

Chapter 1

Section 1.18

Ministry of Finance and Treasury Board Secretariat

Public Accounts of the Province

Follow-Up on VFM Chapter 2, *2019 Annual Report*

RECOMMENDATION STATUS OVERVIEW

	# of Actions Recommended	Status of Actions Recommended				
		Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	2	2				
Recommendation 2	1	1				
Recommendation 3	1				1	
Total	4	3	0	0	1	0
%	100	75	0	0	25	0

Overall Conclusion

As of September 30, 2021, three of the four actions we recommended in our *2019 Annual Report* have been fully implemented. For example, since our 2019 audit, the province has updated the Agencies and Appointments Directive and the Broader-Public-Sector Business Document Directive to require entities that consolidate into the Public Accounts to publicly post their audited financial statements prior to the issuance of the Public Accounts.

However, the government indicated that it will not update the current legislation to formalize that its accounting will be in accordance with Canadian Public Sector Accounting Standards (PSAS). The continuing need for the current “prescribed” accounting in legislation and regulations (known as legislated

accounting) is unclear, as the government has confirmed its commitment to follow Canadian PSAS. Canadian PSAS are the most appropriate accounting standards for the province to use in order to maintain its financial reporting credibility, accountability and transparency. Using PSAS gives legislators and the public appropriately presented financial information allowing them to better assess the government’s use of public funds. Given the importance of this, we continue to recommend that the government formalize its commitment to follow the accounting standards established by the Canadian Public Sector Accounting Board and repeal existing legislation and regulations that enable accounting treatments to be prescribed if desired by a provincial government in Ontario.

The status of actions taken on each of our recommendations is described in the following sections.

Background

For the year ended March 31, 2019, we issued an unqualified audit opinion for the second year in a row on the consolidated financial statements for the Province of Ontario. This means that the consolidated financial statements were free from material errors and fairly presented the province's financial position and operating results.

Specific observations made during our audit included the following.

Use of Legislated Accounting

Annually, we have raised the issue of the prior government having introduced legislation on several occasions to facilitate its establishment of specific accounting practices that may not be consistent with Canadian PSAS. For example, the use of legislated accounting treatments by the province to support the accounting/financing design prescribed under the *Ontario Fair Hydro Plan Act, 2017*, could have had a material impact on the province's annual results and become a significant concern to our Office in the 2017/2018 fiscal year, had the accounting not been corrected.

Volume 2 of the Public Accounts of Ontario

Prior to 2018/19, Volume 2 of the Public Accounts was one of three supplementary reports that the government printed and made available at the same time as the release of the province's consolidated financial statements. Starting in 2018/19, the province no longer issued *Volume 2* in the same format. Instead, the province set up a website with links to web pages showing the financial statements of each government organization, trust under administration, business and other type of organization listed in Schedule 8 of the province's consolidated financial statements.

We noted that these organizations' financial statements were not all available for viewing through the website when the Public Accounts were released on September 13, 2019. Only 32% of the organizations formerly included in Volume 2 had their statements available as of September 13, 2019 and just 67% of the financial statements of hospitals, colleges, school boards and school authorities were available.

Ontario Cannabis Retail Corporation

We audited the Ontario Cannabis Retail Corporation (OCRC) for the year ended March 31, 2019. Because OCRC had issues with the integrated reporting of data from its key IT systems, we performed extensive audit testing and expended considerable time and effort in confirming the reliability and accuracy of information from OCRC's IT systems. On September 5, 2019, we were able to issue an unqualified opinion on OCRC's March 31, 2019 financial statements.

We made three recommendations, consisting of four action items needed for improvement.

Status of Actions Taken on Recommendations

We conducted assurance follow-up work between April 1, 2021 and September 30, 2021, and obtained written representation from the Treasury Board Secretariat and the Ministry of Finance that, effective October 8, 2021, they had provided us with a complete update on the status of the recommendations we made in the *2019 Annual Report*.

Volume 2 of the Public Accounts of Ontario

Recommendation 1

To increase the transparency of the province's consolidated financial statements, we recommend that the Treasury Board Secretariat:

- *incorporate electronic copies of the organizations' financial statements, which are consolidated into the Public Accounts, into the Volume 2 website;*
Status: Fully implemented.

Details

The Office of the Provincial Controller Division has worked with the ministries so that financial statements of organizations that were previously published in paper form will be available in digital form at the same time as other supplementary volumes of future Public Accounts. This included following up with ministries on outstanding financial statements from their agencies as the required deadline approached.

The 2019/20 Public Accounts were released on September 23, 2020 along with links to the supplementary reports. As of September 23, 2020, we observed that 91% of the other organizations and 99% of the broader-public-sector organizations' audited financial statements were available on the website. As of November 2, 2020, the percentages had increased to 93% and almost 100% respectively. The availability of other organizations' statements via website link is comparable to the printed financial statements formerly included in Volume 2 of the Public Accounts, where there were usually a few statements each year that missed the printing cut-off. This is a substantial improvement compared with the prior year, which saw that only 32% of other organizations and 67% of broader-public-sector organizations had their audited financial statements available on the government's website on September 13, 2019, the date the 2018/19 Public Accounts was publicly released.

- *advise the government to revise the Agencies and Appointments Directive and the Broader Public Sector (BPS) Business Documents Directive to specify the posting of an agency's audited financial statements on the agency's or government's website no later than the Public Accounts release date.*
Status: Fully implemented.

Details

The Treasury Board Secretariat (Secretariat) updated both the Agency and Appointments Directive and the BPS Business Documents Directive to specify the posting of audited financial statements no later than the Public Accounts release date. As well, communications to all affected ministries were made to support the public availability of their agencies' 2019/20 audited financial statements.

The Agencies and Appointments Directive was updated to state that agencies included in the province's consolidated financial statements must make their audited financial statements available no later than 150 days after the fiscal year (March 31) or an earlier date issued by the Office of the Provincial Controller Division for the reporting year. The broader public sector (BPS) Business Documents Directive was updated to state that BPS organizations included in the Public Accounts must post their audited financial statements no later than the release date of the Public Accounts of Ontario.

Ontario Cannabis Retail Corporation

Recommendation 2

In order for the Ontario Cannabis Retail Corporation to operate effectively, we recommend that it develop a plan and take all steps necessary to expedite the resolution of data integration issues between its key IT systems.

Status: Fully implemented.

Details

The Ontario Cannabis Retail Corporation, operating as the Ontario Cannabis Store (OCS) implemented an Automated Reconciliation Tool (ART) in December 2019 to address the data integration issues among its key IT systems. This tool replaced the previous tool that was used by the OCS.

The implementation of the ART system mitigated the data integration issues across the OCS, leading to more reliable financial record retention. The system also automated many of the steps that were previously performed manually. As well, the system

is maintained and updated in-house compared with the previous system, which was developed and run by an outside vendor.

Legislated Accounting Standards

Recommendation 3

To ensure consistent use of Canadian Public Sector Accounting Standards, we recommend that the government formalize a process to follow the accounting standards established by the Canadian Public Sector Accounting Board to avoid using legislation or regulations to prescribe accounting treatments.

Status: Will not be implemented. The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

In 2008, 2009, 2011 and 2012, the government introduced legislation giving it the ability to make regulations requiring the use of specific accounting treatments that may not be consistent with Canadian PSAS.

It is important that Ontario prepare its financial statements in accordance with generally accepted accounting standards, specifically those of Canadian PSAS, in order to maintain its financial reporting credibility, accountability and transparency.

At the time of our follow-up, the province indicated it was committed to preparing its financial statements in accordance with Canadian PSAS in order to provide high-quality financial reports that support transparency and accountability in reporting to the public, the Legislature and other users. However, the province has no legislative requirement for the government to comply with Canadian PSAS. We continue to believe that this recommendation should be implemented and that the province formalize compliance with Canadian PSAS in legislation.