to these financial statements applied on a basis consistent with that of the preceding year.

JOHN L. NOSEWORTHY, CA
Auditor General
St. John’s, Newfoundland and Labrador
18 November 2008

2.4 How do our Financial Statements Compare to Other Jurisdictions?

The Consolidated Summary Financial Statements are the principal financial statements of the Province and are in full compliance with the requirements of Canadian generally accepted accounting principles for government. In my opinion, the Province’s financial statements are as good as the financial statements of any jurisdiction in Canada.

Continued:

5.3 Amendments Required to the Auditor General Act.

In April 2005 we wrote the then Speaker of the House of Assembly outlining proposed amendments to the Auditor General Act (the Act). Although this request has not yet been acted upon, the Act may require further changes due to the new House of Assembly Accountability, Integrity and Administration Act (HOAAIAAct).

The HOAAIA Act has a significant impact on this Office through Section 45. Section 45 provides direction on how reports of potential improper retention or misappropriation of public money by a Member of the House of Assembly, the Clerk, the Clerk Assistant or staff of the House of Assembly Service or the statutory offices, can be communicated. All other persons associated with potential improper retention or misappropriations of public money are subject to section 15 of the Auditor General Act.

My Office has always recognized that we were a source of trained accounting professionals and that many of our staff would eventually move on to positions in other Government departments. However, over the last few years we have experienced a significant increase in the number of staff leaving for other higher
paid positions, mainly within Government. This, along with difficulties experienced in recruiting staff to replace those leaving, has caused significant operational difficulties in conducting our work. We have been working with the Public Service Secretariat since January 2008 to address our current recruitment and retention issues and are hopeful that an appropriate resolution can soon be achieved.

In July 2008, I wrote the current Speaker of the House of Assembly indicating that some proposed amendments had been discussed with the former Speaker, and requesting that all proposed amendments, including those in relation to the new House of Assembly Accountability, Integrity and Administration Act, be reviewed for eventual introduction and debate in the House of Assembly.

5.6 Changes in How Government Operates and in Legislation

To effectively perform an audit, there is a professional responsibility to be knowledgeable of the organization being audited. As the auditor of Government, therefore, my Office requires a sound knowledge of the business of Government. There are challenges because of many changes which continue to take place relating to how Government and its agencies operate.

In addition, there are changes to legislation which impact on operations and which have to be monitored. For example, the requirements under the Transparency and Accountability Act as they apply to Government and all of its entities have to be considered by my Office in performing audits.

NFL Transparency and Accountability Act:

Audits and information to the comptroller general

19. (1) The chairperson of a public body shall ensure that the public body engages an auditor on a timely basis and that the audit of the public body is completed in a timely manner.

(2) A public body shall provide the comptroller general with a copy of the public body's audited financial statements, together with information related to the audited financial statements the comptroller general may request, within the time required by the comptroller general.

(3) A government entity shall, where requested to do so by the comptroller general, provide him or her with interim financial statements and related information within the time required by the comptroller general.

(4) Where directed to do so by the President of the Treasury Board, a public body shall permit the comptroller general to review the books of account and other financial records of the public body.

(5) The comptroller general shall include, where appropriate, and in accordance with generally accepted accounting principles, the audited financial statements of a public body with the Public Accounts required to be prepared by section 59 of the Financial Administration Act.

2004 cT-8.1 s19
NL

Important report links below

**IMPORTANT Audit Accounting Issues:** due to new government dealings and different accounting strategies of companies not conforming to the Financial Accounting Act.


Pay close attention to the statement by the NFL government department:
The FAA in its current form contains many principles that are still valid in today's environment and it still serves us well in providing direction and control over Public Money. While there is some merit in considering amendments to reflect language changes, terminology or possibly consolidate various legislative requirements, **this is not seen as a high priority at this time.**
Highlights

Highlights of a review of the Financial Administration Act.

Why our Office did this Review

We performed a review of the Financial Administration Act to assess whether it still provided clear legislative direction in view of the many changes in the public sector environment (e.g. investment in private sector companies for economic development and innovation purposes, and changes in accounting principles) since it was proclaimed in 1973.

What our Office Recommends

We recommend that consideration be given to amending the Financial Administration Act to:

➢ provide explicit authority for investments in private sector companies for innovation and/or economic development purposes; and
➢ clearly identify that the financial statements of the Province should be its Consolidated Summary Financial Statements prepared in accordance with Generally Accepted Accounting Principles (GAAP).

What the Department Said

To provide balance to this report and to ensure full disclosure, the Department was asked to formulate a response to our findings and conclusions. The Department’s response, verbatim, is included at the end of this report. Readers are encouraged to consider the Department’s comments in this regard.

Reviews of Departments and Crown Agencies

Chapter 2, Part 2.5

DEPARTMENT OF FINANCE

Financial Administration Act

The Financial Administration Act (the Act) was proclaimed in 1973 and is the primary statute which provides legislative direction and control over the financial administration of the Province. In particular the Act provides direction relating to the following:

➢ the role, responsibility and authority of Treasury Board;
➢ legislative controls over public money;
➢ legislative controls over public disbursements;
➢ legislative controls over public debt; and
➢ the Public Accounts of the Province (i.e. financial statements).

When the Financial Administration Act was proclaimed in 1973, it included many of the same provisions contained in the Consolidated Revenue and Audit Act of 1899, which formed the genesis for the Financial Administration Act. As a result, although there have been a number of amendments to the Act, parts of the legislation still reflect an era when:

➢ there were few Crown agencies;
➢ Government, for the most part, administered its programs directly through its departments;
➢ Government did not provide grants or support directly to private sector entities; and
➢ there were no generally accepted accounting principles for governments.

In addition to the Financial Administration Act there are two other acts which provide legislative direction respecting the financial operations of Government, its departments and Crown agencies. These are:

➢ the annual Supply Act which provides legislative authority for the spending of Public Money as outlined in the annual Estimates presented by Government or as a result of additional special requests approved by the Legislature; and
➢ the Transparency and Accountability Act which provides direction to Government relating to the development and tabling of annual plans and annual reports on its operations.

These three acts are designed to create a system of accountability and control by providing legislative direction to Government respecting the appropriate use of public money and the expectation that Government will report back to the House of Assembly on how public money was spent and what was achieved relative to approved plans. Because of the many changes which have taken place in the way Government operates and in the accounting and reporting standards which it has adopted, it is now time to consider updating the legislative direction provided by the Financial Administration Act to reflect current practices.

What We Found

Our review of the Financial Administration Act disclosed that it does not provide Government with clear legislative authority for certain transactions and does not provide clear guidance with regards to accounting principles and financial statements.

➢ Legislation has to be permissive; however, the Financial Administration Act does not provide any specific authority to permit investments in private sector companies for innovation and/or economic development purposes. For example, this Annual Report includes information on three equity investments made by the Department of Innovation, Trade and Rural Development totalling $1.05 million where, in our opinion, such investments were made without clear legislative authority.
➢ The Act does not clearly identify that the financial statements of the Province should be its Consolidated Summary Financial Statements prepared in accordance with Generally Accepted Accounting Principles (GAAP). However, notwithstanding the lack of clarity in the Act, Government is in full compliance with GAAP and prepares Consolidated Summary Financial Statements: a fact my Office has commended Government for in recent years.
Introduction

The Financial Administration Act (Act) was proclaimed in 1973 and is the primary statute which provides legislative direction and control over the financial administration of the Province. In particular the Act provides direction relating to the following:

- the role, responsibility and authority of Treasury Board;
- legislative controls over public money;
- legislative controls over public disbursements;
- legislative controls over public debt; and
- the Public Accounts of the Province (i.e. financial statements).

When the Financial Administration Act was proclaimed in 1973, it included many of the same provisions contained in the Consolidated Revenue and Audit Act of 1899, which formed the genesis for the Financial Administration Act. As a result, although there have been a number of amendments to the Act, parts of the legislation still reflect an era when:

- there were few Crown agencies;
- Government, for the most part, administered its programs directly through its departments;
- Government did not provide grants or support directly to private sector entities; and
- there were no generally accepted accounting principles for governments.

In addition to the Financial Administration Act there are two other acts which provide legislative direction respecting the financial operations of Government, its departments and Crown agencies. These are:

- the annual Supply Act which provides legislative authority for the spending of Public Money as outlined in the annual Estimates presented by Government or as a result of additional special requests approved by the Legislature; and
Financial Administration Act

- the Transparency and Accountability Act which provides direction to Government relating to the development and tabling of annual plans and annual reports on its operations.

These three acts are designed to create a system of accountability and control by providing legislative direction to Government respecting the appropriate use of public money and the expectation that Government will report back to the House of Assembly on how public money was spent and what was achieved relative to approved plans.

Because of the many changes which have taken place in the way Government operates and in the accounting and reporting standards which it has adopted, it is now time to consider updating the legislative direction provided by the Financial Administration Act to reflect current practices.

Scope

Review of the Act

We performed a review of the Act to assess whether it still provided clear legislative direction in view of the many changes in the public sector environment (e.g. investment in private sector companies for economic development and innovation purposes, and changes in accounting principles) since it was proclaimed.

Overall Conclusion

Our review of the Financial Administration Act disclosed that it does not provide Government with clear legislative authority for certain transactions and does not provide clear guidance with regards to accounting principles and financial statements.

- Legislation has to be permissive; however, the Financial Administration Act does not provide any specific authority to permit investments in private sector companies for innovation and/or economic development purposes.

For example, this Annual Report includes information on three equity investments made by the Department of Innovation, Trade and Rural Development totalling $1.05 million where, in our opinion, such investments were made without clear legislative authority.
The Act does not clearly identify that the financial statements of the Province should be its Consolidated Summary Financial Statements prepared in accordance with Generally Accepted Accounting Principles (GAAP). However, notwithstanding the lack of clarity in the Act, Government is in full compliance with GAAP and prepares Consolidated Summary Financial Statements: a fact my Office has commended Government for in recent years.

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**Detailed Observations**

**Findings**

Findings from our review are outlined in the following sections:

1. Innovation and Investment Activities

2. Financial Statements of the Province

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**1. Innovation and Investment Activities**

It is generally acknowledged that legislation has to be permissive, i.e. a public servant can only do what legislation directs them to do.

In recent years, Government has been providing investments in private sector companies for innovation and/or economic development purposes. For example, this Annual Report includes information on three equity investments totalling $1.05 million made by the Department of Innovation, Trade and Rural Development during 2005-06 as follows:

<table>
<thead>
<tr>
<th>Company</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge-based IT Company A</td>
<td>$500,000</td>
</tr>
<tr>
<td>Knowledge-based IT Company B</td>
<td>500,000</td>
</tr>
<tr>
<td>High-technology R&amp;D Company</td>
<td>50,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,050,000</strong></td>
</tr>
</tbody>
</table>

Source: Government's financial management system
Although the Financial Administration Act provides direction relating to budgets and payments for “goods and services”, there is no provision for the concept of the use of public money for investment in private sector companies for innovation and/or economic development purposes. In fact, the Act only permits the Minister of Finance to invest in stocks or bonds issued by or guaranteed by Canada, the provinces or a chartered bank. As a result, the Act does not provide any specific authority to permit investments in private sector companies.

The Supply Act is another Act which provides legislative authority for the spending of public money. However, the Supply Act only approves Government's estimates in “defraying certain expenses of the Public Service”, and does not explicitly refer to investments in private sector companies. Furthermore, it is unlikely that an investment could be considered an expense as contemplated in the Supply Act. Therefore, there is no specific authority in the Supply Act to support investments in private sector companies.

We note that the Supply Acts and Financial Administration Acts of Ontario and British Columbia both specifically allow investments in private sector companies for innovation and/or economic development purposes.

2. Financial Statements of the Province

Generally Accepted Accounting Principles (GAAP) for Governments have been developed and adopted since the creation of the Public Sector Accounting Board (PSAB) by the Canadian Institute of Chartered Accountants in 1981. GAAP recognizes that a Government's consolidated summary financial statements provide the most comprehensive accounting of its financial position and results of operations.

When the Financial Administration Act was enacted in 1973, there was no GAAP for Government and the financial statements were based on the Consolidated Revenue Fund on a cash basis of accounting. Therefore, to reflect the thinking of the day, section 58 of the Act provides that the Comptroller General shall maintain the accounts of the Consolidated Revenue Fund (referred to in the section as the “Accounts of the Province”), while section 59 requires the preparation of the Public Accounts (financial statements) to include the state of the public debt, the revenues and expenditures and other statements that may be required to show the financial position of the Province. There is no concept of GAAP in the Act, i.e. Consolidated Summary Financial Statements prepared on an accrual basis of accounting in accordance with generally accepted accounting principles for governments in Canada.
Even though there is a lack of clarity in the Act, Government is in full compliance with GAAP and prepares Consolidated Summary Financial Statements: a fact my Office has commended Government for in recent years. Government's financial statements now include all Crown agencies along with the Consolidated Revenue Fund, all on an accrual basis of accounting. The issue, therefore, is that the Act has not kept pace with the development and acceptance of generally accepted accounting principles for governments in Canada and does not reflect the current reality of Government's financial reporting.

We found that the legislation in other provincial jurisdictions requires preparation of the financial statements of the province which comply with generally accepted accounting principles.

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**Recommendation**

We recommend that consideration be given to amending the Financial Administration Act to:

- provide explicit authority for investments in private sector companies for innovation and/or economic development purposes; and
- clearly identify that the financial statements of the Province should be its Consolidated Summary Financial Statements prepared in accordance with Generally Accepted Accounting Principles (GAAP).

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**Department’s Response**

**Innovation and Investment Activities**

*Generally, while I see merit in reviewing the whole FAA, given the timeframe since its last major revision, I have great concerns that your report may be interpreted that Government is not complying with legislation. I cannot agree with such an interpretation.*
You have stated that “Legislation has to be permissive; however, the Financial Administration Act does not provide any specific authority to permit investments in private sector companies for innovation and/or economic development purposes.” You have also indicated that the FFA provides direction relating to “goods and services” but no provision for investment in private sector companies. Also, that the Supply Act provides no specific authority for such investments.

Our legislation is not prescriptive; it is based on sound principles and must be viewed as a whole. Section 22 of the FAA allows for the issue of Public Money under the authority of the Legislature. In addition, Section 23 describes the appropriation process. The subheads and subdivisions referenced in that section clearly show in each fiscal year the purpose for which Public Money is appropriated and the Estimates are tabled in the Legislature and support the Supply Bill.

There has been a long history of the Province making investments in private sector companies. The 2006-08 Strategic Plan of the Department of Innovation, Trade and Rural Development, which is a public document, prepared pursuant to the Transparency and Accountability Act, specifically identifies Provincial dollars invested in client enterprises and innovation activities as indicators of performance. The main object of expenditure “Loans, Advances and Investments” has existed for decades. Some examples from the 1980’s include The Lake Group, Baie Verte Mines, North Atlantic Fisheries Limited, etc. No previous Auditor General has identified concerns in this area.

We believe there is sufficient general authority in the FAA to authorize Government to make investments, when considered as a whole, including the budgetary process. When we consider all the checks, balances and the rigid procedures in place to control Government spending, typically starting in August of each year to complete the Estimates of expenditures for each department leading to the Budget Speech and tabling the Estimates in the Legislature and the passage of supply, it is difficult to say no authority can be found in the FAA to permit investments to private enterprise or any other type of expenditure as noted in the Estimates. It is not necessary or indeed possible to name each individual term, reason or event upon which the legislature will grant supply. We have consulted with the Department of Justice on this matter and this is a position which they currently and consistently in the past have supported.

In addition, the Department of Justice advised us of a judicial decision regarding interpretation of legislation found in paragraph 21 of the Archean decision, as follows:

1 Archean Resources Ltd. V. Her Majesty, 215 NPEI 124 at para. 21
“Legislation, by virtue of its nature, the manner in which it comes into being, and by virtue of the fact that it generally operates prospectively, must of necessity be expressed in generalized language. Not every fact scenario that could be potentially engaged by the subject of the legislation can be anticipated. Even the most detailed legislative provision cannot purport to address specifically all situations that might potentially be affected or caught by its reach.”

You have commented that the Supply Acts and Financial Administration Acts of Ontario and British Columbia both specifically allow investments in private sector companies. However, this is not consistent with many other jurisdictions in Canada, where the provision of supply is in more general terms and specific types of appropriation items are not identified. Because other provinces may have different legislation, this in no way implies we are acting without legislative authority.

You have indicated that the FAA only permits investment in stocks or bonds issued by or guaranteed by Canada, the provinces or a charter bank, which appears to be a reference to Section 15 of the FAA. In my view, Section 15 has nothing to do with the cash estimates of expenditures for departments, but relates to cash management issues of what financial instruments the Consolidated Revenue Fund is held in. No appropriations are required for such transactions.

I also note that the various schedules of the Executive Council Act outline the legislated mandate of the various departments of Government.

Financial Statements of the Province

You have stated that, “The Act does not clearly identify that the financial statements of the Province should be its Consolidated Summary Financial Statements prepared in accordance with Generally Accepted Accounting Principles (GAAP).” However, you have also noted that Government has been in full compliance with GAAP.

Paragraph 59(2) of the FAA provides, “The Public Accounts shall show...those other accounts and statements that may under good accounting practice be required to show the financial positions of the province...”. In that respect we have complied with the legislation and do prepare financial statements in accordance with GAAP as you have indicated.
In addition, subsection 19(5) of the Transparency and Accountability Act states “The comptroller general shall include… in accordance with generally accepted accounting principles, the audited financial statements of a public body with the Public Accounts required to be prepared by section 59 of the Financial Administration Act”.

Therefore, in my view, summary consolidated financial statements, in accordance with GAAP, is already contemplated in current legislation.

Summary

The FAA in its current form contains many principles that are still valid in today’s environment and it still serves us well in providing direction and control over Public Money. While there is some merit in considering amendments to reflect language changes, terminology or possibly consolidate various legislative requirements, this is not seen as a high priority at this time.
Ontario’s Public Accounts for each fiscal year ending on March 31 are prepared under the direction of the Minister of Finance, as required by the Financial Administration Act (Act). The Public Accounts comprise the province’s annual report, including the province’s consolidated financial statements, and three supplementary volumes of additional financial information.

The government’s responsibility for preparing the consolidated financial statements involves ensuring that the information, including the many amounts based on estimates and judgment, is presented fairly. The government is also responsible for ensuring that an effective system of control, with supporting procedures, is in place to ensure that transactions are authorized, assets are safeguarded, and proper records are maintained.

My Office audits these consolidated financial statements. The objective of our audit is to obtain reasonable assurance that the statements are free of material misstatement—that is, free of significant errors or omissions. The consolidated financial statements, along with my Independent Auditor’s Report, are included in the province’s annual report.

The province’s 2011/12 annual report also contains a Financial Statement Discussion and Analysis section that provides additional information regarding the province’s financial condition and fiscal results for the year ended March 31, 2012, including some details of what the government accomplished in the fiscal year. Providing such information enhances the fiscal accountability of the government to both the Legislative Assembly and the public.

The three supplementary volumes of the Public Accounts consist of the following:

- Volume 1—statements from all ministries and a number of schedules providing details of the province’s revenues and expenses, its debts and other liabilities, its loans and investments, and other financial information;
- Volume 2—audited financial statements of significant provincial corporations, boards, and commissions whose activities are included in the province’s consolidated financial statements, as well as other miscellaneous audited financial statements; and
- Volume 3—detailed schedules of ministry payments to vendors and transfer-payment recipients.

My Office reviews the information in the province’s annual report and in Volumes 1 and 2 of the Public Accounts for consistency with the information presented in the province’s consolidated financial statements.

The Act requires that, except in extraordinary circumstances, the government deliver its annual report to the Lieutenant Governor in Council within 180 days of the end of the fiscal year. The three
The Province’s 2011/12 Consolidated Financial Statements

The Auditor General Act requires that I report annually on the results of my examination of the province’s consolidated financial statements. I am pleased to report that my Independent Auditor’s Report to the Legislative Assembly on the province’s consolidated financial statements for the year ended on March 31, 2012, is free of reservations. It reads as follows:

Independent Auditor’s Report

To the Legislative Assembly of the Province of Ontario

I have audited the accompanying consolidated financial statements of the Province of Ontario, which comprise the consolidated statement of financial position as at March 31, 2012, and the consolidated statements of operations, change in net debt, change in accumulated deficit, and cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial Statements

The Government of Ontario is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as the Government determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but
not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Government, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Province of Ontario as at March 31, 2012 and the consolidated results of its operations, change in its net debt, change in its accumulated deficit, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[signed]

Jim McCarter, FCA
Toronto, Ontario  Auditor General
September 6, 2012  Licensed Public Accountant

The above audit opinion is without any reservation, which indicates that the consolidated financial statements fairly present the province’s fiscal results for the 2011/12 fiscal year and its financial position at March 31, 2012. This “clean” audit opinion means that based on our audit work, I can reasonably conclude that the province’s consolidated financial statements have been prepared in accordance with accounting standards the Canadian Institute of Chartered Accountants (CICA) recommends for governments when preparing their financial statements. In other words, I am communicating to users that the province’s consolidated financial statements do not have any material or significant errors and provide a fair reflection of what actually transpired during the year.

If I were to have significant concerns with the government’s compliance with the CICA accounting standards, I would be required to issue an audit opinion with a reservation. An audit opinion with a reservation means significant financial transactions have either not been recorded or not been recorded properly in the province’s consolidated financial statements.

In determining whether a reservation is needed, auditors consider the materiality or significance of the unrecorded or misstated item in relation to the overall consolidated financial statements. An item is material if it is considered significant to financial statement users. An assessment of what is material (significant) and immaterial (insignificant) is based primarily on my professional judgment. Essentially, I ask the question “Is this error or misstatement significant enough that it could affect decisions made by users of the province’s consolidated financial statements?” If the answer is yes, then I consider the error or omission material.

To make this assessment I calculate a materiality threshold. Historically, this threshold has been set at around 0.5% of total government expenses or revenues for the year. If the misstated items individually or collectively exceed the threshold, and management was not willing to make the required adjustments, a reservation in my audit opinion would normally be required. However, no such reservation was required this year.

As a final comment, I wish to point out that it is a notable achievement that in the past 19 years, all Ontario governments, regardless of the political party in power, have complied in all material respects with the CICA standards. Accordingly, my predecessor and I have been able to issue “clean” audit opinions on the province’s consolidated financial statements since the province moved to adopt the CICA’s Public Sector Accounting Board standards in the 1993/94 fiscal year.
In our 2011 Annual Report, we discussed the different measures of government debt—total debt, net debt, and accumulated deficit. We noted that the province’s growing debt burden was attributable to government borrowing to finance recent large deficits and increased infrastructure spending. We compared Ontario’s ratio of net debt-to-GDP to other Canadian and international jurisdictions, and highlighted the consequences to the province of carrying a large debt load.

In updating our debt analysis this year, we observe that the province’s debt, whether measured by total debt, net debt, or accumulated deficit continues to increase, as illustrated in Figure 1.

While the government has not provided details on its projected debt beyond the 2014/15 fiscal year, we estimate that if the government balances its books as it projects in 2017/18, Ontario’s total debt, which represents the total amount of money the government owes to outsiders in the form of bonds issued in the public capital markets, non-public debt, T-bills and U.S. commercial paper, will still total more than $340 billion or double what the outstanding debt was at the end of 2007/08. Net debt, which is the difference between the government’s total liabilities and its financial assets, will likely surpass $320 billion, and the accumulated deficit, which represents the sum of all past annual deficits and surpluses, will stand at around $210 billion by 2017/18.

**ONTARIO’S NET DEBT**

We noted last year that net debt is often considered the best measure of a government’s fiscal situation. While it is important to examine whether net debt is increasing or decreasing over time, the level of debt relative to the size of the economy—that is, net debt to gross domestic product (GDP)—is generally considered to be a good indicator of a government’s ability to manage its debt load. When this ratio is rising, it means the government’s net debt is growing at a faster rate than the provincial economy.

Ontario’s net debt-to-GDP ratio has risen steadily from a low of 26.8% in 2007/08 to 36.9% in the 2011/12 fiscal year, as illustrated in Figure 2. The projected growth in this ratio indicates that government debt will continue to grow at a faster rate than the provincial economy until 2015/16, when the expected growth rate of government debt will fall below the expected growth rate of the provincial economy.

Another useful tool for assessing Ontario’s debt load is to compare it with other Canadian jurisdictions. Figure 3 illustrates the net debt of the federal government and the provinces, along with their respective ratios of net debt to GDP, and the amount of debt owed by each resident of the jurisdiction. As of March 31, 2012, with the exception of the province of Quebec and the federal government, Ontario has the highest net debt-to-GDP ratio.

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**Figure 1: Total Debt, Net Debt, and Accumulated Deficit, 2007/08–2014/15 ($ million)**

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<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Estimate</th>
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<tr>
<td></td>
<td>2007/08 a</td>
<td>2008/09 a</td>
</tr>
<tr>
<td>Total debt</td>
<td>162,217</td>
<td>176,915</td>
</tr>
<tr>
<td>Net debt</td>
<td>156,616</td>
<td>169,585</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>105,617</td>
<td>113,238</td>
</tr>
</tbody>
</table>

a. 2012 Ontario Budget
b. 2011/12 Province of Ontario Consolidated Financial Statements
c. 2012 Ontario Economic Outlook and Fiscal Review
and the highest amount of debt owed by residents of a jurisdiction.

**CONSEQUENCES OF HIGH INDEBTEDNESS**

In our 2011 Annual Report, we highlighted that the province’s escalating indebtedness has a number of negative consequences. These include:

- debt-servicing costs taking away funding needed for other programs;
- greater vulnerability to increases in interest rates; and
- potential credit-rating downgrades and changes in investor sentiment.

At that time, some analysts saw little evidence to suggest that Ontario’s credit rating needed to be downgraded, although some noted that Ontario’s large borrowing requirements, along with its growing reliance on foreign lenders, would increase this risk. However, there have been a number of developments in this regard since our 2011 Annual Report.

**ONTARIO’S CREDIT RATING**

A credit rating is an assessment of a borrower’s creditworthiness with respect to specified debt obligations. It indicates the capacity and willingness of a borrower to pay the interest and principal on these obligations in a timely manner. The province requires ratings from recognized credit-rating agencies to issue debt in capital markets. The three main credit-rating agencies are Moody’s Investors Service (Moody’s), Standard and Poor’s (S&P), and DBRS.

Credit-rating agencies assess a government’s creditworthiness largely based on its capacity to manage its debts, and they consider such factors as that government’s economic resources and prospects, institutional strengths, financial health, and susceptibility to major risks. Investors use this credit rating when making investment decisions.

Credit ratings influence borrowing conditions by affecting both the cost and the availability of credit. A credit rating has an impact on the cost of future government borrowing because a lower rating indicates that the agency believes the risk of the government defaulting on its debt is higher, and investors will accordingly demand a greater risk premium in the form of a higher interest rate before they will lend to that jurisdiction. A rating downgrade can also result in a reduction of the potential market for a government’s debt, as some investors are unable (due to contractual or institutional constraints) or unwilling to hold debt below a certain rating.

Credit-rating agencies use letter designations to rate a jurisdiction’s debt. For example, Moody’s assigns credit ratings of Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C, WR (withdrawn) and NR (not rated). Obligations rated Aaa are judged to be of the highest quality and subject to the lowest level of credit risk, whereas obligations rated C are the lowest rated and are often in default, with little prospect for recovery of principal or interest. S&P and DBRS assign similar credit ratings ranging from AAA to D.

In addition to a credit rating, the agency may issue a credit outlook that indicates the potential direction of a rating over the intermediate term, typically six months to two years. When determining a rating outlook, the agency considers any changes in economic or fundamental business conditions. An outlook is not necessarily a precursor of...
Figure 3: Net Debt ($), Net Debt to GDP (%) and Net Debt Per Capita ($) of Canadian Jurisdictions, 2011/12 and 2010/11


<table>
<thead>
<tr>
<th></th>
<th>2011/12</th>
<th></th>
<th>2010/11</th>
<th></th>
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<tbody>
<tr>
<td></td>
<td>Net Debt (Net Asset) ($ million)</td>
<td>Net Debt (Net Asset) to GDP (%)</td>
<td>Net Debt (Net Asset) Per Capita ($)</td>
<td>Net Debt (Net Asset) ($ million)</td>
<td>Net Debt (Net Asset) to GDP (%)</td>
</tr>
<tr>
<td>BC</td>
<td>35,973</td>
<td>17.0</td>
<td>7,815</td>
<td>30,637</td>
<td>15.2</td>
</tr>
<tr>
<td>AB</td>
<td>(18,991)</td>
<td>(6.6)</td>
<td>(4,901)</td>
<td>(21,653)</td>
<td>(7.4)</td>
</tr>
<tr>
<td>SK</td>
<td>3,560</td>
<td>6.3</td>
<td>3,343</td>
<td>3,783</td>
<td>6.2</td>
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<tr>
<td>MB</td>
<td>14,511</td>
<td>25.5</td>
<td>11,814</td>
<td>12,837</td>
<td>24.0</td>
</tr>
<tr>
<td>ON</td>
<td>235,582</td>
<td>36.9</td>
<td>17,647</td>
<td>214,511</td>
<td>35.0</td>
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<tr>
<td>QC</td>
<td>170,887</td>
<td>51.2</td>
<td>21,436</td>
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<td>50.1</td>
</tr>
<tr>
<td>NB</td>
<td>10,046</td>
<td>32.6</td>
<td>13,311</td>
<td>9,480</td>
<td>33.2</td>
</tr>
<tr>
<td>NS</td>
<td>13,243</td>
<td>35.0</td>
<td>14,049</td>
<td>12,837</td>
<td>35.7</td>
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<td>PEI</td>
<td>1,737</td>
<td>35.1</td>
<td>15,094</td>
<td>1,695</td>
<td>34.9</td>
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<tr>
<td>NL</td>
<td>7,769</td>
<td>23.5</td>
<td>12,037</td>
<td>8,129</td>
<td>28.8</td>
</tr>
<tr>
<td>Federal</td>
<td>650,135</td>
<td>37.8</td>
<td>18,796</td>
<td>616,900</td>
<td>38.0</td>
</tr>
</tbody>
</table>

a rating change but rather informs investors about the agency’s view of the potential evolution of a rating—either up or down. A positive outlook means that a rating might be raised. A negative outlook means that a rating might be lowered, and a stable outlook means that a rating is not likely to change in the short term.

All three credit-rating agencies updated their assessment of the province’s credit rating shortly after the government released its 2012 budget. Moody’s had put the province on a credit watch in December 2011, and in April 2012 it downgraded Ontario’s credit rating from Aa1 to Aa2. On the other hand, in April 2012 S&P revised its outlook on Ontario to “negative” from “stable” and maintained the province’s current AA– rating, which it had downgraded in 2009. DBRS has not changed Ontario’s rating since downgrading it to AA (low) in the fall of 2009. It may well be that Moody’s downgrade is a catch-up to the S&P and DBRS downgrades in late 2009. Ontario’s rating relative to other Canadian senior governments is shown in Figure 4.

### IMPACT OF LOWER CREDIT RATING/REVISED OUTLOOK

While downgrades and poorer outlooks for the provinces’ credit ratings theoretically increase a government’s future borrowing costs, there is no evidence yet suggesting these latest ratings have had a significant impact on Ontario’s borrowing costs. Ontario’s bond interest costs have remained relatively unchanged since the ratings were revised, which indicates investors still want to hold Ontario debt.

Ontario bonds remain relatively attractive because many other jurisdictions around the world have been affected by the 2008 global financial downturn to a greater extent, and investors are therefore reluctant to invest in these jurisdictions. The credit-rating agencies also believe that Ontario has the necessary fiscal flexibility to improve its financial position over the medium term, so have indicated they expect no more rating adjustments in the near future.
The government of Canada is also one of the few remaining jurisdictions in the world that has retained its Aaa/AAA credit rating—the highest that can be assigned. This means demand for Canadian government debt, both federal and provincial, is high, especially among investors looking for relatively risk-free investments. This demand works to push down interest rates. And, because investors associate Ontario debt with the perceived creditworthiness of the federal government, Ontario benefits from the relative strength of investor faith in federal government debt.

Even with its most recent downgrade, Ontario has the same credit rating as Quebec and the Maritime provinces, with a Moody’s credit rating of Aa2. Only the federal government and the Western provinces have higher ratings.

CONCLUSION

In our 2011 Annual Report we concluded that while the government had presented a plan to eliminate its annual deficits by the 2017/18 fiscal year, no strategy had been presented for paying down its existing and future debt. We indicated at the time that once deficits have been tackled, one strategy for paying down debt would be to hold the line on any future debt increases and use additional revenues generated by a growing economy to start reducing the debt. We went on to say that the government should consider providing legislators and the public with long-term targets and a strategy for how to address the current and projected debt burden. These comments continue to be appropriate.
The Workplace Safety and Insurance Board (WSIB) is a statutory corporation created by the Workplace Safety and Insurance Act, 1997 (Act). Its primary purpose is to provide income support and medical assistance to workers injured on the job. The WSIB receives no funding from the government; it is financed through premiums on employer payrolls.

Over the past decade, our annual reports have made a number of references to our concerns about the significant growth in the WSIB’s unfunded liability, which is the difference between the value of the WSIB’s assets and its estimated financial obligations to pay benefits to injured workers. Our 2009 Annual Report included a separate section that discussed our review of the WSIB’s unfunded liability. In that section we expressed our concern that the growth and magnitude of the unfunded liability posed a risk to the system’s financial viability and ultimately could result in the WSIB being unable to meet its existing and future commitments to provide worker benefits.

In particular, the report recommended a new funding strategy for the WSIB, including the following key elements:

- realistic assumptions, including a discount rate based on the best actuarial advice;
- moving the WSIB as quickly as feasible beyond a “tipping point” of a 60% funding ratio (tipping point being defined as a crisis in which the WSIB could not within a reasonable time frame and by reasonable measures generate sufficient funds to pay workers’ benefits); and
- putting the WSIB on course to achieve a 90%–110% funding ratio within 20 years.

In response to our concerns and to the recommendations of the Arthurs report, in June 2012 the government filed Regulation 141/12 under the Act, which, effective January 1, 2013, will require the WSIB to ensure it meets the following funding sufficiency ratios by specified dates:

- 60% on or before December 31, 2017
- 80% on or before December 31, 2022
- 100% on or before December 31, 2027

The regulation also requires the WSIB to submit a plan to the Minister of Labour by June 30, 2013, outlining the measures it will take to achieve these goals by the prescribed dates. As reported in our 2011 Annual Report follow-up section, the WSIB continues to take actions that have recently improved its operating results and financial position. For example, during 2011, the WSIB reported

As of December 31, 2011, the unfunded liability totalled $14.2 billion, an increase of $2 billion from its December 31, 2010, balance of $12.4 billion. The WSIB’s funding ratio—the percentage of assets to liabilities—was 52.2% as of December 31, 2011. (As of December 31, 2010, it had been 54.7%.)

In September 2010, the WSIB announced an independent funding review to provide advice on how to best ensure the long-term financial viability of Ontario’s workplace safety and insurance system. The May 2012 report by Professor Harry Arthurs was comprehensive and contained a series of recommendations to ensure the WSIB remains financially stable and sufficiently funded.
its first operational surplus in 10 years (excluding the change in the discount rate discussed below). Increased premium revenue, fewer new lost-time claims, more workers returning to work sooner, and fewer workers suffering permanent impairment have not only contributed to these financial improvements but have demonstrated the WSIB’s focus on getting injured workers back to work as quickly as possible.

However, the WSIB’s ability to achieve the funding sufficiency ratios prescribed in the regulation will be affected by changes to certain actuarial assumptions and proposed new accounting standards.

- The discount rate is the interest rate used to calculate future benefit obligations in current dollars. In layman’s terms, it is often perceived as the expected rate of return an insurance company or pension fund can earn on its investments. During 2011 a discount rate reduction from 7.0% to 5.5% resulted in an almost $2 billion increase in the unfunded liability. WSIB management have concluded that subject to any changes in accounting standards (as discussed below), it would be appropriate to retain this 5.5% discount rate for the period 2012–2015 and increase it to 6.0% thereafter. For example, reducing the discount rate by one percentage point would add approximately $2.1 billion to the benefits obligation.

- The WSIB reports its financial results based on International Financial Reporting Standards (IFRS). A proposed new standard for valuing insurance liabilities is expected to take effect as of the end of fiscal 2016. If approved in its current form, it could increase the unfunded liability significantly because it would require a further reduction in the discount rate WSIB uses to calculate its benefits obligation. Based on current market interest rates, this could increase the actuarial estimate of WSIB’s benefit obligations by an estimated $3 billion. The new standard also proposes that a new risk margin be included in the benefits obligation that could increase the benefits obligation by a further $1 billion. (This new risk margin is similar to the actuarial provision for adverse deviations, which is a reserve for the likely difference between the actual result of a calculation and the corresponding result using best estimate assumptions.) Without any compensating increases in the WSIB’s premiums rate, its investment performance or further success in reducing lost-time claims to reduce costs, the combined $4 billion impact of this proposed standard could significantly impair the WSIB’s ability to meet its 2017 legislated funding ratio of 60%.

As a result of the government’s commitments to address its unfunded liability, we support the continued classification of the WSIB as a trust for the 2011/12 fiscal year and therefore the exclusion of the unfunded liability from the province’s liabilities. However, we will continue to monitor the progress being made toward meeting the funding sufficiency ratios prescribed by the regulation. Should we feel enough progress is not being achieved, we will re-evaluate our position.

WSIB RESPONSE

The proposed new IFRS standard for valuing insurance liabilities will have the effect of valuing liabilities using the market rates prevailing at discrete points in time. This introduces volatility as well as one-time changes of a very large magnitude, both positive and negative, depending on whether interest rates are rising or falling.

WSIB is following IFRS standards in preparing its financial statements. However, for purposes of complying with the funding sufficiency ratios prescribed by regulation, we believe that IFRS standards are not well suited to funding a going concern insurance fund such as the WSIB’s. Consequently, the WSIB will consult with the government on the merits of adopting
a “going-concern basis” to value the benefits liabilities of the insurance fund, for funding purposes. This will have the effect of using a long-term expected rate-of-investment return with which to value liabilities. This method will avoid potentially large multibillion-dollar swings in the valuation of liabilities from year to year and the consequent instability for employers who must fund the system and the workers who must rely on it.

### Update on the Electricity Sector Stranded Debt

In Section 3.04 of our 2011 Annual Report, we commented on the stranded debt of the electricity sector and the Debt Retirement Charge (DRC), a component of nearly every Ontario ratepayer’s electricity bill.

The stranded debt arose with the passage of the Energy Competition Act, 1998, which resulted in a major restructuring of the electricity industry, including the breakup of the old Ontario Hydro into three main successor companies: Hydro One, Ontario Power Generation (OPG) and the Ontario Electricity Financial Corporation (OEFC). OEFC was given the responsibility to manage the legacy debt of the old Ontario Hydro and certain other liabilities not transferred to Hydro One and OPG.

OEFC inherited $38.1 billion in total debt and other liabilities from Ontario Hydro when the electricity market was restructured on April 1, 1999. Only a portion of the $38.1 billion was supported by the value of the assets of Hydro One, OPG and the Independent Electricity System Operator, leaving $20.9 billion of stranded debt not supported by assets.

The government’s long-term plan to service and retire the $20.9 billion in stranded debt involved dividing it into two components:

- An estimated $13.1 billion was to be supported through future revenue streams from payments in lieu of taxes made by the electricity-sector companies (OPG, Hydro One and the municipal electrical utilities), and from the cumulative annual combined profits of OPG and Hydro One in excess of the government’s $520-million annual interest cost of its investment in the two companies.

- The remaining $7.8 billion, called the residual stranded debt, was the estimated portion of the stranded debt that could not be supported by the expected dedicated revenue streams from the electricity companies. The Electricity Act, 1998 authorized a new Debt Retirement Charge (DRC), to be paid by electricity ratepayers, until the residual stranded debt was retired.

This structure was intended to eliminate the stranded debt in a prudent manner while distributing the debt repayment burden between electricity consumers and the electricity sector.

Collection of the DRC began on May 1, 2002. The rate was established at 0.7 cents per kilowatt hour (kWh) of electricity and remains the same today. Currently, the OEFC collects more than $940 million a year in DRC revenue. As of March 31, 2012, approximately $9.7 billion in DRC revenue had been collected.

Our 2011 Annual Report focused on providing details about how much DRC revenue has been collected, the progress in eliminating the residual stranded debt, and when electricity ratepayers might expect to see the DRC eliminated.

Section 85 of the Electricity Act, 1998 (Act) entitled “The Residual Stranded Debt and the Debt Retirement Charge” gave the government the authority to implement the DRC, and this same section specifies when it is to end. The key observations from our 2011 Annual Report were based on our interpretations of the provisions of section 85 of the Act and assessing whether these provisions had been complied with in both spirit and form. Specifically, section 85 requires that the Minister

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*Update on the Electricity Sector Stranded Debt*
of Finance determine the residual stranded debt “from time to time” and to make these determinations public. When the Minister determines that the residual stranded debt has been retired, collection of the DRC must cease.

While the Act did not specify precisely how the determination of the residual stranded debt was to be done, it does allow the government, by regulation, to establish what is to be included in its calculation. We also observed that the term “from time to time” was not formally defined, and could be left solely up to the government of the day to determine. Since the passage of the Act more than a decade ago, we noted the Minister had made no such public determination of the outstanding amount of the residual stranded debt. Our view was that the intent of section 85 was that Ministers had an obligation to provide a periodic update to ratepayers on what progress their payments were having on paying down the residual stranded debt. We concluded that a decade was long enough, and suggested the Minister should provide ratepayers with an update.

In response to these observations, the government introduced Regulation 89/12 under the Act on May 15, 2012, to provide transparency and meet reporting requirements on the outstanding amount of residual stranded debt. The new regulation formally establishes how the residual stranded debt is to be calculated, and requires annual reporting of the amount in The Ontario Gazette.

We were pleased to see this increased level of transparency was also reflected in the 2012 budget, which contained a residual stranded debt estimate of $5.8 billion as of March 31, 2011, and a projected estimate of $4.5 billion as of March 31, 2012. Prior to the 2012 budget, there had been no public update provided on the estimated residual stranded debt since the $7.8 billion estimate on April 1, 1999. The update in the 2012 Ontario Economic Outlook and Fiscal Review also contained the chart, illustrated in Figure 5, reflecting annual residual stranded debt estimates back to April 1, 1999, and amounts going up to March 31, 2012.

One significant recent development in Canadian public accounting is that some governments have legislated specific accounting treatments that would apply in certain circumstances rather than relying on established generally accepted accounting principles to prescribe how transactions would be recorded. On several occasions in recent years the Ontario government has done this by passing legislation or regulations that give it the authority to prescribe specific accounting policies for its public sector entities.

We first raised concerns about this practice in our 2008 Annual Report, where we warned that it was a troubling precedent to establish accounting principles through legislation rather than through an independent, consultative process such as that followed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). Although this and subsequent developments have not yet resulted in the province’s consolidated financial statements containing a material departure from PSAB standards, the risk...
of such departures in future financial statements has increased. Here is a chronological synopsis of these developments since 2008:

- The *Investing in Ontario Act, 2008* (Act) and related regulations allowed the government to reduce its accumulated deficit and provide additional transfers to eligible recipients from unplanned surpluses reported in its consolidated financial statements. Any transfers made under the Act would be recorded as an expense of the government for that fiscal year irrespective of PSAB accounting standards.

- In the 2009/10 fiscal year, the *Education Act* and the *Financial Administration Act* were amended. Amendments under the *Education Act* specified that the government can prescribe the accounting standards that school boards use in preparing financial statements. Amendments under the *Financial Administration Act* allow the government to specify the accounting standards to be used by any public or non-public entity whose financial statements are included in the province’s consolidated financial statements. School boards and certain other government organizations are affected by both these legislative amendments.

- In 2011, a regulation under the *Financial Administration Act* directed Hydro One to prepare its financial statements in accordance with U.S. generally accepted accounting principles, effective January 1, 2012. The government has since provided the same direction to OPG. American accounting rules allow for rate-regulated entities to defer expenses to future years; the government’s direction to follow U.S. rules came in anticipation of the planned Canadian adoption of International Financial Reporting Standards, which do not provide for the use of rate-regulated accounting.

- Ontario government regulations now require capital transfers and transfers of tangible capital assets to be accounted for by transfer recipients as deferred capital contributions.

The amounts transferred are to be brought into revenue at the same rate as amortization expense is recognized on the related assets. We have historically supported this accounting as we believe that in most instances it complies with generally accepted accounting principles. However, PSAB standards are open to interpretation in this respect, so to ensure consistency the government considered it necessary to introduce a regulation requiring this treatment.

- The direction taken by the province beginning in 2008 to legislate accounting standards was further supported in the *Strong Action for Ontario Act (Budget Measures), 2012*, the latest amendments to the *Financial Administration Act*. These amendments provide the government with full authority to make regulations regarding the accounting policies and practices used to prepare its consolidated financial statements.

We believe it is critical that Ontario continue to prepare its financial statements in accordance with generally accepted PSAB standards.

As the auditor of the province’s consolidated financial statements, I am required by the *Auditor General Act* to provide an opinion on “whether the consolidated financial statements of Ontario, as reported in the Public Accounts, present fairly information in accordance with appropriate generally accepted accounting principles.” If I conclude that the government’s reported deficit or surplus under legislated accounting standards is significantly different than what it would be under generally accepted accounting standards, I will need to include a reservation in my audit opinion. However, based on the past 19 consecutive years of “clean” audit opinions, I am hopeful that this situation will not arise.
Most Canadian governments use PSAB standards in preparing their annual budgets, printed estimates, economic updates and year-end consolidated financial statements. When governments use the same set of accounting standards to prepare their key financial reports, the public can evaluate the government’s expected financial performance against actual results and against the results of other jurisdictions. PSAB standards are intended to help governments publicly demonstrate stewardship over the resources they manage, and thereby strengthen accountability to taxpayers.

ACCOUNTING STANDARDS FOR GOVERNMENTS

Accounting standards specify how and when transactions and other events are to be recognized, measured and disclosed in financial statements. To be objective and credible, accounting standards should be established by an independent, recognized professional body using a comprehensive, open and transparent standard-setting process.

The Public Sector Accounting Board of the Canadian Institute of Chartered Accountants is responsible for establishing accounting standards for the public sector. PSAB standards represent generally accepted accounting principles for governments in Canada and are the primary source of guidance for public-sector accounting.

The PSAB emphasizes due process to ensure that the views of all interested parties are heard and considered, thereby maintaining the objectivity of the standard-setting process. In developing or revising an accounting standard, the PSAB generally follows these five steps:

- basic research;
- approval of a project proposal;
- issuing a statement of principles to a designated group of accountants and non-accountants for feedback;
- issuing one or more public exposure drafts and soliciting comments from all interested individuals and organizations; and
- approving and publishing a final standard.

Canada is generally regarded as a public sector world leader with respect to the consistent application of generally accepted accounting standards at all three levels of government. However, maintaining this leadership role will not be without challenges. For instance, in the past few years, Canadian governments, including Ontario, have become concerned with several of the PSAB’s accounting and financial reporting proposals. In the next section, we discuss two areas—financial instruments and rate-regulated accounting—where they have questioned whether proposed standards adequately reflect the unique environment in which governments operate when making decisions on financial reporting, budgeting and fiscal policy.

Financial Instruments

The PSAB’s project to develop a new standard for the reporting of financial instruments began in January 2005 with the creation of a PSAB task force. Examples of financial instruments include debt, and derivatives such as currency swaps and foreign-exchange forward contracts. One of the key issues the task force had to address was whether changes in the fair value of derivative contracts held by a government should be reflected in its financial statements and, in particular, whether such changes should affect the government’s annual surplus or deficit.

In March 2011, the PSAB approved a new standard effective for fiscal periods beginning on or after April 1, 2015. The new public-sector accounting standard—PS 3450 “Financial Instruments”—provides guidance on the recognition, measurement, presentation and disclosure of government financial instruments, and is similar to the
standards applicable to the private sector. One of its main requirements is that certain financial instruments, including derivatives, are to be recorded at fair value, and any unrealized gains or losses must be recorded annually in a new statement of remeasurement gains and losses.

Ontario, along with certain other Canadian governments, did not endorse the introduction of fair-value remeasurements and the recognition of unrealized gains and losses on its derivative holdings. Ontario’s view is that derivatives are used solely to mitigate foreign currency and interest-rate risks related to its long-term-debt holdings and that it has both the intention and ability to hold its derivatives until the associated debt matures. Accordingly, remeasurement gains and losses would net out to zero over the period to maturity and therefore have no long-term economic impact on annual government resource inflows or outflows. The government argues that recording paper gains and losses each year would reintroduce the very volatility the derivatives were acquired to avoid in the first place.

Therefore, its view is that the inclusion of fair-value gains and losses in a government’s financial reports, even if reported outside the statement of operations, does not reflect the economic substance of government financing transactions and does not meet the public’s needs for transparent information on government finances.

It should be noted that the PSAB is committed to reviewing these standards on or before December 31, 2013, and has noted that its Concepts Underlying Financial Performance project might identify issues that need to be addressed within the financial instrument standard.

**MINISTRY RESPONSE**

Ontario supports public-sector accounting standards that promote transparency and accountability in reporting on how taxpayer dollars are spent, and that support sound fiscal-policy decisions. Concerns with the introduction of fair-value accounting concepts into government financial reports are based on the fact that they will cause significant fluctuations in the recorded value of derivatives on a year-over-year basis as a result of movements in interest and exchange rates. Such results would, in turn, introduce difficult-to-explain fluctuations in the province’s net debt, a key measure upon which both investors and credit-rating agencies rely when assessing the financial health of the province.

**Rate-regulated Accounting**

Over the past four years, we have raised concerns about the appropriateness of recognizing rate-regulated assets and liabilities in the government’s consolidated financial statements. Rate-regulated accounting practices were developed to recognize the unique nature of regulated entities such as electricity generators, transmitters, and distributors. Under rate-regulated accounting, a regulator established under legislation, such as the Ontario Energy Board, approves the prices that a regulated entity may charge customers, and often allows regulated entities to defer certain costs for recovery in future periods. Such costs are typically set up as assets that, under normal generally accepted accounting principles, would be expensed in the year incurred.

Ontario’s electricity sector has three major provincially owned organizations—OPG, Hydro One and the OPA—that use rate-regulated accounting and whose financial position and operating results are included in the government’s consolidated financial statements. The use of rate-regulated accounting by certain rate-regulated entities, while still allowed under Canada’s generally accepted accounting principles, could be disallowed in the near future. PSAB standards currently allow OPG and Hydro One, which are defined as government business enterprises, to be included in the province’s consolidated financial statements without their accounting policies being adjusted to remove...
the impact of rate-regulated accounting. Given the PSAB’s position, we accepted this accounting treatment even though we questioned whether rate-regulated assets and liabilities met the definition of *bona fide* assets or liabilities for the purposes of the government’s consolidated financial statements.

However, the OPA does not meet the PSAB criteria of being a government business enterprise, so the impact of rate-regulated accounting on its results should have been removed before the OPA was included in the consolidated statements. (This did not have a material impact on the province’s reported results and therefore did not affect our audit opinion).

Last year we reported that the era of rate-regulated accounting appeared to be ending for jurisdictions such as Canada that were converting to International Financial Reporting Standards. In January 2012, Canada’s Accounting Standards Board reaffirmed that all government business enterprises should prepare their financial statements in accordance with IFRS for fiscal years beginning on or after January 1, 2012, which would mean that accounting for rate-regulated balances would no longer be allowed under Canadian accounting standards.

However, since that time, the rate-regulated landscape has changed again. The accounting standard-setter in the United States, the Financial Accounting Standards Board, has not adopted IFRS and therefore continues to allow rate-regulated accounting. Partly in an effort to reconcile U.S. generally accepted accounting principles with IFRS, in March 2012 Canada’s Accounting Standards Board granted a one-year extension, to January 1, 2013, to the mandatory IFRS changeover date for entities with qualifying rate-regulated activities. In September 2012, it granted an additional one-year extension, to January 1, 2014. Therefore, PSAB accounting standards will continue to allow OPG and Hydro One to use rate-regulated accounting for inclusion in the province’s consolidated financial statements until that time. Most recently, in late September 2012, the International Accounting Standards Board (IASB) decided to restart its project on rate-regulated accounting to consider the use of this accounting method under IFRS.

Ontario’s Ministry of Finance contends that the province’s rate-regulated assets and liabilities might meet PSAB standards without reference to any of the rate-regulated provisions from Canada’s Accounting Standards Board. As the Ministry is aware, we do not agree with this position. In its March 31, 2012, Annual Report and Consolidated Financial Statements, the government commented specifically on rate-regulated accounting, noting that:

Under these practices, a regulated entity may defer certain costs that are expected to be recovered in future, creating an asset on its balance sheet. Without rate-regulated accounting, these costs would be expensed in the year they were incurred, which could result in significant fluctuations in consumer electricity rates.

The government recently passed a regulation allowing for and subsequently directing both Hydro One and OPG to prepare their future financial statements in accordance with U.S. generally accepted accounting principles, which allow for rate-regulated accounting. In the government’s view, these regulations are required because the IASB has not yet completed its deliberations on the future of rate-regulated accounting. We are not the auditors of Hydro One or OPG, and so our concern is not the impact of this regulation on their individual financial statements. However, with the deferral of the issue to January 1, 2014, it is the effect their accounting policies might have on the province’s consolidated financial statement of March 31, 2014, and subsequent statements, that is our concern.

**MINISTRY RESPONSE**

The Ministry recognizes the ongoing challenges in the accounting-standards-setting environment to achieve consensus on the required approach for rate-regulated accounting. Given
the deferral by the standards-setters to resolve this issue, the government had directed Hydro One and OPG to follow U.S. GAAP to allow the entities to continue to account for their rate-regulated assets and liabilities consistent with historical Canadian GAAP. This decision was consistent with actions by both the Canadian Securities Administrators and the Ontario Securities Commission that have enabled rate-regulated utilities to submit their financial statements on a U.S. GAAP basis until 2014. This also helped to ensure consistency in reporting among the province’s rate-regulated entities until outstanding issues are resolved.

In late September 2012, the International Accounting Standards Board decided to restart its project on rate-regulated accounting. The government looks forward to the standards-setters undertaking this review and, ultimately, to resolution of the outstanding certainty regarding the future of rate-regulated accounting.

Statutory Matters

Under section 12 of the Auditor General Act, I am required to report on any Special Warrants and Treasury Board Orders issued during the year. In addition, section 91 of the Legislative Assembly Act requires that I report on any transfers of money between items within the same vote in the Estimates of the Office of the Assembly.

LEGISLATIVE APPROVAL OF EXPENDITURES

Shortly after presenting its budget, the government tables detailed Expenditure Estimates in the Legislative Assembly outlining, on a program-by-program basis, each ministry’s spending proposals. The Standing Committee on Estimates (Committee) reviews selected ministry estimates and presents a report on them to the Legislature. The estimates of those ministries that are not selected for review are deemed to be passed by the Committee and are so reported to the Legislature. Orders for Concurrence for each of the estimates reported on by the Committee are debated in the Legislature for a maximum of two hours and then voted on. For a more in-depth discussion of the legislative estimates review process, see section 3.07 of this Annual Report.

Once the Orders for Concurrence are approved, the Legislature provides the government with legal spending authority by approving a Supply Act, which stipulates the amounts that can be spent by ministry programs, typically those set out in the estimates. Once the Supply Act is approved, the individual program expenditures are considered to be Voted Appropriations. The Supply Act, 2012, which pertained to the fiscal year ended March 31, 2012, received Royal Assent on April 24, 2012.

The Supply Act does not typically receive Royal Assent until after the start of the fiscal year—and sometimes even after the related fiscal year—but ministry programs require interim spending authority prior to its passage. For the 2011/2012 fiscal year, the Legislature authorized these payments by passing two acts allowing interim appropriations: the Interim Appropriation for 2011-2012 Act, 2010; and the Supplementary Interim Appropriation Act, 2011. These two acts received Royal Assent on December 8, 2010, and May 12, 2011, respectively, and authorized the government to incur up to $114.5 billion in public service expenditures, $3.5 billion in investments, and $193.5 million in legislative offices expenditures. Both acts were made effective as of April 1, 2011.

The two interim acts provided the government with sufficient temporary appropriations to allow it to incur expenditures from April 1, 2011, to when the Supply Act, 2012 received Royal Assent on April 24, 2012. As the legal spending authority under the interim acts was intended to be temporary, they were repealed under the Supply Act, 2012, and the authority to incur expenditures provided
under them was subsumed into the authority provided under the Supply Act, 2012, which increased total authorized legislative offices expenditures from $193.5 million to $197 million.

**SPECIAL WARRANTS**

If the Legislature is not in session, section 1.0.7 of the Financial Administration Act allows for the issuance of Special Warrants authorizing the incurring of expenditures for which there is no appropriation by the Legislature or for which the appropriation is insufficient. Special Warrants are authorized by Orders-in-Council and approved by the Lieutenant Governor on the recommendation of the government.

No Special Warrants were issued for the fiscal year ended March 31, 2012.

**TREASURY BOARD ORDERS**

Section 1.0.8 of the Financial Administration Act allows the Treasury Board to make an order authorizing expenditures to supplement the amount of any voted appropriation that is expected to be insufficient to carry out the purpose for which it was made. The order may be made only if the amount of the increase is offset by a corresponding reduction of expenditures to be incurred from other voted appropriations not fully spent in the fiscal year. The order may be made at any time before the books of the government for the fiscal year are closed. The government considers the books to be closed when any final adjustments arising from our audit have been made and the Public Accounts have been tabled in the Legislature.

Even though the Treasury Board Act, 1991 was repealed and re-enacted within the Financial Administration Act in December 2009, subsection 5(4) of the repealed act was retained and allows the Treasury Board to delegate to any member of the Executive Council or to any public servant employed under the Public Service of Ontario Act, 2006 any power, duty, or function of the Treasury Board, subject to limitations and requirements that the Treasury Board may specify. This delegation will continue to be in effect until replaced by a new delegation. For the fiscal year ended March 31, 2012, the Treasury Board delegated its authority to ministers for issuing Treasury Board Orders to make transfers between programs within their ministries, and to the Chair of the Treasury Board for making transfers in programs between ministries and making supplementary appropriations from contingency funds. Supplementary appropriations are Treasury Board Orders in which the amount of an appropriation is offset by a reduction to the amount available under the government’s centrally controlled contingency fund.

Figure 6 summarizes the total value of Treasury Board Orders issued for the past five fiscal years.

Figure 7 summarizes Treasury Board Orders for the fiscal year ended March 31, 2012, by month of issue.

According to the Standing Orders of the Legislative Assembly, Treasury Board Orders are to be printed in The Ontario Gazette, together with explanatory information. Orders issued for the 2011/12 fiscal year are expected to be published in The Ontario Gazette in the near future. A detailed listing of 2011/12 Treasury Board Orders, showing the amounts authorized and expended, is included as Exhibit 3 of this report.

![Figure 6: Total Value of Treasury Board Orders, 2007/08–2011/12 ($ million)](image-url)
TRANSGVERS AUTHORIZED BY THE BOARD OF INTERNAL ECONOMY

When the Board of Internal Economy authorizes the transfer of money from one item of the Estimates of the Office of the Assembly to another item within the same vote, section 91 of the Legislative Assembly Act requires that we make special mention of the transfer(s) in our Annual Report.

Accordingly, Figure 8 shows the transfers made within Vote 201 with respect to the 2011/12 Estimates.

UNCOLLECTIBLE ACCOUNTS

Under section 5 of the Financial Administration Act, the Lieutenant Governor in Council, on the recommendation of the Minister of Finance, may authorize an Order-in-Council to delete from the accounts any amounts due to the Crown that are the subject of a settlement or deemed uncollectible. The amounts deleted from the accounts during any fiscal year are to be reported in the Public Accounts.

In the 2011/12 fiscal year, receivables of $816.4 million due to the Crown from individuals and non-government organizations were written off. (The comparable amount in 2010/11 was $432.1 million.) The writeoffs in the 2011/12 fiscal year related to the following:

- $382.2 million for uncollectible retail sales tax ($71.9 million in 2010/11);
- $155.8 million for uncollectible corporate tax ($65.1 million in 2010/11);
- $114.1 million for uncollectible receivables under the Student Support Program ($145.2 million in 2010/11);
- $86.3 million for uncollectible receivables under the Ontario Disability Support Program ($118.8 million in 2010/11);
- $48.9 million for uncollectible employer health tax ($6.4 million in 2010/11); and
- $29.1 million for other tax and non-tax receivables ($24.7 million in 2010/11).

Volume 2 of the 2011/12 Public Accounts summarizes the writeoffs by ministry. Under the accounting policies followed in the preparation of the consolidated financial statements of the province, a provision for doubtful accounts is recorded against accounts receivable balances. Accordingly, most of the writeoffs had already been expensed in the government’s consolidated financial statements. However, the actual writeoff in the accounts required Order-in-Council approval.
Since mandatory adoption of International Financial Reporting Standards (IFRS) started in Canada in 2011, publicly accountable enterprises (PAEs) have to measure, value, and present financial statements differently from those prepared under Canadian generally accepted accounting principles (GAAP) in earlier years. Other qualifying enterprises have the option to also adopt IFRS (International Financial Reporting Standards) for financial statement preparation.

To integrate IFRS (International Financial Reporting Standards) and the requirements of the Canadian Income Tax Act and Excise Tax Act, PAEs (publicly accountable enterprises) and other qualifying enterprises are required to maintain, on a legal entity and/or partnership basis, additional documentation to support the income tax and GST/HST tax returns filed with the Canada Revenue Agency (CRA).

This documentation must be maintained at the same location where the enterprise maintains its records. All of the records and supporting documents must be kept for a period of six years that starts at the end of the tax year to which the records relate. Records and supporting documents concerning long-term acquisitions and disposal of property, the share registry, and other historical information that would have an impact upon sale, liquidation or wind-up of the business must be kept indefinitely.

The purpose of the following guidance is to address the additional documentation that qualifying enterprises are expected to maintain to support amounts filed on their General Index of Financial Information.
(GIFI) and tax returns.

This guidance should be read in addition to our information on Keeping records and Preparing your financial statements using General Index of Financial Information (GIFI).

Minimum records to be maintained

The information below outlines key documentation that will be necessary to support the tax obligations of an enterprise.

Reconciliations

Financial statements

Reconciliations from both:

- the amounts recorded on the GIFI (General Index of Financial Information) to the IFRS (International Financial Reporting Standards) financial statements
- the IFRS (International Financial Reporting Standards) financial statements to the financial records (including those that are not maintained using IFRS (International Financial Reporting Standards))

First time adoption of IFRS (International Financial Reporting Standards)

For the first tax year when IFRS (International Financial Reporting Standards) is adopted, the CRA (Canada Revenue Agency) requires a Reconciliation of Equity from previous Canadian GAAP (generally accepted accounting principles) to IFRS (International Financial Reporting Standards) at the date of transition to IFRS (International Financial Reporting Standards).
Standards) and the **end of the previous tax year** as described in paragraphs 23 to 26 of the IFRS (International Financial Reporting Standards) manual.

**Example**

If IFRS (International Financial Reporting Standards) is adopted for the tax year ending December 31, 2018, the taxpayer should maintain a Reconciliation of Equity from Canadian GAAP (generally accepted accounting principles) to IFRS (International Financial Reporting Standards) as at January 1, 2017 (**date of transition**) as well as at December 31, 2017 (**end of the previous tax year**). This reconciliation should also include an explanation of the adjustments to retained earnings.

**Schedules**

**Schedule 1, Net Income or Loss for Tax Purposes**

Support for each separate IFRS (International Financial Reporting Standards) reconciling amount adjusted in the calculation of income or loss for tax purposes. This would include any transitional adjustment reflected on Schedule 1.

Rationale for income inclusions or deductions taken to comply with the Income Tax Act, including the tracking of fair value or impairment adjustments.
All depreciable and non-depreciable capital assets – Schedule 8, Capital Cost Allowance (CCA)

Records of the original cost as well as tax cost for all assets and liabilities, including financial instruments.

Although required on an ongoing basis for income tax and GST/HST purposes, this is a key documentation requirement when enterprise financial records are maintained using fair values, impaired values (decrease of its value) or revaluation amounts under IFRS (International Financial Reporting Standards).

Reconciliations between capital additions as reported for GST/HST or income tax purposes and those presented on IFRS (International Financial Reporting Standards) financial statements or financial records, including a detailed breakdown of those assets included under each CCA (capital cost allowance) class. Assets include both tangible and intangible assets.

System changes related to IFRS (International Financial Reporting Standards)

Documentation to support system changes required on adoption of IFRS (International Financial Reporting Standards). Adequate documentation must be retained to preserve an accurate record of the changes, including any changes to software or systems and the format of the files.

For more information, see information circular IC05-1R1, Electronic Record Keeping, and Keeping Records.

Forms and publications

- Information Circular IC05-1R1, Electronic Record Keeping
Related Topics

- **Keeping Records**
- **Preparing your financial statements using GIFI (General Index of Financial Information).**

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Canadian securities regulators mark Fraud Prevention Month with wide range of activities

MONTREAL - The Canadian Securities Administrators (CSA) is encouraging investors to research investment opportunities and educate themselves about the red flags of fraud during Fraud Prevention Month this March. CSA members across the country are highlighting the importance of Canadians’ understanding of investments, checking registration through the CSA’s National Registration Search (https://www.securities-administrators.ca/nrs/insearchprep.aspx?ID=1325) and being aware of the warning signs of fraud before they invest their hard-earned money.

“It’s an unfortunate reality that investment fraud impacts a large number of Canadians every year,” said Louis Morisset, CSA Chair and President and CEO of the Autorité des marchés financiers. “One of the best defences against fraud is to be an informed investor. Part of our mission is to help educate people about the risks and responsibilities of investing so they can protect themselves. CSA members’ efforts year-round, and in March, are critical to reaching and informing investors.”

Across Canada, the CSA (https://www.securities-administrators.ca/investortools.aspx?id=90) and its members are marking Fraud Prevention Month with a variety of activities, including:
British Columbia: The B.C. Securities Commission’s (BCSC) multi-media “Don’t Be Part of a Fraud” social marketing campaign directs people to a landing page on InvestRight.org where people are encouraged to take a quiz to learn how to identify the warning signs of investment fraud. The BCSC will also reveal new research findings that highlight the importance of not falling into “The Trust Trap” and avoiding affinity fraud when considering an investment recommendation from friends, family, or colleagues.

Alberta: The Alberta Securities Commission’s (ASC) Fraud Prevention Month campaign is comprised of several elements. In addition to continuing its digital “Spot the Odd” investor education campaign, the ASC launched “Kajillionaire,” a board game developed with insight from a cognitive psychologist to help players overcome investor optimism bias (“it can’t happen to me”), highlighting different types of securities fraud and illustrating the need to do one’s homework prior to investing. In addition, the ASC is engaging directly with Albertans at a number of venues during the month:

- Once again, the CheckFirst Café is at the Calgary Home & Garden Shows to offer coffee and education about investment fraud.
- The ASC partnered with community groups, law enforcement and other organizations for meet-and-greet events as well as at the Association of Certified Fraud Examiners Fraud Prevention Conference.
- The ASC sponsored, and was on-site for a Lethbridge Hurricanes’ game night.

Additional information about the “Spot the Odd” and “Kajillionaire” campaigns, as well as information on financial literacy, investment fraud and other resources are available on the ASC’s consumer website, Checkfirst.ca.

Saskatchewan: The Financial and Consumer Affairs Authority (FCAA) will be running a social media campaign informing investors about the warning signs of investment scams and frauds and how they can protect themselves. FCAA is also coordinating a seniors presentation regarding senior financial abuse, highlighting red flags for seniors, family members and caregivers as well preventative steps and who people should contact.

Manitoba: The Manitoba Securities Commission (MSC) partnered with the Winnipeg Police Service, the Better Business Bureau, and other community organizations on March 12 for a special public meet-and-greet event at Winnipeg’s second-largest shopping centre. Subject matter experts on fraud hosted an informal ‘café’ to chat about fraud and other important financial topics. Visitors asked our experts their burning questions and learned some of the basics to protect themselves from common frauds and scams. In addition, MSC will be actively promoting anti-fraud messaging via social media throughout the month, and its MoneySmart Manitoba initiative will be focusing on fraud education as well.

Ontario: The Ontario Securities Commission (OSC) will hold several events and will also partner with community groups, law enforcement and other organizations as part of Fraud Prevention Month to educate people on how to recognize, reject and report investment fraud. Some of its initiatives include:

- The OSC’s Investor Office participated in the Toronto Police Service Fraud Prevention Month kick-off event on March 4. Director Tyler Fleming shared tips on protecting against investment frauds and scams.
- On March 6, the OSC’s Investor Office held a Twitter chat with many stakeholders using the hashtag #FraudChat on fraud prevention.
- A telephone town hall on investment fraud prevention hosted by the OSC’s Investor Office will be held on March 27. Registration is free.

People can learn more about investing and fraud prevention by visiting GetSmarterAboutMoney.ca or attending one of our OSC in the Community investor seminars held in communities across Ontario.

Québec: The Autorité des marchés financiers (AMF) will launch a new conference, Finance$: déjoue les pièges!, in March to CEGEP students across the province to help them make informed personal finance decisions and avoid pitfalls such as fraud. In addition, the AMF will meet seniors at the Carrefour 50 and + show in Montreal from March 22 to 24, while being active throughout the month on social media with fraud prevention messages.

New Brunswick: The Financial and Consumer Services Commission (FCNB) is providing resources to help New Brunswickers recognize the red flags of fraud with a special focus on recognizing mortgage fraud. FCNB staff connects with New Brunswickers in their communities and online to share fraud prevention and awareness information. Some of their Fraud Prevention Month activities include:

- FCNB hosted a Spend Smart Café in St-Isidore in partnership with Tazza Caffe on March 7 to meet with consumers to talk about fraud and provide tips on how to recognize the red flags of fraud over free coffee and treats.
- From March 22 to 24, FCNB will share information to help consumers and homeowners recognize and avoid frauds related to mortgages, door-to-door selling and more at the Greater Moncton Home Show.
- New resources will be shared on social media throughout the month, including infographics on the red flags of fraud, 15 years of fraud prevention in New Brunswick, a blueprint to avoid mortgage fraud, and a new video on what to know when working with a mortgage broker. Follow FCNB on Facebook or Twitter.
- FCNB provides up-to-date email alerts to warn subscribers about current scams targeting New Brunswick and provides tips on how New Brunswickers can protect themselves – subscribe at FCNB.ca/alerts.

Nova Scotia: The Nova Scotia Securities Commission (NSSC) is releasing new animated videos focusing on fraud every Monday throughout March on its website and YouTube on topics such as Ponzi Schemes, Boiler Rooms Scams, Pump-and-Dump Scams, and what to do if you think you’ve been scammed. The NSSC’s “Before You Invest” blog continues its Investment Risk series with new blogs every Wednesday, and
Fraud Tips will be posted every Tuesday on Twitter on ways to recognize and avoid investment fraud. On March 25, the NSSC is presenting a class on Investment Fraud to the Seniors’ College Association of Nova Scotia, which offers non-credit academic courses for anyone 50+ in Nova Scotia.

The CSA has a number of investor tools and resources available at https://www.securities-administrators.ca/ (https://www.securities-administrators.ca/), designed to help Canadians be informed investors. Investors can stay informed of the latest investor tips, news and developments by following @CSA_News (https://twitter.com/csa_news) on Twitter and @CSA.ACVM (https://www.facebook.com/CSA.ACVM/) on Facebook.

The CSA, the council of the securities regulators of Canada’s provinces and territories, co-ordinates and harmonizes regulation for the Canadian capital markets.

- 30 -

For Investor inquiries, please refer to your respective securities regulator. You can contact them here

For media inquiries, please refer to the list of provincial and territorial representatives below or contact us at media@acvm-csa.ca

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CSA News Release: Canadian securities regulators mark Fraud Prevention Month with wide range of activities

Evidence of traditional organized crime in securities markets is scare, but the industry is vulnerable to fraudulent activity perpetuated by market insiders.

This report is based on a review of the academic literature, interviews with law enforcement, and securities regulators, and legislation and regulations governing Canadian securities markets. While the operation of traditional organized crime groups in securities markets was identified as having occurred in other jurisdictions, there is marginal evidence of such infiltration in Canada. Notably, there have not been any prosecutions of securities violations in Canada making use of the criminal organization provisions of the Canadian Criminal Code.

The complex nature of the Canadian securities sector is in large part a result of division of powers between federal and provincial levels of government. The federal government is responsible for legislation addressing criminal offences affecting the securities market in Canada, and issues relating to systemic risk and potential impact of regional and national importance. Provinces are responsible for the administration of civil and criminal justice systems, regulation of property and civil rights including the regulation and quasi-criminal offences in the securities market in their respective jurisdictions. According to the authors, this has led to a ‘piecemeal’ approach to current securities oversight in Canada, and could leave the sector vulnerable to organized crime.

Despite progressive movement towards greater national oversight and integration, the traditional oversight role of provinces for capital markets that function in their jurisdiction was upheld in a 2011 Supreme Court of Canada decision, where it rejected a move towards a national securities regulator. In effect, there are national integrated approaches to oversight, but these are not necessarily centrally controlled or harmonized.

The Canadian securities sector plays a key role in financial services, industry and the economy in Canada by enabling governments and business to: 1) raise equity capital and debt; 2) attract foreign investment; and 3) allow investors to trade in domestic and international capital markets. In 2010, the total market capitalization amounted to C$2.3 trillion or 4 per cent of total trading among global capital markets. As such, even a small percentage of wealth diverted from this sector can translate into very large amounts in absolute dollar value.

The report discusses common schemes that occur in Canadian securities markets, including: fraudulent high-yield investments; pyramid and Ponzi schemes; fraudulent illicit offshore investments; and high-pressure telemarketing. The authors noted there are differences in the types of schemes prevalent within the provinces. For example, in Ontario, it is common to see boiler-room operations involving shell corporations or reverse takeovers and corporate identity hijacking, and Ponzi schemes including the use of foreign exchange trading systems. In Quebec, there seems to be greater emphasis on market manipulation, which requires access to registered investment funds, funds transfers and the artificial inflation of accounts and relevant investments. The most commonly reported groups were sophisticated organized crime groups already operating in other illicit markets, such as Outlaw Motorcycle Gangs and traditional Italian organized crime.

The authors identified a number factors which could contribute to the vulnerability of the sector to organized criminal activities, such as: rare use of criminal procedure and sanctions against unlawful activities; information asymmetry between investors and market insiders; high cost of investigating and prosecuting securities market related offences; and failures among companies to report malfeasance in
order to maintain investor confidence.

The authors conclude that the complexity of the Canadian securities market presents certain challenges relating to the design of effective countermeasures. While all market participants have an interest in protecting themselves from risk, and the public from victimization, this must be balanced against the need to ensure economic growth and prosperity.

The report recommends raising public awareness of white-collar crimes, while securities regulators, criminal justice officials and the media should place greater emphasis on the public shaming and stigmatizing of offenders, and promote a culture of lawful and ethical behaviour. The authors also call for an 'integrated intelligence model' where control agencies would function interdependently, rather than independently within a clear set of defined goals and a coordinated strategy to detect and deter violations, thereby reducing the impact and harm by issuing proportionate sanctions.


For more information on organized crime research at Public Safety Canada, please contact the Organized Crime Research Unit at ocr-rco@ps-sp.gc.ca.

Organized Crime Research Briefs are produced for Public Safety Canada. Organized Crime Research Briefs supports the objectives of the National Research Agenda on Organized Crime by making accessible topical, evidence-based information on organized crime topics for consideration in the development of policy and conduct of operations. The summary herein reflects an interpretation of the report authors’ findings and do not necessarily reflect the views of the Department of Public Safety Canada.
January 14, 2019

Purpose

- Seek suggestions on ways to further reduce unnecessary regulatory burden.
- Announce a March 27, 2019, roundtable discussion on reducing regulatory burden.

Introduction

The Ontario Securities Commission (the OSC) has a statutory mandate under the Securities Act (the Act) to provide protection to investors from unfair, improper or fraudulent practices; to foster fair and efficient capital markets and confidence in capital markets; and to contribute to the stability of the financial system and the reduction of systemic risk.

Under the Act, one of the fundamental principles guiding our work is that business and regulatory costs and other restrictions on the business and investment activities of market participants should be proportionate to the significance of the regulatory objective sought to be realized.

The OSC has several ongoing projects to reduce regulatory burden. For example, the OSC and the other members of the Canadian Securities Administrators (the CSA) are currently proceeding with the burden reduction initiatives described in CSA Staff Notice 81-329 Reducing Regulatory Burden for Investment Fund Issuers and CSA Staff Notice 51-353 Update on CSA Consultation Paper 51-404 Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers.

Burden reduction task force

The OSC, in coordination with the Ministry of Finance, has established a Burden Reduction Task Force (the Task Force) to focus our efforts and to identify steps, in addition to those listed above, that can be taken to enhance competitiveness for Ontario businesses by saving time and money for issuers, registrants, investors and other market participants.

The Task Force has a mandate to consider and act on any suggestions to eliminate unnecessary rules and processes while protecting investors and the integrity of our markets.

The Task Force will support the Government of Ontario’s Open for Business Action Plan.

Stakeholder consultation

We invite comments from interested stakeholders on additional ways that we can reduce unnecessary burden. Areas of focus include:

Operational changes for regulatory branches and offices

The primary regulatory branches and offices of the OSC include:

- Compliance & Registrant Regulation,
- Corporate Finance,
- Derivatives,
- Investment Funds & Structured Products,
Market Regulation, and
the Office of Mergers & Acquisitions.

Staff in these branches and offices interact daily with market participants, such as issuers, registrants, marketplaces, and their advisors. We recognize the need to continually improve our processes and procedures to keep pace with the changing needs of industry.

1. Are there operational or procedural changes that would make market participants’ day-to-day interaction with the OSC easier or less costly?

2. Are there ways in which we can provide greater certainty regarding regulatory requirements or outcomes to market participants?

3. Are there forms and filings that issuers, registrants or other market participants are required to submit that should be streamlined or required less frequently?

4. Are there particular filings with the OSC that are unnecessary or unduly burdensome?

5. Is there information that the OSC provides to market participants that could be provided more efficiently?

Rule changes
The regulatory landscape in Canada is complex. Given the proliferation of new products and more modern processes, the requirements of specific rules may become outdated and unnecessary over time.

6. Are there requirements under OSC rules that are inconsistent with the rules of other jurisdictions and that could be harmonized?

7. Are there specific requirements that no longer serve a valid purpose?

Enhancing investor experience and outcomes
Strong investor protections are the underpinnings of fair and efficient capital markets. Reducing unnecessary regulatory burden for issuers, registrants and other market participants will benefit investors, because investors ultimately bear the costs of unnecessary or outdated regulations.

The Task Force will review the interface between our regulatory requirements and investors to see if there are ways to enhance and improve how investors experience disclosure provided: (i) before they invest; (ii) as part of ongoing public disclosure; and (iii) by registrants as required.

We are also interested in any suggestions for improving the investor experience by modernizing the information provided to investors or other interactions that investors have with issuers or registrants because of regulatory requirements, which could include further efforts to promote the use of plain language in regulatory disclosure.

Ontario-specific improvements
Complying with different rules across the country creates unnecessary regulatory burden. We are committed to harmonization through collaborative efforts with the CSA. However, we acknowledge that coordinated initiatives require more time.
We are interested in any changes that the OSC could make on an interim basis in Ontario only that would assist market participants while we continue to pursue coordinated national changes.

Existing policy initiatives

The purpose of this notice is to seek input on new initiatives the OSC could consider. We are currently reviewing comments submitted on several significant CSA initiatives¹, such as the proposed Client Focused Reforms, amendments regarding embedded commissions for investment funds and new derivatives rules. We intend to consider these submissions as part of our review of regulatory burden. As such, there is no need to repeat comments provided in response to these projects.

Submissions

Please provide your comments using this Burden Reduction Survey² or send your comments to the address below by March 1, 2019.

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
comments@osc.gov.on.ca

All comments received will be posted on the OSC’s website at www.osc.gov.on.ca. Therefore, you should not include personal information directly in comments to be published. It is important that you state on whose behalf you are making the submission.

Burden reduction roundtable

We will consider all comments and suggestions received, together with input from ongoing external consultations and from our ten OSC advisory committees, to identify a series of short, medium and long-term actions to reduce unnecessary burden.

We will hold an initial roundtable on March 27, 2019. The roundtable will provide an opportunity to discuss submissions made to the OSC during the comment period and to engage in an open discussion about the proposals being considered and any issues identified.

Anyone wishing to participate in the discussion at the roundtable should submit a comment letter in response to this notice and expressly indicate a desire to participate.

Additional details regarding the roundtable will be published on the OSC’s website when available, including the list of participants.

¹ For a complete list, please refer to: http://www.osc.gov.on.ca/en/SecuritiesLaw_proposed_index.htm.
Questions:
Please refer your questions to any of:

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