



Office of the Auditor General of Ontario

# Annual Report 2022





## Office of the Auditor General of Ontario

To the Honourable Speaker of the Legislative Assembly

In my capacity as the Auditor General, I am pleased to submit to you the *2022 Annual Report* of the Office of the Auditor General of Ontario to lay before the Assembly in accordance with the provisions of section 12 of the *Auditor General Act*.

A handwritten signature in black ink, reading "Bonnie Lysyk". The signature is fluid and cursive, with the first name "Bonnie" and last name "Lysyk" clearly distinguishable.

Bonnie Lysyk, MBA, FCPA, FCA, LPA  
Auditor General

November 2022  
Toronto, Ontario



**Bonnie Lysyk**  
Auditor General of Ontario

# Reflections

This is the 10<sup>th</sup> Annual Report I have had the privilege of tabling in the Legislative Assembly in my capacity as Auditor General of Ontario. This year's Annual Report contains 15 value-for-money audits covering a wide range of public-sector activities. The audits identify improvements and enhancements that can be made to public-sector programs and services that, if implemented, will benefit the people of Ontario and increase confidence in public institutions.

This Annual Report also includes our two-year follow-up reviews on the implementation of the recommendations from our 2020 audits, our continuous follow-up work on audits completed in the 2015-19 period, and follow-up work on the recommendations issued by the Standing Committee on Public Accounts in the reports it tabled in the Legislative Assembly in the past year. Additionally, we have included a report on the Public Accounts of Ontario and an update on government advertising.

In May, we completed our *Review of the Pre-Election 2022 Multi-Year Fiscal Plan*, in which we assessed how reasonably the Ontario budget presented the Province's fiscal forecasts ahead of the June general election. And in mid-November 2022, we issued our *Special Report on Laurentian University*, following the issuance of a

*Preliminary Perspective on Laurentian University* that was tabled in April 2022. All of the above work was accomplished amid the COVID-19 pandemic, which for a third year challenged our normal audit processes.

During my tenure as Auditor General, I have had the opportunity to work with successive minority and majority governments led by different political parties. While governments and political philosophies change, the primary goal of my independent Office has been unwavering—to maintain the focus of our work on providing objective, non-partisan and fact-based information to all members of the Legislature and Ontarians on whether taxpayer money is being well spent.

While most of the time sound decisions do get made, decision-makers in the public realm have, on occasion, lost focus of the goal of maximizing the effective use of taxpayer money to provide the best services possible for the people of Ontario. Faced with a growing torrent of outside pressures, including changing economic circumstances, decision-makers in public-sector and broader-public-sector organizations can become prone to making decisions based on short-term rather than long-term considerations and without the benefit of good information. And, most importantly, all too often they can make decisions without ensuring

that all of the relevant facts are being considered and deliberated in an objective and transparent manner.

In many respects, while governments can be likened to giant corporations, managers of public-sector and broader-public-sector organizations often face different and arguably more complex challenges than their counterparts in the private sector. Shifting government and societal priorities can lead to budget and staffing restrictions, making it difficult for ministries and entities that depend on taxpayer money to fulfill their mandates. Similar forces can weaken governance structures and established operational processes that serve as useful checkpoints over critical decisions.

For these reasons, the value-for-money audits my Office conducts each year are important; they help hold the decision-makers and the managers of taxpayer money accountable for financial responsibility and transparency in public reporting. This year's audits are no different.

Over the last year, certain events have caused me concern. Historically, the Auditor General has been the watchdog over the government's spending of public money. However, to continue to be an effective watchdog, it is imperative that the Office continues to have unfettered access to the information and the staff of the organizations and programs we audit to do our work. As well, the Auditor General's historical role has been to be an impartial adviser to the Standing Committee on Public Accounts to assist it in the review of the Public Accounts and the Annual Report of the Auditor General in accordance with the *Auditor General Act*. While there are those who would like to change these practices going forward, it is my hope that the Office's powers and independence, including its unfettered

access to information and people, and the Auditor General's involvement with the Committee, remain undiminished. These historical practices are critically important to protect the Office of the Auditor General's ability to provide objective, non-partisan and fact-based information to all members of the Legislature and Ontarians.

## Acknowledgements

I want to thank the many people we worked with in the public and broader-public sectors for assisting us in the completion of our audits. I also want to extend my personal thanks to my professional and dedicated team, our excellent panel of external advisors, and the various subject matter experts who shared their knowledge and advice during the past year.

I have worked closely with the Legislature's all-party Standing Committee on Public Accounts during my term as the Auditor General and want to acknowledge their consistent support and dedicated work in helping to hold public-sector and broader-public-sector senior officials accountable for their spending of taxpayer funds and the cost-effective delivery of programs and services.

The Committee's support was particularly important over the past year in our review of Laurentian University. During the course of our work, the University placed unprecedented restrictions on our access to information, including a legal challenge to the *Auditor General Act*. In order to help us, the Committee took extensive steps to bring more transparency to what happened at Laurentian. Subsequently, all members of the Legislative Assembly of Ontario voted unanimously to approve the issuance of rarely used Speaker's Warrants to compel the production of



the information requested by the Committee to support its efforts and my Office in the conduct of our work.

The contribution of the Office of the Auditor General over my term as Auditor General would not have been possible without the dedication and outstanding work completed by both past and current employees of the Office. I am truly appreciative of the opportunity I've had to work with them.

I would also like to acknowledge and extend best wishes to Naomi Herberg, who served as an Audit Manager before she retired this past year following 32 years of service to the Office. I also want to acknowledge and thank Christine Wu for 25 years of service as the Executive Assistant to three Auditors General: Erik Peters, Jim McCarter and me.

Sincerely,

A handwritten signature in black ink, reading "Bonnie Lysyk". The signature is fluid and cursive, with the first name "Bonnie" written in a larger, more prominent script than the last name "Lysyk".

Bonnie Lysyk, MBA, FCPA, FCA  
Auditor General of Ontario

## Our Team

It takes a massive effort by many people to perform the research, audit, writing and administrative support work required to produce an Annual Report of this scope and substance. The following is a list of the people at our Office who worked to produce our *2022 Annual Report*, published on November 30, 2022.

|                        |                      |                       |                      |
|------------------------|----------------------|-----------------------|----------------------|
| Arulanantham, Thulasi  | Gotsis, Vanna        | Muradzada, Zahid      | Sisopha, Jennifer    |
| Ayyalasomayajula, Sri  | Gupta, Nandan        | Nasser, Ali           | Skeaff, Karen        |
| Au, Michelle           | Hanif, Faizan        | Nirthanarajah, Janani | Stavropoulos, Nick   |
| Balachandra, Paranika  | Harris, Emily        | Nouri, Muhibullah     | Szablowski, Victoria |
| Balakrishnan, Arujunan | Harrison, Sara       | Palardy, Nancy        | Tang, Elizabeth      |
| Blair, Jeremy          | Jue, Grace           | Parmar, Gurinder      | Tepelenas, Ellen     |
| Bove, Tino             | Juseviciene, Vilma   | Patel, Anushri        | Thomas, Zachary      |
| Bychkova, Karina       | Kasseer, Hisham      | Patel, Christy        | Train, Andrew        |
| Cao, Jimmy             | Kassel, Michelle     | Patel, Mamta          | Tsikritsis, Emanuel  |
| Canaya, Mike           | Kazemi, Shahir       | Patel, Nirmal         | Tso, Cynthia         |
| Carello, Teresa        | Kelly, Ciaran        | Pellerin, Louise      | Ulissee, Dora        |
| Catarino, David        | Kennedy, Richard     | Perevalov, Alla       | Valiante, Marcia     |
| Chadha, Kartik         | Khan, Omar           | Rao, Jayashree        | Vanderheyden, Adam   |
| Chagani, Gus           | Klein, Susan         | Ratnajoathy, Arabhi   | Volodina, Alla       |
| Chan, Candy            | Kossovski, Denis     | Sage, Larissa         | Wang, Jing           |
| Chan, Sandy            | Krishnamurthy, Chris | Sahota, Alisha        | Wells, Samantha      |
| Chatzidimos, Tom       | Lawrence, Charmain   | Sarkar, Christine     | Wiles, Benjamin      |
| Cheung, Brandon        | Lee, Kiera           | Schulz, Tyler         | Wisco, Archibald     |
| Dai, Sophie            | Lehman-Allison, Ann  | Segota, Romeo         | Wong, Nancy          |
| Dasan, Sean            | Leung, Benjamin      | Sekhon, Davanvir      | Wu, Christine        |
| Diab, Ryan             | Levi, Joseph         | Sevastyanov, Sergey   | Wyer, Bryanna        |
| Dimitrov, Dimitar      | Llewellyn, Tori      | Shah, Parth           | Xie, Kirstin         |
| Du, Daniel             | Lozinsky, Arie       | Shah, Vidhan          | Xu, Shawn            |
| Dufour, Jesse          | Luk, Jason           | Shaikh, Sumayya       | Yarmolinsky, Michael |
| Fernandes, Jason       | Lysyk, Bonnie        | Shao, Eileen          | Yip, Gigi            |
| Fitzmaurice, Thomas    | MacDonald, Cindy     | Sharma, Mahima        | Yoon, Esther         |
| Fletcher, Kandy        | MacDonald, Kathryn   | Shaw, Carolyn         | Yosipovich, Rebecca  |
| Found, Jeremy          | Mani, Karthick       | Sheikh, Khalid        | Young, Denise        |
| Ganatra, Neil          | Martino, Mary        | Shen, Angela          | Zhang, Catherine     |
| Gerner, Eden           | May, Kristy          | Shilton, Georgegiana  |                      |
| Gill, Rashmeet         | Mehta, Priya         | Sidhu, Pasha          |                      |
| Gosse, Scott           | Munroe, Roger        | Sin, Vivian           |                      |

# Summaries of Value-for-Money Audits

## Climate Change Adaptation: Reducing Urban Flood Risk

Urban flooding occurs when heavy rainfall overwhelms the capacity of drainage systems in developed areas to absorb, collect and carry away stormwater. Urban flooding is the most common form of flooding in Ontario. While less than 3% of Ontario's population live in areas that may be subject to river flooding, all Ontarians who live in a developed area—regardless of proximity to a waterbody, like a river or creek—may be at risk of an urban flood.

Urban flooding can have serious economic, social and environmental impacts. For example, a record-breaking rainfall in Toronto in 2013 caused both urban and river flooding, resulting in 7,000 flooded basements, 900,000 households without power, and insured damage of \$1 billion. While this flood was Ontario's costliest disaster, the impact of urban flooding has been felt across the province, including major urban flood events with insured losses over \$80 million each in Thunder Bay (2012), Hamilton (2012), Burlington (2014), and Windsor and Tecumseh (2016 and again in 2017). Localized storms in smaller communities also result in sewer back-ups and basement flooding that are equally damaging and disruptive to those affected.

Despite these impacts, urban flooding receives much less attention from the Province than river and lake flooding. Our audit found that the Province does not have effective systems and processes to reduce the

risk of urban flooding, nor to provide homeowners, municipalities and other decision-makers the guidance and information they need to reduce the risks of urban floods.

The following are some of our most significant findings:

- Basement flooding from sewer backups has been reported as the most preventable climate-related damage to Ontario homes. Yet many buyers of new homes are not protected from sewer backups due to lack of clarity in the Building Code. Although the Code requires backwater valves for homes with drains that “may” be subject to backflow, ambiguity in the term “may” has hindered their widespread installation. In our survey of chief building officials, only 14 of the 52 respondents required installation of backwater valves for all new homes with basements in their municipalities. During construction, the cost to install a backwater valve was around \$250. By contrast, the average cost to repair a basement that flooded during the 2013 Toronto rainstorm was around \$43,000.
- The Province is providing inconsistent guidance and direction to municipalities on whether to use projected climate change data, such that many continue to rely on historical data. As a result, the infrastructure and buildings designed on the historical climate data may not be able to withstand future precipitation patterns.

- Ontario municipalities have been underinvesting in their stormwater infrastructure. Of the 182 municipalities that incurred operating expenses relating to urban stormwater management in 2020, only 51 reported collecting revenue earmarked for urban stormwater systems. Federal and provincial grants for urban stormwater infrastructure varied annually over the past 10 years and totalled just \$187 million, substantially less than the billions of dollars needed. Municipalities must now complete asset management plans, which can help ensure that municipalities sustainably finance their stormwater infrastructure. However, we found that a lack of detailed guidance from the Infrastructure Ministry is resulting in inconsistent and incomplete plans, which may limit their effectiveness.
- Green spaces, such as wetlands, woodlands and meadows, are important for flood reduction as they absorb water and reduce stormwater runoff, which reduces the risk of flooding. Wetlands are particularly important for reducing flood risk, due to their ability to provide short-term water storage during heavy rains. Despite provincial policies to protect them, wetlands and other green spaces continue to be lost across the province. Over the past 20 years, the percentage of urban land area classified as green has declined in 94% of Ontario's medium and large urban centres.
- Between 2011 and 2015, southern Ontario lost an average of 1,825 hectares of wetlands per year—an annual rate of loss three times higher than the previous data period (2000 to 2011). The wetlands that do remain are at risk of further loss. Despite that, there is no provincial strategy to conserve wetlands, and former targets to reverse their loss were abandoned.
- The Province is not regulating the structural design of large flood-control facilities that are located away from lakes or rivers. The Natural Resources Ministry issues approvals for flood-control facilities, but only for those that are on lakes or rivers. The Environment Ministry issues

approvals for municipal stormwater infrastructure to protect water quality. However, because flood control is not within its mandate, the Environment Ministry does not require these flood-control facilities to obtain an environmental compliance approval. As a result, there is a regulatory gap regarding the structural design of these facilities.

## Conserving the Niagara Escarpment

The Niagara Escarpment is one of the most prominent natural features in southern Ontario and is widely seen as one of Canada's natural wonders. This ridge extends 725 kilometres through southern Ontario from the Bruce Peninsula to the New York border, where the Niagara River plunges over the Escarpment at Niagara Falls. Because of its ecological significance, it is recognized internationally as a World Biosphere, designated by the United Nations as a place to conserve nature and promote sustainable development.

But the Escarpment's natural environment is under threat. It is located beside the most densely populated part of Ontario. Population pressures are mounting, with the number of people living in the Greater Golden Horseshoe expected to grow more than 50% to over 14 million by 2051.

Our audit examined whether the Ministry of Natural Resources and Forestry (Ministry) and the Niagara Escarpment Commission (Commission) are effectively and efficiently conserving the Niagara Escarpment in order to meet the purpose and objectives of the *Niagara Escarpment Planning and Development Act* (Act) and the Niagara Escarpment Plan (Plan).

The following are some of our significant findings:

- The Plan does not cover all of the Niagara Escarpment, so not all of it is protected from incompatible development. The current size of the Plan Area is 195,055 hectares. In 2017, the Commission concluded that 45,677 hectares could be added to the Plan Area to include all of the Escarpment's natural features, but the Ministry decided against those additions due to



- public opposition against an increased level of government control over land use and municipalities potentially losing out on tax revenue.
- The Plan allows new and expanded aggregate operations on the Niagara Escarpment despite the environmental impacts, poor inspection rates, and poor rehabilitation track record of pits and quarries, and no required justification of need. Seventeen of the 54 aggregate operations on the Escarpment are licensed for unlimited tonnage—meaning there is no restriction on the amount of material that can be extracted each year. The Ministry has only inspected 14 out of 54 of the active extraction sites within the Plan Area in the last five years and two of these sites failed the inspection due to non-compliance with progressive rehabilitation requirements. During the Plan review in 2017, the Commission recommended to the Ministry that new aggregate operations be prohibited within the Plan Area, but the Ministry did not change the Plan.
  - There is no longer environmental monitoring because there are no Commission staff, resources or programs to assess the state of the Niagara Escarpment.
  - The Commission does not have a long-term strategic plan to achieve the legislative mandate to conserve the Niagara Escarpment. It has not developed a new strategic plan since the 2012–16 plan expired.
  - Almost all development permit applications have been approved by the Commission in the last five years. A development permit is an approval issued by the Commission—or in very rare cases, the Minister—to a person, company or organization, and includes conditions that must be met for a particular development to occur. We found that only 19 of 1,661 development permits were refused in those years; however, only 125 of these development permit applications were complex applications that required the Commissioners' approval or denial and some of these Commissioner-approved applications went against the Niagara Escarpment Plan.
  - The Ministry does not have a plan or program to assist in financing the completion of the Niagara Escarpment Parks and Open Space System (Park System) and securing a permanent route for the Bruce Trail. The Plan establishes the Park System as a provincially co-ordinated network of parks and open spaces and the Bruce Trail as a secured footpath along its length. However, dedicated annual funding for land securement on the Niagara Escarpment has not been offered since 1998, despite commitments in the Niagara Escarpment Plan to complete both the Park System and the Bruce Trail.
  - Reports of possible contraventions of the Act have climbed 82% over the last five years, but no charges have been laid since 2014. We found that there were 156 high-risk incidents, such as the illegal construction of buildings and other structures, in the last five years. However, the Commission requested the Ministry consider laying charges only five times. In four of the five cases, the Ministry did not investigate due to insufficient documentation provided by the Commission.
  - The Ministry provides insufficient financial and staffing resources to the Commission to ensure the Niagara Escarpment Plan and Act are effectively and efficiently implemented. In 1996, as part of broader cuts across government, the Province reduced the budget and staffing of the Commission by approximately one-third to the levels that generally remain today. The Commission's overall budget was again reduced by the Ministry in 2010/11, 2011/12 and 2012/13, and 2019/20. Between 2017/18 and 2019/20, the Commission maintained an operational deficit and was forced to cut costs by cancelling Commission meetings or delaying IT repairs.

## COVID-19 Contracts and Procurement

The government of Ontario approved \$7 billion in spending on COVID-19-related procurements from March 2020 to March 2022. About half of those funds

were approved by the Treasury Board/Management Board of Cabinet (TB/MBC) before ministries entered into contracts with vendors. The remaining \$3.5 billion of procurements were not reviewed or approved because ministries invoked the emergency exception clause within the Ontario Public Service Procurement Directive, which allows for direct and non-competitive procurement in “unforeseen situations of urgency.”

Our audit reviewed 127 of about 600 COVID-19-related procurements with a total cost of \$1.6 billion. The contracts were for goods and services such as personal protective equipment (PPE), clinics dedicated to conduct COVID-19 testing and vaccination, rapid antigen test kits, COVID-19-related information technology and other consulting services to establish infrastructure and support public initiatives.

Given the urgency of the pandemic, the procurements were generally conducted in accordance with the Procurement Directive, had appropriate business plans, and were accomplished in a timely and cost-effective way. Competitive procurements followed the required process of requesting proposals and evaluating the bids received. Most of the non-competitive emergency procurements followed appropriate approvals processes, except for 11% of the purchases totalling \$218 million, where the Secretary of TB/MBC was not “promptly” notified as required, though the information was reported in the ministries’ quarterly reports.

We identified some contracts that could have been managed more effectively to achieve their intended purposes, and maximize potential cost savings. Both Ontario Health and the Ministry of Education contracted with vendors to operate COVID-19 testing clinics in 2021, but they did not co-ordinate on locations to better meet demand for testing services. Between Ontario Health and the Ministry of Education, \$18.7 million of the \$32.3 million paid to vendors went toward underutilized mobile COVID-19 testing clinics.

The following are some of our other significant observations:

- About \$66 million worth of PPE purchased by the Province during the COVID-19 pandemic required disposal as of March 31, 2022, because it was expired, damaged or obsolete. Certain

items were not in demand by the public sector or could not be used prior to expiry. More planning is needed to minimize future waste of PPE. This is especially true for the items that the Ministry of Public and Business Service Delivery has contractually committed to continue to purchase annually, such as N95 respirators. The Ministry of Public and Business Service Delivery entered into a contract to establish a reliable, domestic supply chain for N95 respirators to meet the demand of Ontario’s public sector and to maintain a stockpile in case of future emergencies, but current forecasts estimate that there will be an excess of 100 million N95 respirators (worth \$81 million) by 2030 that will require disposal if inventory is not proactively managed.

- COVID-19 testing appointment information was not collected by the Ministry of Education for scheduled testing sites to optimize COVID-19 testing services. The mobile COVID-19 testing clinics operated by the Ministry mainly operated on a walk-in basis. Since no prior appointment bookings were collected prior to the day of testing at schools, the Ministry could not proactively identify locations with little testing demand and the vendors only tested between 2% and 7% of their potential capacity, on average.
- While some COVID-19 testing clinics contracts were competitively procured, certain vaccination clinic contracts were not. From January 2021 to January 2022, the Ministry of the Solicitor General entered into several non-competitively procured contracts for vaccination clinics, instead of switching to a competitive process, citing the rationale that a competitive process would take over six months. However, we noted that Ontario Health was able to procure similar COVID-19 testing clinics using a competitive procurement process in one to two months during that same period.
- Workplace usage of a limited supply of rapid antigen tests was not monitored consistently to ensure fair and equitable distribution. Starting

in November 2020, the Ministry of Health provided eligible workplaces with free rapid antigen test kits to test asymptomatic employees. These kits were not available to schools until December 2021 or to the general public until February 2022. Workplaces were required to report weekly on the number of tests used, but often the information was not complete. The Ministry of Health and its partnering ministries often did not verify that the rapid antigen tests had been used by workplaces before fulfilling more orders, or verify that workplaces were ordering a reasonable number for the employees they had.

## COVID-19 Vaccination Program

Ontario began administering the COVID-19 vaccine in December 2020. By mid-August 2022, about 35 million doses had been administered to eligible Ontarians. While the federal government was responsible for purchasing vaccines for all provinces and territories, in Ontario the Ministry of Health and the Ministry of the Solicitor General were in charge of co-ordinating the rollout of those vaccines. From April 1, 2020 through May 31, 2022, the ministries spent about \$1.5 billion on the rollout of COVID-19 vaccines.

As the pandemic progressed, vaccinating the population grew more challenging. The government called on experts in December 2020 to support the development of its vaccination plan and its decisions about prioritizing segments of the population in the face of a limited vaccine supply.

Our audit found that:

- The Ministries of Health and the Solicitor General did not consistently adopt advice from experts and key stakeholders, health-care organizations and workers when formulating their vaccination strategies.
- When identifying high-risk populations for the “hotspot” strategy to prioritize vaccination when vaccines were scarce, the Ministry of Health did not apply its chosen method of selection consistently across all postal-code regions. This resulted in eight lower-risk neighbourhoods receiving

vaccines ahead of high-risk neighbourhoods, and nine higher-risk neighbourhoods being excluded from the hotspot strategy.

- The Province’s communication strategy was not always effective in supporting its vaccination program. Our review of the Ministry of Health’s approach to communicating factual information to the public indicated that it was disorganized, inconsistent and lacking important details about the benefits of COVID-19 vaccines and vaccination.
- Decentralized and inconsistent vaccination appointment booking systems resulted in confusion and poor experiences for Ontarians. The Ministry of Health launched the provincial COVID-19 vaccination appointment booking system and call centre on March 15, 2021, more than three months after the first vaccine was administered. Adding to the confusion, many other booking systems were also in use across different public health units, pharmacies and hospitals.
- Multiple booking systems also encouraged Ontarians to “vaccine shop” by registering for multiple appointments to try to get either the quickest appointment or a specific vaccine brand. This phenomenon contributed to about 227,000 no-show appointments in 2021 alone in just the provincial system—appointments that could have gone to someone else in need of vaccination.
- Without a pre-existing registry of Ontarians’ vaccination records, the Ministry of Health needed to create a new database for COVID-19. The Ministry does not keep vaccine records of Ontarians of all ages, despite indicating that this was part of the Ministry’s plan in our 2014 audit on Immunization.
- The Ministry of Health’s compensation structure may have incentivized physicians to provide vaccinations at mass immunization clinics rather than their offices. Physicians were paid \$170–\$220 per hour for vaccinating at mass clinics compared with \$13 per dose for vaccinating in their own offices.

- Vaccinators were paid different rates depending on their profession and whether the vaccination site was operated by a private sector organization, a hospital or a public health unit. Physicians received much higher compensation (\$170–\$220 per hour) than nurses (\$32–\$49 per hour) and pharmacists (\$30–\$57 per hour) for vaccinating at sites operated by public health units and hospitals. As well, vaccinators working for private-sector operators were paid more than those working for not-for-profit organizations—for example, a pharmacist was paid \$120 per hour by a private-sector operator compared with \$62 per hour by a not-for-profit operator.
- Enforcement officers could not effectively assess whether businesses were implementing proof-of-vaccination requirements, including whether businesses were using the Verify Ontario app to confirm the patron was vaccinated, as mandated in early 2022. Because officers were required to announce themselves to business owners at the beginning of each visit, they were prevented from observing the normal operations of the business, uninfluenced by their presence.

## Financial Management in Ontario Universities

University education is critical for Ontario students and for Ontario's future. When a university is negatively impacted by administrative and financial issues, its ability to educate and to contribute to societal advancement is diminished. This audit was conducted in the wake of the filing for creditor protection under the *Companies' Creditors Arrangement Act* by Sudbury-based Laurentian University. Mismanagement, weak Board oversight and questionable decision-making at Laurentian led to the elimination of academic programs, affecting students, professors and staff.

In this audit, we assessed key operations and governance structures at four Ontario universities, with a focus on their financial management processes: Algoma University, Nipissing University, Ontario Tech University, and the University of Windsor. These

publicly funded institutions were chosen based on their past financial performance vis-à-vis the Ministry of Colleges and Universities' financial health indicators and for comparative purposes; they are all small- or medium-sized universities. In 2020/21, all four universities performed below the provincial average in four of seven key financial indicators (primary reserve, viability ratio, in-year surplus and expendable net assets).

Ontario universities have faced several challenges over the past five years, including a 10% province-wide tuition reduction and freeze and disruptions as a result of the COVID-19 pandemic. Nonetheless, all four universities we audited had positive net assets as of the end of fiscal year 2020/21. But only one, Algoma University, had an annual surplus consistently throughout the five-year period 2016/17–2020/21. Although the universities we audited were in a positive financial position at the time of our audit, some issues, if left unaddressed, could put their financial sustainability at risk.

The following are some of our significant findings:

- To combat a reduction and freeze on domestic tuition in Ontario, universities have increased their focus on international student tuition fees. A high reliance on international student enrolment poses risks outside of the Ministry's and the universities' control, such as the potential loss of revenue should a large number of students from one country suddenly not be able to obtain study permits (visas) or otherwise be restricted from entering Canada. In 2021/22, three of the four selected universities (Algoma, Nipissing, and Windsor) relied significantly on one country (India) for their international students.
- Universities' financial sustainability could also be at risk if weaknesses in their financial management practices are not addressed. Problems include not establishing or adhering to policies limiting external borrowing and debt servicing costs, despite carrying significant long-term debt; not preparing budgets and cash flows that are complete and accurate to control spending and make better financial decisions; not

analyzing the profitability of academic programming and adjusting offerings where appropriate to improve financial sustainability; and failing to assess the financial feasibility of major capital projects before proceeding with them.

- One challenge for the Ministry is that it does not have the legislative authority to intervene in the operation of publicly funded universities, even if it is aware of an institution's worsening financial condition. Our audit confirmed that the Ministry does not have clear and strong processes in place to work with universities to mitigate financial difficulties and assist a university to improve its financial situation if required.
- The Ministry does not have a clear strategy or long-term vision for the post-secondary education sector that distinguishes programming between colleges and universities. Some colleges offer degree programs and some universities offer certificate programs to generate more revenue, and over time the originally-intended purposes of Ontario's post-secondary institutions have blurred and overlapped.

At **Algoma University**, revenue was largely driven by international students from India who enrolled at its Brampton campus. As of 2021/22, the Brampton campus generated 65% of the university's revenue and 51% of the university's total enrolment; 90% of Brampton's enrolment are international students. Algoma did not always prepare a financial feasibility study before undertaking large capital projects between 2016 and 2021 and did not always conduct an analysis of the profitability of its academic programming.

At **Nipissing University**, financial sustainability was weakening with declining revenues and consistent annual losses. Nipissing accumulated \$9.4 million in net losses from 2016/17 to 2020/21, which contributed to drawing down its net assets from \$25.2 million to \$16.1 million, along with other adjustments for external contributions and employee benefits. Nipissing University is primarily reliant on domestic tuition (99% of students are local) and government grants. Nipissing budgeted for deficits for each year from 2016/17

to 2021/22, but presented no formal plan on how the university would return to a surplus position.

**Ontario Tech University** achieved in-year surpluses in four of the last five years, partly due to increased international student enrolment. The university has, however, avoided over-reliance on international student enrolment from a single country, or few countries. The university had established debt guidelines but no formal capital debt policy. As of March 31, 2021, Ontario Tech's debt totalled \$188 million. Ontario Tech did not always assess the financial feasibility of major capital projects before proceeding with them.

At the **University of Windsor**, despite having the third-highest debt-per-student ratio among 19 Ontario universities, there was no policy in place limiting external financing. At the end of 2020/21, the university had \$234.3 million in debt, primarily comprising debentures maturing in 2043 or after. The university is significantly reliant on enrolment by international students from India. In 2020/21, 60% of international students at the university were from India and 12% were from China. Over-reliance on a few geographic regions increases the risk that external factors, such as a global economic downturn or foreign policy shift, could significantly impact a university's financial health.

## Financial Services Regulatory Authority: Regulation of Private Passenger Automobile Insurance, Credit Unions and Pension Plans

The Financial Services Regulatory Authority of Ontario (FSRA) is the primary regulator of non-securities-related financial services in the province, including about 60 credit unions/caisses populaires, 310 insurance companies, 67,000 insurance agents and 4,600 pension plans. It is a self-funded Crown agency that is accountable, through the Minister of Finance, to the Ontario Legislature.

FSRA is mandated to perform a wide range of functions, from promoting the disclosure and transparency of information, to deterring deceptive or fraudulent conduct by the entities it regulates. This audit focused



on FSRA's regulatory activities in the private passenger automobile insurance, credit union and provincially registered pension plan sectors.

The following are some of our significant findings:

- Historically, Ontarians have paid the highest rates in Canada for private passenger automobile insurance. We identified initiatives that may enable Ontario's automobile insurance sector to operate more effectively and at a lower cost. For example, Ontario could follow British Columbia and Saskatchewan in implementing a mandatory licensing or certification regime for automobile repair businesses so as to protect consumers against poor repairs and fraud.
- FSRA could establish an updated territory framework for greater equity in insurance rates throughout Ontario. Currently, individuals pay widely different insurance rates based on where they live. We obtained 10 quotes for private passenger automobile insurance where the only factor about the person that we changed was where they lived. Insurance rates for this individual ranged from \$1,200 per year (in London) to \$3,350 (in Brampton).
- FSRA did not ensure consumers were able to make informed choices on who to get automobile insurance quotes from. Insurance brokers work on a commission basis with a variety of insurance companies to provide the lowest quote for private passenger automobile insurance possible to consumers. FSRA, as part of its review of the Registered Insurance Brokers of Ontario (RIBO), which is the self-regulatory body for insurance brokerages and insurance brokers, has not taken steps to ensure that RIBO confirms that insurance brokerages complied with the requirement to disclose any financial interests (including ownership) insurance companies may have in them. Nor did FSRA confirm that RIBO is ensuring that consumers received disclosure of the commissions received by insurance brokerages from the insurance companies with which they work.
- Insured deposits can be claimed by depositors in the event of a credit union failure only up to the total value of assets available in the Deposit Insurance Reserve Fund (DIRF), a fund that insures credit union depositors' eligible deposits. As a result, not all insured deposits may be fully protected in certain scenarios where the DIRF is insufficiently funded unless the provincial government decides to step in.
- FSRA's inspections of credit unions did not involve the procedures needed to identify and resolve governance concerns in a timely manner. We selected a sample of 20 credit union inspections performed by FSRA and noted that eight did not collect fulsome information to evaluate governance processes at the credit union (such as how the credit union's board operates).
- Further, in four inspections of the credit unions, we identified that an issue found in the credit union's previous inspection occurred in the subsequent inspection, even though the credit union's board of directors had provided a written attestation to FSRA that the necessary change had been made. FSRA has not levied any administrative monetary penalties or taken any other enforcement action in such circumstances or when credit unions do not implement the governance recommendations identified through FSRA's assessments, giving little incentive for credit unions to make the identified changes.
- FSRA and the Ministry of Finance have not clearly communicated the risk to plan members of multi-employer pension plans (MEPPs) that they may not receive their full targeted pension benefits. Unlike other defined-benefit plans, MEPPs establish only a target benefit level, which may be reduced, instead of providing a fixed level of pension income. Because of this, these plan members are at risk of not receiving their full pension benefits.
- FSRA takes limited action when pension plans do not comply with information submission requirements. In each of the past three fiscal

years, about 718 pension plans submitted a total of 1,058 required filings late. In these cases, FSRA has the authority under the *Pension Benefits Act* to take enforcement actions, such as levying administrative monetary penalties (AMPs). However, since its inception, FSRA has taken only 22 enforcement actions—issuing 17 warning letters and five compliance orders. If it had levied AMPs against the late filers, it could have charged penalties to active pension plans of approximately \$47 million.

## Highway Planning and Management

The Ministry of Transportation is responsible for building and maintaining the province's highways. It manages highway assets valued at \$56 billion (not including bridges and culverts), including over 40,000 kilometres of highway lanes covering a distance of about 17,000 kilometres. According to Statistics Canada, Ontario has some of the most well-maintained highways in Canada, ranking third after the Northwest Territories and Saskatchewan. In addition, according to Transport Canada, the rate of traffic fatalities in Ontario is the lowest in Canada.

The Ministry works to alleviate traffic constraints and to accommodate forecasted population and economic growth by investing in new highway projects through its highway expansion program. It also invests in maintaining and repairing existing highways through its rehabilitation program. In 2021/22, the Ministry spent nearly \$2 billion on capital construction for highway expansion and rehabilitation projects.

Our audit found that Ontario does not yet have an overall long-term transportation strategy in place. However, the Ministry is taking positive steps toward developing an overall transportation strategy for Ontario, and has committed to developing four inter-related regional transportation plans. These plans are intended to provide a roadmap for the Ministry's vision of a province-wide transportation system that integrates all modes of travel (road, rail, air and marine). Although the Ministry published the first of these transportation plans for the Greater Golden

Horseshoe (GGH) region in March 2022, we found that the Ministry has not set timelines to finalize plans (that are currently in draft) for the rest of the province. In addition, we found that the GGH plan does not set short-term and long-term priorities, nor does it disclose the estimated costs and a time frame to implement the plan.

Our audit also found that, over the past 10 years, the Ministry has consistently proposed highly-rated highway expansion projects to the provincial government, based on the Ministry's prioritization assessment of each project. However, in 2019, the Ministry proposed deferring six highway expansion projects previously approved by Treasury Board/Management Board of Cabinet (TB/MBC), and recommended funding the construction of four highway projects identified as government priorities, even though these projects were ranked as a lower priority by the Ministry's technical and engineering staff. Our audit found that the Ministry prioritized the four projects at the direction of the Minister's office. We found that the Ministry's proposal to TB/MBC neglected to communicate that the direction from the Minister's office was inconsistent with the recommendations of the Ministry's subject-matter experts, who indicated that they would not have recommended those four projects at that time.

These are some of our other significant observations:

- The Ministry has not developed a consistent framework to assess the circumstances in which tolling is appropriate—for example, to recover the costs of constructing a highway to support commerce. The Ministry's lack of tolling authority and the absence of a framework for the use of tolling have contributed to inconsistent tolling practices in the construction of provincial highways. For example, while the Ministry has been asked by the government to explore tolling opportunities to lower the costs of a proposed highway project, it was also asked by the government to build a business case to remove tolls from Highways 412 and 418 before their costs had been recovered.

- The government directed Ministry staff to prepare business cases to eliminate tolls from Highways 412 and 418, and to remove licence plate sticker fees. We found that the Ministry's business cases did not meet all of TB/MBC's requirements, including failing to provide adequate review time for decision-makers and all relevant information in their analysis of options. Both proposals also targeted expedited implementation that was less than three months before the provincial election.
- In 2013, the Ministry started using vehicles equipped with automatic road analyzers (ARANs) to scan and assess the condition of pavement on the province's entire highway network at least once every two years. However, we found that four of the Ministry's five regional offices continue to also perform manual assessments of the entire highway network's pavement every one to two years, duplicating the work completed using ARANs. These same four regional offices rely on the results of the more limited manual assessments to determine their highway rehabilitation plans.
- Although the Ministry is required to evaluate the work of engineering consultants after each design assignment, we found that the Ministry has not done so for more than 40% of the 1,416 assignments in the past 10 years. We noted that the Ministry uses these evaluations to calculate a consultant's Corporate Performance Rating, which is a key variable considered by the Ministry in awarding contracts to consultants. Failing to fully evaluate consultants after each assignment increases the risk that contracts for highway design work are awarded to poorly performing consultants.

## Liquor Control Board of Ontario: Information Technology Procurement

The most significant purchasing expense at the Liquor Control Board of Ontario (LCBO) after alcohol is information technology (IT). Over the past seven fiscal

years, the LCBO has spent a total of about \$624 million on IT. In 2021/22, annual IT procurement costs reached \$114 million, up from \$53 million in 2015/16.

As one of Ontario's largest Crown agencies, the LCBO operates a network of 680 retail stores, an e-commerce platform and special-order services, as well as wholesaling to 394 authorized independent retailers and 450 grocery stores. It is the highest financial contributor to the Province's consolidated revenue fund, and the largest retailer of alcohol in Canada.

When procuring IT related goods and services, the LCBO is bound by its own policy, the LCBO administration manual, as well as the Ontario Public Service Procurement Directive (Directive). Our audit noted that between 2019/20 and 2021/22, the LCBO did not consistently prioritize its IT projects at the enterprise level so as to avoid duplicated or wasted effort and inconsistent decision-making. In addition, IT business units did not prepare annual procurement planning documents, despite being required by its own policy to do so.

Almost all (24 of 25) of the business cases we reviewed lacked important details about costs and benefits, information required by both LCBO's administration manual and the Directive. Our review of procurement projects showed that expected project costs were determined after the vendor had been chosen. Costs were presented to the decision-makers for approval when the final contracts were already prepared, instead of obtaining approval before procuring potential vendors.

Furthermore, our audit found that the LCBO did not proactively or regularly report IT procurement progress and expenditures to senior management or the Board of Directors.

Other significant observations in our audit include:

- The LCBO had increasingly used IT contract employees for ongoing operational work such as project management. From 2019/20 to 2021, about 33% of its IT workforce were contract employees who sometimes led its IT projects and were paid significantly more than permanent staff. From a sample of five contract hires, including acting Vice-Presidents of IT and

Project Managers, we saw that in four cases the LCBO had hired the individual without a competition and could not provide interview notes. LCBO management told us some of these people may have been interviewed but could not provide sufficient evidence showing interviews had occurred.

- We found that two external consulting firms were in a long-term partnership with the LCBO's IT business units. Ten contracts totalling over \$60 million (14% of total IT expenditures) have been awarded to them since 2017/18. Even when one of these consulting firms performed poorly and under-delivered, it continued to receive IT and other contracts with the LCBO. In part, this was because the LCBO did not actually incorporate a review of vendors' past performance when assessing new bids.
- We found there was no documentation to justify that vendor selection was fair and objective. The vendor evaluation forms were incomplete in 10 of the 13 files we reviewed. These forms were to support the selection of vendors for important projects such as a major warehouse and an e-commerce platform, and were missing information such as the rationale for scores given and documentation of a final consensus meeting.
- Although contracts and their associated statements of work set out deliverables, most of the contracts we examined had no measurable performance indicators to track consultants' and contract employees' progress in achieving those deliverables. We reviewed a sample of 25 procurement projects and noted that only five included performance indicators. Moreover, neither IT business units nor the vendor management office verified whether vendors provided satisfactory service and met project milestones before issuing payment.
- We found that the LCBO outsourced the design phases of three major IT projects to consulting firms from 2017/18 to 2021/22, encompassing tasks that included project planning and procurement planning, without first evaluating

whether its internal staff could conduct the design work. The LCBO in effect relied on external parties to advise it of its business requirements and allowed the same firms that were involved in planning such projects to also conduct work for the build phase of the same projects.

## Management of Hazards and Emergencies in the Environment

As the impacts of climate change intensify and population density rises in Ontario, programs to manage natural hazards and respond to emergencies in the environment will only become more critical. Effective emergency management and response policies and procedures can ultimately save lives and protect property and the environment in the event of a hazard such as a forest fire or flood.

Several provincial ministries are assigned responsibility for preparing for and responding to emergencies. Our audit looked at two of those ministries. The Ministry of Natural Resources and Forestry is responsible for emergencies resulting from forest fires; floods; drought/low water; dam failure; incidents involving oil and gas wells; erosion; and soil and rock instability. The Ministry of Mines has responsibility for abandoned mine hazards.

Our audit found that although both ministries have measures in place to prepare for and manage emergencies, there are weaknesses in the programs, making Ontario vulnerable in the event of a large-scale emergency situation.

Our significant audit findings include:

- Ontario's level of flood preparedness is lagging, in part because of gaps in its flood mapping initiatives, which identify at-risk areas. The Natural Resources Ministry does not track or maintain a centralized repository of floodplain maps that have been completed across the province. As a result, the Ministry cannot carry out effective mitigation and preparation measures, as it does not know where all floodplains are located.

- After-action reports to assess how emergency responses were conducted are not being completed, as required by the Ministry Emergency Response Plan. We also found that Emergency Management Ontario, the overall lead, completed only one after-action report that covered flood and forest fire evacuations that took place in 2019.
- When a fire is reported initially, crews are required to be dispatched within four hours, regardless of alert level. But Ministry response times were often longer than four hours. The Ministry also did not track the average time taken by districts to dispatch a crew to a fire or to extinguish a fire. Tracking of such information could help identify performance issues and/or resource shortages.
- FireSmart is one of the Ministry's key fire prevention strategies, but it has not been used to its full potential. Over the last three fiscal years, the Ministry spent less than half of the \$1 million it budgeted for the FireSmart program, which is designed to reduce the likelihood of large uncontrollable wildfires near communities and infrastructure.
- One component of the FireSmart strategy is to create Wildfire Protection Plans, which are intended to help communities assess their wildfire risk and make recommendations to lessen the threat and impact of forest fires. As of August 2022, only 15 out of 144 municipalities in Northern Ontario had a Wildfire Protection Plan in place. The Ministry did not know how many communities required a plan, but we noted 63% of districts with a rating of extreme or very high risk of fire had no Plans in their communities.
- The Ministry has not taken steps to proactively reduce the risks to residents and properties located in areas susceptible to land erosion. It has not identified land exposed to erosion risk, particularly around Lake Erie where there is significant wave action and coastal erosion.
- Little progress has been made on the rehabilitation of hazardous abandoned mines. We found

that only 111 of the 3,942 abandoned mine sites with hazards had been partially rehabilitated, while 2,335 sites had not been rehabilitated at all.

- The Ministry has not assessed the risk of all 27,000 oil and gas wells in the province, and is therefore unable to determine whether it is focusing its proactive inspection efforts on the highest risk wells. Based on our analysis of inspection data, only 19% of oil and gas wells in the province have been inspected since 2005; 38% of these inspections occurred more than a decade ago. As well, 1,625 wells not in use have not been plugged and an additional 8,011 were plugged before 1970 with material that could have lost its integrity over time.
- Only 31% of 316 Ministry-owned dams that will reach the end of their serviceable life within 20 years have been assessed. Their cost of replacement is estimated at \$321 million. We found the Ministry's IT system did not have important information needed to prioritize dams for maintenance and construction, such as the age and condition of the dam.

## Management of Invasive Species

Animals, plants and micro-organisms that are introduced into new environments from other countries, regions or ecosystems often act as predators, competitors, parasites or diseases that put native species and their habitats at risk. Once in their new habitat, these invasive species can establish themselves, spread and cause harm to the local environment, economy and society, including people's health.

Of the Canadian provinces and territories, Ontario is among those at the highest risk for new introductions and is estimated to be home to the most invasive species, with at least 441 invasive plants and 191 non-native and invasive aquatic species in the Great Lakes. According to a 2017 study commissioned by the Invasive Species Centre, the economic impacts of invasive species to Ontario's agriculture, forestry, fisheries,



health care, tourism and recreation are an estimated \$3.6 billion each year.

The federal government is responsible for preventing the entry of invasive species into Canada and their movement between provinces. It attempts to do this by regulating key pathways including ship ballast water; fisheries; and the movement of wildlife, pathogens and pests. In Ontario, the Ministry of Natural Resources and Forestry (Ministry) leads the implementation of Ontario's Invasive Species Strategic Plan (2012) and administers the *Invasive Species Act, 2015* (Act), which provides it with legislative and regulatory powers to prevent and control the spread of invasive species across the province.

Overall, our audit found that the Ministry is not effectively monitoring and managing the introduction and spread of harmful invasive species in Ontario. The following are some of our most significant findings:

- The regulated list of invasive species has only been updated once since the Act was passed. Risk assessments for the invasive species listed in 2022 were completed on average four years before these species were ultimately regulated. For example, Carolina fanwort (an aquatic plant) was recognized as high-risk by the Ministry almost five years before it was regulated.
- The Ministry has left at least 30 harmful terrestrial invasive plants and their pathways unassessed and unregulated. Some of these species, such as Norway maple, goutweed, and creeping jenny, are available for sale in the province.
- The Ministry lacks information to detect, and processes to monitor, potentially harmful invasive species. Its monitoring programs mainly rely on incidental observations instead of a regular and risk-based approach to invasive species surveillance. Furthermore, we found that 33 invasive species identified as high risk by nearby jurisdictions were not systematically tracked by the Ministry and have been found in Ontario.
- Invasive species work is not well co-ordinated by the Ministry. Despite being the dedicated lead on implementing Ontario's Invasive Species Strategic Plan (2012), the Ministry does not provide comprehensive and organized direction to municipalities, conservation authorities and stakeholder organizations across the province to combat invasive species threats.
- There is no implementation plan associated with the Ontario Invasive Species Strategic Plan, which itself requires updating to incorporate the administration of the Act and modern detection tools.
- The Ministry has regularly delayed the approval of annual funding for transfer payment recipients such as the Invasive Species Centre and the Ontario Federation of Anglers and Hunters, limiting the planning and work that could be done in the crucial spring/summer months to tackle many invasive species issues. Moreover, due to the lack of multi-year funding agreements and uncertain funding, organizations have struggled to retain the staff needed to conduct invasive species work.
- The Ministry abruptly discontinued funding to program partners, such as the Ontario Invasive Plant Council. It did so despite recognizing this would pose a threat to provincial efforts to address invasive plants and that this organization had a history of delivering value for money and effective products.
- The Ministry has twice recognized the need for additional human resources to administer the Act and requested resources from Treasury Board/Management Board of Cabinet (TB/MBC). On both occasions, TB/MBC directed the Ministry to reallocate resources to invasive species work, which it did not do.
- Conservation officers are responsible for enforcing the Act but are not well trained to do so. Many have not been trained to identify regulated invasive species. As of March 31, 2022, these officers had issued only 11 warnings, zero warrants, and laid no charges.

## Office of the Corporate Chief Information Officer

In 1998, the government of Ontario established the Office of the Corporate Chief Information Officer (CCIO) to provide information technology (IT) support to all its provincial ministries, the Cabinet Office and the Premier's Office. For instance, the CCIO establishes and maintains IT policies, standards and best practices for information security, application development, and database management. On behalf of the ministries, it also procures and maintains hardware such as laptops and mobile phones for all Ontario Public Service (OPS) employees, and is responsible for securing the overall OPS' IT network from cyberattacks. As well, the CCIO manages two data centres, located in Guelph and Kingston, that house the servers and host the databases associated with 1,200 IT systems storing Ontarians' data.

Ministry-specific IT needs are directly addressed by eight IT service "clusters," so called because they are responsible for providing IT services and support unique to a specified group of ministries. The eight IT clusters are managed by the ministries and report to deputy ministers. The CCIO reports into the Ministry of Public and Business Service Delivery with a mandate to ensure the provincial government's IT services are effectively and efficiently delivered.

We reviewed controls related to cybersecurity assessments. Due to the nature of cybersecurity, we provided relevant details of our findings and recommendations directly to the CCIO. The CCIO agreed with the information provided and remains committed to safeguarding data entrusted to the government by the people and businesses of Ontario.

The following are some of our other significant audit findings:

- The CCIO is unable to meet its mandate of ensuring that government's IT services are managed and delivered effectively since it does not have oversight and accountability for IT operations performed by the eight IT clusters. Clusters report to their respective deputy ministers, not to the CCIO. As a result, the CCIO is not always aware of key IT decisions about procurement

under \$2 million or the safeguarding of Ontarians' data, as collected by the clusters, nor can it measure performance outcomes for cluster IT systems. IT projects valued at \$2 million or more are required to seek IT project approval from Treasury Board/Management Board of Cabinet.

- IT risks are not being identified within the CCIO and the CCIO does not have an overarching strategy across the OPS to identify IT risks and implement mitigating and remediation strategies. We noted that the CCIO relied on ministries and clusters to identify elements of IT risk that impact a specific ministry or cluster. Upon our review of these identified risks, we noted that the CCIO has not identified major IT risks that would impact the OPS, or any risks commonly identified by industry best practices.
- Ontario's primary data centre has been awarded a Tier IV rating, the highest rating available, to indicate that its IT systems are able to withstand any type of failure. At the time of our audit, Guelph Data Centre was being utilized at 30% of its capacity. The two main factors in low utilization of the data centre were:
  - its high cost to clients, which is more than double the amount charged by other Tier IV data centres; and
  - the CCIO did not have an outreach strategy to onboard other government entities.
- We found that almost half (44%) of all critical IT systems, those crucial for continuity of government services such as health, education, and drivers' licensing, do not have a disaster recovery plan. Disaster recovery plans outline detailed procedures for recovering and restoring an IT system from a disaster such as a prolonged Internet outage or a major cyberattack. In particular, we noted that the CCIO does not have a redundant secondary network provider for some of its critical operations that it could rely on during an outage to maintain functionality for its critical IT systems.
- Personal and sensitive data is not consistently secured through encryption in accordance with

the CCIO's security standard. In a sample selection of five key IT systems used by the Ministry of Health, Ministry of the Solicitor General, Ministry of Community Safety and Correctional Services, and Ministry of Public and Business Service Delivery, we discovered that personal and sensitive information was not being encrypted in any of them, as required by the security standard.

- Cybersecurity awareness training in the OPS can be strengthened. The CCIO is responsible for developing and implementing cybersecurity-related training for OPS staff. We noted that only 11,000 of 40,000 OPS staff completed the mandatory cybersecurity awareness course in 2021. Although employees' managers were responsible for ensuring this training is completed, the CCIO did not track whether the course was attended by all staff. In addition, the cybersecurity awareness training was not required for about 7,000 contract employees, nor is it provided annually to all OPS employees even though it is regarded as a best practice.

## Ontario Energy Board: Electricity Oversight and Consumer Protection

The Ontario Energy Board (OEB) is Ontario's regulator of the electricity and natural gas sectors. It is empowered by statute to set rates for rate-regulated entities, license market participants, approve applications for consolidations of Local Distribution Companies (LDCs) and approve transmission line construction.

Our audit focused on three of its legislative objectives in relation to electricity: to protect consumer interests; to promote economic efficiency and cost-effectiveness in the sector; and to help maintain a financially viable electricity industry.

Overall, our audit found that the OEB has established a transparent adjudication process which takes consumer interests into consideration by allowing public participation in applications and policy consultations. However, in some areas the OEB's ability to protect consumer interests is constrained.

Significant observations in our audit include:

- The OEB does not regulate all components of electricity bills. While one of the objectives of the OEB is to protect consumer interests with respect to electricity prices, the OEB has no authority to regulate an estimated 34% of charges on an average residential bill. The majority of the unregulated charges relate to the cost of generation. The OEB only sets the rates for electricity generated by certain assets owned and operated by Ontario Power Generation. The portions of the bill outside the OEB's oversight are largely related to electricity supply contracts managed by the Independent Electricity System Operator (IESO).
- The long-term energy planning process is lacking independent oversight. The Ministry issued Long-Term Energy Plans (LTEPs) in 2010, 2013 and 2017, but none of these LTEPs were subject to independent review by the OEB to ensure they were financially prudent. While the Ministry was required to issue the next LTEP by February 2021, a new LTEP still has not been issued and there is no definite timeline set for the next release.
- Ontario's LTEP focuses on electricity only. While the LTEP is referred to as an energy plan, historically its focus has been on electricity only, with little integration between electricity and other fuels (for example, natural gas, gasoline, fuel oils) to ensure the energy sector provides Ontarians with affordable options and supports the Province in achieving its climate change goals. Electricity makes up only 17% of the energy used in Ontario, whereas natural gas, gasoline, diesel and other fuels make up the remaining 83%. To meet Ontario's future energy needs, all energy sources need to be included in a long-term energy plan.
- The OEB does not have sufficient authority to regulate the fees charged by Unit Sub-Meter Providers (USMPs), companies that provide metering and billing services to occupants of multi-unit buildings (e.g., condominiums).

Both USMPs and LDCs can provide individual metering and billing services to multi-unit buildings. However, unlike rates charged by LDCs, USMP fees are not subject to the OEB's regulatory review and approval.

- Customers served by USMPs also have less protection against disconnection compared with LDC customers. Electricity customers who fall behind on their bills are at risk of service disconnections.
- Residential customers in certain areas with high electricity distribution charges are ineligible for Distribution Rate Protection (DRP), a taxpayer-funded subsidy program, due to outdated program criteria. The DRP program caps the monthly base distribution charges for residential customers of eight eligible LDCs that had, at the time of program implementation, among the highest distribution rates. However, we noted that in 2022 the eight eligible LDCs no longer have the highest distribution charges.
- Effectiveness of low-income and emergency subsidy programs is not sufficiently evaluated. The OEB and the provincial government have introduced a number of subsidy programs to assist customers who face financial hardship when paying their electricity bills, including the Low-income Energy Assistance Program (LEAP), the Ontario Electricity Support Program (OESP), and the time-limited COVID-19 Energy Assistance Program (CEAP). However, specific performance measures and targets are not established to determine if these programs are running efficiently and successfully assisting those who need the assistance most.

## Ontario Lottery and Gaming Corporation: Casinos, Lotteries and Internet Gaming

Ontario Lottery and Gaming Corporation is responsible for conducting and managing casinos, charitable gaming, Internet gaming and lotteries, and supporting the horse-racing industry. In 2021/22, OLG generated

\$4.5 billion in revenues from its various lines of business and provided about \$1.5 billion in net profit to the Province.

In 2012, OLG began implementing its Modernization Plan with a key focus on increasing casino revenues by privatizing the operations of its casinos and using private-sector capital investments. OLG used a lengthy procurement process to select casino operators for eight gaming regions that resulted in 20-year contracts for the winning bidders.

The final evaluation of the bids was mainly based on the present value of guaranteed minimum revenue commitments over the first 10 years and the present value of one-half of OLG's 30% share of revenues projected above the guaranteed commitments.

Bidders' capital investment plans were not considered in the scoring for any of the eight regions even though OLG acknowledged that capital investments were the main driver of long-term revenue and cash flow growth for both OLG and the casino operator.

As a result of the privatization of casinos, in 2019/20 (the last complete fiscal year revenues were not significantly impacted by COVID-19, as Ontario casinos were closed for only two weeks), the net profit to the Province from casino gaming revenues decreased for five of the eight regions and increased for three regions, resulting in an overall decrease of \$54 million.

Our audit found that after winning the bids based on revenue projections and guaranteed revenue commitments to OLG, casino operators in three regions reduced their long-term revenue projections and guaranteed revenue commitments in renegotiated agreements with OLG. OLG undermined the credibility of its own procurement process by failing to hold casino operators accountable for the financial commitments made in their winning bids.

Further details about our findings include the following:

- OLG re-negotiated significantly-reduced revenue commitments from casino operators despite signed contracts being already in place. As part of the original Casino Operating and Service Agreement (contract), only three things qualify a casino operator for financial relief: an

- external event (“force majeure”) that prevents, delays or substantially hinders either party from performing all or part of its obligations; a labour disruption; and landlord constraints. By June 2019, casino operators in the Ottawa region (Hard Rock International), North region (Gateway Casinos) and West GTA region (Great Canadian) had asked OLG for reductions to their guaranteed revenue commitments for reasons not included in the contracts. While OLG had no obligation to accept these reductions, they provided the requested relief to Great Canadian and Hard Rock because, according to OLG, not doing so could have led these casino operators to enter bankruptcy protection. However, we found OLG assessed the financial viability of these operators based solely on the regional operations without considering the overall financial health of the casino operator and their parent companies.
- OLG selected the casino operator for the Niagara region that proposed the least amount of capital investment. OLG selected Mohegan Gaming & Entertainment Inc. as the winning bidder for the Niagara region, even though OLG’s independent analyst concluded that Mohegan’s bid brought less economic and financial benefit to the province than had OLG continued to operate in the region. Along with projections of significantly higher gaming revenues, the other two bidders (Hard Rock and Caesars) proposed significantly more direct capital investment. Hard Rock’s bid included about \$857 million more than Mohegan, primarily focused on rebranding both casinos and adding a hotel to Casino Niagara.
  - OLG provided all rights for non-gaming revenue to the new casino operators despite a contract with First Ontario First Nations (2008) Limited Partnership (First Nations) to pay a share of OLG’s non-gaming revenues. OLG failed to fulfil this commitment to First Nations to pay them a share of non-gaming revenue, requiring First Nations to take them to court. The courts ruled in favour of First Nations ordering OLG to fulfil its commitment on an ongoing basis.
  - Neither OLG nor the Alcohol and Gaming Commission of Ontario (AGCO) is monitoring to ensure slot machines are connected to OLG’s central monitoring system, and that slot machines actually pay out 85% in winnings over the life of each machine as per AGCO standards. According to OLG, casino operators are required to follow AGCO standards of ensuring that a slot payout is set at 85% or higher, and the AGCO should have controls to monitor adherence to the standard. However, in our 2020 audit of the AGCO, we noted that the AGCO did not monitor, and OLG and AGCO are currently relying on casino operators to monitor and self-report any issues with slot machine payouts.
  - OLG’s responsible gaming tools are not being used by online players. OLG’s Internet gaming customers have grown from 31,000 average monthly players in 2017/18 to almost 257,000 in 2021/22. Despite this significant growth in Internet players, new players are generally not using responsible gaming tools. For example, the use of the player casino loss limits tool dropped from 33% of active players in June 2017 to only 11% of active players in June 2022. We also noted that players who exclude themselves from OLG’s website can still access iGaming Ontario’s private operator sites.
  - The growth of OLG’s Internet gaming revenues has slowed with the introduction of private-sector gaming operators. OLG faces significant competition from private gaming operators that signed an agreement with iGaming Ontario on April 4, 2022 allowing them to legally offer their games to players in Ontario. The Province receives about 45% of OLG’s Internet gaming revenue as profit, compared to only 5.7% of gaming revenue from play on private Internet platforms registered with iGaming Ontario.
  - Ontario casinos do not verify the source of funds from patrons using large amounts of cash which risks money laundering activities going undetected. In May 2021, OLG began requiring casinos to take reasonable measures to assess



the source of funds for all patrons for single transactions of \$100,000 or more, but proof of the source of funds is not required. Further, according to OLG's anti-money laundering policies, patron's play must be verified and winnings confirmed prior to the issuance of any cheque of \$3,000 or more. During our audit, we found it was possible to obtain cheques with limited play and no casino winnings.

- The reporting of suspicious transactions is low and varies among casinos. Our audit found that the value of reported suspicious transactions was less than 1% of revenues in 19 of 27 casinos, including Casino Niagara. OLG has not conducted any analysis of why these sites have few or no suspicious reports filed.

## Ontario Power Generation: Management and Maintenance of Hydroelectric Generating Stations

Hydroelectric power is Ontario's foundational electricity source, accounting for approximately 23% to 25% of Ontario's electricity supply since 2007. It is considered a form of renewable energy. To address growing concerns about climate change, Ontario has transitioned from its reliance on fossil fuels, which release large amounts of greenhouse gases that cause global warming, to using cleaner and renewable energy sources to generate electricity.

More than half of the electricity generated in Ontario is produced by Ontario Power Generation (OPG). OPG is an Ontario-based corporation whose principal business is generating and selling electricity. It produces electricity from its various energy sources, including hydroelectric, nuclear, gas and biomass.

OPG has been a reliable provider of hydroelectric power to the province. Forced outages have declined and it is addressing its work order backlog. There is opportunity to improve its incapability factor. Given the forecasted increase in electricity demand and predicted future shortfall due to the potential closure of Pickering Nuclear Generating Station in 2024/25, as well as the challenges of building new hydroelectric generating

stations, it is important that OPG adequately maintain and manage its existing stations to allow for cost-effective and efficient electricity production.

The following are some of our significant findings:

- OPG has not been able to fully utilize its hydroelectric generation capacity over the last seven years. In 2021 alone, OPG could have generated an additional 4.6 million megawatt hours (MWh) of electricity, or enough to power over 540,000 Ontario households for a year.
- OPG recorded approximately \$730 million in revenue since 2015 for spilled water without generating any power. When electricity supply exceeds demand in Ontario, OPG may be directed by the Independent Electricity System Operator (IESO) to decrease generation by releasing water when there are no remaining options to store hydroelectric energy for future use. For 54 of OPG's 66 hydroelectric generating stations, OPG is compensated at a rate that is set without considering any potential reduction to generation as a result of spilling water. We found that the amount of electricity lost as a result of spilling water in 2021 amounted to 1.9 million MWh, which is enough electricity to power approximately 220,000 households for a year.
- Opportunities for developing Ontario's future supply of hydroelectric power have not yet been fully explored to address the forecasted increase in electricity demand. Developing such capacity poses many challenges and uncertainties in terms of timing and costs. Having a long-term planning timeline in place is important.
- Aging of hydroelectric stations and equipment has led to a continuous backlog of work orders that could result in increased maintenance costs in the future. Between 2015 and 2021, the number of maintenance work orders for OPG's hydroelectric stations increased by 83%, while the related cost of these work orders increased by 48%. We found that most of these work orders were for preventative maintenance, which is typically done to keep equipment in well-working order and avoid potential issues

such as equipment failure that can lead to unplanned outages. We also found that OPG has had a continuous backlog of work orders over the last five years; the backlog was about 9,500 work orders at the end of 2021.

- One of the key tools OPG uses to assess and monitor the conditions of its hydroelectric generating stations is a Plant Condition Assessment (PCA), where engineers assess the condition of a station and its related equipment and processes. We found that OPG did not complete a PCA for approximately 20% of its 66 hydroelectric generating stations within the last 10 years.
- OPG's insufficient planning has led to delays on some capital projects and a cost overrun on one project. For example, sub-surface geotechnical investigations carried out prior to the commencement of the Niagara Tunnel Project did not adequately note the rock conditions and work required. This resulted in a 62% increase in cost (to \$1.6 billion) and a three-year delay in project completion (from 2010 to 2013).
- Of OPG's 66 hydroelectric stations, 12 stations are not subject to the Ontario Energy Board's rate regulation process. Instead, they contracted with the IESO and thus negotiated their rates directly with the IESO. As such, their rates were significantly higher than those for rate-regulated stations.

## Real Estate Council of Ontario

Effective oversight of the real estate industry is critical to ensure that consumers are protected when engaging in what may be their largest financial transaction. In 1997, the government of Ontario created the Real Estate Council of Ontario (RECO) to regulate real estate brokerages, brokers and salespersons. RECO's mission is to promote a fair, safe and informed real estate market for consumers in Ontario through effective, innovative regulation of those who trade in real estate. The Ministry of Public and Business Service Delivery (Ministry) is responsible for overseeing RECO

and monitoring its performance to ensure RECO is meeting its mandate.

Our audit found that the activities RECO performs to ensure salespersons, brokers and brokerages comply with the *Real Estate and Business Brokers Act, 2002* (Act) and its regulations are not always effective and timely. RECO does not have a process in place to ensure a full on-site inspection is conducted at all real estate brokerages within a certain time frame to assess brokerages' compliance with the Act and its regulations.

As well, RECO does not have a process in place to monitor whether investigators complete investigations on a timely basis or whether they take appropriate action based on the findings of their investigative work. For example, we found that the proportion of investigations resulting in enforcement action differed significantly among RECO's five investigators, ranging from a low of 39% in the case of one investigator to as high as 75% in the case of another.

When RECO finds that a salesperson, broker, or brokerage's conduct related to a real estate transaction has violated its Code of Ethics, it does not have an explicit policy to consider the amount of income earned by a registrant on the related real estate transaction when determining the amount of a fine unless the registrant suffered or gained as a result of the breaches. Between 2017 and 2021, 78% of the fines were \$10,000 or less. In our review of a sample of discipline cases, we found that 67% of registrants were fined a lower amount than the commission earned in the related real estate transaction. When a fine is significantly lower than the commission earned, the fine may not act as a sufficient deterrent to future misconduct.

Additionally, RECO and the Ministry have lagged in facilitating the introduction of certain protections for consumers who engage in real estate transactions in Ontario, particularly in comparison to their counterparts in British Columbia. For example, in Ontario, there is no legislated cooling off period (a period of time when a buyer can cancel a real estate transaction without risking the loss of their deposit) for new or resale properties except for pre-construction or new condominiums.

Other significant concerns identified in our audit include:

- RECO does not have a formal policy, guidelines or a consistent process to assess whether to approve the registration of applicants with a criminal history. We reviewed a sample of 25 brokers and salespersons registered by RECO in the last three years who had self-disclosed a criminal conviction or charges in their application, and found that in 20 of these cases, RECO did not have a documented rationale for why it did not pursue action to refuse or revoke the registrant's registration.
- The proportion of inspections that identify instances of non-compliance varied significantly among RECO's five inspectors. RECO rarely followed up on violations found during inspections to confirm they had been corrected. In 88% of the 2,643 inspections completed by RECO between 2017 and 2021 where violations were identified, we found that RECO's inspectors closed the inspection file without referring the brokerage to the investigations department or conducting a follow-up inspection to confirm that the violations had been corrected. These inspections identified significant violations, including shortages in the brokerage's real estate trust account where client deposits are held.
- Although RECO's inspection process includes reviewing whether a brokerage's advertising is compliant with legal requirements for accuracy, it does not require its inspectors to verify the information included in a property listing to determine if the selling agent took reasonable steps to ensure its accuracy.
- The real estate sector rarely reports cash and suspicious real estate transactions as required to the federal agency that monitors money laundering. The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) received zero reports of large cash transactions between the 2017/18 and 2020/21 fiscal years, and just 18 reports of large cash transactions in 2021/22, from real estate brokers and salespersons.
- Lack of transparency in real estate transactions involving multiple offers puts prospective buyers at financial risk. Under the Act and its regulations, when there are competing offers on a single property, a brokerage that represents the seller must disclose the number of competing written offers to every person making a competing offer but is prohibited from disclosing the substance of competing offers on the property, including the offer price, closing date and conditions to any person including other salespersons or brokers that represent prospective buyers.
- RECO does not have a process in place to require brokerages to periodically report the number and amount of unclaimed consumer deposits held in a brokerage's trust account. Instead, RECO relies on brokerages to voluntarily comply with the requirements of the Act to remit to RECO any unclaimed consumer deposits that have not been returned to a buyer or seller after two years.
- Although RECO's role is to protect consumers, its Board is composed mainly of real estate industry representatives. At the time of our audit, only two of the 12 directors on RECO's Board were not registered members of the real estate industry.
- The Ministry does not collect sufficient information to monitor and assess RECO's performance in meeting its mandate. We found that RECO has not established performance indicators for key areas of its operations, including areas where our audit identified significant operational issues.

# The Public Accounts of the Province of Ontario

## 1.0 Summary

Based on our audit work, we have concluded that the Province's consolidated financial statements for 2021/22 are fairly presented and free of material errors. Again, this year, the audit opinion on the Province's consolidated financial statements is unqualified.

Items of note from our audit of the Province's consolidated financial statements and other financial statement work conducted this past year are as follows:

- The Province reported a surplus of \$2.1 billion for the 2021/22 fiscal year. It initially anticipated a deficit of \$33.1 billion in its *2021 Ontario Budget* and subsequently revised that estimate to a lower deficit of \$13.5 billion as part of the interim numbers in its *2022 Ontario Budget*. The surplus arose from \$26.9 billion higher-than-expected tax revenues (mostly driven by significant increases in personal income taxes, sales taxes and corporate taxes); \$3.2 billion higher-than-expected transfers received from the Government of Canada; \$1.9 billion higher-than-expected income from government business enterprises; and \$3.1 billion lower-than-expected expenditures (including lower interest on debt of \$0.5 billion).
- We are required to report on certain government reporting deadlines under the *Fiscal Sustainability, Transparency and Accountability Act, 2019* (Act). The government has met all reporting deadlines as of November 2022. The Province is required under the Act to include in its debt burden reduction strategy specific objectives regarding the projected provincial net-debt-to-gross-domestic-product ratio as well as a progress report on actions supporting the implementation of the strategy from the prior year's budget. The Province has not met the second requirement. In addition, the Province did not include a description of the key issues that should be addressed in the next budget in the Fall Economic Statement as required by the Act.
- We reviewed the Ministry of Finance's new Corporations Income Tax estimation methodology. We found that the estimates the Ministry used for the year ended March 31, 2022 were reasonable. However, in arriving at this conclusion, we encountered difficulties in performing our work due to not having the access needed this year to certain tax information. Currently, neither the federal *Income Tax Act* nor the Province's Tax Collection Agreement with the Government of Canada grants our Office access to Ontario-related tax data. A one-year remedy was agreed upon by the provincial Ministry of Finance, the federal Department of Finance, the Canada Revenue Agency, the Office of the Auditor General of Canada and our Office to enable us to complete our work. It is crucial that our Office have access next year to the information needed to perform our audit for the year ending March 31, 2023.
- Our Office conducted an audit of iGaming Ontario's first set of financial statements, where we issued an unqualified opinion but included

an “Other Matter” paragraph to highlight that iGaming Ontario has assumed the legal risk of whether its operating model meets the “conduct and manage” requirements in the Criminal Code of Canada. Subsequent to its March 31, 2022 fiscal year, iGaming Ontario launched the new regulated market for Internet gaming in Ontario. iGaming Ontario has entered into operating agreements with operators working as agents on behalf of iGaming Ontario and the Province. In this report, as a follow-up to our 2021 report titled *Internet Gaming in Ontario*, we have provided an update on the developments in Internet gaming in Ontario.

- Under the *Credit Unions and Caisses Populaires Act, 2020* (Act), the Financial Services Regulatory Authority of Ontario (FSRA) is responsible for the administration, operation and prudent management of the Deposit Insurance Reserve Fund (DIRF), which provides deposit protection coverage to eligible credit union depositors as well as financial support to credit unions. The DIRF is funded by deposit insurance premiums charged to credit unions and caisses populaires by FSRA. Under the Act, an amendment was made in 2018 indicating that FSRA is liable to insure eligible deposits held in Ontario credit unions only up to the asset balance in the DIRF at any given time. Prior to the amendment in 2018, no such limitation existed in legislation. In July 2022, we reviewed the FSRA-approved deposit insurance brochure that Ontario credit unions are required to display prominently in their premises pursuant to *FSRA Rule 2019-002, Deposit Insurance Advertising*. We noted that Ontario credit unions used the brochure to advertise that depositors are insured up to \$250,000 of eligible non-registered deposits plus all insurable deposits in registered accounts with each credit union—a potential competitive advantage among deposit-taking financial institutions operating in Ontario. However, the brochure did not make any mention that FSRA’s system-wide deposit liability is limited to the

amount of assets in the DIRF. FSRA subsequently updated the approved advertising brochure publicly issued in September 2022 to state “the liability of FSRA to insure deposits held at Ontario credit unions is limited to the assets of the Deposit Insurance Reserve Fund.”

- In response to the COVID-19 pandemic, the Province established a procurement process for personal protective equipment (PPE). During 2021/22, purchasing activities for PPE increased significantly when compared to prior years to ensure adequate health-care supplies would be on hand for the broader public sector (i.e., hospitals, long-term-care homes, school boards, colleges and universities) as well as other distribution channels within the province as needed. As part of our audit of the Province’s consolidated financial statements, we identified accounting risks related to the manual tracking and completeness of these supplies. As well, as at March 31, 2022, the Province was holding a significant inventory of PPE at an inventory cost of \$1.5 billion, with no rotational use plans with hospitals and other entities in place to reduce the potential of expired PPE being written off if not used.
- Effective April 1, 2021, the Ministry of Health transferred responsibilities (i.e., health system funding, planning and community functions) of the Local Health Integration Networks to Ontario Health. During our audit of Ontario Health’s financial statements and the Province’s consolidated financial statements, we observed that certain funding for programs was directly disbursed to the health-service providers from the Ministry of Health without prior authorization by Ontario Health. We also noted that although Ontario Health authorized the initial funding allocations for long-term-care homes, subsequent changes were made to the allocations by the Ministry of Long-Term Care without prior authorization by Ontario Health. Further, we noted that the authorization of significant funding from the Ministry of Health intended



for Ontario Health's use in 2021/22 was not evidenced by a signed funding agreement until after the year-end.

- The *Fiscal Sustainability, Transparency and Accountability Act, 2019* (Act) requires our Office to review the estimates, forecasts and assumptions in the Province's Multi-Year Fiscal Plan within a budget prior to an election for reasonableness. We released a statement on May 2, 2022 describing the results of our work over the reasonableness of the Multi-Year Fiscal Plan within the *2022 Ontario Budget*. We concluded that the Multi-Year Fiscal Plans for the three-year period from 2022/23 to 2024/25 were reasonable presentations of Ontario's finances, with the exception of an understatement of provincial revenues from corporate taxes for each of the three years. As well, contingency funds recorded in Other Program Expenses for the three-year period appeared to be overly cautious. Our work was carried out under confidential information-sharing agreements between the Ministry of Finance and our Office, enabling us to plan, conduct and complete our work in order to table the results of our review before the Writs of Election was issued on May 4, 2022. Without the new approach we would have had insufficient time to perform our work and issue our report prior to the start of the election period. Because the budget was tabled on April 28, 2022, Members of the Legislature were not given time to debate the budget in the Legislature prior to the start of the election period.
- The Province's growing debt burden also remains a concern this year, as it has been since we first raised the issue in 2011. This year, as in the past, we focus on the critical implications of the growing debt for the Province's finances. Holding a high level of debt with rising interest rates increases the risk that future funding available for programs could be negatively impacted. We maintain the view that the government should provide legislators and the public

with long-term targets for addressing Ontario's current and projected debt levels.

- Receivables of \$657 million (\$140 million in 2020/21) due to the Crown from individuals and non-government organizations were written off during the year. The write-offs related to \$210.3 million for the Ontario Small Business Support Grant (\$nil in 2020/21); \$191.1 million for the Victim Fine Surcharge (\$nil in 2020/21); \$65.2 million for bankrupt/insolvent entities with unpaid tax amounts (\$65.4 million in 2020/21); and \$190.1 million for the remaining write-offs (\$74.6 million in 2020/21). Most of the write-offs had already been expensed in the government's consolidated financial statements. However, the actual write-offs in the accounts required Order-in-Council approval.

This chapter contains 8 recommendations, consisting of 12 actions, to address our observations.

## 2.0 Background

Ontario's Public Accounts are key financial documents issued annually by the government. For the fiscal year ending March 31, 2022, the Public Accounts were prepared under the direction of the Minister of Finance, as required by the *Financial Administration Act*, and the President of the Treasury Board. The Public Accounts consist of the Province's Annual Report, including the Province's consolidated financial statements and financial statement discussion and analysis; the Auditor General's Independent Auditor's Report on those consolidated financial statements; and two supplementary volumes of additional financial information.

The government is ultimately responsible for preparing the consolidated financial statements for the Province of Ontario and ensuring that this information, including many amounts based on estimates and judgment, is presented fairly. The Deputy Minister of Finance and the Comptroller General, with support from the Office of the Provincial Controller Division, are responsible for ensuring that an effective system

of internal controls, with supporting procedures, is in place to authorize transactions, safeguard assets and maintain proper records.

Our Office, under the *Auditor General Act*, is responsible for conducting the annual audit of the consolidated financial statements. The objective of our audit is to obtain reasonable assurance that the statements are free of material misstatements—that is, free of significant errors or omissions. The Auditor General's Independent Auditor's Report is included in the Province's Annual Report.

The Province's 2021/22 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, 2022. Providing such information is intended to enhance the fiscal accountability of the government to both the Legislative Assembly and the public.

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

- **Ministry Statements and Schedules**—unaudited statements from all ministries and a number of schedules providing details of the Province's revenue and expenses, its debts and other liabilities, its loans and investments, and other financial information; and
- **Detailed Schedule of Payments**—detailed unaudited schedules of ministry payments to vendors and transfer-payment recipients.

The Province also provides links on a website (<https://www.ontario.ca/page/financial-statements-government-organizations-and-business-enterprises-2021-22>) to the websites for individual financial statements of government organizations, trusts under administration, government business enterprises and other government organizations.

Our Office reviews the information in the Province's Annual Report, and in the Ministry Statements and Schedules of the Public Accounts, for consistency with the information presented in the Province's consolidated financial statements.

The *Financial Administration 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 two supplementary volumes must be submitted to the Lieutenant Governor in Council within 240 days of the end of the fiscal year. Upon receiving these documents, the Lieutenant Governor in Council must lay them before the Legislative Assembly or, if the Assembly is not in session, make the information public and then lay it before the Assembly within 10 days of the time it resumes sitting.

The deadline for this year was September 27, 2022. The government released the Province's 2021/22 Annual Report and consolidated financial statements, along with the Auditor General's Independent Auditor's Report and the two Public Accounts supplementary volumes, on September 23, 2022, meeting the legislated deadline.

The Auditor General's audit opinion, contained in her Independent Auditor's Report, on the Province's consolidated financial statements was unqualified for the fifth consecutive year. An unqualified opinion means that the consolidated financial statements are free of material errors. An unqualified opinion in the public sector should be considered just as seriously as a qualified audit opinion. **Section 3.0** discusses the unqualified audit opinion on the Province's consolidated financial statements.

## 3.0 The Province's 2021/22 Consolidated Financial Statements

### 3.1 Auditor's Responsibilities

As the Legislature's independent auditor of the Province's consolidated financial statements, the Auditor General aims to express an opinion on whether the consolidated financial statements are free of material misstatements and are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) so that they give a true and fair view of the financial

position and operating results of the Province. It is this independence, combined with the professional obligation to comply with established Canadian Auditing Standards (CAS) and related ethical requirements, that allows the Auditor General to issue an opinion that provides users with confidence in the Province's consolidated financial statements.

To enable the Auditor General to form her opinion, our Office collects sufficient appropriate audit evidence and evaluates it to determine whether the financial statements are free of material misstatements. This includes assessing the government's preferred accounting treatment over certain transactions and investigating the appropriateness of those treatments under Canadian PSAS.

An assessment of what is material (significant) and immaterial (insignificant) is based primarily on our professional judgment. In making this assessment, we seek to answer the following question: "Is this error, misstatement or omission significant enough that it could affect decisions made by users of the Province's consolidated financial statements?" If the answer is yes, then we consider the error, misstatement or omission to be material.

To help us make this assessment, we determine a materiality threshold. This year, as in past years, and consistent with most other provincial legislated auditors, we set our threshold at 0.5% of the greater of government expenses or revenue for the year.

Our audit is conducted on the premise that management has acknowledged certain responsibilities that are essential to the conduct of the audit in accordance with CAS. These responsibilities are discussed below.

### 3.2 Management's Responsibilities

The auditor's report distinguishes between the responsibilities of management, those charged with governance, and the auditor with respect to a financial statement audit. Management is responsible for the preparation of the financial statements in accordance with Canadian PSAS. The auditor examines the financial statements in order to express an opinion as to whether the financial statements have been prepared

in accordance with Canadian PSAS. The division of responsibility between management and the auditor is fundamental and preserves the auditor's independence, a cornerstone of the auditor's report.

In addition to preparing the financial statements and having the relevant internal controls, management is also required to provide the auditor with all information relevant to the preparation of the financial statements, additional information that the auditor may request, and unrestricted access to individuals within the entity who the auditor determines are necessary to communicate with to obtain audit evidence. The CAS are clear on these requirements, and the fulfilment of these is formally communicated to the auditor in the form of a signed management representation letter at the end of the audit.

When a transaction occurs, it is management's responsibility to identify the applicable accounting standards, determine the implications of the standards for the transaction, decide on an accounting policy and ensure that the financial statements present the transaction in accordance with the applicable financial reporting framework (for example, Canadian PSAS for governments). The auditor must also be proficient in the applicable financial reporting framework in order to form an independent opinion on the financial statements, and may perform similar procedures in identifying the applicable standards and understanding the implications of the standards on the accounting transaction. However, unlike management, the auditor does not select an accounting policy or the bookkeeping entries for the organization. These decisions are in the hands of management—in Ontario's case, the Treasury Board Secretariat and the Ministry of Finance, both with support from the Comptroller General and the Provincial Controller.

When there are disagreements between an auditor and management on the application or adequacy of accounting policies, the auditor must assess the materiality or significance of the issue to the overall financial statements in forming the audit opinion. If the issue is material, it would result in a qualified opinion in which the auditor concludes that the financial statements are fairly presented except for the items described in the

basis for the qualification. Again, this distinguishes the role of management from that of the auditor such that management prepares the financial statements, whereas the auditor independently examines the financial statements to express an opinion about them.

The Office of the Auditor General of Ontario may make suggestions about the consolidated financial statements, but this does not alter management's responsibility for the financial statements. Similarly, the government may seek external advice on accounting treatments of certain transactions. In these situations, the government still has the ultimate responsibility for the decisions made, and the use of external advisors does not diminish, change or substitute the government's accountability as the preparer of the Province's consolidated financial statements.

### 3.3 Responsibilities of Those Charged with Governance

The auditor's report also distinguishes the roles and responsibilities of those charged with governance from those of management. Those charged with governance have ultimate financial oversight. In a company, this is usually the board of directors. In the province, this is the Treasury Board.

The Treasury Board ensures that management has established and maintains internal controls over the financial reporting process, oversees management's processes for identifying and mitigating risks, and reinforces management's efforts to create a culture of ethical behaviour in the ministries and provincial organizations.

### 3.4 The Independent Auditor's Report

The Independent Auditor's Report, which is issued at the conclusion of an audit engagement, comprises:

- an opinion paragraph containing an expression of opinion on the consolidated financial statements and a reference to the applicable financial reporting framework (e.g., Canadian Public Sector Accounting Standards) used to prepare the financial statements;

- a basis for the opinion paragraph that explains that the audit was conducted in accordance with Canadian generally accepted auditing standards;
- a section titled "Other Accompanying Information" that explains the responsibility of management and those charged with governance for including other information (the Province prepares other information such as the financial statement discussion and analysis) and the auditor's responsibilities for reading the other information. This section includes the auditor's conclusion about whether the other information is materially consistent with the financial statements or the knowledge obtained in the audit;
- a description of the responsibility of management and those charged with governance for the proper preparation and oversight of the financial statements in accordance with the applicable financial reporting framework;
- a description of the auditor's responsibility to express an opinion on the consolidated financial statements, a conclusion on the appropriateness of management's use of the "going concern" basis of accounting, and the scope of the audit; and
- additional paragraphs describing the group audit engagement (an audit with more than one component) and communication with those charged with governance, and an explicit statement that the auditor is independent of the Province and has fulfilled the auditor's other relevant ethical responsibilities.

The Independent Auditor's Report may also include:

- an "Emphasis of Matter" paragraph that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements; and
- an "Other Matter" paragraph that refers to a matter other than those presented or disclosed in the financial statements that, in the auditor's judgment, is relevant to users' understanding

of the audit, the auditor's responsibilities or the auditor's report.

### 3.5 The Significance of an Unqualified Audit Opinion

The Independent Auditor's Report is the way the auditor communicates their opinion to the users of the financial statements as to whether the financial statements of an entity are presented fairly. After the audit of the financial statements is completed, the auditor can sign one of four possible opinions:

- **Unqualified, or clean, opinion:** The financial statements present fairly, in all material respects, the financial position and results of the entity.
- **Qualified opinion:** The statements contain one or more material misstatements or omissions.
- **Adverse opinion:** The statements do not fairly present the financial position, results of operations and changes in financial position, as per generally accepted accounting principles.
- **No opinion or disclaimer of opinion:** It is not possible to give an opinion on the statements because, for example, key records of the entity were destroyed and thus unavailable for examination.

An unqualified audit opinion indicates the financial statements are reliable. The importance of an unqualified opinion should not be understated. When an auditor issues a qualified opinion, they are expressing concern about the entity's compliance with the accounting standards issued by the standard setter (e.g., the Public Sector Accounting Board), or about the auditor's ability to obtain sufficient and appropriate information on the financial statements. An audit qualification is generally a rare occurrence.

For the fifth year in a row, the Auditor General has issued an unqualified opinion on the Province's consolidated financial statements. The consolidated financial statements can be relied on to fairly and accurately present the Province's fiscal results for the year ended March 31, 2022, in all material respects.

### 3.6 Key Audit Matters

Key audit matters are items that, based on the auditor's professional judgment, are the most significant in the audit of financial statements and will be required by CPA Canada as inclusions in auditors' reports of publicly listed entities for financial years ending on or after December 15, 2022.

Presently, our Office annually publicly reports to the Legislature key audit matters in our Annual Report on the Public Accounts. Our reporting has aligned with our responsibilities under the *Auditor General Act* and the *Fiscal Sustainability, Transparency and Accountability Act, 2019* as applicable. We have consistently reported any significant audit matter that may arise during the year to management and to those charged with governance as part of our normal audit process. We will continue these practices going forward.

During the upcoming year, we will assess whether key audit matters (in abbreviated form) will also be included in the Auditor General's Independent Auditor's Report on the Province's consolidated financial statements for the fiscal year ending March 31, 2023.

Key audit matters include:

- areas identified as significant risks or involving significant management or auditor judgment;
- areas in which the auditor encountered significant difficulty, for instance, in obtaining sufficient and appropriate audit evidence;
- circumstances that required a modification to the auditor's planned audit approach, including as a result of a significant deficiency in internal controls; and
- areas required for annual reporting under the *Auditor General Act* and the *Fiscal Sustainability, Transparency and Accountability Act, 2019* as areas related to the Public Accounts.

Other topics that can also be discussed as part of key audit matters include major tax revenue categories, such as personal or corporate taxes; pensions and post-retirement obligations; liabilities for contaminated sites; significant transfer payment expenses; significant consolidations of other government organizations and government business enterprises; and significant adjusting entries.



## Independent Auditor's Report



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

### INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Assembly of the Province of Ontario

#### Opinion

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, 2022, and the Consolidated Statements of Operations, Change in Net Debt, Change in Accumulated Deficit, and Cash Flow for the year then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In my opinion, the accompanying Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of the Province of Ontario as at March 31, 2022, and the consolidated results of its operations, the consolidated changes in its net debt, the consolidated change in its accumulated deficit and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibility for the Audit of the Consolidated Financial Statements section of this report. I am independent of the Province of Ontario in accordance with the ethical requirements that are relevant to my audit of the Consolidated Financial Statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Other Accompanying Information

The Government of Ontario (Government) is responsible for the information in the 2021–22 Public Accounts of Ontario Annual Report.

My opinion on the Consolidated Financial Statements does not cover the other information accompanying the Consolidated Financial Statements and I do not express any form of assurance conclusion thereon.

In connection with my audit of the Consolidated Financial Statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or my knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on this other information, I conclude that there is a material misstatement of this other information, I am required to report that fact in this auditor's report. I have nothing to report in this regard.

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### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management 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 management determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, management is responsible for assessing the Province of Ontario's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Government either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Province of Ontario's financial reporting process.

### **Auditor's Responsibility for the Audit of the Consolidated Financial Statements**

My objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Province of Ontario's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 3 -

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Province of Ontario's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Province of Ontario to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

The audit of the Consolidated Financial Statements is a group audit engagement. As such, I also obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the Consolidated Financial Statements. I am responsible for the direction, supervision and performance of the group audit and I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during the audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Toronto, Ontario  
September 12, 2022

Bonnie Lysyk, MBA, FCPA, FCA, LPA  
Auditor General

### 3.7 The 2021/22 Audit Opinion

The *Auditor General Act* requires that we report annually on the results of our examination of the Province's consolidated financial statements. The Independent Auditor's Report to the Legislative Assembly on the Province's consolidated financial statements for the year ended March 31, 2022 is reproduced as follows.

### 3.8 Provincial Surplus

The 2021/22 Public Accounts were released to the public on September 23, 2022. The Province reported a surplus of \$2.1 billion for the 2021/22 fiscal year. The Province had forecast a deficit of \$33.1 billion in its *2021 Ontario Budget* and subsequently updated that forecast to a deficit of \$13.5 billion as part of its figures for the fiscal year ended March 31, 2022 that were included in its *2022 Ontario Budget*. In the *2021 Ontario Budget*, the Province had been forecasting a surplus for the 2029/30 fiscal year, at the earliest. It then forecast that a surplus was possible for the 2027/28 fiscal year as shown in the *2022 Ontario Budget*.

The surplus at March 31, 2022 resulted from \$26.9 billion higher-than-expected tax revenues (mostly driven by significant increases in personal income taxes, sales taxes and corporate taxes);

\$3.2 billion in higher-than-expected transfers from the Government of Canada; \$1.9 billion in higher-than-expected income from government business enterprises; and \$3.1 billion in lower-than-expected expenditures (including lower interest on debt of \$0.5 billion).

The Province is not expecting the surplus shown in the 2021/22 consolidated financial statements to continue into the near term. In the first-quarter finances for the March 31, 2023 consolidated financial statements, released in August 2022, the Province is projecting a deficit of \$18.8 billion (compared to a projected deficit of \$19.9 billion in the *2022 Ontario Budget*).

The surplus seen in Ontario in 2021/22 was similar to the surpluses (or reduced deficits) seen in other Canadian jurisdictions that year. **Figure 1** shows the budgeted and actual surplus/deficits disclosed by Ontario and other Canadian jurisdictions as of November 18, 2022.

### 3.9 Financial Statements of Government Entities

Prior to 2018/19, the financial statements of government organizations and business enterprises (formerly referred to as Volume 2) were one of three supplementary reports that the government printed and made

**Figure 1: 2021/22 Budgeted to Actual Surplus and Deficits for Canadian Jurisdictions**

Source of data: Public Accounts of Canadian jurisdictions

| Jurisdiction | 2021/22 Budgeted Surplus (Deficit) (\$ million) | 2021/22 Actual Surplus (Deficit) (\$ million) | Difference (\$ million) | Difference as a Percentage of Budget (%) |
|--------------|-------------------------------------------------|-----------------------------------------------|-------------------------|------------------------------------------|
| AB           | (18,221)                                        | 3,944                                         | 22,165                  | 122                                      |
| BC           | (9,698)                                         | 1,306                                         | 11,004                  | 113                                      |
| MB           | (1,597)                                         | (704)                                         | 893                     | 56                                       |
| NB           | (244)                                           | 777                                           | 1,021                   | 418                                      |
| NL           | (825)                                           | (272)                                         | 553                     | 67                                       |
| NS           | (585)                                           | 351                                           | 936                     | 160                                      |
| ON           | (33,108)                                        | 2,051                                         | 35,159                  | 106                                      |
| PE           | (112)                                           | 84                                            | 196                     | 175                                      |
| SK           | (2,611)                                         | (1,468)                                       | 1,143                   | 44                                       |
| Federal      | (154,712)                                       | (90,212)                                      | 64,500                  | 42                                       |

Note: The 2021/22 financial information for Quebec was not available as at November 18, 2022.

available at the same time as the release of the Province's consolidated financial statements. It included the audited financial statements of provincial corporations, boards and commissions whose activities are included in the Province's consolidated financial statements, as well as other miscellaneous audited financial statements, but did not include the financial statements of the consolidated entities from the broader public sector (i.e., hospitals, school boards and colleges).

Starting in 2018/19, the government ceased issuing the former Volume 2 supplementary report in the same format as the rest of the Public Accounts. The government has created a website (<https://www.ontario.ca/page/financial-statements-government-organizations-and-business-enterprises-2021-22>) with links to web pages showing the financial statements of consolidated government organizations and agencies, trusts under administration, and consolidated broader-public-sector entities in Schedule 8 of the Province's consolidated financial statements.

The 2021/22 Public Accounts were released on September 23, 2022 along with links to these supplementary reports. As of September 29, 2022, we noted that 97% of the other organizations' and 99% of the consolidated broader-public-sector organizations' audited financial statements were available electronically.

## 4.0 The *Fiscal Sustainability, Transparency and Accountability Act, 2019*

We are required to annually report on the Premier's and the Minister of Finance's compliance with the *Fiscal Sustainability Transparency and Accountability Act, 2019* (Act). The Auditor General has determined that the communication of the Minister's compliance with the Act will be through this report.

Under this Act, the government is required to:

- develop a debt burden reduction strategy, including setting out net

debt-to-gross-domestic-product (GDP) objectives and plans for reducing the debt burden;

- incorporate sustainability into the Province's fiscal policies;
- release the annual budget by March 31 each year, except for years in which a general election takes place, to allow a new government additional time to develop its first Multi-Year Fiscal Plan (the Legislature passed an amendment to the Act put forward by the government to allow for the 2022 budget to be released by April 30, 2022 instead of March 31, 2022. The budget was issued on April 28, 2022);
- provide a rationale for running deficits in the introductory section of the annual budget;
- impose monetary penalties on the Premier and the Minister of Finance for missing reporting deadlines as required in the Act; and
- post a public statement to explain the rationale for any missed public reporting deadlines, and the revised deadline by which the affected report will be released.

**Figure 2** shows the reports that are subject to the financial penalty and public statement requirements.

**Figure 3** shows that as of November 2022 the Premier and the Minister complied with all requirements of the Act.

The Act includes requirements that the budget must include certain components, such as a debt burden reduction strategy and a recovery plan. We provide additional commentary on the debt burden reduction strategy in **Section 13** of this report. The debt burden reduction strategy as per the Act must include specific objectives regarding the projected net-debt-to-GDP ratio. As well, it must include a progress report on actions supporting the implementation of the debt burden reduction strategy included in the latest budget. The Province has not met the second requirement. In other words, the Province has not formally documented a long-term debt strategy, explained how it determined the net-debt-to-GDP target, or clearly demonstrated how debt will be managed.

The Act also requires that the Fall Economic Statement include a description of the key issues that should



**Figure 2: Reports Subject to Financial Penalty and Public Statement Deadlines for the Premier and Minister of Finance**

Source of data: *Fiscal Sustainability, Transparency and Accountability Act, 2019*

| Report                                           | Deadline Subject to Guarantee                                                                       |
|--------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| <b>Budget</b>                                    | Mar 31 (for 2022 Budget: Apr 30)                                                                    |
| <b>First Quarter Finances</b>                    | Aug 15                                                                                              |
| <b>Mid-Year Review (Fall Economic Statement)</b> | Nov 15                                                                                              |
| <b>Third Quarter Finances</b>                    | Feb 15                                                                                              |
| <b>Long-Term Report</b>                          | Two years following a general election                                                              |
| <b>Quarterly Ontario Economic Accounts</b>       | Within 45 days after each of Statistics Canada's Quarterly National Income and Expenditure Accounts |

**Figure 3: Compliance with Financial Penalty and Public Statement Deadlines between December 2021 and November 2022**

Prepared by the Office of the Auditor General of Ontario

| Report                                            | Deadline                                                                                            | Date Available | Requirement Met |
|---------------------------------------------------|-----------------------------------------------------------------------------------------------------|----------------|-----------------|
| 2021/22 Third Quarter Finances                    | Feb 15, 2022                                                                                        | Feb 14, 2022   | Yes             |
| 2022 Budget                                       | Apr 30, 2022                                                                                        | Apr 28, 2022   | Yes             |
| 2022/23 First Quarter Finances                    | Aug 15, 2022                                                                                        | Aug 9, 2022    | Yes             |
| 2022/23 Mid-Year Review (Fall Economic Statement) | Nov 15, 2022                                                                                        | Nov 14, 2022   | Yes             |
| Long-Term Report                                  | Jun 7, 2020<br>(to be issued two years following a general election)                                | Jun 4, 2020    | Yes             |
| <b>Quarterly Ontario Economic Accounts</b>        | Within 45 days after each of Statistics Canada's Quarterly National Income and Expenditure Accounts |                |                 |
| Q3 2021                                           | Jan 14, 2022<br>(Statistics Canada release date – Nov 30, 2021)                                     | Jan 14, 2022   | Yes             |
| Q4 2021                                           | Apr 15, 2022<br>(Statistics Canada release date – Mar 1, 2022)                                      | Apr 15, 2022   | Yes             |
| Q1 2022                                           | Jul 14, 2022<br>(Statistics Canada release date – May 31, 2022)                                     | Jul 14, 2022   | Yes             |
| Q2 2022                                           | Oct 14, 2022<br>(Statistics Canada release date – Aug 31, 2022)                                     | Oct 14, 2022   | Yes             |

be addressed in the next budget. In the Fall Economic Statement released on November 14, 2022, there is commentary about the government holding consultations to include the issues that Ontarians want to see in the 2023 Ontario Budget; however, this description

does not meet the requirement of paragraph (9) 4 i of the Act to include a description of the key issues that should be addressed in the 2023 Ontario Budget.

**Appendix 1** shows the requirements of the Act and whether they have been met by the issuances in 2022.

## 5.0 Corporations Income Tax Revenues

Corporations Income Tax (CIT) represents the Province's third-largest single source of revenue for the year ended March 31, 2022. For the 2021/22 fiscal year, the Province reported CIT revenue of \$25.2 billion—an increase of \$7.4 billion (or about 42%) compared to the prior year. However, it is important to note that reported CIT revenue is based on an estimate and subject to material measurement uncertainty.

In the past, the Ministry of Finance estimated CIT by using a combination of an econometric model that relies on the historical relationship between aggregate taxable income and corporate operating profits, and an extrapolation of the latest corporate tax assessments available from the federal Department of Finance. Due to the discontinuation of certain economic data from Statistics Canada, for the 2021/22 fiscal year, the Ministry of Finance discontinued the use of its econometric model and began basing its estimate of CIT primarily on corporate taxes assessed as reported by the federal Department of Finance as of June 30, 2022 for the 2021 taxation year.

During our audit, we back-tested the Ministry of Finance's new CIT estimation methodology to assess and confirm that the methodology, if historically applied, would have accurately estimated CIT in previous fiscal years. We also engaged an expert in the field of econometrics to assist us in assessing the appropriateness of significant economic assumptions, and compared the Ministry's new estimation methodology to its previous econometric model.

Overall, we found that the Ministry of Finance's CIT estimate for the year ended March 31, 2022 was reasonable. However, in arriving at this conclusion, we encountered challenges in performing our audit work due to federal government limitations on our access to tax information produced and reported by the federal

Department of Finance for use by the Ontario Ministry of Finance.

Currently, neither the federal *Income Tax Act* nor the Province's Tax Collection Agreement with the Government of Canada explicitly provides our Office with direct access to the underlying corporate tax source data used by the federal Department of Finance to prepare summarized corporate tax reports for the Province. In order to obtain assurance over the completeness and accuracy of these summarized tax reports, we engaged the Office of the Auditor General of Canada to perform work on our behalf under Canadian generally accepted auditing standards. It is crucial for our Office to have direct access to this information when we conduct our audit of the Province's consolidated financial statements for the year ending March 31, 2023, especially in the event that the Office of the Auditor General of Canada is unable to perform this work on our behalf in the future. Without the ability to audit the reasonableness of corporate tax estimates, our Office may be faced with having to include a scope limitation in the opinion in the Auditor General's Independent Auditor's Report.

### RECOMMENDATION 1

For our audit of the Province's March 31, 2023 consolidated financial statements, to ensure the Office of the Auditor General of Ontario (Office) does not have a scope limitation on our work on corporate taxes, we recommend that the Ministry of Finance work with the federal Department of Finance to provide our Office with direct access to all Ontario-related personal and corporate tax data sets/information by making the necessary amendments to the Ontario–Canada Tax Collection Agreement and/or by introducing legislative amendments to the federal *Income Tax Act*.

### MINISTRY OF FINANCE RESPONSE

The Ontario Ministry of Finance supports the Office of the Auditor General of Ontario's request to access information that is sufficient to avoid any scope limitation in the Auditor General's audit of Ontario's

consolidated financial statements regarding corporate taxes. The Ontario Ministry of Finance is committed to working with the federal Department of Finance and the Canada Revenue Agency to support a review of the available options, and the implementation of any appropriate changes, to support the Auditor General's audit of the Province's 2022/23 Consolidated Financial Statements. The federal Department of Finance is responsible for the federal *Income Tax Act* and any amendments that may be required to implement the proposal.

## 6.0 iGaming Ontario

In our 2021 report titled *Internet Gaming in Ontario*, we raised concerns about the legal risks of Ontario's new Internet gaming model under the Criminal Code of Canada, the governance risks of iGaming Ontario's structure, and the Province's diminished role in ensuring the fairness and integrity of Internet gaming. The following is an update of the developments in Internet gaming that have occurred since the issuance of that report.

iGaming Ontario, a legal subsidiary of the Alcohol and Gaming Commission of Ontario (AGCO) and the Crown agency responsible for the conduct and management of Internet gaming provided through private gaming operators, completed its initial year of operations as at March 31, 2022. Our Office conducted the audit of iGaming Ontario's first set of financial statements where we issued an unqualified audit opinion. We also took the unusual but necessary step of including an "Other Matter" paragraph in our Independent Auditor's Report. This paragraph highlights to users of iGaming Ontario's financial statements that iGaming Ontario has assumed the legal risk of whether its operating model meets the "conduct and manage" requirement set out in the Criminal Code of Canada. iGaming Ontario and the Ministry of the Attorney General are of the opinion that iGaming Ontario's operating agreements and associated policies were designed to meet the requirements of the Criminal Code.

During our audit, we also noted significant related party transactions between iGaming Ontario and the AGCO. Effective September 2021, iGaming Ontario entered into a Shared Resource Agreement with the AGCO to provide it with shared services related to human resources, payroll, procurement, and information technology services on a cost-recovery basis. In addition to these shared services, the AGCO also paid for all of iGaming Ontario's costs, such as employee salaries and benefits, on its behalf. While these related party transactions may have been necessary for the start-up of iGaming Ontario, they create the potential for conflicts of interest and compromise the actuality and the appearance of the AGCO as an independent regulator of Internet gaming in Ontario.

Subsequent to its fiscal year-end, on April 4, 2022, iGaming Ontario launched the new regulated market for Internet gaming in Ontario. Under this market, iGaming Ontario has entered into commercial agreements (called "operating agreements") with registered private gaming companies (called "operators") who can offer their Internet games, such as casino games and sports betting, to players in Ontario on their websites. At the launch of the market, iGaming Ontario had operating agreements with 12 operators. In exchange for offering their Internet games, operators are entitled to receive a share of the "gross gaming revenue," which is defined as the aggregate amount of all cash collected or received by operators from Ontario-residing players for participating in any operator game offerings, including all accepted wagers, rake fees, tournament fees and other fees, less the aggregate amount of all paid winnings and eligible deductions.

In its first two quarters of operations, from April 4 to September 30, 2022, iGaming Ontario reported a total gross gaming revenue of \$386 million (unaudited—includes total gaming revenue of \$429 million less eligible deductions of about \$43 million); of this amount, iGaming Ontario will pay about 80%, or \$309 million, to operators in accordance with the existing terms and conditions under the operating agreements. In addition, iGaming Ontario is required to pay harmonized sales tax to the Government of Canada equal to 13% of the amounts paid to operators.

After the payments noted above, iGaming Ontario's net income up to September 30, 2022 was about 9.6% of the total gross gaming revenue, or \$37 million, before deducting revenue-sharing payments to the Ontario First Nations Limited Partnership and iGaming Ontario's operating expenses such as employee salaries and benefits.

As part of our audit of iGaming Ontario's financial statements for its year ending March 31, 2023, we will be assessing iGaming Ontario's accounting treatment for the recognition of revenues related to its operating agreements with operators.

We will also be reviewing the presentation of iGaming Ontario's revenues, expenses, assets and liabilities in the Province's 2022/23 consolidated financial statements. In addition, our Office will follow up on the status of the recommendations we made in our 2021 report titled *Internet Gaming in Ontario*.

## 7.0 Financial Services Regulatory Authority of Ontario (FSRA)

### 7.1 Background

The Financial Services Regulatory Authority of Ontario (FSRA) is the primary regulator of non-securities-related financial services in the province. This self-funded Crown agency—which is accountable, through the Ministry of Finance (Ministry), to the Ontario Legislature—supervises key financial sectors including the credit union, insurance and provincially registered pension plan sectors in Ontario. Each of the sectors is governed by several different statutes and regulations. FSRA took over the roles and responsibilities of its predecessor agencies, the Financial Services Commission of Ontario (FSCO) and the Deposit Insurance Corporation of Ontario (DICO), on June 8, 2019.

### 7.2 Deposit Insurance Reserve Fund

Under the *Credit Unions and Caisses Populaires Act, 2020* (Act), FSRA is responsible for the administration,

operation and prudent management of the Deposit Insurance Reserve Fund (DIRF), which provides deposit protection coverage to eligible credit union depositors as well as financial assistance to credit unions. The DIRF is funded by deposit insurance premiums charged to credit unions and caisses populaires (herein referred to collectively as “credit unions”) by FSRA. Under the Act, an amendment was made in 2018 indicating that FSRA is liable to insure eligible deposits held in Ontario credit unions only up to the asset balance in the DIRF at any given time. Prior to the amendment in 2018, no such limitation existed in legislation.

In accordance with the Act, FSRA may use the DIRF to pay for deposit insurance claims. The DIRF may also be used to pay for the following financial support to credit unions:

- costs associated with the orderly winding up of credit unions in financial difficulty;
- financial assistance to a credit union under FSRA's administration in its continued operation or orderly winding up of its operations;
- an advance or grant for the purpose of paying lawful claims against a credit union made by its members related to withdrawal of deposits;
- assets acquired or liabilities assumed from credit unions (usually under the above circumstances); and
- fees in respect of credit agreements entered into by FSRA to provide financial assistance to the credit union sector.

As at March 31, 2022, the DIRF reported an audited fund surplus (i.e., net assets) of approximately \$372.9 million.

In July 2022, we reviewed the FSRA-approved deposit insurance brochure that Ontario credit unions are required to display prominently in their premises pursuant to *FSRA Rule 2019-002, Deposit Insurance Advertising*. We noted that Ontario credit unions used the brochure to advertise that depositors are covered up to \$250,000 of eligible non-registered deposits plus all insurable deposits in registered accounts with each credit union—a potential competitive advantage among deposit-taking financial institutions operating

in Ontario. However, the brochure did not make any mention that FSRA's system-wide deposit liability is at all times limited to the amount of assets in the DIRF.

FSRA subsequently updated the approved advertising brochure and publicly issued on September 6, 2022 to state, "The liability of FSRA to insure deposits held at Ontario credit unions is limited to the assets of the Deposit Insurance Reserve Fund."

### 7.3 Financial Assistance to PACE Savings and Credit Union Limited

Under the Act, PACE Savings and Credit Union Limited (PACE) was placed under FSRA's administration in September 2018 by FSRA's predecessor DICO to protect the credit union members' interests from potential harm.

On April 20, 2022, PACE (acting through FSRA as its administrator), Alterna Savings and Credit Union Limited (Alterna), and FSRA (in its capacity as administrator of PACE) entered into a purchase and assumption (P&A) agreement such that Alterna agreed to acquire most of the assets and liabilities of PACE. This P&A transaction enabled Alterna to continue to operate PACE's core business and service PACE's members. The P&A transaction closed on June 30, 2022.

FSRA, as the DIRF's administrator, provided the following financial assistance from the DIRF under the Act:

- a \$500 million revolving secured loan facility to provide liquidity when PACE experiences a rapid decline in liquidity that could cause either material financial or operational difficulties. Two advances totalling \$25 million made under this facility in May 2022 were repaid by Alterna, with interest, when the P&A transaction closed on June 30, 2022;
- a limited guarantee up to \$155 million to Alterna over certain payment obligations, representation and warranties of PACE under the P&A agreement, and other related agreements. The most notable are potential deficiency payments equal to 50% of losses on retail loans and 100% of losses on commercial loans that Alterna may incur that are beyond the loss provisions accrued by PACE on the loans it acquired from

PACE in the P&A transaction. The coverage period for deficiency payments is one to five years, depending on the loan portfolio, starting June 30, 2022;

- \$25 million in the form of an unsecured, non-interest-bearing promissory note that matures and is due on December 31, 2022 to pay for PACE's portion of a court-approved settlement of certain claims by investors in preferred shares that were distributed and issued by two PACE subsidiaries (and one unaffiliated entity);
- \$10 million of maximum indemnification coverage to retain certain members of PACE to operate PACE and to assist with the completion of the P&A transaction due to PACE's inability to renew its Directors and Officers insurance policy (as at March 31, 2022, FSRA does not anticipate claims under this indemnification agreement);
- \$4.1 million in professional fees for advisory services for the P&A transaction that FSRA intends to recover from PACE;
- ongoing exposure to changes in the value of certain assets and liabilities that were excluded from the P&A transaction and will remain with PACE; and
- costs associated for the future wind-up of PACE to the extent PACE has insufficient resources to pay its senior creditors.

### 7.4 Deposit Coverage in Ontario

As a consequence of the financial assistance provided to PACE under the provisions of the Act, we observe that up to \$155 million of the assets available in the DIRF have been committed in the form of a guarantee of PACE's time-limited, loan deficiency warranties. In the short- to medium-term, this guarantee in favour of PACE could have a significant impact on the ability of FSRA to pay deposit insurance claims, since a 2018 amendment to the *Credit Unions and Caisses Populaires Act, 1994* limits FSRA's obligation to insure eligible deposits up to the asset balance in the DIRF.

FSRA maintains a credit facility agreement with the Ontario Financing Authority up to a maximum of



\$2 billion for the purposes of mitigating any potential liquidity risk in Ontario's credit union sector, including situations where credit unions may require financial support beyond the support available from the DIRF. As of March 31, 2022, FSRA has no amounts drawn on this credit facility. We note that this credit facility is available to FSRA directly, not the DIRF, and cannot be presumed by depositors to be used to pay deposit insurance claims that exceed the assets in the DIRF. Provincial government approval will be required for payments beyond the balance in the DIRF.

See our Office's 2022 report, titled *Financial Services Regulatory Authority: Regulation of Private Passenger Automobile Insurance, Credit Unions and Pension Plans*, for additional analysis and recommendations about FSRA's funding.

## 7.5 Financial Reporting of FSRA, DIRF and the Province

The significant events around FSRA's administration of PACE were provided in detailed disclosures in the audited financial statements of FSRA and DIRF for the year ended March 31, 2022. These disclosures describe the transactions between all parties, ongoing risks and exposures to the DIRF, and the various forms of financial assistance FSRA offered to PACE through the DIRF.

A credit union deposit insurance subsection was added to Note 11a, Contingent Liabilities in this year's notes to the consolidated financial statements of the Province. The note describes the deposit coverage that Ontario credit unions advertise to their members and discloses the purpose and terms of the loan facility between FSRA and the Ontario Financing Authority.

### RECOMMENDATION 2

We recommend that in its 2023 annual report, the Financial Services Regulatory Authority of Ontario (FSRA) publicly report on the short- and long-term financial ability of the Deposit Insurance Reserve Fund to provide adequate deposit protection coverage to credit union members while maintaining FSRA's flexibility to provide discretionary financial assistance to financially distressed credit unions.

## FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO RESPONSE

The short-term and long-term ability of the Deposit Insurance Reserve Fund (DIRF) to provide adequate deposit coverage is best reported in the DIRF annual report rather than the FSRA annual report. Any such analysis would be provided at a high level and be based on coverage as a percentage of deposits.

As the DIRF is the protection fund, FSRA should not comment on its flexibility to provide discretionary financial assistance to financially distressed credit unions. Such support is provided on a case-by-case and as-needed basis. Reporting on this aspect may provide a false impression of the availability of this support.

## 8.0 Office of the Children's Lawyer

The Office of the Children's Lawyer is a law office within the Ministry of the Attorney General that protects the personal and property rights of children in a range of civil proceedings as provided by statute and common law. Under the *Courts of Justice Act* (Act), the Auditor General is required to examine and report on the accounts and financial transactions of the Office of the Children's Lawyer. Historically, the Office of the Children's Lawyer prepared annual financial statements and our Office audited those financial statements. However, the Office of the Children's Lawyer stopped preparing annual financial statements and the associated supporting documents for any fiscal year after its March 31, 2013 financial statements. In reports to those charged with governance in both the years ended March 31, 2012 and March 31, 2013, we noted challenges encountered in completing the audits due to delays in the receipt of complete and accurate documentation.

Since the time the Office of the Children's Lawyer stopped preparing annual financial statements, our Office has continued to periodically encourage the Office of the Children's Lawyer to prepare those statements in accordance with the requirements of the Act.

The Office of the Children's Lawyer has been seeking a legislative amendment to the Act to remove the requirement that our Office examine and report on its accounts and financial transactions. Its rationale is that the Office of the Children's Lawyer operates as a program area of the Ministry of the Attorney General, and that its transactions are therefore reported in the Public Accounts. We have been in ongoing dialogue with the Office of the Children's Lawyer to obtain the information needed for our audits of the outstanding years. However, the Office of the Children's Lawyer has been unable to prepare the information required for the audits to commence. There are now nine fiscal years (i.e., the years ended March 31, 2014 through to March 31, 2022) that have passed in which the Office of the Children's Lawyer has not prepared annual financial statements and the associated support for an audit.

At a minimum, the Office of the Children's Lawyer should prepare financial information for the most recent fiscal year ended March 31, 2022 so that we can audit the financial information and report to the Ministry of the Attorney General, and prepare the required information on a go-forward basis.

### RECOMMENDATION 3

To ensure the Office of the Children's Lawyer complies with the reporting requirements of the *Courts of Justice Act*, we recommend that the Office of the Children's Lawyer, at a minimum, prepare the required information for our Office to perform an audit of the most recent fiscal year ended March 31, 2022, and to prepare the required information on a go-forward basis.

### OFFICE OF THE CHILDREN'S LAWYER RESPONSE

The Office of the Children's Lawyer is working with the Office of the Auditor General of Ontario to undertake the audit for the March 31, 2022 financial statements.

## 9.0 Personal Protective Equipment

In response to the COVID-19 pandemic, the Province established a procurement process for personal protective equipment (PPE). PPE includes supplies such as medical equipment, masks, face shields, face coverings, gloves, ventilators, beds, swabs, rapid antigen tests, protective gowns, and cleaning disinfectant supplies. As part of the response to the pandemic, PPE was primarily procured by the Province or received from the Government of Canada. The responsibility of purchasing PPE for the Province was assigned to both the Ministry of Health and the Ministry of Public and Business Service Delivery.

In 2021/22, the purchasing activities for PPE increased significantly when compared to prior years to provide sufficient health-care supplies to the broader public sector (i.e., hospitals, long-term-care homes, school boards, colleges and universities) as well as other distribution channels within the province. A significant amount of time and effort was spent by the ministries to quantify and cost the PPE to ensure the PPE was recorded properly, and by our Office to audit the inventory of PPE for the year ended March 31, 2022.

During our work, we identified accounting risks related to the tracking and completeness of inventory. The Province had been tracking the purchases of provincial PPE for accounting purposes manually through spreadsheets. Manual processes are prone to human error that can result in significant inaccuracies. In addition, items shipped were not properly tracked. To address this risk, we separately tested opening inventory, purchases and ending inventory. As well, we reconciled quantities from warehouse to accounting records and performed inventory counts at a sample of warehouses that stored PPE.

The Province recorded PPE supplies as an asset costing \$1.5 billion in its consolidated financial statements for the year ended March 31, 2022. We noted that \$66 million of PPE inventory was written off during the fiscal year due to expired, obsolescent and damaged items. Given that the Province holds a

significant amount of PPE inventory, to minimize the amount of expired PPE, it would be prudent to establish more formal processes where inventory is actively monitored and routinely distributed to key stakeholders in need, such as hospitals, prior to their expiration date.

## RECOMMENDATION 4

We recommend that the Ministry of Health and the Ministry of Public and Business Service Delivery implement a co-ordinated and automated inventory management system to:

- accurately track the pricing and quantities of purchases, shipments and balances of personal protective equipment (PPE) to ensure appropriate oversight of the inventory; and
- actively monitor PPE inventory for expiration and ensure the inventory is distributed to key stakeholders based on their specific needs, prior to expiration.

## MINISTRY OF HEALTH AND MINISTRY OF PUBLIC AND BUSINESS SERVICE DELIVERY RESPONSE

The Ministry of Health and the Ministry of Public and Business Service Delivery (MPBSD) thank the Auditor General for these recommendations and for highlighting the ongoing value of and need for effective Inventory Management. In its co-ordination role, MPBSD will:

- consider implementation of a co-ordinated and automated inventory management system (including tracking price, quantities of purchases, shipments and balances of inventory) as part of long-term warehouse and logistics planning;
- strengthen processes to actively monitor PPE inventory for expiration;
- continue to co-ordinate with the Ministry of Health and Ontario Health to incorporate the PPE stockpile as part of their overall material management program;

- continue to engage with all public sector organizations to make the stockpile the single source of supply for products held in the stockpile; and
- continue to distribute inventory to all Ontario public sector entities in accordance with agreed upon plans.

## 10.0 Governance of Health Care in Ontario

Historically, funding for health-service providers, such as hospitals and long-term-care homes, was provided by the Ministries of Health and Long-Term Care, respectively, through the 14 Local Health Integration Networks (LHINs). Effective April 1, 2021, the Minister of Health, under the *Connecting Care Act, 2019*, transferred responsibilities of the LHINs to Ontario Health (i.e., health system funding, planning and community functions), in alignment with Ontario Health's legislated mandate and public accountability to provide specific funding to health-service providers delivering health care. In 2021/22, Ontario Health provided a total of \$29.6 billion in funding to health-service providers.

During our audits of Ontario Health's financial statements and the Province's consolidated financial statements, we observed that certain funding for programs were directly disbursed to the health-service providers from the Ministry of Health without prior authorization by Ontario Health. We also noted that although Ontario Health authorized the initial funding allocations for long-term-care homes, subsequent changes were made to the allocations by the Ministry of Long-Term Care without prior authorization by Ontario Health. Further, we noted that the authorization of significant funding from the Ministry of Health intended for Ontario Health's use in 2021/22 was not evidenced by a signed funding agreement until after the year-end.

Overall, we found that there continues to be an unclear delineation of roles and responsibilities between the Ministries of Health and Long-Term Care and Ontario Health, with respect to funding for

health-service providers. This in turn increases the risk of material financial reporting errors on the recording of and accountability for government transfers and the use of those funds. As part of the audit of the Province's consolidated financial statements, identified by the errors adjusted during the Ontario Health financial statement audited, additional audit work was performed to address the increased risk of misstatement related to these transfers. We made several recommendations to Ontario Health that were accepted by its Board and senior management, and communicated this to the Ministry of Health and the Ministry of Long-Term Care. Implementation of the recommendations will require direct involvement and co-operation from the ministries.

### RECOMMENDATION 5

We recommend that the Ministries of Health and Long-Term Care:

- review their processes around all aspects of funding to Ontario Health managed health-service providers and meet with Ontario Health and discuss what is needed going forward so that Ontario Health can fully operate in accordance with its legislated mandate regarding the provision of funding to health-service providers (including but not limited to initiation, authorization, cash disbursement and reconciliation to confirm the appropriate use of funding); and
- implement the necessary changes such that funding decisions and direction on the use of funds by Ontario Health are accompanied by a signed agreement by fiscal year-end as evidence of the formal transfer of responsibilities for funding health-service providers from the Ministry of Health to Ontario Health as was originally intended when establishing Ontario Health.

### MINISTRIES OF HEALTH AND LONG-TERM CARE RESPONSE

The Ministry of Health and the Ministry of Long-Term Care acknowledge and appreciate the Auditor General's recommendation to ensure strong

processes are in place for funding health-service providers that are managed by Ontario Health.

There are robust accountability agreements and clear division of roles and responsibilities between the Ministries and Ontario Health that are in place which allow Ontario Health to operate within its legislative mandate. This framework allows Ontario Health to provide funding advice and recommendations to the Ministries and for the Ministries to make funding decisions for health-service providers managed by Ontario Health.

The Ministries acknowledge that the Auditor General observed instances where certain established funding processes were not followed and are committed to working with Ontario Health to ensure that Ontario Health notifies the Ministries to provide funding to a health-service provider prior to disbursing the funds; however, the Ministries note that the funding disbursed was for approved purposes. The Ministries also acknowledge the need for signed funding agreements to be in place by fiscal year-end and are committed to ensuring they are in place when all funding terms are known by year-end.

## 11.0 Ontario Disability Support Program Overpayments

The Ontario Disability Support Program (ODSP) is managed by the Ministry of Children, Community and Social Services (Ministry). During the course of our audit of the consolidated financial statements this year, our testing identified ODSP overpayments associated with the Special Diet Allowance and Mandatory Special Necessities benefits. From a Public Accounts perspective, ODSP overpayments do not have a significant effect on the annual deficit. There are legislative and administrative restrictions on the recovery of an overpayment from the amount of an ODSP recipient's monthly payment. As a result, the recovery receivable that is set up for ODSP recoveries is usually reduced by an allowance for doubtful accounts of 80% to 85% of

the related recovery receivable. Therefore, identified overpayments originally recorded as transfer payment expenses are transferred to bad debt expense with a minimal effect on the annual deficit. ODSP overpayments are a value-for-money issue as opposed to a Public Accounts issue, as overpayments lead to less money being available to spend on increasing ODSP benefits or funding other programs.

In our *2019 Annual Report*, Chapter 3.09 Ontario Disability Support Program, we recommended that the Ministry establish a risk-based time frame for ODSP caseworkers to periodically review the eligibility of all ODSP recipients in order to help prevent overpayments. As outlined in our *2022 Annual Follow-Up on Value-for-Money Audits*, the Ministry has made little progress in implementing this recommendation.

## RECOMMENDATION 6

To help prevent Ontario Disability Support Program (ODSP) overpayments, we recommend that the Ministry of Children, Community and Social Services:

- ensure that approved Application for Special Diet Allowance (SDA) and/or Mandatory Special Necessities (MSN) forms are valid and retained for all eligible recipients of these benefits; and
- periodically review the supporting documentation on file for ODSP recipients and related information, including but not limited to income verification details and expiry dates of SDA and MSN forms entered within the Social Assistance Management System, to ensure the information remains up-to-date.

## MINISTRY OF CHILDREN, COMMUNITY AND SOCIAL SERVICES RESPONSE

Where a Special Diet Allowance or Mandatory Special Necessities benefit is approved and processed by the local office, the expiry date of the approval is established by the health-care professional and entered into the Social Assistance Management System (SAMS). The benefit expiry

date in SAMS triggers notifications to the caseworker to review documentation on the case, to support regular review and updates.

Beginning in 2017, the Ministry began implementing the Electronic Document Management model, which includes a component where all new documents received are digitized and uploaded to SAMS. Effective July 2020, digitization of documents has been implemented across all 47 ODSP offices. The majority of historical files have been removed from ODSP offices with active files being digitized.

It should be noted that new front-line caseworkers take an eight-week intensive learning program that builds the foundational knowledge required to complete the core functions of their duties. This includes sessions on financials and benefit calculations, where benefits such as the Special Diet Allowance or Mandatory Special Necessities are included as an in-depth focus.

Additional training and follow-up for staff are planned for spring 2023 to address this recommendation.

## 12.0 Entities to Be Consolidated into the Public Accounts of Ontario in the 2022/23 Fiscal Year

In the normal course of our annual audit of the consolidated financial statements of the Province and our value-for-money work, we may identify accounting entities that need to be assessed for potential accounting consolidation into the Public Accounts of Ontario. In each case, we work with the Office of the Provincial Controller Division and the responsible ministry to perform control and accounting classification assessments in accordance with Canadian Public Sector Accounting Standards. For the upcoming fiscal year ended March 31, 2023, the following entities will be consolidated by the Province and reported as part of the Public Accounts:



- **Non-Indigenous Children's Aid Societies**—as reported in our *2021 Annual Report*, the Ministry of Children, Community and Social Services (Ministry) completed a formal accounting control analysis of Children's Aid Societies (Societies). The Ministry concluded that non-Indigenous Societies are controlled by the Province (and also concluded that Indigenous Societies are not controlled). The Office of the Provincial Controller Division concurred with this conclusion. Our Office performed an independent analysis and also concurred with the Ministry's conclusion. The consolidation of non-Indigenous Societies will add approximately \$124 million of net assets to the consolidated statement of financial position of the Province, based on the 2020/21 audited financial statements of the Societies.
- **Ontario School Boards' Insurance Exchange (OSBIE)**—OSBIE was established in 1987 to provide general liability insurance to Ontario school boards and has since evolved to provide various types of insurance such as property insurance and fleet automobile insurance. In 2021, during the course of our value-for-money review Financial Reporting of School Boards in Ontario we requested the Ministry of Education (Ministry) to conduct an accounting control assessment of OSBIE under Canadian Public Sector Accounting Standards. The Ministry concluded that OSBIE is collectively controlled by 79 school boards and therefore, OSBIE's financial position and results should be included in the Province's consolidated financial statements. Our Office performed an independent analysis and concurred with the Ministry's conclusion. There was also agreement on this overall consolidation by the Office of the Provincial Controller Division and the Ministry of Finance, and in turn the Comptroller General and the President of the Treasury Board, the Deputy Minister and the Minister of Finance. The consolidation of OSBIE will add approximately \$142 million of net assets to the consolidated statement of

financial position of the Province, based on OSBIE's 2021 audited financial statements.

- **Motor Vehicle Accident Claims Fund (MVACF)**—MVACF is a fund administered by the Ministry of Public and Business Service Delivery (Ministry) that earns a fee of \$15 on the issuance or renewal of each driver's five-year licence. MVACF provides compensation for eligible losses resulting from automobile accidents involving uninsured or unidentified drivers when there is no insurance policy available. Historically, the Province has not consolidated MVACF, but has reported MVACF as a trust under administration in the notes to the consolidated financial statements. We requested the Ministry to perform an accounting control analysis. Our Office performed an independent analysis and determined that MVACF is a government component (i.e., a fund) within the Ministry and does not meet the definition of a trust under administration. The Office of the Provincial Controller Division agreed with our conclusion. The consolidation of MVACF will add approximately \$122 million of net liabilities to the consolidated statement of financial position of the Province, based on MVACF's 2021/22 audited financial statements.

## 13.0 Ontario's Debt Burden

We have consistently commented in previous Annual Reports on Ontario's growing debt burden, attributable to Ontario's large annual deficits and its spending on capital assets such as infrastructure. As part of the commitments made by the Province to combat COVID-19, the Province continued to incur additional debt in 2021/22.

We noted that the Province has relied on historically low interest rates to keep its debt-servicing costs relatively stable but the debt itself, when measured as total debt or net debt, continues to grow each year, as illustrated in **Figure 4**. For the first time in many years, the accumulated deficit has slightly decreased as a result of

**Figure 4: Total Debt, Net Debt and Accumulated Deficit, 2015/16–2024/25 (\$ million)**

Sources of data: Province of Ontario Consolidated Financial Statements, March 31, 2022, Province of Ontario Annual Report – Financial Statement Discussion and Analysis, 2022 Ontario Budget, 2022 Ontario Economic Outlook and Fiscal Review, and Ministry of Finance

|                     | Actual  |         |         |         |         |                      |                      | Estimate               |                          |                          |
|---------------------|---------|---------|---------|---------|---------|----------------------|----------------------|------------------------|--------------------------|--------------------------|
|                     | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 <sup>1</sup> | 2021/22 <sup>1</sup> | 2022/23 <sup>2,3</sup> | 2023/24 <sup>2,3,4</sup> | 2024/25 <sup>2,3,4</sup> |
| Total Debt          | 321,191 | 325,128 | 337,411 | 354,264 | 372,790 | 405,012              | 426,417              | 431,300                | 459,100                  | 467,800                  |
| Net Debt            | 306,357 | 314,077 | 323,834 | 338,496 | 353,332 | 373,564              | 380,415              | 407,231                | 424,750                  | 436,199                  |
| Accumulated Deficit | 203,014 | 205,939 | 209,023 | 216,642 | 225,764 | 239,294              | 236,857              | 253,539                | 261,592                  | 262,243                  |

1. March 31, 2022 Province of Ontario Consolidated Financial Statements.

2. Net debt and accumulated deficit includes the reserve, as reported in the 2022 Ontario Economic Outlook and Fiscal Review.

3. Estimate of total debt is based on the total debt reported in the 2022 Ontario Budget, adjusted for the change in the funding requirement reported in the 2022 Ontario Economic Outlook and Fiscal Review compared to the 2022 Ontario Budget.

4. Total debt assumes a reduction of the same amount of holdings of Ontario bonds and treasury bills as 2022/23.

the 2021/22 annual surplus, although it is projected to increase over the next three years. The three measures of debt are defined below:

- *total debt* is the amount of borrowed money the government owes to external parties, and consists of bonds issued in public capital markets, non-public debt, treasury bills and US commercial paper. Total debt provides the broadest measure of a government's debt load;
- *net debt* is the difference between the government's total liabilities and its financial assets. Liabilities consist of all amounts the government owes to external parties, including total debt, accounts payable, pension and retirement obligations, and transfer-payment obligations. Financial assets are those that theoretically can be used to pay off liabilities or finance future operations, and include cash, accounts receivable, temporary investments and investments in government business enterprises. Net debt provides a measure of the amount of future revenues required to pay for past government transactions and events; and
- *accumulated deficit* represents the sum of all past annual deficits and surpluses of the government. Accumulated deficit can also be derived by deducting the value of the government's non-financial assets, such as its tangible capital assets, from its net debt.

## 13.1 Debt Issuances

As part of the Province's borrowing program, it issues debt in both domestic and international markets. This includes Canadian dollar syndicated issues, Canadian dollar Green Bonds, treasury bills, and foreign currency issuances (for example, US dollar bonds, US commercial paper, euro bonds, euro medium-term note issues, pound sterling bonds, Japanese yen issues, and Australian issues).

The Ontario Green Bond program consists of debt securities where the proceeds from bond issuances are used to fund projects with specific environmental benefits in accordance with the Ontario Green Bond Framework, which sets out the types of projects that may be eligible for proceeds from Green Bonds. Our Office audits the Schedule of Use of Green Bond Proceeds, which tracks on a cash basis the use of funds generated by the issuance of Green Bonds for the selected projects approved under the Ontario Green Bond Framework.

We review the Province's Form 18-K Annual Report, filed annually with the United States Securities and Exchange Commission, which includes the Province's Annual Report and the consolidated financial statements.

We also review certain offering documents for foreign debt issuance programs, such as new US shelf registration statements which are filed every three to five years, the annual euro medium term-note program offering circular, and offering documents for new debt

issues in Switzerland, as these offering documents include or incorporate by reference the Independent Auditor's Report.

## 13.2 Main Contributors to the Increase in Net Debt

The Province's net debt has been growing over many years and is attributable to its large annual operating deficits (except for the 2021/22 annual operating surplus), along with its expenditures on capital assets such as buildings and other infrastructure and equipment, whether acquired directly or through public-private partnerships. This extends to assets acquired for the government or its consolidated organizations, such as public hospitals, as illustrated in **Figure 5**.

Based on the *2022 Ontario Economic Outlook and Fiscal Review* (Fall Economic Statement), the Province projects it will have annual deficits over the

next three years, and its net debt will continue to rise as the government borrows to finance its operations, although it has decreased its estimate of the amount of financing needed when compared to the *2022 Ontario Budget* due to an annual surplus for 2021/22 and higher nominal GDP growth. Compared to the *2022 Ontario Budget*, projected net debt has decreased by \$21.4 billion to \$407.2 billion for 2022/23, net debt for 2023/24 has decreased by \$25.7 billion to \$424.8 billion, and net debt for 2024/25 has decreased by \$32.6 billion to \$436.2 billion. In the 2022 Fall Economic Statement, the Province presents three alternative economic growth scenarios, which have been revised from the amounts initially reported in the *2022 Ontario Budget*, that could impact the amount of long-term debt borrowing required (which was used for the projections in **Figures 4 to 10**). Under the planning projection, the Province estimates it will need to borrow \$32.3 billion and will have an annual deficit of

**Figure 5: Net Debt Growth Factors, 2015/16–2024/25 (\$ million)**

Sources of data: March 31, 2022 Province of Ontario Consolidated Financial Statements, *2022 Ontario Budget*, *2022 Ontario Economic Outlook and Fiscal Review*, and Ministry of Finance

|                            | Restated Net Debt Beginning of Year <sup>1</sup> | Deficit/(Surplus) <sup>1</sup> | Net Investment in Tangible Capital Assets <sup>2</sup> | Miscellaneous Adjustments <sup>3</sup> | Restated Net Debt End of Year <sup>1</sup> | Increase/(Decrease) |
|----------------------------|--------------------------------------------------|--------------------------------|--------------------------------------------------------|----------------------------------------|--------------------------------------------|---------------------|
| <b>Actual</b>              |                                                  |                                |                                                        |                                        |                                            |                     |
| 2015/16                    | 294,557                                          | 5,346                          | 5,471                                                  | 983                                    | 306,357                                    | 11,800              |
| 2016/17                    | 306,357                                          | 2,435                          | 4,752                                                  | 533                                    | 314,077                                    | 7,720               |
| 2017/18                    | 314,077                                          | 3,672                          | 6,584                                                  | (499)                                  | 323,834                                    | 9,757               |
| 2018/19                    | 323,834                                          | 7,435                          | 7,000                                                  | 227                                    | 338,496                                    | 14,662              |
| 2019/20                    | 337,970                                          | 8,672                          | 5,592                                                  | 1,098                                  | 353,332                                    | 15,362              |
| 2020/21                    | 353,332                                          | 16,404                         | 6,366                                                  | (2,538)                                | 373,564                                    | 20,232              |
| 2021/22                    | 373,564                                          | (2,051)                        | 7,663                                                  | 1,239                                  | 380,415                                    | 6,851               |
| <b>Estimated</b>           |                                                  |                                |                                                        |                                        |                                            |                     |
| 2022/23 <sup>4</sup>       | 380,415                                          | 12,946                         | 10,134                                                 | 3,736                                  | 407,231                                    | 26,816              |
| 2023/24 <sup>4</sup>       | 407,231                                          | 8,053                          | 9,447                                                  | 19                                     | 424,750                                    | 17,519              |
| 2024/25 <sup>4</sup>       | 424,750                                          | 651                            | 10,976                                                 | (178)                                  | 436,199                                    | 11,449              |
| <b>Total Over 10 Years</b> |                                                  | <b>65,563</b>                  | <b>73,986</b>                                          | <b>4,619</b>                           |                                            | <b>142,168</b>      |

1. Restated for the net pension assets and the Fair Hydro Plan for the 2015/16 to 2017/18 fiscal years, and restated opening net debt for receivable of corporations tax and other revenue adjustments in the 2019/20 fiscal year.
2. Includes expenditures on government-owned and broader-public-sector land, buildings, machinery and equipment, and infrastructure assets capitalized during the year, less annual amortization and net gains reported on sale of government-owned and broader-public-sector tangible capital assets for the 2015/16 to 2021/22 fiscal years.
3. Unrealized fair value losses/(gains) on the Ontario Nuclear Funds Agreement (ONFA) Funds held by Ontario Power Generation Inc., other comprehensive income and International Financial Reporting Standards adjustments from government business enterprises, and prepaid expenses and other non-financial assets.
4. Net debt and deficit/(surplus) includes the reserve, as reported in the *2022 Ontario Budget*.

\$0.7 billion by 2024/25. Under the faster growth scenario, it will require \$22.4 billion in long-term borrowings (\$9.9 billion less than the planning projection) and will incur an annual surplus of \$9.2 billion by 2024/25. Under the slower growth scenario, it will require \$40.2 billion in long-term borrowings (\$7.9 billion more than the planning projection) and will incur an annual deficit of \$8.5 billion by 2024/25.

In the last 10 years, Ontario's net debt has increased by 57.3%, from \$241.9 billion beginning in 2012/13 to \$380.4 billion in 2021/22, and is estimated to increase by an additional \$55.8 billion, or 14.7%, in the next three years, resulting in an overall increase of 80%. It is estimated that the net debt will be \$436.2 billion by 2024/25.

To put this in perspective, the amount of net debt owed by each resident of Ontario on behalf of the government will increase from about \$18,242 per person at the beginning of 2012/13 to about \$27,961 per person in 2024/25. In other words, it would cost every Ontarian \$27,961 to eliminate the Province's net debt in 2024/25. As of March 31, 2022, the amount of net debt owed by each resident of Ontario was \$25,688.

### 13.3 Ontario's Ratio of Net Debt to Gross Domestic Product

A key indicator of the government's ability to carry its debt is the level of debt relative to the size of the

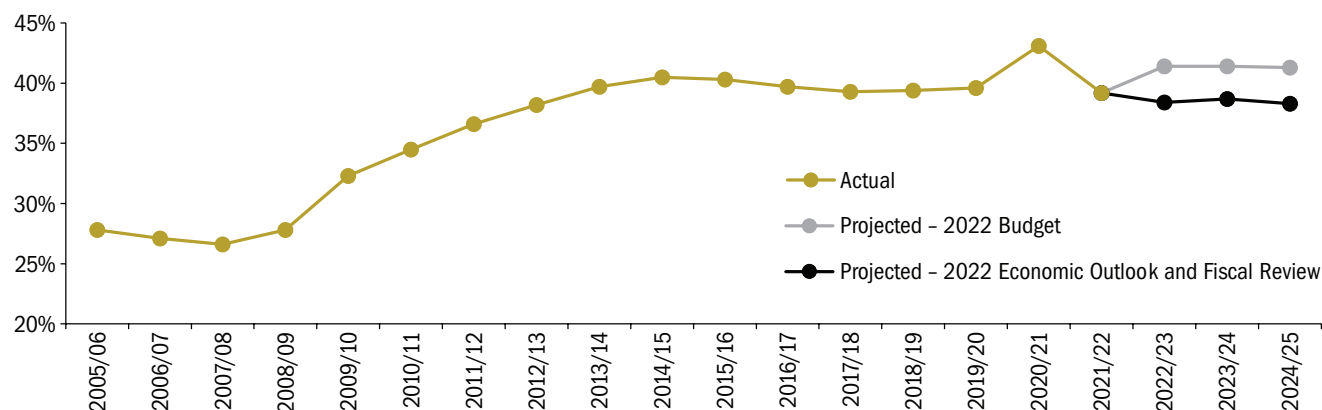
economy, or more specifically to the market value of goods and services produced by the economy (known as the gross domestic product, or GDP). This ratio of net-debt-to-GDP measures the relationship between a government's obligations and its capacity to raise the funds needed to meet them. It is an indicator of the burden of government debt on the provincial economy.

If the amount of debt that must be repaid relative to the value of the GDP is rising—in other words, if the ratio is rising—it means the government's net debt is growing faster than the provincial economy and is becoming an increasing burden.

Figure 6 shows the Province's net-debt-to-GDP ratio. Prior to the 2008/09 recession, this ratio remained fairly constant between 26% and 28%. However, it has been trending upward since then, reflecting factors such as significantly increased borrowing to fund annual deficits and infrastructure spending. Ontario's net-debt-to-GDP ratio rose from 26.6% before the 2008/09 recession to 43.1% in 2020/21, and decreased to 39.2% in 2021/22 as a result of the annual surplus and economic growth. In the 2022 Fall Economic Statement, the Province projects Ontario's net debt will increase by \$55.8 billion over the next three years, resulting in a net-debt-to-GDP ratio of 38.3%. Compared to the projections in the 2022 *Ontario Budget*, which projected it to reach 41.3% by 2024/25, the revised net-debt-to-GDP ratio is

**Figure 6: Ratio of Net Debt to Gross Domestic Product, 2005/06–2024/25**

Sources of data: March 31, 2022 Province of Ontario Annual Report – Financial Statement Discussion and Analysis, 2022 *Ontario Budget*, and 2022 *Ontario Economic Outlook and Fiscal Review*



expected to remain fairly constant over the next three years at approximately 38.5%.

We noted in our previous Annual Reports that many experts believe when a jurisdiction's net-debt-to-GDP ratio rises above 60%, that jurisdiction's fiscal health is at risk and is vulnerable to unexpected economic shocks.

We also noted that it is an oversimplification to rely on just one measure to assess a government's borrowing capacity, because that measure does not consider that government's share of federal and municipal debts. In Ontario's case, if the Province's share of those debts was included in its indebtedness calculations, the net debt would be considerably higher. However, consistent with debt-measurement methodologies used by most jurisdictions, we have focused throughout our analysis predominantly on the provincial government's direct net debt.

**Figure 7** shows the net debt of Ontario compared to that of other provinces and the federal government, along with their respective net-debt-to-GDP ratios for the 2020/21 and 2021/22 fiscal years. For the year ended March 31, 2022, Ontario had one of the highest net-debt-to-GDP ratios compared to other Canadian jurisdictions that had issued their financial information. The 2021/22 financial information for Quebec was not available as at November 18, 2022.

## 13.4 Other Measures Used to Assess Government Debt Levels

### 13.4.1 Ratio of Net Debt to Total Annual Revenues

Another useful measure of government debt is net debt as a percentage of total annual revenue, an indicator of how much time it would take to eliminate the debt if the Province spent all of its revenues only on debt repayment. For instance, a percentage of 250% indicates that it would take 2.5 years to eliminate the provincial debt if all revenues were devoted exclusively to it.

As shown in **Figure 8**, this percentage declined from about 162% in 2005/06 to about 146% in 2007/08, reflecting the fact that the Province's net debt grew at a slower pace than the annual provincial revenue. Since then, the percentage has increased steadily. In 2021/22, the percentage decreased by 20.9% to 205.6% compared to the prior year, primarily driven by strong tax revenue growth. However, as reported in the 2022 Fall Economic Statement, the percentage is expected to reach 213.8% by 2024/25. The decrease in this ratio when compared to the projection of 238.1% in the 2022 *Ontario Budget* is due to the reduction in net debt as well as anticipated increases in tax revenues. Overall, this increasing percentage indicates that the Province's net debt burden continues to outpace its revenue growth.

**Figure 7: Net Debt and Net-Debt-to-GDP Ratios of Canadian Jurisdictions, 2020/21 and 2021/22**

Sources of data: Province of Ontario Annual Report and Consolidated Financial Statements; Annual Reports and Consolidated Financial Statements of other provincial jurisdictions; federal budgets and budget updates; and budgets and Ministry of Finance report of provincial jurisdictions

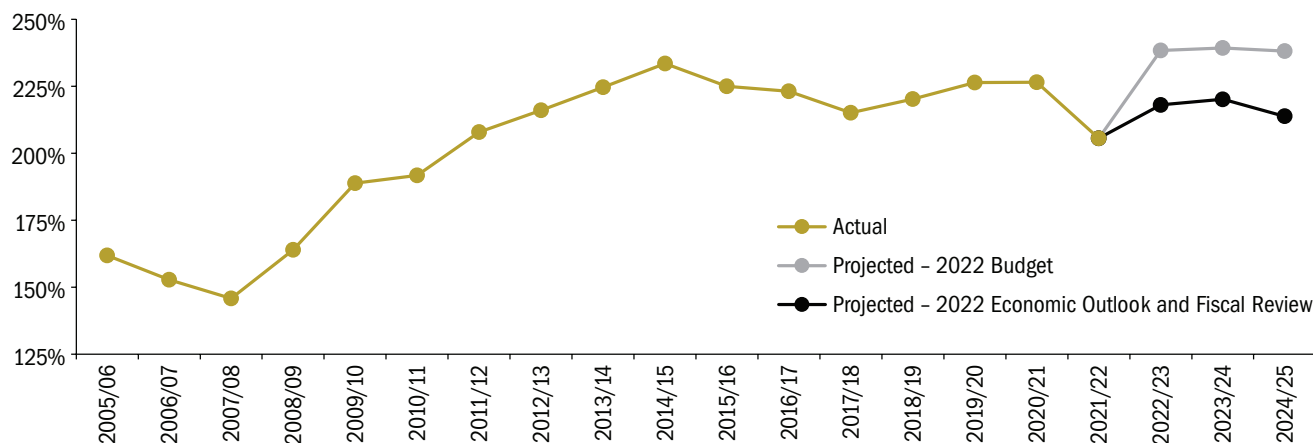
|         | 2020/21               |                     | 2021/22               |                     |
|---------|-----------------------|---------------------|-----------------------|---------------------|
|         | Net Debt (\$ million) | Net Debt to GDP (%) | Net Debt (\$ million) | Net Debt to GDP (%) |
| BC      | 53,165                | 18.0                | 55,784                | 16.0                |
| AB      | 59,837                | 20.3                | 56,966                | 16.2                |
| SK      | 13,683                | 17.6                | 15,488                | 18.1                |
| PE      | 2,299                 | 30.6                | 2,309                 | 26.4                |
| NB      | 13,452                | 35.8                | 12,363                | 29.9                |
| NS      | 16,401                | 35.0                | 16,568                | 32.2                |
| MB      | 27,651                | 38.0                | 28,455                | 35.7                |
| QC*     | 190,245               | 43.1                | 191,904               | 38.0                |
| ON      | 373,564               | 43.1                | 380,415               | 39.2                |
| NL      | 16,016                | 50.7                | 16,372                | 42.5                |
| Federal | 1,149,825             | 52.2                | 1,238,366             | 49.7                |

\* 2021/22 data was not available so the most recent projected data was used.



**Figure 8: Net Debt as a Percentage of Total Annual Revenue, 2005/06–2024/25**

Sources of data: March 31, 2022 Province of Ontario Annual Report – Financial Statement Discussion and Analysis, 2022 Ontario Budget, 2022 Ontario Economic Outlook and Fiscal Review, and Ministry of Finance



### 13.4.2 Ratio of Interest Expense to Revenue

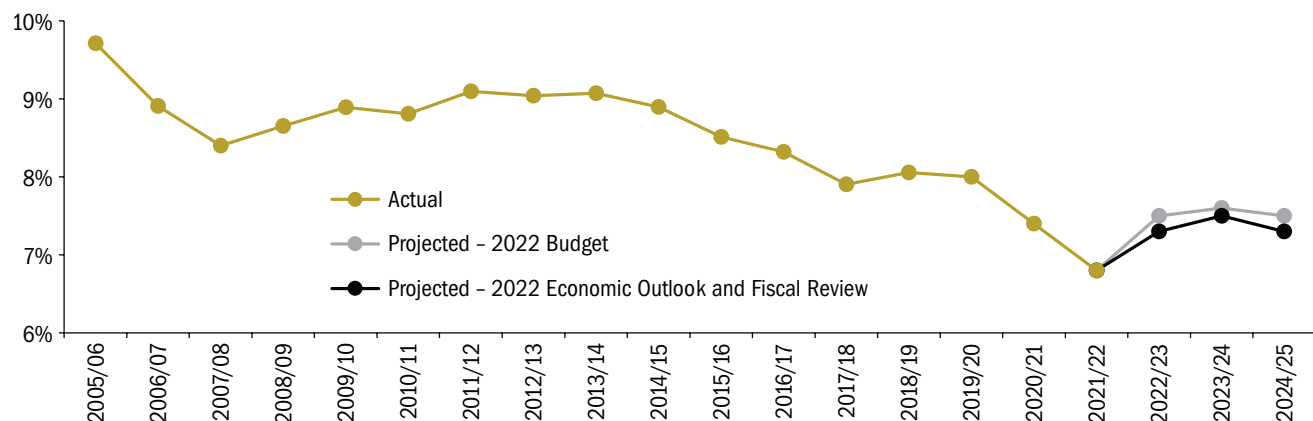
Interest expense is the cost of servicing total debt. Increases in interest expense can directly affect the quantity and quality of programs and services that the government can provide; the higher the proportion of government revenues used to pay interest costs on past borrowings, the lower the proportion available for spending in other areas. In the 2022 Fall Economic Statement, the government forecasts that in 2022/23 it will spend \$13.6 billion in interest payments to service the Province's debt.

The interest-expense-to-revenue ratio illustrates the extent to which servicing past borrowings takes a greater or lesser share of total revenues.

As **Figure 9** shows, the actual interest-expense-to-revenue ratio held steady at around 9.0% from 2010/11 to 2014/15. This is due to historically low and steady interest rates during those years. In 2016/17, the government began consolidating the broader public sector (i.e., colleges, hospitals and school boards) on a line-by-line basis, which increased both interest expense and revenue reported in the Province's consolidated financial statements. The ratio declined to 6.8% in 2021/22 due to the strong tax revenue growth, and is

**Figure 9: Interest Expense as a Percentage of Total Annual Revenue, 2005/06–2024/25**

Sources of data: March 31, 2022 Province of Ontario Annual Report – Financial Statement Discussion and Analysis, 2022 Ontario Budget, and 2022 Ontario Economic Outlook and Fiscal Review



projected to be 7.3% in 2024/25 (compared to 7.5% in the 2022 *Ontario Budget*). This means approximately 7.3 cents of every dollar in government revenue will go toward paying interest on debt by 2024/25.

The debt exposes the Province to further risks, the most significant being interest-rate risk. If interest rates increase, the government will have considerably less flexibility to provide public services, such as health care and education, because a higher proportion of revenues will be required to pay interest on the Province's outstanding debt. More money will go toward interest expense, contributing to increasing the annual deficit.

Interest rates have been at record low levels over the last several years, enabling the government to keep its annual interest expense relatively steady even as its total borrowing has increased significantly. Interest rates remained relatively unchanged for the majority of the 2021/22 fiscal year until March 2022 when the prime rate increased from 2.45% to 2.7%, and has since increased four times to 5.95% as of November 2022. Government of Canada 10-year bond yields ranged from 1.17% to 1.97% during the fiscal year until March 2022 when the yield rose above 2%. It has since increased to 3.13% as of November 2022, and is projected to be 3.2% in 2025. The prime rate and bond yields are anticipated to continue to increase, as the Organisation for Economic Co-operation and Development (an intergovernmental organization with 38 member countries) expects the Bank of Canada to raise its current policy interest rate of 3.75% as of November 2022 to 4.5% in 2023. Increases in the policy interest rate influence the prime rate and bond yields.

As we noted in previous Annual Reports, the government has mitigated its interest-rate risk to some extent by increasing the weighted average term of its annual borrowings in order to take advantage of the current low rates. However, over the next three years, the government has projected earning revenues at a slower rate than the increase in the amount of net debt and interest expense. In the 2022/23 fiscal year, year-over-year revenues are projected to increase by 1.0% (\$1.8 billion), while net debt is projected to grow by 7.0% (\$26.8 billion). Interest expense is projected to increase by 8.3% (\$1.0 billion). By the 2024/25

fiscal year, revenues are projected to grow by 10.3% (\$19.0 billion), the net debt by 14.7% (\$55.8 billion) and interest expense by 19.0% (\$2.4 billion), when compared with the 2021/22 fiscal year.

The ratio of interest expense to revenue is expected to remain constant at around 7.4% in the near future, with the estimates of net debt, interest and revenues reported in the 2022 Fall Economic Statement. However, as interest rates are anticipated to climb further as evidenced by the significant increase in rates since March 2022, more interest will be paid on the accumulated debt, meaning the government will have less flexibility to respond to changing economic circumstances until the Province's debt burden is reduced. Past governments' borrowing and debt-servicing decisions mean a growing portion of revenues will not be available for other current and future government programs.

### 13.4.3 Ratio of Debt Maturities to Net Debt

When debt (such as treasury bills or bonds) matures, the Province must either settle or renew the debt. Typically, the Province will choose to renew the debt, which involves settling the maturing debt by raising new debt. Increases in the amount of maturing debt, relative to the level of existing net debt, indicate the Province will need to raise more debt with potentially higher interest rates. Interest rates have been steadily increasing in 2022 and it appears likely they will continue increasing into 2023. Increases in interest rates and therefore interest expense can affect the amount of funding available for programs and services provided by the government. Significant amounts of debt maturing at or around the same time also present a risk if the Province is unable to raise new debt due to economic or other circumstances.

In the 2022 *Ontario Budget*, the Province introduced a new debt measure, debt maturities to net debt, that represents the ratio of long-term debt maturing in the year as a percentage of net debt in that year. A lower ratio would generally indicate that the Province is renewing debt at a slower pace with a higher capacity to service its debt. The Province set a planned upper

limit of 10% based on consultation with underwriters, economists, the academic community and credit rating agencies.

In the 2022 Fall Economic Statement, the government forecast that the debt-maturities-to-net-debt ratio will be 7.5% in the 2022/23 fiscal year, and will fall to 6.4% in the 2024/25 fiscal year under planned projections. The ratio will be 6.7% under the faster growth scenario, and 6.2% under the slower growth scenario in the 2024/25 fiscal year.

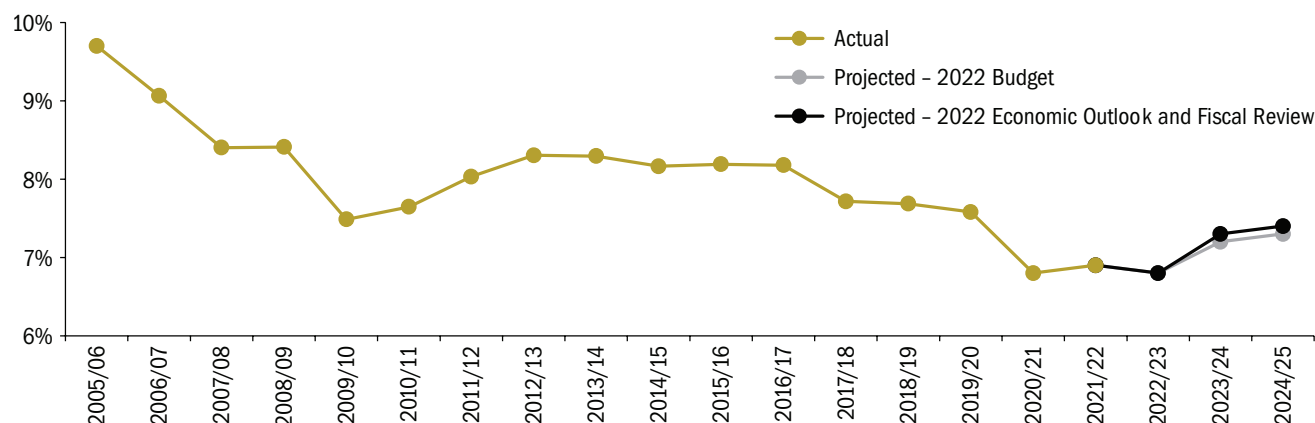
### 13.5 Consequences of High Indebtedness

Our commentary in prior years highlighted the consequences the Province might face if carrying a large debt load—and the same observations continue to be relevant this year. They include the following:

- **Debt-servicing costs cut into funding for other programs:** As debt grows, so do interest costs. As interest costs consume a greater proportion of government resources, there are less dollars to spend on other things. To put this “crowding-out” effect into perspective, interest expense is currently the Province’s fourth-largest annual expenditure behind health, education, and children’s and social services. As shown in **Figure 10**, because interest rates have been at historic lows in the last few years, actual
- **Greater vulnerability to interest rate increases:** Ontario has been able to keep its annual interest expense relatively steady, even as its total borrowing has increased significantly. For example, it was paying an average effective interest rate of about 8.4% in 1999/2000, but that dropped to 3.0% in 2021/22. However, if interest rates continue to rise, the government may have considerably less flexibility in providing public services because it will have to allocate more revenue to interest payments.
- **Credit-rating downgrades could lead to higher borrowing costs:** Provided by specialized agencies, credit ratings assess a government’s creditworthiness based largely on its capacity to generate revenue to service its debt. The four main credit-rating agencies in Ontario are Moody’s Investors Service (Moody’s), Standard and Poor’s Global Ratings (S&P), DBRS

**Figure 10: Interest Expense as a Percentage of Total Expense, 2005/06–2024/25**

Sources of data: March 31, 2022 Province of Ontario Annual Report – Financial Statement Discussion and Analysis, 2022 *Ontario Budget*, 2022 *Ontario Economic Outlook and Fiscal Review*, and Ministry of Finance



Morningstar (DBRS), and Fitch Ratings (Fitch). To assign a rating, agencies consider such factors as a government's economic resources and prospects, industrial and institutional strengths, financial health, financial and debt management practices, liquidity, access to capital, and susceptibility to major risks.

**Figure 11** shows Ontario's credit ratings for the last five years. In 2018, Moody's downgraded its rating for Ontario's debt from Aa2 to Aa3, and Fitch revised its rating outlook from stable to negative—both assessments indicate the Province's increased credit risk. In 2019, Fitch revised its rating outlook to stable. The four main agencies' ratings and outlooks remained unchanged from 2021 to 2022. The government indicated in its 2022 budget that deficits are expected to continue until 2029/30, with a surplus in 2030/31. In the 2022 Fall Economic Statement, the Province revised the projected deficits for the medium-term, from a deficit of \$19.9 billion to \$12.9 billion for 2022/23, \$12.3 billion to \$8.1 billion for 2023/24, and \$7.6 billion to \$0.7 billion for 2024/25. There was an unexpected surplus in 2021/22 due to actual tax revenues being significantly greater than expectations. This surplus is anticipated to be anomalous.

The agencies' most recent reports (only DBRS and Fitch have released a rating report since the 2022 Ontario Budget was released) cited drivers that could lead to a negative rating action, including the Province's failure to reduce future projected budget deficits,

failure to stabilize the net-debt-to-GDP ratio over the medium term, and persistent increases in the debt burden that call into question the government's commitment to fiscal sustainability.

A credit rating can affect the cost of future borrowing, with a lower rating indicating that an agency believes there is a relatively higher risk that a government will default on its debt. Generally, investors will lend to that government only in return for a greater risk premium in the form of higher interest rates. A significant rating downgrade could also shrink the potential market for a government's debt, because some investors will not hold debt below a certain rating.

## 13.6 Debt Burden Reduction Strategy

In the 2019 Ontario Budget, the government introduced the *Fiscal Sustainability, Transparency and Accountability Act, 2019* (Act). The Act includes a requirement for the Minister of Finance to set out an annual debt burden reduction strategy in the annual budget. This strategy requires the Province to consider its net-debt-to-GDP ratio in its plans for reducing the debt burden and monitor progress. The 2019 Ontario Budget aimed to have the net-debt-to-GDP ratio at less than 40.8% by 2022/23. In the 2020 Ontario Budget, the Province indicated that there were risks and uncertainty associated with projecting economic information due to the COVID-19 pandemic, and that the debt burden reduction strategy would be included

**Figure 11: Summary of the Province of Ontario's Default/Long-Term Credit Ratings for the Last Five Years**

Sources of data: Moody's Investor Service, Standard and Poor's Global Ratings (S&P), DBRS Morningstar, and Fitch Ratings

| Year | S&P         | Moody's Investor Service | DBRS Morningstar  | Fitch Ratings  |
|------|-------------|--------------------------|-------------------|----------------|
| 2018 | A+ (Stable) | Aa3 (Stable)             | AA (Low) (Stable) | AA- (Negative) |
| 2019 | A+ (Stable) | Aa3 (Stable)             | AA (Low) (Stable) | AA- (Stable)   |
| 2020 | A+ (Stable) | Aa3 (Stable)             | AA (Low) (Stable) | AA- (Stable)   |
| 2021 | A+ (Stable) | Aa3 (Stable)             | AA (Low) (Stable) | AA- (Stable)   |
| 2022 | A+ (Stable) | Aa3 (Stable)             | AA (Low) (Stable) | AA- (Stable)   |

### Credit Rating Actions

|  |                            |
|--|----------------------------|
|  | Rating Downgrade           |
|  | Rating Outlook Decline     |
|  | Rating Outlook Improvement |

in the *2021 Ontario Budget*. In the *2021 Ontario Budget*, the Province indicated its objective was to slow the rate of increase in the net-debt-to-GDP ratio and for the ratio to not exceed 50.5% over the medium-term outlook. The Province did not outline specific details on how it planned to manage Ontario's growing debt burden, such as setting evidence-based debt sustainability targets and a strategy to reduce debt over the long term. The Province had aimed to address this by the *2022 Ontario Budget*. However, in the *2022 Ontario Budget*, the Province lowered the net-debt-to-GDP target to 42.0% without providing further details. The same target was maintained in the 2022 Fall Economic Statement.

The government, legislators and the public need to be mindful of Ontario's debt level and the relationship of net-debt-to-GDP.

The debt burden reduction strategy is required by the Act to include a progress report on supporting actions and the implementation of the debt burden reduction strategy included in the last budget. The *2022 Ontario Budget* did not clearly explain how the net-debt-to-GDP target of 42.0% was strategized to be a target, and the Province has not clearly demonstrated how debt will be managed (for example, by prioritizing investments, making trade-offs or delaying other investments).

Additionally, the Province has not formally documented, publicly communicated and implemented a long-term debt reduction strategy. In our report *The Public Accounts of the Province of Ontario*, which was included in our *2021 Annual Report*, we made a recommendation for the Province to implement a debt reduction strategy and provide additional information on how it sets its debt burden targets and details of how it will meet its objectives. We will be following up on this recommendation in the 2022/23 fiscal year.

### 13.7 Final Thoughts on Ontario's Debt Burden

Ultimately, decisions about how much debt the Province should carry, and the strategies to pay down that

debt, are questions of government policy and thus the sole prerogative of the government.

Government debt has been described as a burden on future generations, especially debt used to finance annual operating deficits (in contrast to debt used to finance infrastructure, which is more likely to leave behind tangible capital assets that benefit future generations). In the *2019 Ontario Budget*, the government aimed to maintain the net-debt-to-GDP ratio at less than 40.8% until 2022/23. In the *2021 Ontario Budget*, this was revised to maintain the ratio at less than 50.5% and in the *2022 Ontario Budget*, this was revised to less than 42.0%. As at March 31, 2022, the actual net-debt-to-GDP ratio was 39.2%. With annual deficits and net debt increases expected over the medium term, increasing interest rates, and the projected net-debt-to-GDP ratio at about 38.5% as the Province recovers from the COVID-19 pandemic, the government will need to consider how it will implement its debt burden reduction strategy going forward.

## 14.0 Delayed Tabling of the 2022 Budget and Estimates Limited Legislative Debate and Scrutiny

The annual budget outlines the government's policy priorities and fiscal direction by laying out the government's planned spending on the services it provides to citizens, and how it will fund the cost of providing these services. As such, the budget is a highly anticipated document released each year. Ministries outline their spending forecasts in the expenditure estimates, which form the basis for the budget and when approved by the Legislature through the passage of the Supply Act constitute the legal spending authority of the government. Oversight of the budget, including approval of the Estimates, is exercised by elected officials—Members of the Ontario Legislature—through review and debate. Scrutiny of proposed government spending, especially by Opposition members, provides oversight and encourages government's accountability for its fiscal decision-making.



## 14.1 End-of-April Tabling of 2022 Budget Limited the Legislature's Debate of the Budget

The *Fiscal Sustainability, Transparency and Accountability Act, 2019* (Act) requires our Office to review the estimates, forecasts and assumptions in the Province's Multi-Year Fiscal Plan within a budget prior to an election for reasonableness. We released a statement on May 2, 2022 describing the results of our work over the reasonableness of the Multi-Year Fiscal Plan within the *2022 Ontario Budget*. We concluded that the Multi-Year Fiscal Plan for the years ending March 31, 2023, 2024, and 2025 included in the 2022 budget were reasonable presentations of Ontario's finances, with the exception of an understatement of provincial revenue from corporate taxes for each of the three years. As well, contingency funds recorded in Other Program Expenses for the three-year period appeared to be overly cautious.

Our conclusions were based on our review of supporting documents prepared and used by the government to develop forecast estimates of revenues and expenses, which formed the basis of the budget. Our work was carried out under confidential information-sharing agreements between the Ministry of Finance and our Office, enabling us to plan, conduct and complete our work to table the results of our review with the Legislature before the Writs of Election were issued (on May 4, 2022) to start the election period.

This new approach was necessary due to a shortened period between the government issuing the *2022 Ontario Budget* on April 28, 2022 and the start of the election period. This shortened period resulted from the government's March 2022 amendment to the Act extending the deadline for issuing the *2022 Ontario Budget* from March 31 to April 30. Without the new approach, we would have had insufficient time to perform our work and issue our report prior to the start of the election period. We tabled our report titled *Review of the Pre-Election 2022 Multi-Year Fiscal Plan* on May 2, 2022.

Because the budget was tabled on April 28, 2022, Members of the Legislature were not given time to debate the budget in the Legislature prior to the start

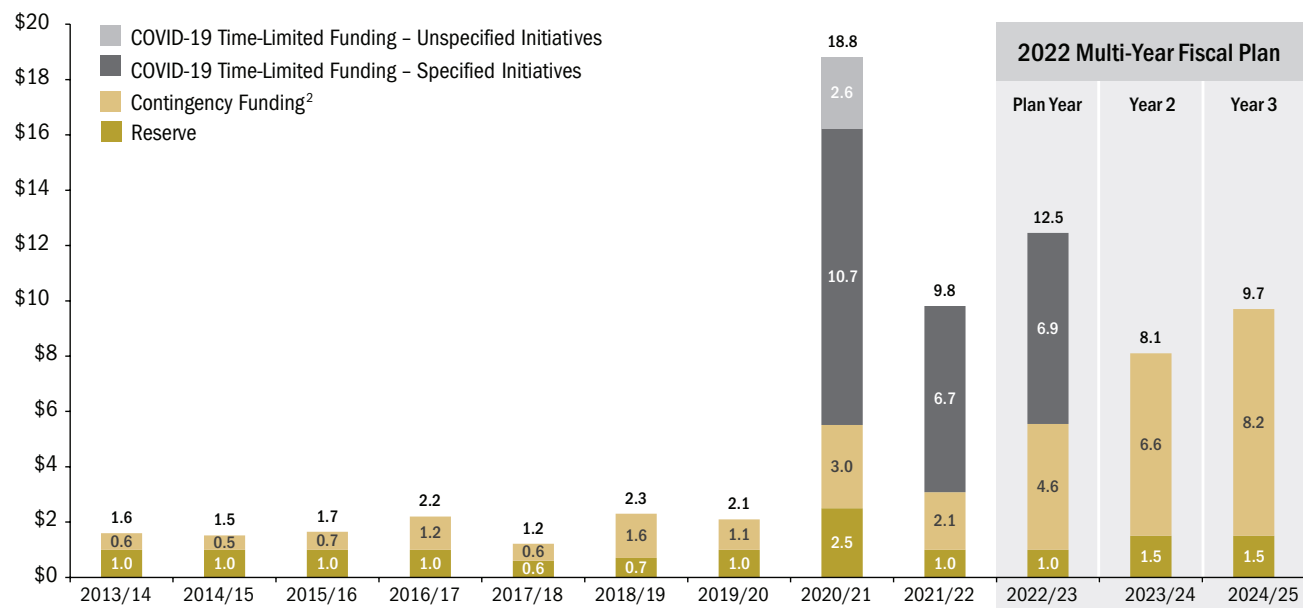
of the election period. As well, Members of the Legislature were not given time to consider the content of our report before the election period. Historically, when pre-election budgets were released, their issuance allowed for at least a month of debate prior to the start of the election period. As well, our prior reports were issued at least a week in advance of the start of the election period.

## 14.2 Details of \$4.6 Billion Contingency Funds Not Outlined in Budget and Estimates

Further limiting the ability of Members of the Legislature to exercise oversight over the government's fiscal plan is the significant use of contingency funds in the 2022 budget. In addition to the planned spending of \$180.6 billion on specific programs, the government's budget forecasts also include contingency expenses, which are meant to offset the consequences of the budget's assumptions not being borne out. As seen in **Figure 12**, the 2022 budget included \$4.6 billion in contingencies in 2022/23, representing 2.5% of total program expenses, which the government projected would increase to \$8.2 billion (or 4.4% of total program expenses) in 2024/25. In total, \$19.4 billion in contingency funds were included in the three-year budget. These contingencies are significantly larger than the annual contingency amounts set aside in previous Ontario budgets (on average about \$1 billion during the five pre-pandemic fiscal years), and most were not earmarked for specific purposes: roughly 67% for the 2022/23 fiscal year, rising to 87% in 2024/25 (as at May 2, 2022 when our *Review of the Pre-Election 2022 Multi-Year Fiscal Plan* was issued). Our review noted that although it is prudent to incorporate some flexibility into the budget for contingencies, the amount included for the three-year period appeared to be overly cautious, meaning that overly large funds were set aside as provisions for potential increases in expenses. When expenses are overestimated, the perception can be that the government has less funds available for decision-making than can be reasonably expected. Other provinces showing

**Figure 12: Contingency Funding, Reserve and COVID-19 Time-Limited Funding, 2013–2022, by Budget Plan Year<sup>1</sup> (\$ billion)**

Sources of data: 2013 to 2022 Ontario Budgets



1. Refers to the first year of the Medium-Term Outlook in each budget. For example, the first year of the Medium-Term Outlook in the 2022 Ontario Budget is the fiscal year ending March 31, 2023. The plan year in the 2013 Ontario Budget is the fiscal year ending March 31, 2014. The Medium-Term Outlook is the Multi-Year Fiscal Plan.
2. Recorded in Other Program Expenses in the 2022 Ontario Budget.

lesser provisions for uncertainty in their 2022 budgets include Quebec, Manitoba, Alberta and British Columbia (see **Figure 13**).

Ontario's *Fiscal Sustainability, Transparency and Accountability Act, 2019* requires the budget to include a reserve to protect against unexpected adverse changes in the Province's revenue and expenses due to adverse future events. As seen in **Figure 12**, for the 2021/22 and 2022/23 fiscal years, reserves were set at \$1 billion, which is generally consistent with trends over the past 10 years. For the 2020/21 to 2022/23 fiscal years, Ontario's budgets also included additional pandemic funding ranging from \$6.7 billion to \$13.3 billion annually. This funding was time-limited in nature and intended to address the impacts of COVID-19 by funding such things as additional hospital beds, COVID-19 testing and vaccination. This COVID-19 funding is not forecast for the fiscal years beyond 2022/23 in the 2022 budget.

While unused portions of both the reserve and contingencies will contribute to an improvement in the Province's year-end surplus or deficit position, in

Ontario the reserve fund's budgetary approval and use differ from those of contingencies.

Contingency funds are included in the budget as part of Other Program Expenses and not separately identified by individual ministries. The contingency funds are also not separately identified in individual ministries' Estimates—a summary document outlining ministries' detailed spending plans, subdivided by program area and spending activity—and represent the government's formal request to the Legislature for spending approval. Members of the Legislature debate and vote to approve the Main Estimates (Estimates) and any Supplementary Estimates. The completion of the debates and approval of the Estimates result in the President of the Treasury Board bringing in a Supply Bill. The Bill's passage and approval of the Supply Act is the step that completes the annual supply (including Estimates) process for a fiscal year and provides the legal spending authority for the government. Supplementary Estimates may be tabled to provide funds for expenditures that were not in the Main Estimates. The government must table its Estimates no later than

**Figure 13: Budget Contingency Funds and Reserves across Canadian Provinces (\$ billion)**

Sources of data: 2022 budgets of Canadian provinces

| Province <sup>1</sup> | 2022/23 Budgetary Forecast |         |               |               |  | 2023/24 Budgetary Forecast |         |               |               |  | 2024/25 Budgetary Forecast |         |               |               |  |
|-----------------------|----------------------------|---------|---------------|---------------|--|----------------------------|---------|---------------|---------------|--|----------------------------|---------|---------------|---------------|--|
|                       | Base Programs <sup>2</sup> | Reserve | COVID-19 Fund | Contingencies |  | Base Programs <sup>2</sup> | Reserve | COVID-19 Fund | Contingencies |  | Base Programs <sup>2</sup> | Reserve | COVID-19 Fund | Contingencies |  |
| BC                    | 70.0                       | 1.0     | 2.0           | 2.8           |  | 70.0                       | 1.0     | 1.0           | 3.4           |  | 70.8                       | 1.0     | -             | 4.0           |  |
| AB                    | 59.4                       | -       | 1.7           | 1.0           |  | 59.4                       | -       | 0.6           | 0.8           |  | 60.3                       | -       | 0.3           | 0.8           |  |
| MB <sup>3</sup>       | 19.1                       | -       | -             | 0.8           |  | 19.4                       | -       | -             | -             |  | 19.7                       | -       | -             | -             |  |
| ON                    | 185.2                      | 1.0     | 6.9           | 4.6           |  | 184.8                      | 1.5     | -             | 6.6           |  | 188.1                      | 1.5     | -             | 8.2           |  |
| QC <sup>4</sup>       | 130.1                      | 2.5     | 2.4           | -             |  | 132.3                      | 1.5     | 0.5           | -             |  | 135.2                      | 1.5     | -             | -             |  |

1. Canada, Saskatchewan, New Brunswick, Newfoundland and Labrador, Nova Scotia and Prince Edward Island do not show reserves or contingencies in their 2022 budgets.

2. Includes contingencies and COVID-19 Time-Limited Funding, and excludes interest and reserves for all provinces.

3. Manitoba's contingencies include \$200 million in Planning Contingencies and \$630 million Enabling Appropriations in its 2022/23 budget.

4. Quebec's budget includes a debt-reduction deposit to its Generations Fund of \$3.4 to \$4.3 billion annually, which is not an expense.

12 sessional days of the Legislature after the budget's release, during which time the budget can be debated.

Two factors limit the ability of members of the Legislature to exercise scrutiny over both the initial approval and subsequent use of contingency funds:

- Lack of detail about contingency funds in the budget and Estimates:** Although programs which may ultimately use the contingency funds are operated by specific ministries that provide services such as health services, education and transportation, all contingency funds are included as a single sum in the Estimates of the Treasury Board Secretariat (Secretariat), the ministry that supports the government's Treasury Board/Management Board of Cabinet. When the Secretariat's Estimates are tabled for debate and voting in the Legislature, details regarding what programs are forecast to potentially require a portion of the contingencies are not provided, limiting the information on the contingencies' composition and purpose available for debate.
- In-year use of contingency funds by ministries:** When requesting to use contingency funds for programs' operations, ministries only require approval from the Treasury Board, which centrally controls the contingency fund and whose appointed members are all government ministers. The Treasury Board assesses requests in the context of the government's fiscal plan and overall priorities and recommends to the government whether to provide the funds. In contrast, the use of the reserve requires debate and approval by elected members of the Legislature, including members of the Opposition, whose mandate is to question government actions and hold the government to account. This procedural difference allows the government to use funds which the government designated as contingencies with only the approval of members of the Treasury Board and without the scrutiny by all Members of the Legislature.

### 14.3 Direction Not Provided to Committees of the Legislature Reviewing the Estimates under New Process

A change in the Standing Orders (i.e., the rules of the Legislature), effective August 2022, eliminated the Standing Committee on Estimates, which was the single legislative committee responsible for reviewing the Estimates. A new committee, the Standing Committee on Procedure and House Affairs, is now responsible for deciding at the beginning of each Parliament, or if necessary more frequently, which ministries' Estimates will be assigned to which of six Standing Committees (Finance and Economic Affairs; Heritage, Infrastructure and Cultural Policy; Interior; Justice Policy; Procedure and House Affairs; or Social Policy) for their consideration and potential review (see **Figure 14**).

In October 2022, members of the six Standing Committees selected to review the Estimates of 23 ministries for the 2022/23 fiscal year. In contrast, the previous Standing Committee on Estimates was required to review the Estimates of at least six (but not more than 12) ministries or government offices and for the 2021/22 fiscal year reviewed nine ministries. The Standing Committee on Estimates would request ministers and senior staff of those ministries selected for review to appear before the Committee to explain their Estimates and answer questions. Under both the old and new committee review processes, ministries' Estimates not selected for review are automatically deemed passed by the Committee. Ministries also continue to provide briefing materials such as explanations of programs, interim expenditures and growth rates to support their Estimates. However, it is now up to the six Standing Committees to independently determine how they will review the Estimates of the 23 ministries they have selected—i.e., decide the objectives and nature of their review, and how much time to dedicate to each ministry's review. In Quebec, up to 200 hours of overall debate of the Estimates in committees, with 20 hours maximum per ministry, are allowed. In Ontario, the only requirement applicable to the process of reviewing ministries' Estimates is that members from the Opposition parties on each Committee must first

select a ministry to review from the group of ministries assigned to that Committee, and Committees review the Estimates of ministries in the order the ministries were selected. During the Legislative debate, through which the Standing Orders were amended, a maximum of 15- and 12-hour allocations for consideration of a ministry's Estimates were proposed but ultimately no limit was adopted.

The elimination of the Standing Committee on Estimates, which was originally established in 1989, could result in the elimination of the single review process the Committee had established over the years, with each new Committee reviewing ministries' Estimates differently. At the time of our report, the Standing Committee on Procedure and House Affairs has not developed guidance or direction for other Committees to follow concerning the methodology and content of their review of the Estimates, to ensure the reviews meet the Legislature's needs for consistent information on the Estimates.

#### RECOMMENDATION 7

To provide the Members of the Legislature with sufficient time and sufficiently detailed information to exercise oversight over the government's annual fiscal plan prior to an election, and to enable us to conduct our work as required under the *Fiscal Sustainability, Transparency and Accountability Act, 2019*, we recommend that the Ministry of Finance and the Treasury Board Secretariat work to:

- establish in legislation the minimum time period between the date of the government's tabling of the Annual Budget and then issuing the Writs of Election dissolving Parliament; and
- ensure that contingency funds and similar general expense provisions in the fiscal plan are presented in disaggregate form to specifically identify the purpose of individual component amounts.

**Figure 14: Assignment of Ministries' Expenses to the Standing Committees of the Legislature for Potential Review of Estimates**

Sources of data: Standing Committee on Procedure and House Affairs, 2021/22 Public Accounts, and 2022 Estimates

| Standing Committee                                  | Ministry Assigned <sup>1</sup>                       | 2021/22                               |                                                         | 2022/23                                 |                                                         |
|-----------------------------------------------------|------------------------------------------------------|---------------------------------------|---------------------------------------------------------|-----------------------------------------|---------------------------------------------------------|
|                                                     |                                                      | Actual Ministry Expenses (\$ million) | Estimates Selected for Review by Committee <sup>2</sup> | Budgeted Ministry Expenses (\$ million) | Estimates Selected for Review by Committee <sup>2</sup> |
| <b>Finance and Economic Affairs</b>                 | Cabinet Office                                       | 39                                    | –                                                       | 43                                      | Yes                                                     |
|                                                     | Economic Development, Job Creation and Trade         | 991                                   | –                                                       | 942                                     | Yes                                                     |
|                                                     | Finance                                              | 1,782                                 | –                                                       | 1,705                                   | Yes                                                     |
|                                                     | Labour, Immigration, Training and Skills Development | 1,922                                 | –                                                       | 1,805                                   | Yes                                                     |
|                                                     | Red Tape Reduction                                   | n/a <sup>3</sup>                      | –                                                       | n/a <sup>3</sup>                        | –                                                       |
|                                                     | Office of the Premier                                | 2                                     | –                                                       | 2                                       | Yes                                                     |
|                                                     | Treasury Board Secretariat                           | 2,872                                 | –                                                       | 6,475                                   | Yes                                                     |
| <b>Heritage, Infrastructure and Cultural Policy</b> | Citizenship and Multiculturalism                     | n/a <sup>3</sup>                      | –                                                       | 56                                      | –                                                       |
|                                                     | Infrastructure                                       | 1,041                                 | Yes                                                     | 2,122                                   | Yes                                                     |
|                                                     | Municipal Affairs and Housing                        | 1,447                                 | –                                                       | 1,315                                   | Yes                                                     |
|                                                     | Tourism, Culture and Sport                           | 1,922                                 | –                                                       | 1,888                                   | Yes                                                     |
|                                                     | Transportation                                       | 5,791                                 | –                                                       | 7,194                                   | Yes                                                     |
|                                                     | Office of the Lieutenant Governor                    | 2                                     | –                                                       | 2                                       | –                                                       |
| <b>Interior</b>                                     | Agriculture, Food and Rural Affairs                  | 674                                   | Yes                                                     | 818                                     | Yes                                                     |
|                                                     | Energy <sup>5</sup>                                  |                                       |                                                         | 6,601                                   | Yes                                                     |
|                                                     | Mines                                                | 7,791                                 | Yes                                                     |                                         |                                                         |
|                                                     | Northern Development                                 |                                       |                                                         | 1,539                                   | Yes                                                     |
|                                                     | Natural Resources and Forestry <sup>6</sup>          | 859                                   | Yes                                                     |                                         |                                                         |
|                                                     | Environment, Conservation and Parks                  | 704                                   | –                                                       | 737                                     | Yes                                                     |
| <b>Justice Policy</b>                               | Attorney General                                     | 1,874                                 | –                                                       | 1,836                                   | Yes                                                     |
|                                                     | Francophone Affairs                                  | 9                                     | –                                                       | 8                                       | Yes                                                     |
|                                                     | Indigenous Affairs                                   | 241                                   | Yes                                                     | 118                                     | Yes                                                     |
|                                                     | Public and Business Service Delivery                 | 2,002                                 | –                                                       | 2,110                                   | Yes                                                     |
|                                                     | Solicitor General                                    | 3,165                                 | –                                                       | 3,516                                   | Yes                                                     |
| <b>Procedure and House Affairs</b>                  | Legislative Affairs                                  | n/a <sup>3</sup>                      | –                                                       | n/a <sup>3</sup>                        | –                                                       |
| <b>Social Policy</b>                                | Children, Community and Social Services              | 17,076                                | Yes                                                     | 18,349                                  | –                                                       |
|                                                     | Colleges and Universities                            | 10,610                                | –                                                       | 10,783                                  | Yes                                                     |
|                                                     | Education                                            | 29,897                                | Yes                                                     | 34,667                                  | Yes                                                     |
|                                                     | Health                                               | 73,380                                | Yes                                                     | 73,168                                  | Yes                                                     |
|                                                     | Intergovernmental Affairs                            | n/a <sup>3</sup>                      | –                                                       | n/a <sup>3</sup>                        | –                                                       |
|                                                     | Long-Term Care                                       | 2,350                                 | Yes                                                     | 6,751                                   | Yes                                                     |
|                                                     | Seniors and Accessibility                            | 116                                   | –                                                       | 235                                     | –                                                       |



| Standing Committee    | Ministry Assigned <sup>1</sup> | 2021/22                               |                                                         | 2022/23                                 |                                                         |
|-----------------------|--------------------------------|---------------------------------------|---------------------------------------------------------|-----------------------------------------|---------------------------------------------------------|
|                       |                                | Actual Ministry Expenses (\$ million) | Estimates Selected for Review by Committee <sup>2</sup> | Budgeted Ministry Expenses (\$ million) | Estimates Selected for Review by Committee <sup>2</sup> |
| n/a                   | Other Ministries <sup>4</sup>  | 14,452                                | –                                                       | 13,863                                  | –                                                       |
| <b>Total Expenses</b> |                                | <b>183,011</b>                        |                                                         | <b>198,648</b>                          |                                                         |

1. Ministry or Office of the Government.

2. In 2021/22, the Standing Committee on the Estimates selected the ministries whose Estimates would be reviewed, and in 2022/23, each of the six new Standing Committees of the Legislature individually selected one or more of their assigned ministries' Estimates to review.

3. Expenses were not reported for the 2021/22 fiscal year and/or forecasted for 2022/23.

4. Includes interest expense of \$12,558 million in 2021/22 and \$13,485 million in 2022/23.

5. In 2021/22 Energy, Mines and Northern Development expenses were reported together.

6. In the 2022 Ontario Budget, Mines and Northern Development were included with Natural Resources and Forestry.

## MINISTRY OF FINANCE AND TREASURY BOARD SECRETARIAT RESPONSE

According to the *Fiscal Sustainability, Transparency and Accountability Act, 2019*, the legislated deadline to release a budget continues to be March 31 of each fiscal year prior to a fixed election date. The Ministry of Finance has no plans to bring forward timing changes with respect to the tabling of the budget.

Given the contingent nature of the funding, it is not possible to consistently present disaggregated amounts prior to the funding being allocated through Treasury Board Orders (TBOs). The contingency fund is held centrally within the Treasury Board Secretariat to manage unknown and uncertain future risks. These include future items that are unknown at the time of the budget, future items that are uncertain in terms of their timing or actual costs, and items that may be commercially sensitive/confidential, including future negotiations where premature disclosure of financial amounts could result in potential financial harm to the government or other entities. The government provides transparency in reporting on how the contingency funds are drawn down through its quarterly reporting process including the Fall Economic Statement. In addition, under the Standing Orders of the Legislative Assembly of Ontario, the government is required to publish all TBOs in *The Ontario Gazette*, providing further details on the use of contingency fund.

## RECOMMENDATION 8

To strengthen accountability, we recommend that the Clerk of the Legislative Assembly work with the Standing Committee on Procedures and House Affairs to establish a process for the consideration and review of the Estimates that includes direction on the review's methodology and components as well as the responsibilities of other Committees of the Legislature.

## CLERK OF THE LEGISLATIVE ASSEMBLY RESPONSE

Near the end of the 42nd Parliament, on March 9, 2022, the Assembly adopted several new Standing Orders, including among them a series of changes to the way that Estimates would be considered by various committees, instead of only by a single Standing Committee on Estimates, which the Auditor General discusses in **Section 14.3** above. These specific changes were deemed to have come into force upon dissolution of the 42nd Parliament, such that they first had effect in the current, 43rd Parliament, which began on August 8, 2022.

It is worth noting that the Assembly's scrutiny of Estimates by a single dedicated Standing Committee on Estimates was discussed by the Financial Accountability Officer in his 2016–17 Annual Report, when he suggested that "MPPs may wish to consider whether, as in other provincial legislative

assemblies and the House of Commons, the responsibility for scrutinizing the estimates might be shared among multiple standing committees.”

When the Assembly concludes the fall 2022 sessional period on December 8, 2022, there will have been only 41 sessional days in the new Parliament, a relatively short time during which many of the new rules have been in place, and therefore representing a limited period during which the Assembly will have experienced their operation and been able to conclude as to their effectiveness.

It is therefore premature to draw firm conclusions about the new Standing Orders pertaining to Estimates procedures, especially since the current fiscal year was bisected by a general election, which interrupted and truncated the normal annual financial cycle.

I fully accept the Auditor General’s recommendation, however, and will be pleased to make myself and my office fully available to the Standing Committee on Procedure and House Affairs whenever it might choose to review the Assembly’s Estimates procedures.

## 15.0 Canadian Public Sector Accounting Updates

Canadian Public Sector Accounting Standards (PSAS) continue to be the most appropriate standards for the Province to use in preparing its consolidated financial statements. Following Canadian PSAS ensures that information provided by the government about the annual deficit or surplus is fair, consistent and comparable to previous years, allowing legislators and the public to assess the government’s management and stewardship of the public purse. Ontario’s provincial budget is also prepared on the same basis as its consolidated financial statements.

However, in some cases, the Public Sector Accounting Board (PSAB) faces challenges in reaching a consensus among its various stakeholders, including financial statement preparers and auditors, on what

emerging accounting standards are most appropriate to use for the public sector.

We discuss two significant accounting issues that, in our view, have posed a challenge to PSAB over the past year: the use of financial instruments in the public sector and accounting for employment benefits. PSAB’s final standard-setting determination will affect the way the Province accounts for these items, and will have a significant impact on the Province’s reported financial results.

### 15.1 Significant Upcoming Accounting Standards

#### 15.1.1 Financial Instruments

Financial instruments include provincial debt and derivatives such as currency swaps and foreign-exchange forward contracts. In 2005, PSAB began a project to develop a new standard for reporting financial instruments, with a key issue being whether changes in the fair value of derivative contracts held by governments should be reflected in their financial statements and, in particular, whether such changes should affect a government’s annual deficit or surplus.

In March 2011, PSAB approved a new public-sector accounting standard on financial instruments that was slated to become effective for the fiscal periods beginning on or after April 1, 2015. The new standard provides guidance on the treatment of financial instruments held by a government and is similar to financial-instruments accounting standards used in the Canadian private sector.

One of the new standard’s main requirements is for certain financial instruments, including derivatives, to be recorded at fair value, with any unrealized gains or losses on these instruments recorded annually in a new financial statement called the statement of remeasurement gains and losses.

Some financial statement preparers in Canadian jurisdictions do not support the introduction of these fair-value remeasurements and the recognition of unrealized gains and losses. For example, Ontario has expressed the view that it uses derivatives solely to

manage foreign currency and interest-rate risks related to its long-term-debt holdings, and that it has both the intention and ability to hold these derivatives until the debts associated with them mature. Accordingly, remeasurement gains and losses on the derivatives and their underlying debt would offset each other over the total period that such derivatives are held, and therefore would have no real economic impact on the government.

Ontario financial statement preparers state that recording non-cash gains and losses each year would force the Province to inappropriately report the same volatility in the annual surplus/deficit that the derivatives are being used to manage. This, in their view, would not reflect the economic substance of government financing transactions, and would not provide the public with transparent information on government finances.

In response to such concerns from financial statement preparers, PSAB committed to reviewing the new financial-instruments standard by December 2013. PSAB completed its review of Section PS 2601, *Foreign Currency Translation*, and Section PS 3450, *Financial Instruments*, and in February 2014 confirmed the soundness of the principles underlying the new standard.

PSAB deferred the effective date for Sections PS 2601 and PS 3450 to fiscal years beginning on or after April 1, 2016. However, in 2015, PSAB extended the effective date for the new financial-instruments standard to April 1, 2019 for senior governments to allow for further study of reporting options for these complex financial instruments. In 2018, PSAB again extended the effective date for the new standard to April 1, 2021 (updated to April 1, 2022 in June 2020).

Since February 2016, PSAB staff have been consulting with government and not-for-profit stakeholders on implementation issues of the financial-instruments standard. Below, we summarize PSAB's deliberation of these issues and the narrow-scope amendments it has proposed, and since implemented, to PS 3450, *Financial Instruments*.

### Federal Government Narrow-Scope Amendments

In January 2020, PSAB released an exposure draft that proposed amendments to PS 3450, *Financial Instruments*. As per the exposure draft, the main feature of these amendments was “to permit special presentation of foreign exchange gains and losses resulting from transactions intended to sustain foreign exchange reserves and orderly conditions in the foreign exchange market for the Canadian dollar or to aid foreign countries.”

PS 2601, *Foreign Currency Translation* contained an important hedge accounting exemption that was proposed to be extended into PS 3450, *Financial Instruments*. In essence, this exemption allowed the federal government to use a form of hedge accounting for derivatives it uses to manage its foreign exchange exposure from activities it is legislated to undertake under the federal *Currency Act*.

Provincial financial statement preparers argue that by grandfathering and extending the federal exemption to PS 3450, *Financial Instruments* through the proposed narrow-scope amendments, what was once a practical expedient under an existing accounting practice (that is, foreign exchange hedges) has evolved into a hedge accounting option that is exclusive to federal government financial statement preparers. This, in their view, is unfair as it provides an exemption that synthetically allows one stakeholder (i.e., the federal government) to achieve an accounting result that is unavailable to other PSAB stakeholders (e.g., provincial governments, municipalities, broader-public-sector entities).

PSAB issued the final amendments for this narrow-scope amendment in the Public Sector Accounting (PSA) Handbook in October 2020.

### Foreign Exchange Narrow-Scope Amendments

In response to comments received on the January 2020 exposure draft, in July 2020, PSAB released an exposure draft for comment containing amendments to Section PS 1201, *Financial Statement Presentation*; PS 2601, *Foreign Currency Translation*; and PS 3450, *Financial Instruments*. The amendments allow all public-sector entities to make an accounting policy election

to recognize exchange gains and losses directly in their statement of operations.

PSAB issued the final amendments for this narrow-scope amendment in the PSA Handbook in April 2021.

### Presentation of Narrow-Scope Amendments

In response to concerns raised by certain stakeholders surrounding the increased volatility in net debt because of the requirement to record derivatives at fair value, PSAB released an exposure draft for comment containing amendments to PS 1201, *Financial Statement Presentation*.

To assist users in identifying the fair value impact of derivatives in relation to other changes in net debt, PSAB proposed to clarify that the remeasurement impact of derivatives may be presented as a separate line item on the statement of changes in net debt, along with other minor clarifications.

Some provincial financial statement preparers have disagreed with the proposed amendments on the basis that they do not believe they minimize or resolve the volatility in net debt. In addition, some stakeholders noted that the amendments did not address their concerns regarding the lack of an appropriate hedge accounting option, which could be used to reduce or mitigate the volatility in net debt.

PSAB issued the final amendments for this narrow-scope amendment in the PSA Handbook in April 2021. In its Basis for Conclusions, PSAB noted that the intent of these amendments was not to remove the requirement to fair value derivatives, but to illustrate how public-sector entities could more clearly present these impacts while maintaining a fair value measurement model.

We will continue to monitor the development of standards impacting the measurement and presentation of financial instruments.

## 15.1.2 Employee Benefits

In July 2021, PSAB released its first exposure draft for comment in which it proposes to issue a new standard, PS 3251, *Employee Benefits*, that would replace the existing Sections PS 3250, *Retirement Benefits*

and PS 3255, *Post-employment, Compensated Absences and Termination Benefits*. This exposure draft outlines the proposed principles for the first of several phases of PSAB's revised employee benefits standard. If approved, the new standard would become effective for the fiscal years beginning on or after April 1, 2026, and would require retroactive application.

In this first release, PSAB focused its efforts on the topics of deferral provisions and discount rates guidance, which we discuss below.

### Use of Deferral Provisions for Actuarial Gains and Losses

The new standard, PS 3251, accounts for actuarial gains and losses differently from the existing Sections PS 3250 and PS 3255 in that these amounts will no longer follow a deferral and amortization approach. Instead, revaluations of the net defined benefit liability (asset), which include actuarial gains and losses, are recognized immediately on the statement of financial position within the asset and "accumulated other"—a new component of net assets (liabilities) proposed by PSAB in its exposure draft for PS 1202, *Financial Statement Presentation*. For greater clarity, revaluations of the asset are not reclassified to the surplus or deficit in subsequent periods.

This immediate recognition of actuarial gains and losses would have a significant impact on the Province's consolidated financial statements. As at March 31, 2022, the Province reported about \$14.1 billion of unrecognized net actuarial gains related to its employee pension plans and other employee future benefits. Under the proposed standard, the Province would recognize this entire amount as a decrease in liabilities and accumulated deficit within its consolidated statement of financial position. In addition, the Province would no longer defer and amortize actuarial gains and losses in its consolidated statement of operations.

While we support the immediate recognition of actuarial gains and losses on the statement of financial position, we do not agree with the use of the proposed "accumulated other" category to record the revaluations of net defined benefit liabilities (assets). By using

this approach, revaluations will not be reported in the statement of operations and are not reclassified from “accumulated other” to the surplus or deficit in subsequent periods. In other words, this allows public-sector entities to bypass the annual surplus or deficit by directly recognizing gains and losses in net assets or liabilities. In our view, this presentation compromises the transparency and faithful representation of an entity’s annual financial performance.

### Discount Rate Guidance

In its exposure draft, PSAB proposes that a public-sector entity would assess the funding status of a post-employment benefit plan to determine the appropriate discount rate. Under the proposed standard, plans fall under one of three funding statuses: fully funded, partially funded, or unfunded.

Public-sector entities would use a discount rate based on the expected market-based return on plan assets for fully funded plans (i.e., where the balance of plan assets is actuarially projected to be greater than or equal to the benefit payments expected to fulfil the obligations for all subsequent reporting periods). In contrast, the rate used to discount unfunded plans are determined by reference to the market yields of provincial government bonds. This proposed discount rate guidance is consistent with the Province’s existing practices of discounting its funded and unfunded post-employment benefit plans.

With respect to partially funded plans, public-sector entities would use a single discount rate that reflects both a fully funded rate—for years where the balance of plan assets is projected to be sufficient to cover projected benefit payments—and an unfunded rate for all other periods beyond the funded period. This proposed approach adds complexity and requires professional judgment in determining what rate to use.

As we stated in our response to PSAB’s exposure draft on discount rate guidance, we believe that the market yield of high-quality debt instruments is the most appropriate basis for determining the discount rate. The market yield is based on verifiable, observable third-party data, effectively reducing subjectivity and facilitating comparability among public-sector entities’

post-employment benefit plans. With that being said, we are generally supportive of PSAB providing additional discount rate guidance to reduce the variability in practice.

PSAB is currently deliberating the feedback it received on its first Employee Benefits exposure draft. We will continue to monitor the development of standards impacting the accounting for employment benefits.

## 15.2 Upcoming Changes to Accounting Standards

### 15.2.1 Financial Instruments

Section PS 3450, *Financial Instruments* provides guidance on the recognition, measurement, presentation and disclosure of financial instruments, including derivatives.

The new standard introduces the requirement to measure all financial instruments in one of two categories:

- fair value; or
- cost or amortized cost.

Under Section PS 3450, investments in equity instruments that are quoted in an active market and derivatives are measured at fair value.

A narrow-scope amendment was made to this standard to clarify that bond repurchase transactions are not treated as an extinguishment unless the bond is legally discharged, or is exchanged for a bond with significantly different terms.

This standard was originally approved by PSAB for the fiscal years beginning on or after April 1, 2015. The effective date has since been extended multiple times and is now effective for the fiscal years beginning on or after April 1, 2022.

### 15.2.2 Financial Statement Presentation

Section PS 1201 replaces the existing Section PS 1200, *Financial Statement Presentation*. Section PS 1201 introduces the statement of remeasurement for gains and losses. Remeasurement gains and losses arise from:



- exchange gains and losses on items in the amortized cost category denominated in a foreign currency; and
- unrealized gains and losses on financial instruments that are measured at fair value.

The accumulated remeasurement gains or losses at the end of the period are reported in the statement of financial position as a separate component of accumulated surplus or deficit.

This standard was originally approved by PSAB for the fiscal years beginning on or after April 1, 2015. The effective date for senior governments has since been extended multiple times and is now effective for the fiscal years beginning on or after April 1, 2022. This section was adopted at the same time as PS 3450, *Financial Instruments* and PS 2601, *Foreign Currency Translation* (see **Section 15.1.1** for a discussion of these sections).

### 15.2.3 Foreign Currency Translation

Section PS 2601 replaces the guidance in Section PS 2600, *Foreign Currency Translation*. Under Section PS 2601, exchange gains and losses arising on monetary assets and liabilities prior to settlement are recorded in the statement of remeasurement gains and losses. Once the foreign currency denominated item is settled, the cumulative amount of unrealized foreign exchange gain or losses previously recognized is reclassified to the statement of operations.

The introduction of Section PS 2601 eliminates the practice of deferring unrealized gains and losses arising from foreign currency translation and the previous guidance on hedge accounting of foreign currencies.

A narrow-scope amendment was made to the standard that permits public-sector entities to make an irrevocable election upon initial recognition of a financial asset or financial liability arising from a foreign currency transaction. The election would allow public-sector entities to recognize any related unrealized foreign exchange gains or losses directly in their statement of operations.

This standard was originally approved by PSAB for the fiscal years beginning on or after April 1, 2015. The

effective date has since been extended multiple times and is now effective for the fiscal years beginning on or after April 1, 2022.

### 15.2.4 Portfolio Investments

Section PS 3041, *Portfolio Investments*, replaces Section PS 3040, *Temporary Investments*. PS 3041 states that portfolio investments are measured in accordance with PS 3450, *Financial Instruments* unless they have concessionary terms such as little or no return on the government investment. Losses in the value of a portfolio investment that are not a temporary decline should be recognized and recorded in the statement of operations.

This standard was originally approved by PSAB for the fiscal years beginning on or after April 1, 2015. The effective date for senior governments has since been extended multiple times and is now effective for the fiscal years beginning on or after April 1, 2022. This section was adopted at the same time as PS 1201, *Financial Statement Presentation*; PS 3450, *Financial Instruments*; and PS 2601, *Foreign Currency Translation*.

### 15.2.5 Asset Retirement Obligations

In March 2018, PSAB approved a new standard that addresses the reporting of legal obligations associated with the permanent removal of tangible capital assets from service. The new standard, PS 3280, *Asset Retirement Obligations*, addresses tangible capital assets currently in productive use, such as the decommissioning of a nuclear reactor, as well as tangible capital assets no longer in productive use, such as solid-waste landfill sites.

The new standard is effective for the fiscal years beginning on or after April 1, 2022, although earlier adoption is permitted. The new section requires that a retirement obligation be recognized when:

- there is a legal obligation to permanently remove retirement costs related to a tangible capital asset from service. Legal obligations can arise from legislation, contracts and promissory estoppel;

- the past transaction giving rise to the liability, such as acquisition, construction, development or normal use, has already occurred;
- there is an expectation that future economic benefits will be given up; and
- a reasonable estimate can be made. The estimate of the liability includes costs directly attributable to the retirement activities, including post-retirement operation, maintenance and monitoring. A present-value technique is often the best method with which to estimate the liability.

Upon recognition of the liability, a public-sector entity would increase the carrying amount of the related tangible capital asset by an equal amount. The cost included in the carrying amount of the tangible capital asset should be allocated as an expense in a rational and systematic manner. This could include amortization over the remaining useful life of the related tangible capital asset, or a component thereof.

If the related asset is no longer in productive use, or if the related asset is not recognized for accounting purposes, the related retirement costs would be recorded as an expense.

The Office of the Provincial Controller Division is working with our Office, ministries, and governmental agencies to adopt the new standard for the Province's consolidated financial statements beginning on April 1, 2022.

### 15.2.6 Revenue

In June 2018, PSAB approved a new standard on the recognition, measurement and presentation of revenues. The new standard, PS 3400, *Revenue*, addresses revenues that arise in the public sector but fall outside the scope of PS 3410, *Government Transfers* and PS 3510, *Tax Revenues*. Specifically, the standard differentiates between revenue arising from transactions with a payor that include performance obligations ("exchange transactions") and those that do not ("non-exchange transactions").

PS 3400, *Revenue* is effective for the fiscal years beginning on or after April 1, 2023, although earlier adoption is permitted. Upon adoption, the Province has

the option of applying this standard retroactively or prospectively.

Revenues from exchange transactions are recognized as or when a public-sector entity satisfies a performance obligation by providing promised goods or services to a payor. Performance obligations may be satisfied at a point in time or over a period of time, depending on which method best depicts the transfer of goods or services to the payor. Examples of exchange transactions include driver and vehicle registration fees which will be affected by the new standard.

Revenues from non-exchange transactions, such as fines or penalties, are recognized when a public-sector entity has the authority to claim or retain an inflow of economic resources or an event that gives rise to an asset. For example, in the case of a parking ticket, the date of an alleged infraction may not necessarily be the past event because the fine or penalty may not be enforceable at that time.

The Office of the Provincial Controller Division is working with our Office, ministries, and governmental agencies to adopt the new standard for the Province's consolidated financial statements beginning on April 1, 2023.

### 15.2.7 Purchased Intangible Assets

In September 2020, PSAB approved a new guideline on the recognition of purchased intangibles acquired through an exchange transaction. The new guideline, Public Sector Guideline 8, *Purchased Intangibles*, was approved in conjunction with narrow-scope amendments to PS 1000, *Financial Statement Concepts*, which removed the recognition prohibition on purchased intangibles.

The recognition of purchased intangibles will be a significant change for the public sector, and likely result in an increase in the Province's total reported assets and annual amortization expense.

The Office of the Provincial Controller Division is working with our Office, ministries, and governmental agencies to adopt the new guideline for the Province's consolidated financial statements beginning on April 1, 2023.

### 15.2.8 Public-Private Partnerships

In our *2019* and *2020 Annual Reports*, we discussed public-private partnerships (P3), an alternative finance and procurement model for infrastructure projects that allows public-sector entities to transfer project risks to private-sector entities. Under the P3 model, project sponsors in the public sector—such as provincial ministries, agencies, or broader-public-sector entities such as hospitals and colleges—establish the scope and purpose of the project, while the project’s construction is financed and carried out by the private sector. Payments for most projects are made either when the projects are substantially completed or at regular agreed-upon intervals. In some cases, the private sector will also be responsible for the maintenance and/or operation of a project for up to 30 years after its completion.

PSAB approved a new standard, PS 3160, *Public Private Partnerships*, in December 2020 that provides guidance on the recognition, measurement, presentation and disclosure of P3s. The standard is effective for the fiscal years beginning on or after April 1, 2023.

Under the new standard, a public-sector entity recognizes an infrastructure asset when the public-sector entity controls the purpose and use of the infrastructure, access to the future economic benefits and risks of the infrastructure, and any significant residual interest in the infrastructure. Upon recognition of an infrastructure asset, a liability is recognized equal to that asset, less any amounts previously paid to the private-sector partner.

The Office of the Provincial Controller Division is currently in the process of assessing what impact the new standard may have on the Province’s existing accounting policy for P3s. Currently, similar to the new standard, the Province recognizes assets procured through P3s as tangible capital assets, and the related obligations as other long-term financing liabilities in its consolidated financial statements.

### 15.2.9 Use of Rate-Regulated Accounting in Government Business Enterprises

In our *2019 Annual Report*, we discussed rate-regulated accounting, which was developed to recognize the

unique nature of entities, such as electric utilities, whose rates are regulated by an independent regulator under most regulatory frameworks.

In January 2021, the International Accounting Standards Board (IASB) released an exposure draft for comment that outlines the new proposed accounting standard for regulatory assets and liabilities. This new standard would replace IFRS 14, *Regulatory Deferral Accounts*, which essentially permits some entities to continue to account for “regulatory deferral accounts,” with certain exceptions, in accordance with their previous accounting framework such as US Generally Accepted Accounting Principles (US GAAP).

Until the final standard is issued, it is uncertain what financial impact the differences between the eventual standard and US GAAP will have on the accounting for regulatory assets and liabilities reported by the Province’s government business enterprises, such as Ontario Power Generation and Hydro One.

At the time of this report, the IASB was redeliberating the proposals in the exposure draft.

We will continue to monitor the development of standards impacting the use of rate-regulated accounting in government business enterprises.

## 15.3 Public-Sector Accounting Board Initiatives

This section outlines some additional items that PSAB has been studying over the past year that might affect the preparation of the Province’s consolidated financial statements in the future.

### 15.3.1 Concepts Underlying Financial Performance

PSAB’s conceptual framework is a set of interrelated objectives and fundamental principles that support the development of consistent accounting standards. Its purpose is to instill discipline into the standard-setting process to ensure that accounting standards are developed in an objective, credible and consistent manner that serves the public interest.

In 2011, PSAB formed the Conceptual Framework Task Force in response to concerns raised by several governments regarding current and proposed

standards that they contend cause volatility in reported results and distort budget-to-actual comparisons. The task force's objective was to review the appropriateness of the concepts and principles in the existing conceptual framework for the public sector.

In the first part of the consultation process, the task force issued three consultation papers: *Characteristics of Public Sector Entities* (2011), *Measuring Financial Performance in Public Sector Financial Statements* (2012) and *Conceptual Framework Fundamentals and the Reporting Model* (2015).

In May 2018, the task force issued two additional documents for comment: *Statement of Concept – A Revised Conceptual Framework for the Canadian Public Sector*, and *Statement of Principles – A Revised Reporting Model for the Canadian Public Sector*.

In January 2021, PSAB issued two exposure drafts, together with supporting material, that proposed a revised conceptual framework and changes to the current financial statement presentation. Key proposals include:

- the statement of financial position would present total assets, followed by total liabilities, to arrive at the net assets/net liabilities total;
- liabilities would be split into two categories: financial and non-financial;
- the net debt indicator would be relocated from the statement of financial position to its own statement, the statement of net assets;
- a new component of the net assets/net liabilities total, called “accumulated other,” would be introduced; and
- a statement of changes in net assets/net liabilities would be introduced to report any remeasurement gains and losses and to show changes in the new “accumulated other” category.

In June 2022, PSAB approved the Conceptual Framework for Financial Reporting in the Public Sector (Conceptual Framework). Key proposals in the exposure draft were retained, but changes were made to add clarity or improve concepts based on stakeholder feedback. Notable amendments include:

- adding the potential interrelationships among public-sector entities to fulfil the obligation to serve the public as part of the characteristics of public-sector entities in Chapter 2;
- recognizing the United Nations Declaration of the Rights of Indigenous Peoples in Chapter 3;
- ensuring consistency between the paragraphs regarding control in Chapter 5 and PS 1300, *Government Reporting Entity*;
- removing references to “legislative accounting” in Chapter 10; and
- delaying the Conceptual Framework's effective date to match the date of the proposed PS 1202, *Financial Statement Presentation* standard.

The Conceptual Framework will be effective for the fiscal years beginning on or after April 1, 2026, with earlier adoption encouraged. PSAB intends to issue the new Conceptual Framework and related consequential amendments in the *Public Sector Accounting Handbook* in December 2022.

PSAB is still deliberating the feedback on its two exposure drafts related to the revised reporting mode; proposed Section PS 1202, *Financial Statement Presentation*; and consequential amendments arising from the adoption of that standard.

## 16.0 Statutory Matters

Under section 12 of the *Auditor General Act*, the Auditor General is 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 the Auditor General report on any transfers of money between items within the same vote in the Estimates of the Office of the Assembly.

### 16.1 Legislative Approval of Expenditures

Shortly after presenting its budget—which must be tabled by March 31 (the Province passed legislation to delay the tabling of the 2022 budget to April 30 because it would not be meeting the deadline included

in the *Fiscal Sustainability, Transparency and Accountability Act, 2019* as described in **Section 4.0** of this report)—the government tables detailed Expenditure Estimates (referred to as Main Estimates). Typically, the Main Estimates are tabled in the Legislative Assembly in April or May after the budget is tabled, outlining on a program-by-program basis (referred to as Vote and Item) each ministry's planned spending. In 2022, the Estimates were tabled after the election in September 2022. The government tabled its 2022 budget on the last sessional day before Parliament was dissolved for the June 2022 election.

Historically, the Standing Committee on Estimates (Committee) reviewed selected ministry estimates and presented a report on this review to the Legislature. Following the Committee's report, Orders for Concurrence for each of the estimates selected by the Committee were debated in the Legislature for a maximum of two hours before being voted on. The estimates of those ministries that were not selected were deemed to be passed by the Committee, reported to the Legislature, and approved by the Legislature.

As described in **Section 14.3**, a change in the Standing Orders (i.e., the rules of the Legislature) eliminated the Standing Committee on Estimates. A new committee, the Standing Committee on Procedure and House Affairs, is now responsible for deciding at the beginning of each Parliament, or if necessary more frequently, which ministries' Estimates will be assigned to which of six Committees (Finance and Economic Affairs; Heritage, Infrastructure and Cultural Policy; Interior; Justice Policy; Procedure and House Affairs; or Social Policy) for their consideration and potential review (see **Figure 14**). Going forward, this change will apply beginning with the 2022/23 fiscal year.

Subsequent to the Estimates being tabled for the ministries, the Main Estimates for the Legislative Offices are tabled (which generally occurs in the months of November and December, but can take place up to March of the following year).

After the Orders for Concurrence are approved, the Legislature still needs to provide its final approval for legal spending authority by approving a Supply Act, which stipulates the amounts that can be spent

by ministries and legislative offices, as detailed in the estimates. Once the Supply Act is approved, the expenditures it authorizes are considered to be Voted Appropriations. The *Supply Act, 2022*, which pertained to the fiscal year ended March 31, 2022, received Royal Assent on March 21, 2022.

Since the Supply Act does not receive Royal Assent until after the start of the fiscal year—and sometimes even after the related fiscal year is over—the government usually requires interim spending authority prior to its passage. For the 2021/22 fiscal year, the Legislature passed two acts allowing interim appropriations: the *Interim Appropriation for 2021–2022 Act, 2020* (Interim Act), and the *Supplementary Interim Appropriation for 2021–2022 Act, 2021* (Supplementary Act). These two acts received Royal Assent on December 8, 2020, and December 9, 2021, respectively. Both acts were made effective as of April 1, 2021, and provided the government with sufficient authority to allow it to incur expenditures from April 1, 2021 to when the *Supply Act, 2022* received Royal Assent on March 21, 2022.

**Figure 15** shows the timelines for the Legislative approvals for the 2021/22 Expenditures.

**Figure 16** shows the total amounts authorized.

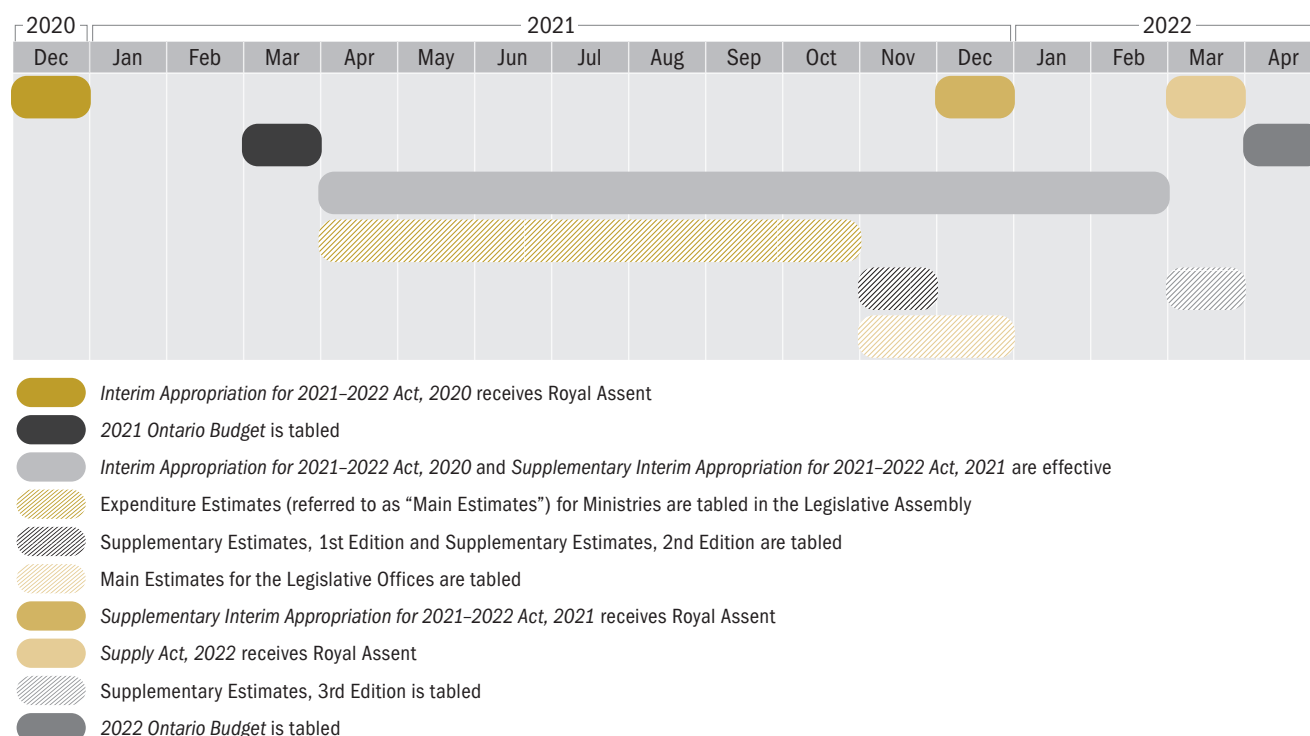
Because the legal spending authority under the Interim Act and the Supplementary Act was intended to be temporary, both were repealed when the *Supply Act, 2022* received Royal Assent. The *Supply Act, 2022* increased authorized public-service expenditures from \$164.8 billion to \$168.1 billion, increased total authorized public-service investments from \$5.2 billion to \$5.3 billion, and decreased total authorized expenditures of the legislative offices from \$286.6 million to \$284.4 million.

Where it is necessary to seek the Legislature's approval for additional expenditures after the tabling of the Main Estimates, Supplementary Estimates may be tabled. In 2021/22, the Treasury Board approved Supplementary Estimates on November 4, 2021, November 30, 2021, and March 3, 2022. A total amount of \$6.4 billion was approved to provide funding to various ministries, out of which \$2.1 billion was expended by the ministries for the Votes and Items the



**Figure 15: Timeline for the Legislative Approvals for the 2021/22 Expenditures**

Prepared by the Office of the Auditor General of Ontario

**Figure 16: Total Amounts Authorized by Appropriation and the Supply Act, 2022 for 2021/22 (\$ million)**Sources of data: *Interim Appropriation for 2021-2022 Act, 2020*; *Supplementary Interim Appropriation for 2021-2022 Act, 2021*; and *Supply Act, 2022*

| Appropriation Type                  | Interim Appropriation for<br>2021-2022 Act, 2020 | Supplementary Interim<br>Appropriation for<br>2021-2022 Act, 2021 | Total<br>Appropriation* | Supply Act,<br>2022 |
|-------------------------------------|--------------------------------------------------|-------------------------------------------------------------------|-------------------------|---------------------|
| Expenses of the Public Service      | 158,060                                          | 6,738                                                             | 164,798                 | 168,100             |
| Investments of the Public Service   | 5,084                                            | 156                                                               | 5,239                   | 5,320               |
| Expenses of the Legislative Offices | 287                                              | -                                                                 | 287                     | 284                 |
| <b>Total</b>                        | <b>163,431</b>                                   | <b>6,894</b>                                                      | <b>170,324</b>          | <b>173,704</b>      |

\* Amounts may not add due to rounding.

Supplementary Estimates were approved for. **Figure 17** summarizes the total value of Supplementary Estimates issued and expended for the fiscal year ended March 31, 2022. The sum of \$4.1 billion of unexpended Supplementary Estimates was reallocated to other Votes and Items and to other ministries through Treasury Board Orders. Approved by the Legislature in the Supply Act, the Main and Supplementary Estimates become the legal spending authority for each ministry.

## 16.2 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 that authorize 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 in Council on the recommendation of the government. No Special

**Figure 17: Total Value of Supplementary Estimates Authorized and Expended for Fiscal Year 2021/22 (\$ million)**

Source of data: Treasury Board

| Ministry                                 | Authorized   | Expended     |
|------------------------------------------|--------------|--------------|
| <b>Operating Expense Appropriations:</b> |              |              |
| Finance                                  | 2,700        | -            |
| Health                                   | 2,202        | 1,187        |
| Treasury Board Secretariat               | 120          | -            |
| <b>Total</b>                             | <b>5,022</b> | <b>1,187</b> |
| <b>Capital Expense Appropriations:</b>   |              |              |
| Transportation                           | 1,100        | 796          |
| Treasury Board Secretariat               | 200          | -            |
| <b>Total</b>                             | <b>1,300</b> | <b>796</b>   |
| <b>Capital Asset Appropriations:</b>     |              |              |
| Transportation                           | 81           | 81           |
| <b>Total</b>                             | <b>81</b>    | <b>81</b>    |
| <b>Total</b>                             | <b>6,403</b> | <b>2,064</b> |

Warrants were issued for the fiscal year ended March 31, 2022.

## 16.3 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 government closes the books for the fiscal year. 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 published and tabled in the Legislature.

Even though the *Treasury Board Act, 1991* was repealed in 2009, a provision equivalent to subsection 5(4) was retained and enacted as subsection 1.0.4(5) of the *Financial Administration Act* in 2009. This provision allows the Treasury Board to delegate any of its duties or functions to any member of the Executive Council or to any public servant employed under the

*Public Service of Ontario Act, 2006*. Such delegations continue to be in effect until replaced by a new delegation. Since 2006, the Treasury Board has delegated its authority to issue Treasury Board Orders to ministers to make transfers between programs within their ministries, and to the Chair of the Treasury Board to make Treasury Board Orders that result in program transfers between ministries as well as those orders that result in supplementary appropriations offset from contingency funds.

**Figure 18** summarizes the total value of Treasury Board Orders issued for the past five fiscal years.

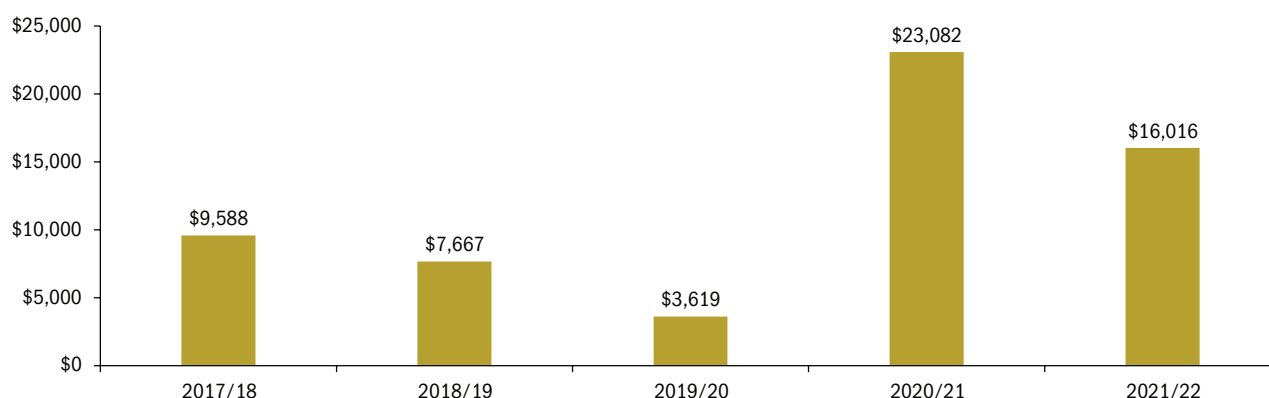
**Figure 19** summarizes Treasury Board Orders for the fiscal year ended March 31, 2022, by month of issue.

In the 2021/22 fiscal year, the number of Treasury Board Orders decreased as compared to the prior year (which saw a significant increase primarily due to the reallocations of funds needed for COVID-19 initiatives), but still remains notably higher than that of previous pre-pandemic years given the continuing impacts of COVID-19.

According to the Standing Orders of the Legislative Assembly, Treasury Board Orders are to be posted online in *The Ontario Gazette*, together with explanatory information. Orders issued for the 2021/22 fiscal

**Figure 18: Total Value of Treasury Board Orders Issued, 2017/18–2021/22 (\$ million)**

Source of data: Treasury Board

**Figure 19: Total Value of Treasury Board Orders by Month Relating to the 2021/22 Fiscal Year**

Source of data: Treasury Board

| Month of Issue    | Treasury Board Orders (#) | Authorized (\$ million) |
|-------------------|---------------------------|-------------------------|
| Apr 2021–Feb 2022 | 113                       | 8,762                   |
| Mar 2022          | 38                        | 4,272                   |
| Apr 2022          | 16                        | 708                     |
| May 2022          | –                         | –                       |
| Jun 2022          | –                         | –                       |
| Jul 2022          | 2                         | 2,274                   |
| <b>Total</b>      | <b>169</b>                | <b>16,016</b>           |

year are expected to be published in *The Ontario Gazette* in December 2022. **Exhibit 4** of this report shows a detailed listing of 2021/22 Treasury Board Orders, including the amounts authorized and expended.

## 16.4 Transfers 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. No transfers were made with respect to the 2021/22 Estimates.

## 16.5 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 2021/22 fiscal year, receivables of \$657 million due to the Crown from individuals and non-government organizations were written off (the comparable amount in 2020/21 was \$140 million). The write-offs in the 2021/22 fiscal year related to the following:

- \$210.3 million for the Ontario Small Business Support Grant (\$nil in 2020/21)
- \$191.1 million for the Victim Fine Surcharge relating to fees outstanding from old court cases (\$nil in 2020/21)
- \$65.2 million for bankrupt/insolvent entities with unpaid tax amounts (\$65.4 million in 2020/21)
- \$54.6 million for the General Motors Loan (\$nil in 2020/21)
- \$46.7 million for Vehicle Validation Tags (\$nil in 2020/21)
- \$42.2 million for student loans and the Loan for Tools program (\$39.3 million in 2020/21)

- \$23.4 million for Ontario Disability Support Program receivables, outstanding five or more years (\$15.2 million in 2020/21)
- \$13.0 million for Criminal Code of Canada fines and estreated bail writs (\$13.5 million in 2020/21)
- \$3.3 million for uncollectible receivables from agencies (\$0.5 million in 2020/21)
- \$3.3 million for cost recovery (forest fires) (\$1.6 million in 2020/21)
- \$2.1 million for the Motor Vehicle Accident Claim Fund (\$4.2 million in 2020/21)
- The remaining \$1.5 million relates to various ministry write-offs (\$0.7 million in 2020/21).

The Ministry Statements and Schedules of the 2021/22 Public Accounts summarizes the write-offs by ministry. Under the accounting policies followed in preparing the Province's consolidated financial statements, a provision for doubtful accounts is recorded against accounts receivable balances. Most of the write-offs had already been expensed in the government's

consolidated financial statements. However, the actual write-offs in the accounts required Order-in-Council approval.

The Province's consolidated financial statements include allowances for doubtful accounts of \$1.6 billion (2020/21 had an allowance of \$2.0 billion).

## Appendix 1: Budget Requirements under the *Fiscal Sustainability, Transparency and Accountability Act, 2019*

Prepared by the Office of the Auditor General of Ontario

| Act Requirement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Met Requirement            | Did Not Meet Requirement | If Not Met, Why?                                                                                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|--------------------------|-----------------------------------------------------------------------------------------------------------|
| <b>Balanced budget<sup>1</sup></b><br>3 (1) For each fiscal year, the Executive Council shall plan for a balanced budget.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                            | ✓                        | 2022 Budget is not balanced in the medium term (see <b>Exception, extraordinary circumstances</b> below). |
| <b>Exception, extraordinary circumstances</b><br>(2) Despite subsection (1), if, as a result of extraordinary circumstances, the Executive Council determines that it is consistent with the principles governing Ontario's fiscal policy for the province to have a deficit for one or more fiscal years, the Executive Council may plan accordingly, in which case the following requirements must be met: <ol style="list-style-type: none"> <li>1. The introductory summary of the budget must include the rationale for the Executive Council's determination.</li> <li>2. If the multi-year fiscal plan included in the budget does not project a balanced budget for the last fiscal year in the plan period, the budget must include a recovery plan that meets the requirements of <b>section 8</b>.</li> </ol>                                       | ✓<br><br>✓                 |                          | The Province has assessed the COVID-19 pandemic as an extraordinary circumstance.                         |
| <b>Annual budget<sup>2</sup></b><br>4 (1) On or before March 31 of each fiscal year, the Minister shall lay before the Legislative Assembly and release a budget in respect of the following fiscal year commencing on April 1.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | ✓                          |                          |                                                                                                           |
| <b>Contents of the budget</b><br>5 The budget required by <b>section 4</b> must include the following information: <ol style="list-style-type: none"> <li>1. An introductory summary of the key fiscal, economic and debt information contained in the budget.</li> <li>2. The macroeconomic forecasts and assumptions used to prepare the budget.</li> <li>3. A multi-year fiscal plan that meets the requirements of <b>section 6</b>.</li> <li>4. A comprehensive discussion of the risks that, in the Minister's opinion, may have a material impact on the economy or the public sector during the period of the plan.</li> <li>5. A description of the intended effects of the plan on the Province.</li> <li>6. Information about the projected ratio of provincial net debt to Ontario's gross domestic product for the period of the plan.</li> </ol> | ✓<br>✓<br>✓<br>✓<br>✓<br>✓ |                          |                                                                                                           |
| <b>Multi-year fiscal plan</b><br>6 (1) A multi-year fiscal plan must meet the requirements set out in this section.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | ✓                          |                          |                                                                                                           |



| Act Requirement                                                                                                                                                                                 | Met Requirement | Did Not Meet Requirement | If Not Met, Why?                                                                                                                                                                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (2) The fiscal plan must address the fiscal year of the budget and the following two fiscal years, and it may address a longer period.                                                          | ✓               |                          |                                                                                                                                                                                                                                                          |
| (3) The fiscal plan must include the following information:                                                                                                                                     |                 |                          |                                                                                                                                                                                                                                                          |
| 1. An estimate of Ontario's revenues and expenses for the period of the plan, including estimates of the major components of the revenues and expenses.                                         | ✓               |                          |                                                                                                                                                                                                                                                          |
| 2. The forecasts and assumptions used to prepare the revenue and expense estimates for the period of the plan.                                                                                  | ✓               |                          |                                                                                                                                                                                                                                                          |
| 3. A reserve to provide for unexpected adverse changes in revenues and expenses, in whole or in part, and the details of the reserve.                                                           | ✓               |                          |                                                                                                                                                                                                                                                          |
| 4. A comprehensive discussion of the risks that, in the Minister's opinion, may have a material impact on the economy or the public sector during the period of the plan.                       | ✓               |                          |                                                                                                                                                                                                                                                          |
| 5. A description of the intended effects of the plan on the Province.                                                                                                                           | ✓               |                          |                                                                                                                                                                                                                                                          |
| 6. Information about the projected ratio of provincial net debt to Ontario's gross domestic product for the period of the plan.                                                                 | ✓               |                          |                                                                                                                                                                                                                                                          |
| 7 (1) A debt burden reduction strategy must meet the requirements set out in this section.                                                                                                      |                 | ✓                        | See explanation below.                                                                                                                                                                                                                                   |
| (2) The debt burden reduction strategy must include the following information:                                                                                                                  |                 |                          |                                                                                                                                                                                                                                                          |
| 1. Ontario's specific objectives for the projected ratio of provincial net debt to Ontario's gross domestic product.                                                                            | ✓               |                          |                                                                                                                                                                                                                                                          |
| 2. A progress report on supporting actions and the implementation of the debt burden reduction strategy included in the last budget.                                                            |                 | ✓                        | Debt burden reduction strategy not fully implemented due to the Province not formally documenting a long-term debt strategy, not explaining how it determined the net-debt-to-GDP target of 42%, and not clearly demonstrating how debt will be managed. |
| 8 (1) A recovery plan must meet the requirements set out in this section.                                                                                                                       | ✓               |                          |                                                                                                                                                                                                                                                          |
| (2) The recovery plan must address the period from the first fiscal year after the end of the current multi-year fiscal plan to the projected fiscal year in which the budget will be balanced. | ✓               |                          |                                                                                                                                                                                                                                                          |
| (3) The recovery plan must be consistent with the principles governing Ontario's fiscal policy and must include the following information:                                                      |                 |                          |                                                                                                                                                                                                                                                          |

| Act Requirement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Met Requirement                              | Did Not Meet Requirement | If Not Met, Why?                                                                                                                                                                                     |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"> <li>1. The projected fiscal year in which the budget will be balanced.</li> <li>2. An estimate of Ontario's revenues and expenses for the period of the plan, including estimates of the major components of the revenues and expenses.</li> <li>3. The forecasts and assumptions used to prepare the revenue and expense estimates for the period of the plan.</li> <li>4. A reserve to provide for unexpected adverse changes in revenues and expenses, in whole or in part, and the details of the reserve.</li> <li>5. Information about the projected ratio of provincial net debt to Ontario's gross domestic product for the period of the plan.</li> </ol>                                                                                                                                                                                                                                         | <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> |                          |                                                                                                                                                                                                      |
| <p>9 On or before November 15 of each fiscal year, the Minister shall release a mid-year review that includes the following information:</p> <ol style="list-style-type: none"> <li>1. An introductory summary of the key fiscal, economic and debt information contained in the review.</li> <li>2. Updated information about Ontario's revenues and expenses for the current fiscal year or a longer period, including updated information about the major components of the revenues and expenses.</li> <li>3. Information about the estimated cost of expenditures that are made through the tax system.</li> <li>4. For the purpose of pre-budget consultations with the public: <ol style="list-style-type: none"> <li>i. A description of the key issues that, in the Minister's opinion, should be addressed in the next budget.</li> <li>ii. Details about how to participate in the pre-budget consultations</li> </ol> </li> </ol> | <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>          | <p>✓</p>                 | <p>Key issues to be addressed in the next budget not included; however, the government plans to hold consultations with Ontarians about what they want to see in the <i>2023 Ontario Budget</i>.</p> |
| <p>10 On or before August 15 and on or before February 15 of each fiscal year, the Minister shall release updated information about Ontario's revenues and expenses for the current fiscal year, including updated information about the major components of the revenues and expenses.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <p>✓</p>                                     |                          |                                                                                                                                                                                                      |

| Act Requirement                                                                                                                                                                                                              | Met Requirement | Did Not Meet Requirement | If Not Met, Why? |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|--------------------------|------------------|
| 11 Within 45 days after Statistics Canada publishes quarterly national income and expenditure accounts, the Minister shall release Ontario's economic accounts for the same quarter.                                         | ✓               |                          |                  |
| 12 (1) Within two years after the most recent general election, as defined in <b>section 1</b> of the <i>Election Act</i> , the Minister shall release a long-range assessment of Ontario's economic and fiscal environment. | ✓               |                          |                  |
| (2) The long-range assessment must include the following information:                                                                                                                                                        |                 |                          |                  |
| 1. A description of anticipated changes in the economy and in population demographics during the following 20 years.                                                                                                         | ✓               |                          |                  |
| 2. A description of the potential impact of these changes on the public sector and on Ontario's fiscal policy during that period.                                                                                            | ✓               |                          |                  |
| 3. An analysis of key issues of fiscal policy that, in the Minister's opinion, are likely to affect the long-term sustainability of the economy and of the public sector.                                                    | ✓               |                          |                  |

Note: If the Minister does not meet a deadline under this Act, the Minister shall release a statement on or before the deadline explaining why the deadline was not met and set a new deadline. In addition, the Minister shall pay into the Consolidated Revenue Fund a penalty equal to 10% of the annual salary payable to the Minister under subsection 3(1) of the *Executive Council Act*, and the Premier shall pay into the Consolidated Revenue Fund a penalty equal to 10% of the annual salary payable to the Premier under subsection 3(1) and (2) of the *Executive Council Act*. The payments are required within 30 days of the deadline that was not met, and cannot be paid or reimbursed from the Consolidated Revenue Fund.

1. A balanced budget means, for a fiscal year, a budget in which the sum of expenses and a reserve does not exceed revenues.
2. This does not apply if a general election, as defined in the *Election Act*, has occurred in the fiscal year.

## Exhibit 1: Accounts Audited by the Auditor General

### 1. Agencies, government organizations and Offices of the Legislature whose accounts are audited by the Auditor General

|                                                                                                 |                                                                                     |
|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| Agricorp                                                                                        | Office of the Information and Privacy Commissioner                                  |
| Alcohol and Gaming Commission of Ontario                                                        | Office of the Ombudsman                                                             |
| Algonquin Forestry Authority                                                                    | Ontario Cannabis Retail Corporation                                                 |
| Centennial Centre of Science and Technology (Ontario Science Centre)                            | Ontario Clean Water Agency (Dec 31) <sup>3</sup>                                    |
| Centralized Supply Chain Ontario (Supply Ontario)                                               | Ontario Educational Communications Authority (TVO)                                  |
| Chief Electoral Officer, <i>Election Act</i>                                                    | Ontario Electricity Financial Corporation                                           |
| Deposit Insurance Reserve Fund, Financial Services Regulatory Authority of Ontario              | Ontario Energy Board                                                                |
| Election Fees and Expenses, <i>Election Finances Act</i>                                        | Ontario Financing Authority                                                         |
| Financial Accountability Office of Ontario                                                      | Ontario Food Terminal Board                                                         |
| Financial Services Regulatory Authority of Ontario                                              | Ontario Health                                                                      |
| Funds for Producers of Grain Corn, Soybeans, Wheat and Canola, Grain Financial Protection Board | Ontario Heritage Trust                                                              |
| iGaming Ontario                                                                                 | Ontario Immigrant Investor Corporation                                              |
| Intellectual Property Ontario <sup>1</sup>                                                      | Ontario Media Development Corporation (Ontario Creates)                             |
| Invest Ontario                                                                                  | Ontario Northland Transportation Commission                                         |
| Legal Aid Ontario                                                                               | Ontario Place Corporation (Dec 31) <sup>3</sup>                                     |
| Liquor Control Board of Ontario                                                                 | Ontario Securities Commission                                                       |
| Fund for Livestock Producers, Livestock Financial Protection Board                              | Pension Benefits Guarantee Fund, Financial Services Regulatory Authority of Ontario |
| Motor Vehicle Accident Claims Fund                                                              | Province of Ontario Council for the Arts (Ontario Arts Council)                     |
| Northern Ontario Heritage Fund Corporation                                                      | Provincial Judges Pension Plan                                                      |
| Office of the Assembly <sup>2</sup>                                                             | Public Guardian and Trustee for the Province of Ontario                             |

### 2. Agencies and government organizations whose accounts are audited by another auditor under the direction of the Auditor General

|                                                    |                                                            |
|----------------------------------------------------|------------------------------------------------------------|
| Education Quality and Accountability Office        | Ottawa Convention Centre Corporation                       |
| Higher Education Quality Council of Ontario        | St. Lawrence Parks Commission                              |
| Metropolitan Toronto Convention Centre Corporation | Toronto Island Residential Community Trust Corporation     |
| Niagara Parks Commission                           | Walkerton Clean Water Centre                               |
| Ontario Tourism Marketing Partnership Corporation  | Workplace Safety and Insurance Board (Dec 31) <sup>1</sup> |

1. March 31, 2023 will be the first audit of Intellectual Property Ontario.

2. The Office of the Integrity Commissioner is audited as part of the audit of the Office of the Assembly.

3. Dates in parentheses indicate fiscal years ending on a date other than March 31.

## Exhibit 2: Accounts Audited by Other Auditors with Full Access by the Auditor General

**Agencies and Crown-controlled corporations whose accounts are audited by an auditor other than the Auditor General, with full access by the Auditor General to audit reports, working papers and other related documents as required**

|                                                                                           |                                                                            |
|-------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|
| Agricultural Research Institute of Ontario                                                | Hydro One Limited (Dec 31) <sup>1</sup>                                    |
| Fair Hydro Trust (Dec 31) <sup>1</sup>                                                    | Independent Electricity System Operator (Dec 31) <sup>1</sup>              |
| Forest Renewal Trust                                                                      | Investment Management Corporation of Ontario (Dec 31) <sup>1</sup>         |
| General Real Estate Portfolio                                                             | McMichael Canadian Art Collection                                          |
| Home and Community Care Support Services Central East <sup>2</sup>                        | Metrolinx                                                                  |
| Home and Community Care Support Services Central <sup>2</sup>                             | Municipal Property Assessment Corporation                                  |
| Home and Community Care Support Services Central West <sup>2</sup>                        | Ontario Capital Growth Corporation                                         |
| Home and Community Care Support Services Champlain <sup>2</sup>                           | Ontario French-language Educational Communications Authority (TFO)         |
| Home and Community Care Support Services Erie St. Clair <sup>2</sup>                      | Ontario Infrastructure and Lands Corporation (Infrastructure Ontario)      |
| Home and Community Care Support Services Hamilton<br>Niagara Haldimand Brant <sup>2</sup> | Ontario Lottery and Gaming Corporation                                     |
| Home and Community Care Support Services<br>Mississauga Halton <sup>2</sup>               | Ontario Pension Board (Dec 31) <sup>1</sup>                                |
| Home and Community Care Support Services North East <sup>2</sup>                          | Ontario Power Generation (Dec 31) <sup>1</sup>                             |
| Home and Community Care Support Services<br>North Simcoe Muskoka <sup>2</sup>             | Ontario Trillium Foundation                                                |
| Home and Community Care Support Services North West <sup>2</sup>                          | Ornge                                                                      |
| Home and Community Care Support Services South East <sup>2</sup>                          | Owen Sound Transportation Company Limited                                  |
| Home and Community Care Support Services South West <sup>2</sup>                          | Ontario Agency for Health Protection and Promotion (Public Health Ontario) |
| Home and Community Care Support Services<br>Toronto Central <sup>2</sup>                  | Royal Ontario Museum                                                       |
| Home and Community Care Support Services<br>Waterloo Wellington <sup>2</sup>              | Science North                                                              |
| Human Rights Legal Support Centre                                                         | Skilled Trades Ontario <sup>3</sup>                                        |
|                                                                                           | Toronto Waterfront Revitalization Corporation (Waterfront Toronto)         |

1. Dates in parentheses indicate fiscal years ending on a date other than March 31.

2. Effective April 1, 2021, the funding, planning and community functions of the Local Health Integration Networks (LHINs) were transferred to Ontario Health and the LHINs were renamed as Home and Community Care Support Services.

3. The Ontario College of Trades was renamed to Skilled Trades Ontario on January 1, 2022 when the *Building Opportunities in the Skilled Trades Act, 2021* came into force, which also repealed the *Ontario College of Trades and Apprenticeship Act, 2009*.



### Exhibit 3: Organizations in the Broader Public Sector with Full Access by the Auditor General

**Broader-public-sector organizations whose accounts are audited by an auditor other than the Auditor General, with full access by the Auditor General to audit reports, working papers and other related documents as required\***

#### PUBLIC HOSPITALS (MINISTRY OF HEALTH)

|                                                                           |                                                                  |
|---------------------------------------------------------------------------|------------------------------------------------------------------|
| Alexandra Hospital Ingersoll                                              | Groves Memorial Community Hospital                               |
| Alexandra Marine & General Hospital                                       | Guelph General Hospital                                          |
| Almonte General Hospital                                                  | Haldimand War Memorial Hospital                                  |
| Anson General Hospital                                                    | Haliburton Highlands Health Services Corporation                 |
| Arnprior Regional Health                                                  | Halton Healthcare Services Corporation                           |
| Atikokan General Hospital                                                 | Hamilton Health Sciences Corporation                             |
| Baycrest Centre for Geriatric Care                                        | Hanover and District Hospital                                    |
| Bingham Memorial Hospital                                                 | Headwaters Health Care Centre                                    |
| Blanche River Health                                                      | Health Sciences North                                            |
| Bluewater Health                                                          | Holland Bloorview Kids Rehabilitation Hospital                   |
| Brant Community Healthcare System                                         | Hôpital Général de Hawkesbury and District General Hospital Inc. |
| Brockville General Hospital                                               | Hôpital Glengarry Memorial Hospital                              |
| Bruyère Continuing Care Inc.                                              | Hôpital Montfort                                                 |
| Cambridge Memorial Hospital                                               | Hôpital Notre-Dame Hospital (Hearst)                             |
| Campbellford Memorial Hospital                                            | Hornepayne Community Hospital                                    |
| Carleton Place and District Memorial Hospital                             | Hospital for Sick Children                                       |
| Casey House Hospice                                                       | Hôtel-Dieu Grace Healthcare                                      |
| Chatham-Kent Health Alliance                                              | Humber River Regional Hospital                                   |
| Children's Hospital of Eastern Ontario—Ottawa Children's Treatment Centre | Joseph Brant Hospital                                            |
| Clinton Public Hospital                                                   | Kemptville District Hospital                                     |
| Collingwood General and Marine Hospital                                   | Kingston Health Sciences Centre                                  |
| Cornwall Community Hospital                                               | Lady Dunn Health Centre                                          |
| Deep River and District Hospital Corporation                              | Lady Minto Hospital, Cochrane                                    |
| Dryden Regional Health Centre                                             | Lake of the Woods District Hospital                              |
| Erie Shores Healthcare                                                    | Lakeridge Health                                                 |
| Espanola General Hospital                                                 | Lennox and Addington County General Hospital                     |
| Four Counties Health Services                                             | Listowel Memorial Hospital                                       |
| Georgian Bay General Hospital                                             | London Health Sciences Centre                                    |
| Geraldton District Hospital                                               | Mackenzie Health                                                 |
| Grand River Hospital                                                      | Manitoulin Health Centre                                         |
| Grey Bruce Health Services                                                | Mattawa General Hospital                                         |

|                                                                          |                                                |
|--------------------------------------------------------------------------|------------------------------------------------|
| Muskoka Algonquin Healthcare                                             | South Huron Hospital Association               |
| Niagara Health System                                                    | Southlake Regional Health Centre               |
| Nipigon District Memorial Hospital                                       | St. Francis Memorial Hospital                  |
| Norfolk General Hospital                                                 | St. Joseph's Care Group                        |
| North Bay Regional Health Centre                                         | St. Joseph's Continuing Care Centre of Sudbury |
| North Shore Health Network                                               | St. Joseph's General Hospital Elliot Lake      |
| North of Superior Healthcare Group                                       | St. Joseph's Health Care London                |
| North Wellington Health Care Corporation                                 | St. Joseph's Health Centre Guelph              |
| North York General Hospital                                              | St. Joseph's Healthcare Hamilton               |
| Northumberland Hills Hospital                                            | St. Mary's General Hospital                    |
| Oak Valley Health                                                        | St. Marys Memorial Hospital                    |
| Orillia Soldiers' Memorial Hospital                                      | St. Thomas Elgin General Hospital              |
| Ottawa Hospital                                                          | Stevenson Memorial Hospital                    |
| Pembroke Regional Hospital Inc.                                          | Stratford General Hospital                     |
| Perth and Smiths Falls District Hospital                                 | Strathroy Middlesex General Hospital           |
| Peterborough Regional Health Centre                                      | Sunnybrook Health Sciences Centre              |
| Providence Care Centre (Kingston)                                        | Temiskaming Hospital                           |
| Queensway Carleton Hospital                                              | Thunder Bay Regional Health Sciences Centre    |
| Quinte Healthcare Corporation                                            | Tillsonburg District Memorial Hospital         |
| Red Lake Margaret Cochenour Memorial Hospital Corporation                | Timmins and District Hospital                  |
| Religious Hospitallers of St. Joseph of Cornwall, Ontario                | Toronto East Health Network                    |
| Religious Hospitallers of St. Joseph of the Hotel Dieu of St. Catharines | Trillium Health Partners                       |
| Renfrew Victoria Hospital                                                | Unity Health Toronto                           |
| Riverside Health Care Facilities Inc.                                    | University Health Network                      |
| Ross Memorial Hospital                                                   | University of Ottawa Heart Institute           |
| Royal Victoria Regional Health Centre                                    | Weeneebayko Area Health Authority              |
| Runnymede Healthcare Centre                                              | West Haldimand General Hospital                |
| Salvation Army Toronto Grace Health Centre                               | West Nipissing General Hospital                |
| Santé Manitouwadge Health                                                | West Park Healthcare Centre                    |
| Sault Area Hospital                                                      | West Parry Sound Health Centre                 |
| Scarborough Health Network                                               | William Osler Health System                    |
| Seaforth Community Hospital                                              | Winchester District Memorial Hospital          |
| Sensenbrenner Hospital                                                   | Windsor Regional Hospital                      |
| Services de santé de Chapleau Health Services                            | Wingham and District Hospital                  |
| Sinai Health System                                                      | Women's College Hospital                       |
| Sioux Lookout Meno Ya Win Health Centre                                  | Woodstock Hospital                             |
| Smooth Rock Falls Hospital                                               |                                                |
| South Bruce Grey Health Centre                                           |                                                |

## SPECIALTY PSYCHIATRIC HOSPITALS (MINISTRY OF HEALTH)

Centre for Addiction and Mental Health  
 Ontario Shores Centre for Mental Health Sciences  
 Royal Ottawa Health Care Group

Waypoint Centre for Mental Health Care

## CHILDREN'S AID SOCIETIES (MINISTRY OF CHILDREN, COMMUNITY AND SOCIAL SERVICES)

Bruce Grey Child and Family Services  
 Catholic Children's Aid Society of Hamilton  
 Chatham-Kent Children's Services  
 Children and Family Services for York Region  
 Children's Aid Society of Algoma  
 Children's Aid Society of Brant  
 Children's Aid Society of Hamilton  
 Children's Aid Society of London and Middlesex  
 Children's Aid Society of the City of Sarnia and the County of Lambton  
 Children's Aid Society of Toronto  
 Dufferin Child and Family Services  
 Durham Children's Aid Society  
 Family and Children's Services of Frontenac, Lennox and Addington  
 Family and Children's Services of Lanark, Leeds and Grenville  
 Family and Children's Services of Renfrew County  
 Family and Children's Services of St. Thomas and Elgin  
 Family and Children's Services of the Waterloo Region  
 Halton Children's Aid Society  
 Highland Shores Children's Aid Society  
 Huron-Perth Children's Aid Society

Jewish Family and Child Service of Greater Toronto  
 Kawartha-Haliburton Children's Aid Society  
 Kenora-Rainy River Districts Child and Family Services  
 North Eastern Ontario Family and Children's Services  
 Simcoe Muskoka Child, Youth and Family Services  
 The Catholic Children's Aid Society of Toronto  
 The Children's Aid Society of the City of Guelph and County of Wellington  
 The Children's Aid Society of Haldimand and Norfolk  
 The Children's Aid Society of Ottawa  
 The Children's Aid Society of Oxford County Inc.  
 The Children's Aid Society of the District of Nipissing and Parry Sound  
 The Children's Aid Society of the District of Thunder Bay  
 The Children's Aid Society of the Districts of Sudbury and Manitoulin  
 The Children's Aid Society of the Niagara Region  
 The Children's Aid Society of the Region of Peel  
 The Children's Aid Society of the United Counties of Stormont, Dundas and Glengarry  
 Valoris pour enfants et adultes de Prescott-Russell/  
 Valoris for Children and Adults of Prescott-Russell  
 Windsor-Essex Children's Aid Society

## SCHOOL BOARDS (MINISTRY OF EDUCATION)

Algoma District School Board  
 Algonquin and Lakeshore Catholic District School Board  
 Avon Maitland District School Board  
 Bloorview MacMillan School Authority  
 Bluewater District School Board  
 Brant Haldimand Norfolk Catholic District School Board

Bruce-Grey Catholic District School Board  
 Campbell Children's School Authority  
 Catholic District School Board of Eastern Ontario  
 Children's Hospital of Eastern Ontario School Authority  
 Conseil des écoles publiques de l'Est de l'Ontario  
 Conseil scolaire catholique MonAvenir

Conseil scolaire catholique Providence  
 Conseil scolaire de district catholique de l'Est  
 ontarien  
 Conseil scolaire de district catholique des Aurores  
 boréales  
 Conseil scolaire de district catholique des Grandes  
 Rivières  
 Conseil scolaire de district catholique du Centre-Est  
 de l'Ontario  
 Conseil scolaire de district catholique du  
 Nouvel-Ontario  
 Conseil scolaire de district catholique Franco-Nord  
 Conseil scolaire de district du Nord-Est de l'Ontario  
 Conseil scolaire public du Grand Nord de l'Ontario  
 Conseil scolaire Viamonde  
 Consortium Centre Jules-Léger  
 District School Board of Niagara  
 District School Board Ontario North East  
 Dufferin-Peel Catholic District School Board  
 Durham Catholic District School Board  
 Durham District School Board  
 Grand Erie District School Board  
 Greater Essex County District School Board  
 Halton Catholic District School Board  
 Halton District School Board  
 Hamilton-Wentworth Catholic District School Board  
 Hamilton-Wentworth District School Board  
 Hastings and Prince Edward District School Board  
 Huron-Perth Catholic District School Board  
 Huron-Superior Catholic District School Board  
 James Bay Lowlands Secondary School Board  
 John McGivney Children's Centre School Authority  
 Kawartha Pine Ridge District School Board  
 Keewatin-Patricia District School Board  
 Kenora Catholic District School Board  
 KidsAbility School Authority  
 Lakehead District School Board  
 Lambton Kent District School Board  
 Limestone District School Board  
 London District Catholic School Board  
 Moose Factory Island District School Area Board  
 Moosonee District School Area Board  
 Near North District School Board

Niagara Catholic District School Board  
 Niagara Peninsula Children's Centre School  
 Authority  
 Nipissing-Parry Sound Catholic District School Board  
 Northeastern Catholic District School Board  
 Northwest Catholic District School Board  
 Ottawa Catholic School Board  
 Ottawa-Carleton District School Board  
 Peel District School Board  
 Penetanguishene Protestant Separate School Board  
 Peterborough Victoria Northumberland and Claring-  
 ton Catholic District School Board  
 Rainbow District School Board  
 Rainy River District School Board  
 Renfrew County Catholic District School Board  
 Renfrew County District School Board  
 Simcoe County District School Board  
 Simcoe Muskoka Catholic District School Board  
 St. Clair Catholic District School Board  
 Sudbury Catholic District School Board  
 Superior North Catholic District School Board  
 Superior-Greenstone District School Board  
 Thames Valley District School Board  
 Thunder Bay Catholic District School Board  
 Toronto Catholic District School Board  
 Toronto District School Board  
 Trillium Lakelands District School Board  
 Upper Canada District School Board  
 Upper Grand District School Board  
 Waterloo Catholic District School Board  
 Waterloo Region District School Board  
 Wellington Catholic District School Board  
 Windsor-Essex Catholic District School Board  
 York Catholic District School Board  
 York Region District School Board

## COLLEGES (MINISTRY OF COLLEGES AND UNIVERSITIES)

Algonquin College of Applied Arts and Technology  
 Cambrian College of Applied Arts and Technology  
 Canadore College of Applied Arts and Technology  
 Centennial College of Applied Arts and Technology  
 Collège Boréal d'arts appliqués et de technologie  
 Collège d'arts appliqués et de technologie La Cité  
 collégiale  
 Conestoga College Institute of Technology and  
 Advanced Learning  
 Confederation College of Applied Arts and  
 Technology  
 Durham College of Applied Arts and Technology  
 Fanshawe College of Applied Arts and Technology  
 George Brown College of Applied Arts and  
 Technology  
 Georgian College of Applied Arts and Technology  
 Humber College Institute of Technology and  
 Advanced Learning  
 Lambton College of Applied Arts and Technology  
 Loyalist College of Applied Arts and Technology  
 Mohawk College of Applied Arts and Technology  
 Niagara College of Applied Arts and Technology  
 Northern College of Applied Arts and Technology  
 Sault College of Applied Arts and Technology  
 Seneca College of Applied Arts and Technology  
 Sheridan College Institute of Technology and  
 Advanced Learning  
 Sir Sandford Fleming College of Applied Arts and  
 Technology  
 St. Clair College of Applied Arts and Technology  
 St. Lawrence College of Applied Arts and Technology

\* This exhibit only includes the more financially significant organizations in the broader public sector.

## Exhibit 4: Treasury Board Orders

Under subsection 12(2)(e) of the *Auditor General Act*, the Auditor General is required to annually report all orders of the Treasury Board made to authorize payments in excess of appropriations, stating the date of each order, the amount authorized and the amount expended. These are outlined in the following table. Although ministries may track expenditures related to these orders in more detail by creating accounts at the sub-vote and item level, this schedule summarizes such expenditures at the vote and item level.

| Ministry                                       | Date of Order | Authorized (\$)    | Expended (\$)      |
|------------------------------------------------|---------------|--------------------|--------------------|
| <b>Agriculture, Food and Rural Affairs</b>     | Nov 16, 2021  | 729,500            | 509,617            |
|                                                | Dec 14, 2021  | 400,000            | —                  |
|                                                | Apr 5, 2022   | 600,000            | 96,712             |
|                                                |               | <b>1,729,500</b>   | <b>606,329</b>     |
| <b>Attorney General</b>                        | Nov 16, 2021  | 7,000,000          | 7,000,000          |
|                                                | Nov 16, 2021  | 1,250,000          | 1,250,000          |
|                                                | Nov 16, 2021  | 2,218,000          | 2,218,000          |
|                                                | Dec 14, 2021  | 1,220,000          | 1,220,000          |
|                                                | Dec 14, 2021  | 98,882,100         | 87,242,834         |
|                                                | Feb 15, 2022  | 207,594,700        | 171,601,728        |
|                                                | Apr 5, 2022   | 45,064,400         | 29,682,133         |
|                                                |               | <b>363,229,200</b> | <b>300,214,695</b> |
| <b>Cabinet Office</b>                          | Nov 16, 2021  | 2,000,000          | 2,000,000          |
|                                                | Nov 16, 2021  | 1,451,600          | 1,340,921          |
|                                                |               | <b>3,451,600</b>   | <b>3,340,921</b>   |
| <b>Children, Community and Social Services</b> | Nov 16, 2021  | 1,455,100          | 1,333,100          |
|                                                | Nov 16, 2021  | 1,794,600          | 1,794,600          |
|                                                | Dec 14, 2021  | 8,900,000          | 8,900,000          |
|                                                | Feb 15, 2022  | 259,500,000        | 31,106,448         |
|                                                | Feb 15, 2022  | 159,400            | —                  |
|                                                | Mar 22, 2022  | 69,656,200         | 51,258,821         |
|                                                | Apr 5, 2022   | 1,144,700          | —                  |
|                                                |               | <b>342,610,000</b> | <b>94,392,969</b>  |
| <b>Colleges and Universities</b>               | Dec 14, 2021  | 8,650,000          | —                  |
|                                                | Mar 3, 2022   | 2,510,000          | 277,598            |
|                                                | Mar 3, 2022   | 15,000,000         | —                  |
|                                                | Mar 22, 2022  | 1,942,500          | 283,558            |
|                                                | Mar 29, 2022  | 10,513,300         | —                  |
|                                                |               | <b>38,615,800</b>  | <b>561,156</b>     |



| Ministry                                            | Date of Order | Authorized (\$)    | Expended (\$)      |
|-----------------------------------------------------|---------------|--------------------|--------------------|
| <b>Economic Development, Job Creation and Trade</b> | Nov 16, 2021  | 50,000,000         | 50,000,000         |
|                                                     | Nov 16, 2021  | 2,000,000          | —                  |
|                                                     | Dec 14, 2021  | 1,000,000          | 1,000,000          |
|                                                     | Jan 7, 2022   | 292,700,000        | 46,041,622         |
|                                                     | Feb 15, 2022  | 62,321,400         | —                  |
|                                                     | Mar 3, 2022   | 10,000,000         | —                  |
|                                                     |               | <b>418,021,400</b> | <b>97,041,622</b>  |
| <b>Education</b>                                    | Nov 16, 2021  | 6,141,000          | 6,141,000          |
|                                                     | Nov 30, 2021  | 4,672,800          | —                  |
|                                                     | Dec 14, 2021  | 77,600,000         | 77,600,000         |
|                                                     | Mar 22, 2022  | 1,600,600          | 1,600,600          |
|                                                     | Mar 31, 2022  | 174,988,400        | 113,861,990        |
|                                                     | Mar 31, 2022  | 219,771,400        | 16,559,094         |
|                                                     |               | <b>484,774,200</b> | <b>215,762,684</b> |
| <b>Energy, Northern Development and Mines</b>       | Nov 16, 2021  | 17,000,000         | 17,000,000         |
|                                                     | Nov 16, 2021  | 100,000,000        | 100,000,000        |
|                                                     | Nov 16, 2021  | 8,165,000          | 5,969,348          |
|                                                     | Nov 16, 2021  | 190,500            | 190,500            |
|                                                     | Dec 22, 2021  | 90,000,000         | 90,000,000         |
|                                                     | Jan 7, 2022   | 89,900,000         | 25,174,457         |
|                                                     | Feb 15, 2022  | 3,651,000          | —                  |
|                                                     | Feb 15, 2022  | 13,465,100         | 735,170            |
|                                                     | Mar 22, 2022  | 6,500,000          | —                  |
|                                                     | Mar 22, 2022  | 300,448,200        | 278,745,177        |
|                                                     | Apr 5, 2022   | 1,825,500          | —                  |
|                                                     | Apr 27, 2022  | 15,951,700         | —                  |
|                                                     |               | <b>647,097,000</b> | <b>517,814,652</b> |
| <b>Environment, Conservation and Parks</b>          | Nov 16, 2021  | 10,600,000         | 3,394,501          |
|                                                     | Nov 30, 2021  | 958,200            | 958,200            |
|                                                     | Nov 30, 2021  | 200,000            | —                  |
|                                                     | Jan 18, 2022  | 6,867,800          | 6,867,800          |
|                                                     | Mar 3, 2022   | 10,249,100         | 7,865,933          |
|                                                     |               | <b>28,875,100</b>  | <b>19,086,434</b>  |

| Ministry                         | Date of Order | Authorized (\$)      | Expended (\$)        |
|----------------------------------|---------------|----------------------|----------------------|
| Finance                          | Nov 16, 2021  | 135,000,000          | 119,675,458          |
|                                  | Dec 22, 2021  | 210,000,000          | —                    |
|                                  | Mar 22, 2022  | 18,665,100           | 11,161,778           |
|                                  | Jul 28, 2022  | 839,675,000          | 839,675,000          |
|                                  |               | <b>1,203,340,100</b> | <b>970,512,236</b>   |
|                                  |               |                      |                      |
| Francophone Affairs              | Dec 14, 2021  | 500,000              | 28,394               |
|                                  |               | <b>500,000</b>       | <b>28,394</b>        |
|                                  |               |                      |                      |
| Government and Consumer Services | Nov 16, 2021  | 6,599,700            | 6,599,700            |
|                                  | Nov 16, 2021  | 7,330,400            | 2,196,745            |
|                                  | Nov 16, 2021  | 152,000              | —                    |
|                                  | Nov 16, 2021  | 500,000              | 500,000              |
|                                  | Nov 16, 2021  | 1,814,900            | 1,814,900            |
|                                  | Nov 30, 2021  | 105,789,100          | 66,547,746           |
|                                  | Dec 14, 2021  | 3,533,800            | 3,533,800            |
|                                  | Dec 14, 2021  | 6,100,000            | 3,122,113            |
|                                  | Jan 11, 2022  | 6,877,800            | —                    |
|                                  | Feb 24, 2022  | 2,056,700            | —                    |
|                                  | Mar 3, 2022   | 3,022,900            | 3,022,900            |
|                                  | Mar 3, 2022   | 241,651,200          | 29,348,452           |
|                                  | Mar 3, 2022   | 1,768,100            | —                    |
|                                  | Mar 22, 2022  | 60,100               | —                    |
|                                  | Apr 5, 2022   | 226,500,000          | 200,572,374          |
|                                  |               | <b>613,756,700</b>   | <b>317,258,730</b>   |
|                                  |               |                      |                      |
| Health                           | Nov 16, 2021  | 4,500,000            | —                    |
|                                  | Nov 16, 2021  | 4,445,000            | 1,075,000            |
|                                  | Nov 16, 2021  | 96,600,000           | 71,111,431           |
|                                  | Dec 14, 2021  | 23,475,900           | 3,775,900            |
|                                  | Dec 14, 2021  | 72,570,000           | 69,070,000           |
|                                  | Dec 14, 2021  | 4,400,000            | 4,400,000            |
|                                  | Jan 26, 2022  | 7,212,400            | 7,212,400            |
|                                  | Feb 1, 2022   | 1,285,875,700        | 1,285,875,700        |
|                                  | Feb 1, 2022   | 12,500,000           | —                    |
|                                  | Feb 15, 2022  | 44,100               | 44,100               |
|                                  | Mar 3, 2022   | 385,988,000          | 286,309,063          |
|                                  | Mar 22, 2022  | 413,514,400          | 171,382,450          |
|                                  | Mar 22, 2022  | 46,780,200           | —                    |
|                                  | Apr 5, 2022   | 311,509,200          | —                    |
|                                  | Apr 14, 2022  | 257,000              | —                    |
|                                  | Jul 28, 2022  | 1,434,669,400        | 1,434,668,351        |
|                                  |               | <b>4,104,341,300</b> | <b>3,334,924,395</b> |

| Ministry                                        | Date of Order | Authorized (\$)    | Expended (\$)      |
|-------------------------------------------------|---------------|--------------------|--------------------|
| Heritage, Sport, Tourism and Culture Industries | Nov 16, 2021  | 32,900,000         | 32,900,000         |
|                                                 | Nov 16, 2021  | 30,000,000         | —                  |
|                                                 | Nov 16, 2021  | 12,000,000         | —                  |
|                                                 | Nov 30, 2021  | 48,500,000         | 48,311,570         |
|                                                 | Feb 1, 2022   | 30,000,000         | 26,056,588         |
|                                                 | Feb 15, 2022  | 175,112,500        | 175,112,436        |
|                                                 | Mar 3, 2022   | 1,500,000          | —                  |
|                                                 | Mar 3, 2022   | 7,051,400          | 3,214,263          |
|                                                 | Mar 3, 2022   | 324,900            | —                  |
|                                                 | Mar 22, 2022  | 6,000,000          | —                  |
|                                                 |               | <b>343,388,800</b> | <b>285,594,857</b> |
| Indigenous Affairs                              | Dec 14, 2021  | 4,000,000          | —                  |
|                                                 | Feb 15, 2022  | 20,617,600         | 20,319,599         |
|                                                 |               | <b>24,617,600</b>  | <b>20,319,599</b>  |
| Infrastructure                                  | Dec 14, 2021  | 200,000,000        | —                  |
|                                                 | Mar 3, 2022   | 19,809,000         | 18,600,677         |
|                                                 | Apr 27, 2022  | 255,000            | 39,994             |
|                                                 |               | <b>220,064,000</b> | <b>18,640,671</b>  |
| Labour, Training and Skills Development         | Nov 16, 2021  | 216,186,000        | 203,946,402        |
|                                                 | Nov 16, 2021  | 4,613,600          | 3,548,372          |
|                                                 | Nov 16, 2021  | 13,141,800         | 13,141,800         |
|                                                 | Dec 14, 2021  | 5,219,000          | 5,219,000          |
|                                                 | Dec 14, 2021  | 72,890,000         | 60,592,495         |
|                                                 | Feb 15, 2022  | 18,345,000         | 15,604,392         |
|                                                 | Feb 15, 2022  | 16,509,500         | —                  |
|                                                 | Mar 3, 2022   | 4,773,600          | 1,715,917          |
|                                                 | Mar 22, 2022  | 6,000,000          | —                  |
|                                                 |               | <b>357,678,500</b> | <b>303,768,378</b> |
| Long-Term Care                                  | Nov 16, 2021  | 21,369,000         | 21,369,000         |
|                                                 | Dec 14, 2021  | 14,945,000         | 14,945,000         |
|                                                 | Dec 14, 2021  | 107,600,000        | 107,600,000        |
|                                                 | Jan 18, 2022  | 269,285,700        | 269,285,700        |
|                                                 | Jan 18, 2022  | 1,395,700          | 1,336,163          |
|                                                 | Jan 20, 2022  | 164,200,000        | 23,937,971         |
|                                                 | Mar 31, 2022  | 112,800,000        | —                  |
|                                                 | Apr 5, 2022   | 56,847,500         | —                  |
|                                                 |               | <b>748,442,900</b> | <b>438,473,834</b> |

| Ministry                       | Date of Order | Authorized (\$)    | Expended (\$)      |
|--------------------------------|---------------|--------------------|--------------------|
| Municipal Affairs and Housing  | Nov 16, 2021  | 3,800,000          | 3,800,000          |
|                                | Nov 30, 2021  | 7,510,000          | 7,510,000          |
|                                | Dec 14, 2021  | 5,755,100          | 2,185,744          |
|                                | Mar 22, 2022  | 135,517,000        | 134,408,709        |
|                                | Apr 5, 2022   | 6,000,000          | 178,092            |
|                                |               | <b>158,582,100</b> | <b>148,082,545</b> |
| Natural Resources and Forestry | Nov 16, 2021  | 673,000            | 673,000            |
|                                | Nov 16, 2021  | 100,000,000        | 100,000,000        |
|                                | Mar 3, 2022   | 297,940,600        | 290,877,828        |
|                                | Mar 22, 2022  | 11,845,300         | 6,668,372          |
|                                | Apr 5, 2022   | 2,190,000          | —                  |
|                                |               | <b>412,648,900</b> | <b>398,219,200</b> |
| Seniors and Accessibility      | Nov 16, 2021  | 6,567,000          | 6,464,336          |
|                                | Dec 14, 2021  | 10,000,000         | 10,000,000         |
|                                | Dec 14, 2021  | 11,000,000         | 11,000,000         |
|                                | Feb 24, 2022  | 7,870,000          | 7,870,000          |
|                                | Apr 5, 2022   | 9,424,400          | 7,199,478          |
|                                |               | <b>44,861,400</b>  | <b>42,533,814</b>  |
| Solicitor General              | Nov 16, 2021  | 751,200            | 531,200            |
|                                | Nov 16, 2021  | 8,800,000          | —                  |
|                                | Dec 14, 2021  | 25,232,700         | 7,090,000          |
|                                | Dec 14, 2021  | 4,000,000          | 4,000,000          |
|                                | Dec 15, 2021  | 300,000            | —                  |
|                                | Dec 15, 2021  | 200,000            | —                  |
|                                | Feb 15, 2022  | 224,326,800        | 203,040,624        |
|                                | Mar 22, 2022  | 25,968,400         | 23,345,721         |
|                                | Mar 31, 2022  | 120,958,600        | 33,703             |
|                                | Apr 5, 2022   | 2,969,200          | —                  |
|                                | Apr 27, 2022  | 2,197,000          | —                  |
|                                |               | <b>415,703,900</b> | <b>238,041,248</b> |

| Ministry                    | Date of Order | Authorized (\$)       | Expended (\$)        |
|-----------------------------|---------------|-----------------------|----------------------|
| Transportation              | Nov 16, 2021  | 8,100,000             | 8,100,000            |
|                             | Nov 16, 2021  | 2,500,000             | 2,500,000            |
|                             | Nov 16, 2021  | 1,109,200             | 1,109,200            |
|                             | Nov 30, 2021  | 179,468,000           | 179,468,000          |
|                             | Dec 14, 2021  | 345,400,000           | 254,179,496          |
|                             | Feb 15, 2022  | 1,102,600             | —                    |
|                             | Mar 8, 2022   | 663,200,000           | 158,236,770          |
|                             | Mar 22, 2022  | 106,000               | —                    |
|                             | Apr 14, 2022  | 25,700,000            | 9,748,555            |
|                             |               | <b>1,226,685,800</b>  | <b>613,342,021</b>   |
| Treasury Board Secretariat  | Nov 16, 2021  | 29,672,300            | —                    |
|                             | Nov 16, 2021  | 7,000,000             | 7,000,000            |
|                             | Nov 16, 2021  | 1,179,400             | 1,179,400            |
|                             | Nov 16, 2021  | 5,666,700             | 5,666,700            |
|                             | Nov 30, 2021  | 469,707,200           | —                    |
|                             | Nov 30, 2021  | 3,302,200             | 2,117,215            |
|                             | Dec 14, 2021  | 6,600,000             | 2,493,535            |
|                             | Dec 14, 2021  | 80,000,000            | —                    |
|                             | Dec 14, 2021  | 385,000,000           | 241,513,065          |
|                             | Jan 11, 2022  | 250,400               | 250,400              |
|                             | Feb 15, 2022  | 1,901,131,000         | —                    |
|                             | Mar 3, 2022   | 21,955,700            | —                    |
|                             | Mar 8 2022    | 826,100               | 585,452              |
|                             | Mar 22, 2022  | 447,524,800           | —                    |
|                             | Mar 31, 2022  | 453,530,000           | —                    |
|                             |               | <b>3,813,345,800</b>  | <b>260,805,767</b>   |
| Total Treasury Board Orders |               | <b>16,016,361,600</b> | <b>8,639,367,151</b> |