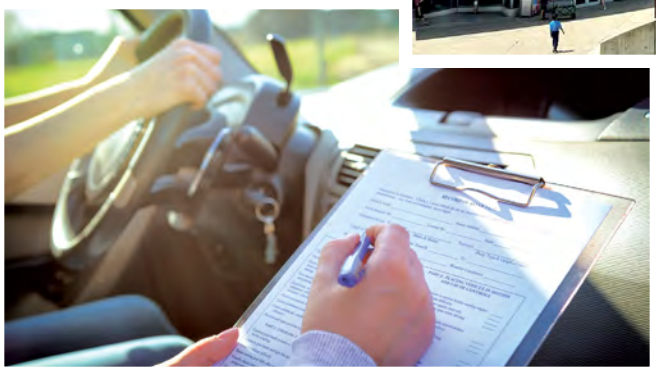
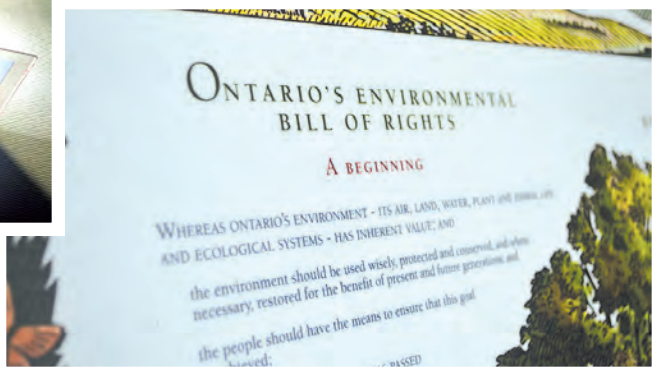
Office of the Auditor General of Ontario

Annual Report

2023









Office of the Auditor General of Ontario

To the Honourable Speaker of the Legislative Assembly

In my capacity as the Acting Auditor General, I am pleased to submit to you the *2023 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*.



Nick Stavropoulos, CPA, CA, LPA
Acting Auditor General

December 2023
Toronto, Ontario



Introduction

Nick Stavropoulos
Acting Auditor General of Ontario

Each year, the Office of the Auditor General of Ontario undertakes value-for-money audits to assess the economy, efficiency and effectiveness of public programs and services delivered by ministries, agencies and the broader public sector. Through this work we provide these entities and the Legislative Assembly with fact-based information along with practical recommendations for improvements. By reporting on our work to the Legislature, our Office contributes to collective efforts to continuously improve the public and broader public sectors while helping to hold organizations accountable for the programs and monies they manage.

In deciding which areas to audit each year, our Office takes a risk-based approach considering a number of factors, such as revenues or expenditures at stake, emerging risks, key issues affecting Ontarians, risks to public safety, and risks to achieving intended outcomes.

This year's Annual Report contains 12 value-for-money audits covering a wide range of public-sector activities. It also includes a report on the Public Accounts of Ontario, a report on how ministries are meeting their obligations under the *Environmental Bill of Rights, 1993*, and a review of government advertising. Additionally, the Annual Report contains our follow-up reviews on the implementation of the recommendations from a number of our previous audits, and our continuous follow-up work on audits completed in the years 2016 through 2020. We also followed up on the recommendations from five recent reports by the Standing Committee on Public Accounts.

Acknowledgements

It takes a great deal of hard work and effort to perform the research, audit, writing and administrative support work required to produce an Annual Report of this size and scope.

I extend my personal thanks to our senior management group and the rest of our professional and dedicated team, our excellent panel of external advisors, and the various subject-matter experts who shared with us their knowledge and advice during the past year.

I would also like to recognize the work of Bonnie Lysyk, Ontario's 13th Auditor General, who completed her 10-year term in September. I also thank Susan Klein, who served as Assistant Auditor General before she retired this past year after more than 34 years of service to this Office, and Chris Krishnamurthy for his eight years of service as Director of Finance, who also retired this year.

On behalf of our Office, I would also like to express my gratitude to the many people in the public sector, including the deputy ministers and their teams, and leaders of the agencies and broader-public-sector

organizations we audited, whose hard work and co-operation assisted us in the completion of this Annual Report.

Lastly, I want to thank the members of the Standing Committee on Public Accounts, an all-party committee of the Legislature, for their support and for their dedicated work in examining the way government spends taxpayer money and delivers programs for the benefit of all Ontarians.

We look forward to continuing to serve the Legislative Assembly and, through it, the citizens of Ontario.

Sincerely,



Nick Stavropoulos, CPA, CA, LPA
Acting Auditor General of Ontario

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 2022/23 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:

- 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 15, 2023. 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.
- Key audit matters were included in the Auditor General's Independent Auditor's Report for the first time for the year ended March 31, 2023. Key audit matters are items that, based on the auditor's professional judgment, are of the most significance to the audit of the financial statements, and are required to be included in the auditor's report for publicly listed entities.
- In 2022/23, the Province implemented the new asset retirement obligation public-sector accounting standard. The Province identified that this primarily relates to asbestos within buildings it owns. During the audit, we and the expert we engaged observed that asbestos data was not available for a high percentage of buildings. With the implementation of PS 3280, *Asset Retirement Obligations*, the Province is required to assess if an asset retirement obligation exists and a liability should be recognized. Therefore, the Province should know whether asbestos exists or potentially exists in the buildings it owns.
- In 2022/23, iGaming Ontario launched the new regulated market for Internet gaming in Ontario. iGaming Ontario entered into operating agreements with 46 operators working as agents on behalf of iGaming Ontario and the Province. In this report, we provide an update on the developments in Internet gaming in Ontario. Our Office conducted an audit of iGaming Ontario's 2022/23 financial statements where we issued an unqualified opinion.
- In response to the COVID-19 pandemic, the Province established a procurement process for personal protective equipment (PPE). As part of our audit of the Province's consolidated financial statements, we identified accounting

risks relating to the manual tracking and completeness of these supplies, as well as issues with expiration dates and inconsistent inventory accounting policies between the responsible ministries. As of March 31, 2023, the Province held a significant inventory of PPE at an inventory cost of $1.6 billion, and $400 million in PPE had been written off during the year.

- 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.

This chapter contains four recommendations, consisting of seven 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 ended March 31, 2023, 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 the 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, the Deputy Minister of Treasury Board Secretariat 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 the annual audit of these 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 2022/23 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, 2023. 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**—unaudited detailed schedules of ministry payments to vendors and transfer-payment recipients.

The Province also provides a website (**ontario.ca/page/financial-statements-government-organizations-and-business-enterprises-2022-23**) with links 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.

This year, the deadline for submission was September 27, 2023. The government released the Province's 2022/23 Annual Report and Consolidated Financial Statements, along with the two Public Accounts supplementary volumes, on September 27, 2023, meeting the legislated deadline.

The Auditor General's audit opinion, contained in the Independent Auditor's Report, on the Province's consolidated financial statements was unqualified for the sixth consecutive year. An unqualified opinion means that the consolidated financial statements are free from 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 2022/23 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, which 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 an opinion, our Office collects sufficient appropriate audit evidence and evaluates it to determine whether the consolidated 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 those of 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 completion 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 for 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, and 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 (for example, Public Sector Accounting Standards) used to prepare the financial statements;

- a basis for opinion paragraph that explains that the audit was conducted in accordance with Canadian generally accepted auditing standards;
- a section titled "Key Audit Matters" that describes the areas of most significance to the audit—refer to **Section 3.6** for further discussion;
- 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 (for example, it might highlight uncertainty relating to the future outcome of exceptional litigation); 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. (For example, it might explain that the financial statements of the prior period were audited by a predecessor auditor.)

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 financial statements contain one or more material misstatements or omissions.
- **Adverse opinion:** The financial 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 financial 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 (for example, 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 sixth 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, 2023, in all material respects.

3.6 Key Audit Matters

Key audit matters are items that, based on the auditor's professional judgment, are of the most significance to the audit of the financial statements. The inclusion of key audit matters in the auditor's reports is now required for all publicly listed entities for financial years ending on or after December 15, 2022. The Province is considered a listed entity, and therefore, the Auditor General reported key audit matters within the Independent Auditor's Report as part of the consolidated financial statements for the year ended 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; and
- circumstances that required a modification to the auditor's planned audit approach, including as a result of a significant deficiency in internal control.

We have historically communicated key audit matters arising from our audit of the Province's consolidated financial statements in this chapter of our annual report, and during the audit process we have communicated them to those charged with governance.

Key audit matters reported in the Independent Auditor's Report for the March 31, 2023 consolidated financial statements included the following:

- personal income tax;
- corporations tax;
- pension and other employee future benefits;
- contaminated sites liabilities;
- asset retirement obligations;
- contingent liabilities associated with the court decision relating to the *Protecting a Sustainable Public Sector for Future Generations Act, 2019*;
- iGaming Ontario; and
- financial instruments and foreign currency translation.

See **Appendix 1**, which reproduces the Independent Auditor's Report, for a description of each key audit matter and the audit work performed on each.

3.7 The 2022/23 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, 2023 is reproduced in **Appendix 1.**

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

We are required to report annually 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;
- 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 (Minister) 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 1 shows the reports that are subject to the financial penalty and public statement requirements.

Figure 2 shows that, as of November 15, 2023, the Premier and the Minister had 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 (**Appendix 2** describes the recovery plan). We provide additional commentary on the debt burden reduction strategy in **Section 10** 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.

In our follow-up report on the 2021 Public Accounts of the Province of Ontario in our *2023 Annual Report* (**Chapter 1, Section 1.01**), the Province indicated that it will not be implementing our recommendation relating to this issue and will continue to report on its debt burden reduction strategy as required by the *Fiscal Sustainability, Transparency and Accountability Act, 2019*. See **Section 10.6** in this report for more details.

Appendix 2 shows the requirements of the Act and whether they have been met by the documents issued by the Province in 2023.

5.0 Asset Retirement Obligations

5.1 Background

The Public Sector Accounting Board introduced a new accounting standard, PS 3280, *Asset Retirement Obligations* (PS 3280), which became effective for the Province on April 1, 2022. This standard provides guidance on reporting of liabilities arising from legal obligations associated with the retirement of tangible capital assets (for example, removal of asbestos in buildings, closure of landfill sites, and decommissioning of power-generating facilities). A legal obligation can result from agreements or contracts, legislation of another government, a government's own legislation, or a promise that imposes a reasonable expectation of performance upon the person or entity that has made the promise (that is, the legal doctrine of promissory estoppel). The Province has legal

Figure 1: Reports Subject to Financial Penalty and Public Statement Requirements by the Premier and Minister of Finance

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

Report	Deadline
Budget	Mar 31
First Quarter Finances	Aug 15
Mid-Year Review (Fall Economic Statement)	Nov 15
Third Quarter Finances	Feb 15
Long-Term Report	Two years following a general election
Quarterly Ontario Economic Accounts	Within 45 days after each of Statistics Canada's Quarterly National Income and Expenditure Accounts

Figure 2: Compliance with Financial Penalty and Public Statement Requirements between December 2022 and November 2023

Prepared by the Office of the Auditor General of Ontario

Report	Deadline	Date Available	Requirement Met
2022/23 Third Quarter Finances	Feb 15, 2023	Feb 15, 2023	Yes
2023 Budget	Mar 31, 2023	Mar 23, 2023	Yes
2023/24 First Quarter Finances	Aug 15, 2023	Aug 14, 2023	Yes
2023/24 Mid-Year Review (Fall Economic Statement)	Nov 15, 2023	Nov 2, 2023	Yes
Long-Term Report	Jun 2, 2024 (to be issued two years following a general election)	n/a	n/a
Quarterly Ontario Economic Accounts	Within 45 days after each of Statistics Canada's Quarterly National Income and Expenditure Accounts		
Q3 2022	Jan 13, 2023 (Statistics Canada release date: Nov 29, 2022)	Jan 12, 2023	Yes
Q4 2022	Apr 14, 2023 (Statistics Canada release date: Feb 28, 2023)	Apr 13, 2023	Yes
Q1 2023	Jul 14, 2022 (Statistics Canada release date: May 31, 2023)	Jul 13, 2023	Yes
Q2 2023	Oct 15, 2023 (Statistics Canada release date: Sep 1, 2023)	Oct 13, 2023	Yes

obligations to retire certain tangible capital assets. As of March 31, 2023, this liability was estimated to be $4.1 billion ($3.8 billion in 2022).

5.2 Asbestos in Buildings

During our annual audit of the Public Accounts for the year ended March 31, 2023, we identified that the largest portion of asset retirement obligations within the Province resulted from asbestos in buildings owned by the Province (86% as of March 31, 2023). Asbestos is the common name given to several fibrous minerals that can be used to make products strong, long-lasting and fire-resistant. Before 1990, asbestos was mainly used for insulating buildings and homes against cold weather and noise, and for fireproofing. However, breathing in asbestos fibres can cause health complications, including lung cancer. As a result, a regulation was put in place in 1985 (O. Reg. 654/85), which was later replaced in 2007 by Ontario Regulation 278/05 Designated Substance—Asbestos on Construction Projects and in Buildings and Repair Operations (O. Reg. 278/05). This is discussed further in **Section 5.2.1.**

In order to estimate its asset retirement obligations, the Province developed two cost-measurement models. Model 1 was developed for buildings with known quantities of asbestos requiring future abatement. Model 2 was developed for buildings with unknown asbestos quantities or no existing asbestos data. Model 2 relies on aggregated known asbestos data from Model 1 buildings and extrapolates average abatement costs based on building size, age and category. Where better information is not available, all ministries, as well as consolidated agencies and broader-public-sector entities (BPS) have used Model 1 and Model 2 to estimate the asset retirement obligations associated with their buildings. To assess the completeness and accuracy of the asset retirement obligation estimates, we independently engaged an environmental engineer to assist with the technical assessment of the models and the reasonability of the assumptions, inputs and rates used.

In addition, we performed tests of details on a sample of properties to assess the completeness and accuracy of the liability balance for asset retirement obligations included in the consolidated financial statements.

5.2.1 Ontario Regulation 278/05 Designated Substances

During the audit, we and the expert we engaged observed that asbestos data was not available for a high percentage of buildings. With the implementation of PS 3280, the Province is required to assess if an asset retirement obligation exists and a liability should be recognized. Therefore, the Province should know whether asbestos exists or potentially exists in the buildings it owns.

Under O. Reg. 278/05, if the owner of a building knows or ought reasonably to know that asbestos-containing material has been used in a building for any purpose related to the building, including insulation, fireproofing and ceiling tiles, the owner is required to prepare and keep on the premises a record containing this information, inspect the material mentioned in the record at regular intervals in order to determine its condition, and to update the record at least once every 12 months.

An example of one type of record commonly obtained is referred to as a management-level asbestos survey. These types of surveys differ from a pre-construction, pre-renovation or project-specific asbestos survey, as management-level surveys are generally non-destructive (that is, they require observation only) and are primarily intended to identify and characterize accessible asbestos that needs to be managed to prevent disturbance and, thus, occupant or worker exposure.

By design, Model 1 produces more precise and accurate estimates since it relies on asbestos survey data gathered for individual buildings. The lack of asbestos data for a large portion of buildings owned by the Province precludes the use of Model 1, and increases reliance on Model 2, which introduces more estimation uncertainty into the consolidated financial statements. Gathering additional asbestos data to increase the proportion of buildings using Model 1 would help make the asset retirement obligations estimate more precise and accurate.

5.2.2 Consistency of Information

As part of our audit, we tested supporting documents used as volume inputs into Model 1. Each building was categorized into one of four regions (Central [Greater Toronto Area], East, North and Southwest). We noted inconsistences between the different regions in reporting information on the types of building materials that contained asbestos. For example, buildings in the North, Central and Southwest regions did not consistently include estimates for exterior building materials. These inconsistencies in data reduce the comparability of buildings in different regions, which can skew the asset retirement obligation estimate if a ministry has buildings concentrated in one particular region.

RECOMMENDATION 1

To increase the precision and accuracy of the Province's asset retirement obligation estimate, we recommend that the Office of the Provincial Controller Division work with the affected ministries to:

- develop standardized information requirements that must be present in the records (for example, management-level asbestos surveys), that would contain the required information in order to use Model 1; and
- collect and maintain these records for all provincially owned buildings with known or suspected asbestos within a reasonable time frame not exceeding five years.

OFFICE OF THE PROVINCIAL CONTROLLER DIVISION RESPONSE

The Office of the Provincial Controller Division agrees with the recommendation of the Auditor General and will work with impacted ministries and Infrastructure Ontario to:

- increase the consistency and functionality of asbestos records (including management-level

asbestos surveys) to improve their use in financial reporting, while maintaining their primary purpose within the Province's Asbestos Management Program; and
- identify all provincially owned buildings that have known or suspected asbestos that creates financially material asset retirement obligations, in order to estimate the related liability using Model 1.

6.0 Financial Instruments

The Province adopted the following new Canadian Public Sector Accounting Standards (PSAS) in its consolidated financial statements for the year ended March 31, 2023:

- PS 1201, *Financial Statement Presentation*;
- PS 2601, *Foreign Currency Translation*; and
- PS 3450, *Financial Instruments*.

These new accounting standards established standards on the recognition, measurement and disclosure of financial instruments and the presentation of associated gains and losses in the Province's consolidated financial statements.

Figure 3 shows a summary of the financial statement impact of adopting these standards on the Province's 2022/23 consolidated financial statements.

6.1 Financial Statement Presentation

PS 1201, *Financial Statement Presentation*, introduces a new statement called the statement of remeasurement gains and losses, which reports the changes in the values of financial assets and financial liabilities arising from their remeasurement at their current exchange rates and/or fair values (referred to as "remeasurement gains or losses").

The statement of remeasurement gains and losses presents a reconciliation of the following items:

- the accumulated remeasurement gains and losses at the beginning of the period;
- remeasurement gains and losses during the period, distinguishing between:
  (1) amounts arising during the period; and
  (2) amounts reclassified during the period to the statement of operations;

Figure 3: Financial Statement Impact of the Adoption of PS 3450, PS 2601 and PS 1201 ($ billion)

Source of data: Province of Ontario Consolidated Financial Statements, 2022/23

Description of Adjustment	Opening Accumulated Operating Surplus (Deficit)	Opening Remeasurement Gains and (Losses)	Opening Net Assets (Debt) as of April 1, 2022
Reclassification of other comprehensive income from government business enterprises	(3.5)	3.5	–
Foreign currency denominated debt with PS 2601.19A election	1.3	–	1.3
Foreign currency denominated debt without PS 2601.19A election	–	2.0	2.0
Recognition of derivative assets at fair value	–	2.6	2.6
Recognition of derivative liabilities at fair value	(1.3)	(6.1)	(7.4)
Derecognition of unamortized gains relating to derivatives past their settlement or expiration date	0.1	–	0.1
Total	**(3.4)**	**2.0**	**(1.4)**

- any other comprehensive income that arises when a government includes the results of government business enterprises (GBEs) and business partnerships in its consolidated financial statements; and
- the accumulated remeasurement gains and losses at the end of the period.

As of March 31, 2023, the Province's consolidated statement of remeasurement gains and losses included amounts pertaining to certain portfolio investments, derivative assets and liabilities, foreign currency transactions, other comprehensive income relating to GBEs, and the Ontario Nuclear Funds.

The Province previously recorded other comprehensive income or losses from GBEs directly to its consolidated statement of accumulated deficit. Under PS 1201, the Province is required to record other comprehensive income from GBEs in its consolidated statement of remeasurement gains and losses. As a result, on April 1, 2022, the Province reclassified $3.5 billion in gains from the opening accumulated deficit to the opening balance of remeasurement gains and losses.

6.2 Foreign Currency Translation

Effective April 1, 2022, the Province adopted PS 2601, *Foreign Currency Translation*, which establishes the standards on how to account for and report transactions that are denominated in a foreign currency in government financial statements. In accordance with the transitional provisions, the Province adopted PS 2601 prospectively from the date of adoption and did not restate its 2021/22 comparative figures.

The Province's foreign currency transactions primarily consist of debt denominated in foreign currencies and derivatives, such as forward foreign exchange contracts and currency swaps. Changes in the foreign exchange rate between the transaction date and the Province's fiscal year-end give rise to exchange gains and losses that must be accounted for in the consolidated financial statements. Previously, the Province recognized all exchange gains and losses that arose prior to settlement in its consolidated statement of operations.

Under the new standard, the Province must recognize exchange gains and losses that arise prior to settlement in its consolidated statement of remeasurement gains and losses, unless the Province makes a specific election. Under paragraph PS 2601.19A, the Province may make an irrevocable election at the initial recognition of a financial instrument to recognize exchange gains and losses in its consolidated statement of operations. This election may only be made on an instrument-by-instrument basis.

On April 1, 2022, the Province used the election under paragraph PS 2601.19A for economically hedged groups of financial instruments where the underlying item is hedged by a series of shorter-term derivatives. This resulted in a $1.3 billion gain to the Province's opening accumulated operating deficit relating to unrealized exchange gains or losses that were previously deferred and amortized. For all other financial instruments where the election was not taken, the Province recorded $2 billion in gains to the opening balance of remeasurement gains and losses.

6.3 Financial Instruments

Effective April 1, 2022, the Province adopted PS 3450, *Financial Instruments*, which establishes the standards on how to account for and report financial instruments. In accordance with the transitional provisions, the Province adopted PS 3450 prospectively from the date of adoption and did not restate its 2021/22 comparative figures.

The Province's financial instruments include accounts receivables and payables, loans receivable, portfolio investments, debt, and derivatives such as currency swaps and foreign-exchange forward contracts. Under the new standard, the Province must record all financial instruments using one of two measurement categories: (1) fair value or (2) cost or amortized cost.

6.3.1 Fair Value Category

PS 3450 requires the Province to record equity instruments that are quoted in an active market, such as publicly traded shares of a private-sector corporation, and derivative assets and liabilities, at their fair value.

Except for the exchange gain or loss component of the change in fair value when the paragraph PS 2601.19A election is made, changes in the fair value of these financial instruments are recorded annually as remeasurement gains or losses in the Province's consolidated statement of remeasurement gains and losses. Accumulated remeasurement gains or losses are reversed from the consolidated statement of remeasurement gains and losses and reclassified to the consolidated statement of operations upon derecognition of these instruments.

The Province typically enters into derivative contracts as a tool to manage economic risks (for example, changes in interest rates or foreign exchange rates) related to its debt issuances. Previously, the Province did not recognize unrealized gains or losses for derivatives in its consolidated statement of financial position. In essence, derivatives were recorded at a carrying amount of nil, but their fair values were disclosed in the notes to the consolidated financial statements. Upon settlement or expiration of derivatives, the Province deferred and amortized the gains or losses on the derivatives over the remaining life of the debt issuance for which an economic risk was being managed.

On April 1, 2022, the Province recognized derivative assets of $2.6 billion, which was recorded as a gain to the opening balance of remeasurement gains and losses. The Province also recorded derivative liabilities of $7.4 billion, of which $6.1 billion was recorded as a loss to the opening balance of remeasurement gains and losses and $1.3 billion was recorded as a loss to the opening accumulated operating deficit where the Province made the election under PS 2601.19A. Lastly, the Province recorded a $0.1 billion gain to the opening accumulated operating deficit for unamortized gains or losses relating to derivative transactions past their settlement or expiration date.

6.3.2 Cost or Amortized Cost Category

Under PS 3450, financial instruments that are not recorded at fair value are instead recorded at cost or amortized cost. For example, the Province's debt is measured at amortized cost. The definition of amortized cost under PS 3450 requires the Province to use the effective interest rate method to amortize the difference between the initial amount and the maturity amount (commonly referred to as premiums or discounts) and to record interest expense. Previously, the Province used the straight-line method to amortize premiums or discounts and to record interest expense on its debt. This change did not result in a financial statement impact on the date of adoption (April 1, 2022) due to the prospective adoption of PS 3450.

7.0 iGaming Ontario

7.1 Background

In April 2019, the government of Ontario announced plans to establish a new market for Internet gambling (Internet gaming). The new model involves private gaming operators (operators) participating in a regulated market where they operate Internet gaming websites on behalf of iGaming Ontario, a newly created provincial agency.

iGaming Ontario is a board-governed agency that was established on July 6, 2021 as a legal subsidiary of the Alcohol and Gaming Commission of Ontario (AGCO). The AGCO is a regulatory board-governed agency of the Province of Ontario that reports to the Ministry of the Attorney General, and is responsible for regulating Internet gaming in Ontario. The AGCO is also responsible for overseeing iGaming Ontario's conduct and management of Internet gaming.

Under Ontario Regulation 722/21: Lottery Subsidiary—iGaming Ontario, iGaming Ontario's principal objects are to:

- develop, undertake and organize prescribed online lottery schemes;

- promote responsible online gaming; and
- conduct and manage prescribed online lottery schemes in accordance with the *Criminal Code of Canada and the Gaming Control Act, 1992*.

7.2 Relationship between iGaming Ontario and Operators

iGaming Ontario's business model involves offering Internet games through a network of operators who provide their games to players in Ontario. To participate in Ontario's new Internet gaming market, each operator must register with the AGCO and execute an operating agreement with iGaming Ontario.

Under the operating agreement, iGaming Ontario appoints each operator as its agent solely to operate websites that offer, on behalf of iGaming Ontario, Internet games to players in Ontario. Operators' key responsibilities as agents for iGaming Ontario include:

- accepting wagers on Internet games offered on their websites;
- paying all winnings to players; and
- remitting all wagers less winnings to iGaming Ontario.

iGaming Ontario's gaming revenue comprises wagers less winnings and eligible deductions. Eligible deductions are amounts claimed by operators for cashable payments to players derived from wagering promotional play funds (such as free bets or bonuses) up to a limit specified by iGaming Ontario. iGaming Ontario pays an amount equal to 80% of the gaming revenue it earns to each operator as compensation for operating its websites and offering Internet games to players in Ontario.

7.3 Launch of the New Market for Internet Gaming and iGaming Ontario's 2022/23 Financial Results

On April 4, 2022, iGaming Ontario launched the new market for Internet gaming in Ontario. On this date, 12 operators began offering Internet games on their websites to players in Ontario. **Figure 4** summarizes the major categories of gaming products offered by iGaming Ontario's operators.

For the fiscal year ended March 31, 2023, iGaming Ontario had executed operating agreements with 46 operators. In its first year of market operations, iGaming Ontario earned gaming revenues of $1.3 billion, which is composed of $35.6 billion in wagers collected by operators from players, less $34.3 billion in winnings paid to players and eligible deductions. Refer to **Figure 5** for a breakdown of iGaming Ontario's gaming revenue by major gaming product category for the 2022/23 fiscal year.

iGaming Ontario's most significant expense was payments to operators of $1 billion, which is deducted from gaming revenue in iGaming Ontario's 2022/23 financial statements to arrive at net gaming

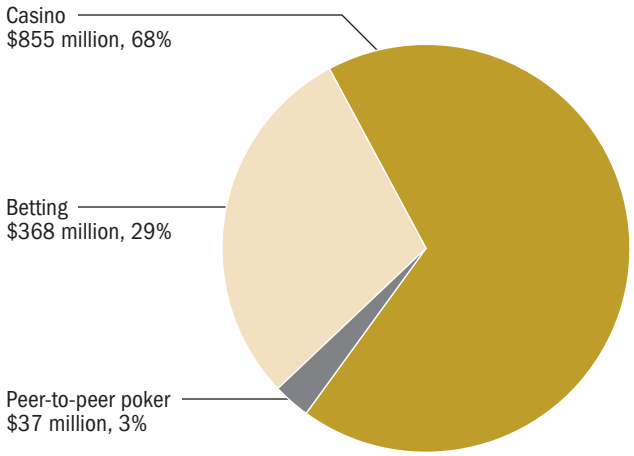
Figure 4: Major Categories of Gaming Products Offered by iGaming Ontario's Operators

Source of data: iGaming Ontario 2022/23 audited financial statements

Gaming Product	Description
Casino	Slots, live and computer-based table games, and peer-to-peer bingo
Betting	Betting on sports and esports, as well as proposition and novelty bets
Peer-to-peer poker	Cash games and tournaments where players play against each other

Figure 5: Breakdown of iGaming Ontario's Gaming Revenue by Category, 2022/23

Source of data: iGaming Ontario March 31, 2023 audited financial statements



revenues of $240 million. iGaming Ontario's other expenses totalled $149 million—most of which relates to GST/HST expenses ($134 million). As shown in **Figure 6**, iGaming Ontario's net income in 2022/23 was $96 million, which is about 8% of iGaming Ontario's gaming revenue.

On April 5, 2023, iGaming Ontario was directed by the Ministry of Finance and the Ministry of Indigenous Affairs to make monthly revenue-sharing payments to the Ontario First Nations Limited Partnership (OFNLP). The first monthly payment of $1.4 million was made in April 2023, and payments will continue to be made monthly until March 31, 2024, unless agreed to otherwise by iGaming Ontario and the OFNLP. At the time of our audit, iGaming Ontario, the Ministry of Finance and the Ministry of the Attorney General were in discussions with the OFNLP to negotiate a separate revenue-sharing agreement with respect to iGaming Ontario's gaming revenues.

7.4 Audit of iGaming Ontario's 2022/23 Financial Statements

Our Office completed an audit of iGaming Ontario's fiscal 2022/23 financial statements in August 2023. During the audit, we initially encountered challenges in obtaining timely information and co-ordinating with operators' auditors to audit the gaming revenues remitted to iGaming Ontario and reported in its financial statements.

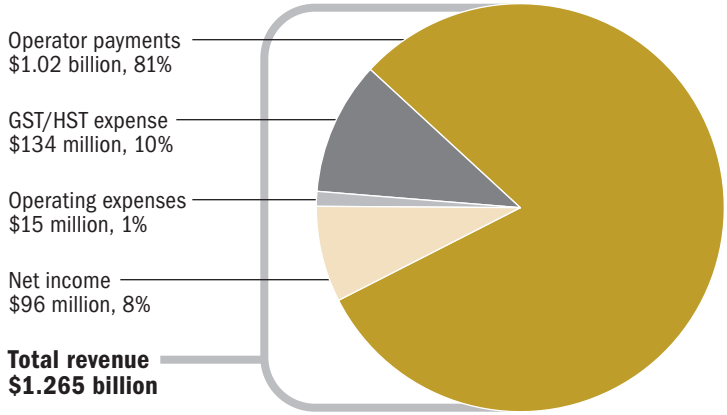
As the principal in wagering transactions with players, iGaming Ontario relies on operators to report the gross amounts of wagers collected by each operator from players less player winnings and eligible deductions. Under their operating agreements, operators are required to submit this financial information to iGaming Ontario in the form of schedules audited by an external auditor. Given that the financial information in these audited schedules forms part of iGaming Ontario's financial statements, it is critical that our Office be able to rely on the audit evidence obtained by operators' auditors for the purposes of our audit.

Our audit expended significant time and resources to co-ordinate with 46 operator auditors located in 10 international jurisdictions. While some operators are physically located in Canada, the majority of operators are headquartered outside of Canada in nine different international jurisdictions.

We ultimately received the financial information required from operators and their auditors and issued an unqualified opinion on iGaming Ontario's 2022/23 financial statements. Our independent auditor's report included an emphasis of matter paragraph to draw users' attention to the Mohawk Council of Kahnawa:ke's notice of application, which challenges the legality of Ontario's Internet gaming framework. This matter is also included in note 11a (Contingent Liabilities) to the Province's 2022/23 consolidated financial statements and is incorporated by reference in the key audit matter on iGaming Ontario.

Figure 6: Distribution of iGaming Ontario's Revenue, 2022/23

Source of data: iGaming Ontario March 31, 2023 audited financial statements



Note: Total revenue of $1.265 billion comprises $1.26 billion in gaming revenue and $5 million in interest income earned on bank account balances.

iGaming Ontario's management is in the process of enhancing their procedures to obtain timely audited financial information from their operators. We will work with iGaming Ontario's management and the operators' auditors to ensure that the public receives transparent and timely information on iGaming Ontario's audited financial results.

8.0 Personal Protective Equipment Inventory

The Province procured additional personal protective equipment (PPE) in response to the COVID-19 pandemic. PPE includes medical equipment, masks, face shields, face coverings, gloves, ventilators, beds, swabs, protective gowns, cleaning supplies and other equipment. This PPE was either procured by the Province or received from the federal government. The government of Ontario assigned the responsibility of purchasing PPE for the Province to the Ministry of Health and the Ministry of Public and Business Service Delivery. The Province recorded $1.56 billion of PPE as an asset in its consolidated financial statements for the year ended March 31, 2023.

A significant amount of time and effort was spent by the ministries to quantify and value the PPE to ensure that the PPE was recorded properly, and by our Office to audit the balances for the fiscal year ended March 31, 2023.

As in prior years, we identified accounting risks over the tracking and completeness of these supplies. The Province has been tracking the purchases of provincial PPE for accounting purposes through manual spreadsheets, a process that is prone to human error and can result in inaccuracies.

During our audit work, we found that the reports used to track PPE were not able to differentiate the transfer of PPE between warehouses from the inbound shipments of newly acquired PPE into the system, which could result in inaccuracies in recording quantities of PPE held during the year. Furthermore, we also found that the report of outbound shipments did not agree with other PPE reports provided to us. This weakness in internal controls over the transfer of products between warehouses leaves the Province susceptible to inventory theft that could be difficult to detect. Nevertheless, we found that the amounts recorded as of the fiscal year end were accurate, as a result of the Province's performance of inventory counts.

To address these risks, we separately tested opening inventory, purchases and valuation of ending inventory. We also reconciled quantities from the warehouses to provincial records and performed inventory counts at a sample of locations that stored PPE.

Although quantities were generally accurate, we identified significant variances in expiration dates between the warehouse inventory lists and the PPE that was in storage. For example, inventory expiration dates for many of the samples tested did not match the expiration dates on the actual product. This was primarily driven by inventory standard procedures adopted by warehouse operators managing the Ministry of Health PPE:

- The date the PPE was received was used as a proxy for the manufacturing date, and five years were added to establish the expiration date if an expiration date was not present on the PPE. This procedure was primarily performed during the initial months of the COVID-19 pandemic when a significant amount of PPE was being purchased or received from the federal government. During our inventory counts, we noted that five years were not added consistently; sometimes only three or four years were added.
- If an item received in multiple boxes had a range of expiry dates, then the latest date was chosen for the warehouse inventory record, increasing the risk of shipping out expired items.

As well, the expiry dates for some products were extended.

Finally, we found multiple instances of manual input errors where the expiration dates had been incorrectly input in the warehouse inventory system.

We also noted several inconsistences between ministries' recognition and accounting of PPE and their operational policies. For example, the Ministry

of Health recorded items such as thermometers as expenses, whereas the Ministry of Public and Business Service Delivery recorded them as inventory assets. We also identified that the Ministry of Public and Business Service Delivery considered PPE expired 90 days before its actual expiration dates and removed it from active inventory, while the Ministry of Health chose 15 to 30 days as its standard. This could result in the same type of PPE with the identical expiry date being recorded as expired by one ministry but designated as active inventory by the other ministry.

We noted that $400 million worth of PPE was written off during 2022/23 due to expiration, obsolescence and damage. This represents an increase of over 500% when compared to the prior year. As we recommended in our *2022 Annual Report*, given that the Province holds a significant amount of PPE, it would be prudent to establish a process through which the inventory is actively monitored and distributed to key stakeholders in need, such as hospitals, prior to its expiration date.

RECOMMENDATION 2

Given the value of PPE inventory maintained by the Province, we recommend that the Ministry of Health, the Ministry of Public and Business Service Delivery and Treasury Board Secretariat implement an appropriate integrated perpetual inventory control system for PPE that integrates the Ministry of Health's and Ministry of Public and Business Service Delivery's warehouse inventories of PPE in quantity and value.

RECOMMENDATION 3

Pending the implementation of an integrated perpetual inventory control system for the Province's PPE supply, in the interim, we recommend that the Office of the Provincial Controller Division work with the Ministry of Health, and the Ministry of Public and Business Service Delivery, and Treasury Board Secretariat to put into effect an inventory system that, at a minimum:

- tracks both the quantity and value of inventory held and transferred;
- reconciles inbound and outbound inventory transfers between warehouses for both quantities and inventory costs; and
- is operated by warehouse and bookkeeping staff for the Ministry of Health and the Ministry of Public and Business Service Delivery that are trained to adequately use and reconcile the system.

RECOMMENDATION 4

We recommend that the Ministry of Health and the Ministry of Public and Business Service Delivery implement consistent inventory policies between the two ministries on expiry dates, frequency of inventory counts and naming conventions for PPE products held and that move between the ministries.

MINISTRY OF HEALTH, MINISTRY OF PUBLIC AND BUSINESS SERVICE DELIVERY, TREASURY BOARD SECRETARIAT, AND OFFICE OF THE PROVINCIAL CONTROLLER DIVISION RESPONSE TO THE RECOMMENDATIONS

The Ministries of Health, Public and Business Service Delivery, and Treasury Board Secretariat agree with the Auditor General's recommendations for the Province to implement and maintain sustainable systems, standards and adequate internal controls over the provincial Personal Protective Equipment (PPE) and Critical Supplies and Equipment (CSE) inventory. The government has established Supply Ontario as the Province's supply chain agency, and its accountability includes the ongoing management of Ontario's PPE/CSE stockpile. To date, significant progress to transition this function from the Ministry of Public and Business Service Delivery and the Ministry of Health to the agency has been made, with the transfer of Supply Chain Ontario from the Ministry of Public

and Business Service Delivery to Supply Ontario on July 31, 2023. This included the management and oversight of the PPE/CSE program. Effective April 1, 2024, financial reporting and accounting for the operating asset and expenses for the provincial PPE/CSE inventory will be transferred to Supply Ontario. At that point, the inventory will no longer be segregated, and accordingly it will be reported on a consolidated basis. Supply Ontario will continue to build capabilities and systems to support accounting and reporting for the Province's stockpile.

9.0 Entities That Were 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. In the past fiscal year ended March 31, 2023, the following entities were to be consolidated by the Province and reported as part of the Public Accounts.

9.1 Non-Indigenous Children's Aid Societies

As reported in our *2022 Annual Report* (and in prior years), we found that the non-Indigenous Children's Aid Societies were controlled by the government, and recommended that their financial results be consolidated into the Public Accounts. The Ministry of Children, Community and Social Services concluded that Children's Aid Societies were controlled by the Province, except for the Indigenous Societies. The Office of the Provincial Controller Division agreed with that conclusion. The Ministry of Children, Community and Social Services consolidated the 37 non-Indigenous Societies, and their financial information was included in the Public Accounts as of March 31, 2023. Approximately $80 million in net assets and $77 million in annual surplus were added to the Province's consolidated statement of financial position and consolidated statement of operations, respectively.

9.2 Ontario School Boards' Insurance Exchange (OSBIE)

In our *2022 Annual Report*, we highlighted the anticipated consolidation of the Ontario School Board Insurance Exchange (OSBIE) into the Province's 2022/23 consolidated financial statements. This overall consolidation of OSBIE was agreed to by the Ministry of Education, Office of the Provincial Controller Division, Ministry of Finance, and in turn the Comptroller General and the President of the Treasury Board, the Deputy Minister and the Minister of Finance.

During our audit work, we found that OSBIE's financial results have not yet been consolidated into the Province's 2022/23 consolidated financial statements. In our follow-up report on the 2021 Financial Reporting of School Boards in Ontario in our *2023 Annual Report* (**Chapter 1**, **Section 1.06**), we noted that the financial information to enable the consolidation of OSBIE by school boards—and ultimately the Province—is not yet available. The Ministry of Education is working with OSBIE to supply the financial information for school boards to proportionately consolidate their share of OSBIE's results as part of their 2023/24 fiscal year financial statements, which will be reported in the consolidated financial statements of the Province for the year ending March 31, 2025.

The consolidation of OSBIE will add approximately $112 million of net assets to the consolidated statement of financial position of the Province, based on OSBIE's 2022 audited financial statements.

9.3 Motor Vehicle Accident Claims Fund

The Motor Vehicle Accident Claims Fund (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. The MVACF provides compensation for eligible losses resulting from automobile accidents involving uninsured or unidentified drivers when no insurance coverage is available. In the past, the Province had not consolidated the MVACF, but had reported the MVACF as a trust under administration in the notes to the consolidated financial statements. Our Office performed an independent analysis and determined that the MVACF is a government component (that is, 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. In 2022/23, the MVACF was consolidated into the Ministry of Public and Business Services Delivery.

10.0 Ontario's Debt Burden

We have consistently commented in previous Annual Reports on Ontario's growing debt burden, attributable to Ontario's large 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 2022/23.

We noted that the Province has relied on historically low interest rates to keep its debt-servicing costs relatively stable, but the debt itself, measured as net debt, continues to grow each year to $449.3 billion by 2025/26, as illustrated in **Figure 7**. Total debt is expected to increase from $421.8 billion to $431 billion in 2023/24 and then decrease to $426 billion in 2024/25 and $426.3 billion in 2025/26. The Province projects that the accumulated deficit will also increase over the short term. The three measures of debt are defined as follows:

- *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.
- *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.

10.1 Debt Issuances

As part of the Province's borrowing program, it issues debt in both domestic and international markets. Debt issued in the domestic market comprises Canadian dollar medium-term notes (including Canadian dollar Green Bonds) and treasury bills. International issuances include US dollar bonds, US commercial paper, euro medium-term notes in various currencies, 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

Figure 7: Total Debt, Net Debt and Accumulated Deficit, 2016/17–2025/26 ($ million)

Source of data: Province of Ontario March 31, 2023 Consolidated Financial Statements, 2023 Ontario Economic Outlook and Fiscal Review, and Ministry of Finance

	Actual							Estimated		
	2016/17	2017/18[1]	2018/19[1]	2019/20[1]	2020/21[1]	2021/22[2]	2022/23[2]	2023/24[3,4]	2024/25[3,4,5,6]	2025/26[3,4,5,6]
Total debt	325,128	337,411	354,264	372,790	405,012	425,863	421,799	430,972	425,924	426,267
Net debt	314,077	323,068	337,623	352,382	372,501	382,842	400,484	416,079	435,672	449,289
Accumulated deficit	205,939	208,257	215,770	224,814	238,231	238,160	246,804	252,416	257,763	257,269

1. Net debt and accumulated deficit for the 2017/18 to 2020/21 fiscal years were recast in the 2023 Ontario Economic Outlook and Fiscal Review to reflect the consolidation of the Pension Benefits Guarantee Fund.
2. March 31, 2023 Province of Ontario Consolidated Financial Statements. Total debt, net debt and accumulated deficit were restated due to the implementation of PS 3280 *Asset Retirement Obligations*.
3. Net debt and accumulated deficit include the reserve, as reported in the 2023 Ontario Economic Outlook and Fiscal Review.
4. Estimate of total debt is based on the total debt reported in the 2023 Ontario Budget, adjusted for the change in the funding requirement reported in the 2023 Ontario Economic Outlook and Fiscal Review compared to the 2023 Ontario Budget.
5. Total debt assumes a reduction of the same amount of holdings of Ontario bonds and treasury bills as 2022/23.
6. Total debt assumes the same amount of net unamortized discounts and premiums as 2022/23.

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 bond issuance programs, such as new US shelf registration statements, which are filed by the Province periodically, the annual euro medium-term note program offering circular, and any new offering documents that include or incorporate by reference the Independent Auditor's Report.

10.2 Main Contributors to the Increase in Net Debt

The Province's net debt has been growing over many years. This growth is attributable to its annual operating deficits, 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 8.**

Based on the 2023 budget, the Province projects deficits to continue until 2023/24 and return to a surplus in 2024/25. In the 2023 Fall Economic Statement, the Province revised the projected surplus/deficit for the medium term, from a deficit of $1.3 billion to $5.6 billion for 2023/24, a surplus of $0.2 billion to a deficit of $5.3 billion for 2024/25, and a surplus of $4.4 billion to $0.5 billion for 2025/26. When deficits are sustained over time, the government will need to borrow more money in order to finance its operations, which increases the net debt.

Based on the 2023 budget, the Province projects net debt to continue increasing in the medium term to 2025/26. Compared to the 2023 budget, the 2023 Fall Economic Statement revised the projected net debt, increasing the net debt by $9.7 billion to $416.1 billion for 2023/24, by $15.3 billion to $435.7 billion for 2024/25, and by $19.4 billion to $449.3 billion in 2025/26.

In the 2023 Fall Economic Statement, the Province presents three alternative economic growth scenarios, which have been revised from the amounts initially reported in the 2023 budget, that could impact the amount of long-term debt borrowing required. We have used these alternative scenarios for the projections in **Figures 9**, and **11–13**. Under the planning projection, the Province estimates it will need to borrow $37 billion and will have an annual surplus of $0.5 billion by 2025/26. Under the faster growth

Figure 8: Net Debt Growth Factors, 2016/17–2025/26 ($ million)

Source of data: Province of Ontario March 31, 2023 Consolidated Financial Statements, 2023 Ontario Economic Outlook and Fiscal Review, and Ministry of Finance

	Restated Net Debt Beginning of Year[1]	Deficit/ (Surplus)[1]	Net Investment in Tangible Capital Assets[2]	Miscellaneous Adjustments[1,3]	Restated Net Debt End of Year[1]	Increase/ (Decrease)
Actual						
2016/17	306,357	2,435	4,752	533	314,077	7,720
2017/18	314,077	3,679	6,584	(1,272)	323,068	8,991
2018/19	323,068	7,328	7,000	227	337,623	14,555
2019/20	337,623	8,595	5,592	572	352,382	14,759
2020/21	352,382	16,290	6,366	(2,537)	372,501	20,119
2021/22[4]	376,042	(2,025)	7,587	1,238	382,842	6,800
2022/23[4]	384,176	5,863	8,780	1,665	400,484	16,308
Estimated						
2023/24[5]	400,484	5,612	9,983	–	416,079	15,595
2024/25[5]	416,079	5,347	14,246	–	435,672	19,593
2025/26[5]	435,672	(494)	14,111	–	449,289	13,617
Total over 10 years	**n/a**	**52,630**	**85,001**	**426**	**n/a**	**138,057**

1. Restated for the net pension assets and the Fair Hydro Plan for 2016/17 to 2017/18 and for the consolidation of the Pension Benefits Guarantee Fund for 2017/18 to 2020/21, and adjustment to opening net debt for receivables of corporations tax and other revenue adjustments in 2019/20.
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 2016/17 to 2022/23.
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. Restated due to the implementation of PS 3280 *Asset Retirement Obligations*.
5. Net debt and deficit/(surplus) includes the reserve, as reported in the 2023 Ontario Budget.

scenario, it will require $27 billion in long-term borrowings ($10 billion less than the planning projection) and will incur an annual surplus of $10.5 billion by 2025/26. Under the slower growth scenario, it will require $45.8 billion in long-term borrowings ($8.8 billion more than the planning projection) and will incur an annual deficit of $8.3 billion by 2025/26.

In the last 10 years, Ontario's net debt has increased by 54.1%, from $260 billion at the end of 2012/13 to $400.5 billion at the end of 2022/23. It is expected to increase by an additional $48.8 billion, or 12.2%, in the next three years, resulting in an overall increase of 72.8%. It is estimated that the net debt will be $449.3 billion by 2025/26.

To put this in perspective, the amount of net debt owed by each resident of Ontario on behalf of the government will have increased from about $19,413 per person at the beginning of 2013/14 to about $27,168 per person in 2025/26. In other words, it would cost every Ontarian $27,168 to eliminate the Province's net debt in 2025/26. As of March 31, 2023, the amount of net debt owed by each resident of Ontario was $26,195.

10.3 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 9 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% in 2020/21, and decreased to 38.3% in 2022/23 as a result of strong economic growth and tax revenues. In the 2023 Fall Economic Statement, the Province projects Ontario's net debt will increase by $48.8 billion over the next three years and the net-debt-to-GDP ratio will increase to 38.7%. Compared to the projections in the 2023 budget, which projected it to reach 36.9% by 2025/26, the revised net-debt-to-GDP ratio is expected to remain fairly constant over the next three years at an average of approximately 38.7%.

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 10 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 2021/22 and 2022/23 fiscal years. For the year ended March 31, 2023, Ontario had one of the highest net-debt-to-GDP ratios compared to other Canadian jurisdictions that had issued their financial information. The latest 2022/23 financial information for Quebec was not yet available as at November 15, 2023.

10.4 Other Measures Used to Assess Government Debt Levels

10.4.1 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

Figure 9: Ratio of Net Debt to Gross Domestic Product (GDP), 2006/07–2025/26

Source of data: Province of Ontario March 31, 2023 Consolidated Financial Statements, 2023 Ontario Budget, 2023 Ontario Economic Outlook and Fiscal Review

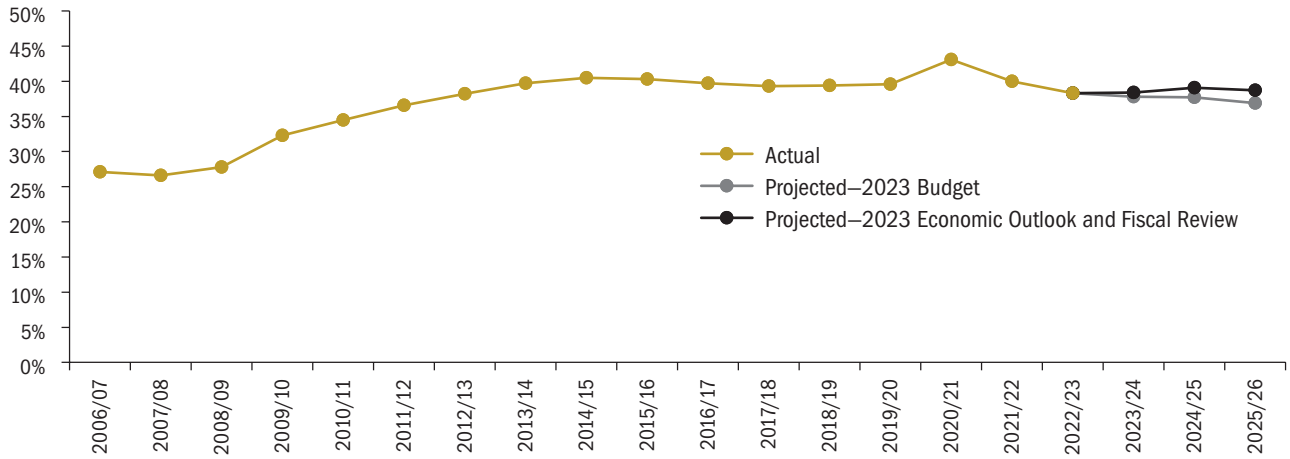


Figure 10: Net Debt and Net-Debt-to-GDP Ratios of Canadian Jurisdictions, 2021/22 and 2022/23

Source of data: Province of Ontario Annual Report and Consolidated Financial Statements, Annual Reports, budgets and consolidated financial statements of other provinces, and federal budgets and budget updates

	2021/22		2022/23	
	Net Debt ($ million)	Net Debt to GDP (%)	Net Debt ($ million)	Net Debt to GDP (%)
AB	58,993	15.2	45,614	9.8
SK	15,488	17.5	14,598	13.8
BC	57,464	16.5	60,679	15.6
NB	12,784	30.0	12,425	26.8
PE	2,347	27.2	2,451	27.2
NS	17,176	33.1	17,771	31.7
MB	29,198	36.6	30,263	34.4
QC*	192,208	38.1	206,845	37.4
ON	**382,842**	**40.0**	**400,484**	**38.3**
NL	16,915	44.6	16,511	39.3
Canada	1,244,744	49.6	1,282,757	46.1

* As 2022/23 data was not available, the most recent projected data was used.

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 11**, 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 2022/23, the percentage increased by 0.8% to 207.6% compared to the prior year. However, as reported in the 2023 Fall Economic Statement, the percentage is expected to increase to 210.8% in 2024/25 and then decrease to 204.2% in 2025/26. The decrease in this ratio in 2025/26 is due to projected annual revenue growing faster than the Province's net debt burden.

10.4.2 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 2023 Fall Economic Statement, the government forecasts that in 2023/24 it will spend $13.4 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 12** shows, the actual interest-expense-to-revenue ratio held steady at around 9% 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 (organizations such as 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 6.4% in 2022/23 due to the strong tax revenue growth, and is projected to be 6.9% in 2025/26. This means approximately 6.9 cents of every dollar in government revenue will go toward paying interest on debt by 2025/26.

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

Figure 11: Net Debt as a Percentage of Total Annual Revenue, 2006/07–2025/26

Source of data: Province of Ontario March 31, 2023 Consolidated Financial Statements, 2023 Ontario Budget, 2023 Ontario Economic Outlook and Fiscal Review, and Ministry of Finance

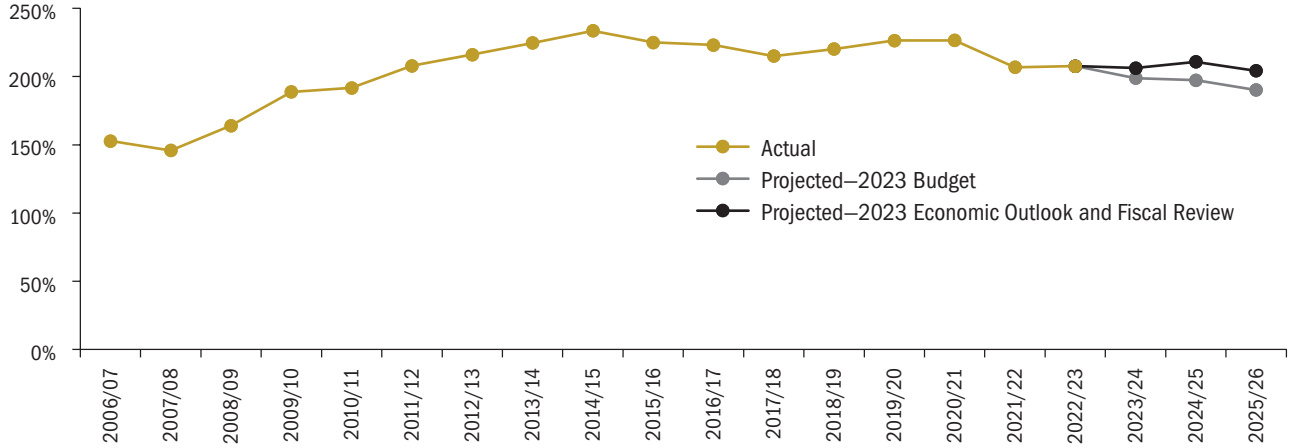
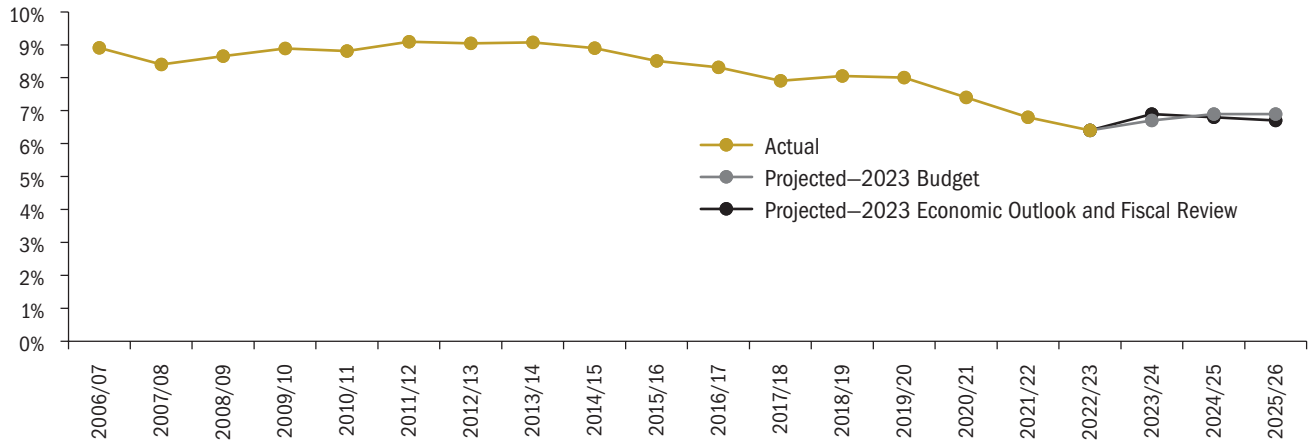


Figure 12: Interest Expense as a Percentage of Total Annual Revenue, 2006/07–2025/26

Source of data: Province of Ontario March 31, 2023 Consolidated Financial Statements, 2023 Ontario Budget, 2023 Ontario Economic Outlook and Fiscal Review, and Ministry of Finance



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 were at record low levels before the 2021/22 fiscal year, 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 2.70%; it further increased to 7.20% as of September 2023. Government of Canada 10-year bond yields ranged from 2.76% to 3.37% during the 2022/23 fiscal year. Bond yields continued to increase, from 2.80% at the start of 2022/23 to 3.57% as of August 2023, and are projected to be 3.2% in 2026. The prime rate and bond yields are anticipated to hold steady to 2024, as the Organisation for Economic Co-operation and Development (OECD, an intergovernmental organization with 38 member countries) expects the Bank of Canada to maintain its policy interest rate at the current level. Changes in the policy interest rate will influence the prime rate and bond yields.

As we noted in our Office's previous Annual Reports, the government 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 low rates in those years. Over the next three years the government has projected earning revenues at a faster rate than the increase in the rate of net debt but at a slower rate than the increase in the rate of interest expense. In the 2023/24 fiscal year, year-over-year revenues are projected to increase by 4.6% ($8.9 billion), while net debt is projected to grow by 3.9% ($15.6 billion). Interest expense is projected to increase by 8.6% ($1.1 billion). By the 2025/26 fiscal year, revenues are projected to grow by 14.1% ($27.1 billion), the net debt by 12.2% ($48.8 billion) and interest expense by 22.4% ($2.8 billion), when compared with the 2022/23 fiscal year.

The ratio of interest expense to revenue is expected to increase from 6.4% in 2022/23 to 6.9% in the near future, with the estimates of net debt, interest and revenues reported in the 2023 Fall Economic Statement. As interest rates have climbed significantly during 2022/23 and, according to the OECD, are expected to sustain current levels until target inflation is reached, more interest will be paid on the accumulated debt relative to prior years. This means that 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 that a growing portion of revenues will not be available for other current and future government programs.

10.4.3 Ratio of Debt Maturities to Net Debt

When debt (such as treasury bills or bonds) matures, the Province must either settle or roll over the debt. Typically, the Province will choose to roll over the debt, which involves settling the maturing debt by issuing new debt. An increase in the amount of debt maturities, particularly relative to the existing net debt, indicates that the Province will need to issue more debt with potentially unfavourable interest rates. The expected sustained levels of current interest rates in the medium term projected by the OECD will increase the pressure on this ratio. Increases in interest expense can affect the quality and quantity of programs and services provided by governments. Significant amounts of debt maturing at or around the same time also represents a risk, though remote, of defaulting, if the Province is unable to issue new debt on account of economic or other circumstances.

In the 2022 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 rolling over debt at a slower pace and a higher capacity to service its debts. A planned upper limit of 10% was set in prior years based on consultation with underwriters, economists, the academic community and credit rating agencies. It has since been removed, as the Province indicated that it does not effectively supplement the other measures.

10.5 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 is less 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 13**, because interest rates have been at historic lows in the last few years, actual interest-expense-to-total-expense percentages have ranged from 6.2% to 7.7% in the last five years. In the 2023 budget, the Province forecasts that interest expense will increase to $15.1 billion by 2025/26, resulting in a projected interest-expense-to-total-expense percentage of 6.9%.

In the 2023 Fall Economic Statement, this was revised to $15.2 billion and 7%, due to an increase in the anticipated amount of financing needed from what was previously budgeted.

- **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 3.2% in 2022/23. However, as interest rates rise, the government will have considerably less flexibility in providing public services because it will have to devote more revenue to making interest payments.
- **Credit-rating downgrades could lead to higher borrowing costs:** Prepared 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 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 management and debt management practices, liquidity, access to capital, and susceptibility to major risks.

Figure 14 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 2019 to 2022. In 2023, Moody's, S&P and DBRS assessed improved outlooks, moving the outlook on the credit rating from stable to positive in light of the improved fiscal performance and outlook, and lower debt burden. However, the credit rating remains the same.

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.

Figure 13: Interest Expense as a Percentage of Total Annual Expense, 2006/07–2025/26

Source of data: Province of Ontario March 31, 2023 Consolidated Financial Statements, 2023 Ontario Budget, 2023 Ontario Economic Outlook and Fiscal Review, and Ministry of Finance

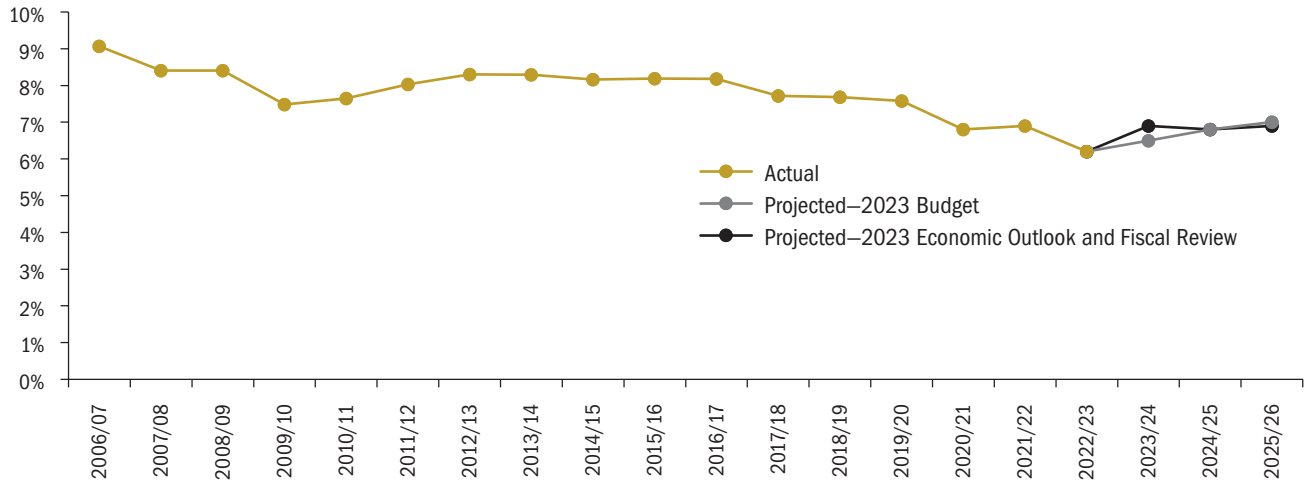


Figure 14: Summary of the Province of Ontario's Default/Long-Term Credit Ratings for the Last Five Years

Source of data: Standard and Poor's Global Ratings (S&P), Moody's Investors Services, DBRS Morningstar, and Fitch Ratings

Year	S&P	Moody's	DBRS Morningstar	Fitch
2019	A+ (stable)	Aa[3] (stable)	AA (low) (stable)	AA– (stable)
2020	A+ (stable)	Aa[3] (stable)	AA (low) (stable)	AA– (stable)
2021	A+ (stable)	Aa[3] (stable)	AA (low) (stable)	AA– (stable)
2022	A+ (stable)	Aa[3] (stable)	AA (low) (stable)	AA– (stable)
2023	A+ (positive)	Aa[3] (positive)	AA (low) (positive)	AA– (stable)

Credit Rating Actions

– rating downgrade.

– rating outlook decline.

– rating outlook improvement.

10.6 Debt Burden Reduction Strategy

In the 2019 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 (**Appendix 2**). This strategy requires the Province to consider its net-debt-to-GDP ratio in its plans for reducing the debt burden and to monitor its progress. In this budget, the Province set the target to reduce the net debt by 2022/23 to less than 40.8%, and has updated this ratio's target each year as part of the budget. In the 2022 budget, the Province also introduced targets for its net-debt-to-revenue and interest on debt-to-revenue ratios as part of its debt burden reduction strategy. In the 2023 budget, the Province stated that it was on the path to balance three years earlier than projected and lowered the targets for all three ratios compared to the 2022 budget. The net-debt-to-GDP target was lowered from 42% to 40%, the net-debt-to-revenue was lowered from 250% to 200%, and the interest on debt-to-revenue was lowered from 8% to 7.5%. Since the targets were introduced, the Province has not outlined specific details on how it planned to manage Ontario's growing debt burden, such as setting evidence-based debt sustainability targets, and has not communicated a strategy to reduce its debt over the long term. In the 2023 Fall Economic Statement, the Province projected it will not achieve the net-debt-to-revenue target in the medium term, noting only that the ratio will be monitored leading up to the 2024 budget.

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

In our report The Public Accounts of the Province of Ontario, which was included in our *2021 Annual Report*, we recommended the Province implement a debt reduction strategy (which focuses on the reduction of the Province's debt balance) and provide additional information on how it sets its debt burden targets (in 2021 only the net-debt-to-GDP ratio had a target) and details of how it will meet its objectives. The debt burden reduction strategy included in the 2023 budget has not been fully implemented due to the following reasons:

- the Province has not formally documented, publicly communicated, and implemented a long-term debt reduction strategy;
- the 2023 budget did not clearly explain how the net-debt-to-GDP target of 40% was determined; and
- the Province has not clearly demonstrated how debt will be managed (for example, by prioritizing investments, making trade-offs or delaying other investments).

In our follow-up report on the 2021 Public Accounts of the Province of Ontario in our *2023 Annual Report* (**Chapter 1**, **Section 1.01**), the Province has decided

it will not implement the recommendation to formally document, publicly communicate and implement a long-term debt reduction strategy as part of its debt burden reduction strategy. We continue to support the implementation of this recommendation. As well, the Province has not explained how the net-debt-to-GDP target was determined in the 2023 budget or the 2023 Fall Economic Statement, nor how the actions taken by the Province during the year have impacted the debt burden reduction strategy.

10.7 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). With the net debt increases expected over the medium term, sustained higher interest rates, and a net-debt-to-GDP ratio projected to average 38.7% over the next three years, the government will need to consider how it will implement its debt burden reduction strategy going forward.

11.0 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.

The Public Sector Accounting Board (PSAB) is responsible for developing and issuing new Canadian PSAS or amendments to existing accounting standards. New standards or amendments can have a significant impact on the Province's consolidated financial statements and Ontario's provincial budget, which is prepared on the same basis. In the following sections, we discuss the upcoming changes to Canadian PSAS and PSAB's Employee Benefits project.

11.1 Upcoming Changes to Canadian Public Sector Accounting Standards

11.1.1 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 until a future date, such as the date of a court decision.

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.

11.1.2 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 November 2020, in conjunction with narrow-scope amendments to PS 1000, *Financial Statement Concepts*, which removed the recognition prohibition on purchased intangibles.

The first-time recognition of purchased intangibles will be a significant change for the public sector, and may 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.

11.1.3 Public-Private Partnerships

In our 2019 and 2020 Annual Reports, we discussed public-private partnerships (P3), an alternative financing 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.

11.1.4 The Conceptual Framework for Financial Reporting to the Public Sector

In December 2022, PSAB issued its new Conceptual Framework for Financial Reporting in the Public Sector (the "Conceptual Framework"), which replaces the conceptual aspects of PS 1000, *Financial Statement Concepts*, and PS 1100, *Financial Statement Objectives*.

The Conceptual Framework is a coherent set of interrelated concepts underlying PSAB's accounting and financial reporting standards. It also serves as the foundation for PSAB's development of new standards on which preparers and auditors of financial statements apply their professional judgment.

The Conceptual Framework includes:

- characteristics of public-sector entities;
- objective of financial reporting;
- primary users of financial reporting and their expectations;
- role of financial statements;

- foundations and objectives of financial statements;
- qualitative characteristics of information in financial statements and related considerations;
- definitions of elements;
- criteria of general recognition and derecognition; and
- concepts of general measurement and presentation.

The Conceptual Framework builds on the previous framework by retaining and providing additional guidance and clarity on existing concepts, such as recognition and measurement, and introducing new concepts. Some of the key features and differences in the Conceptual Framework include:

- introducing the term "service capacity," which is an entity's capacity to serve the public and underlies the measurement of financial position and performance;
- adding the concept of control, which is the basis for associating economic resources with the reporting entity, and the connection with the powers and rights of some public-sector entities;
- distinguishing between financial and non-financial liabilities and excluding non-financial liabilities from the calculation of net financial assets or net financial liabilities (formerly known as "net debt");
- removing conservatism as a qualitative characteristic of financial statements and including a focus on neutrality as a component of faithful representation;
- adding general derecognition criteria and guidance, which mirrors the revised general recognition criteria;
- expanding the discussion on how the longevity of governments affects the going concern assumption; and
- relocating recognition prohibitions relating to developed or non-purchased intangibles, Crown lands and natural resources, and art and historic treasures from the Conceptual Framework to PS 1202, *Financial Statement Presentation*.

The Conceptual Framework will be effective for the fiscal years beginning on or after April 1, 2026, with earlier adoption permitted.

11.1.5 PS 1202, *Financial Statement Presentation*

In October 2023, PSAB issued PS 1202, *Financial Statement Presentation* (the "Reporting Model"), which replaced PS 1201, *Financial Statement Presentation*, and a series of consequential amendments to various standards in the Public Sector Accounting Handbook.

Some of the key features and differences in the new Reporting Model include:

- adding guidance on the applicability of the going concern assumption that builds on the discussion in the new Conceptual Framework;
- presenting separately financial and non-financial liabilities, consistent with the changes in the Conceptual Framework;
- relocating the calculation of the net financial liabilities or net financial assets indicator, from the statement of financial position to its own statement;
- adding a third component of net assets or net liabilities called "accumulated other";
- adding a statement of changes in net assets or net liabilities, which includes a reconciliation of each component of net assets or net liabilities (for example, accumulated surplus or deficit, accumulated remeasurement gains and losses, and accumulated other);
- permitting the presentation of an amended budget for comparison with actual results only when there is an election or when the majority of the governing body of a government organization has been newly elected or appointed; and
- providing guidance in various appendices in the form of application guidance, decision trees, illustrative examples and illustrative financial statements.

The Reporting Model and the related consequential amendments will be effective for fiscal years beginning

on or after April 1, 2026. Earlier adoption is permitted only if the Conceptual Framework is also adopted at the same time. Prior period amounts need to be restated to conform to the presentation requirements for comparative financial information in Section PS 1202.

11.2 Employee Benefit Project

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.

11.2.1 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 of March 31, 2023, the Province reported about $24.6 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 future 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.

11.2.2 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 (that is, where the balance of plan assets is actuarially projected to be greater than or equal to the benefit payments expected to fulfill the obligations for all subsequent reporting periods). In contrast, the rate used to discount unfunded plans is 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 postemployment 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.

12.0 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.

12.1 Legislative Approval of Expenditures

Shortly after presenting its budget, which must be tabled by March 31 to meet 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, outlining, on a program-by-program basis (referred to as vote and item), each ministry's planned spending. Relevant standing committees (per the Standing Orders of the Legislative Assembly of Ontario, Standing Order 113(b)) review selected ministry estimates and report on their review to the Legislature. The Standing Committee on Procedure and House Affairs is responsible for deciding at the beginning of each Parliament, or more frequently, if necessary, which ministries' estimates will be assigned for consideration and potential review to which of six committees: Finance and Economic Affairs; Heritage, Infrastructure and Cultural Policy; Interior; Justice Policy; Procedure and House Affairs; or Social Policy.

Following reports by the committees, Orders for Concurrence for each of the estimates selected by the committees are debated in the Legislature for a maximum of two hours before being voted on. The estimates of those ministries that are not selected are deemed to be passed by the committees, reported to the Legislature, and approved by the Legislature. Once the estimates are tabled for the ministries, the Main Estimates for the legislative offices are typically tabled. This generally occurs in the months of November or December, but it can take place up to March 31 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, 2023*, which pertained to the fiscal year ended March 31, 2023, received royal assent on March 22, 2023.

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 2022/23 fiscal year, the Legislature passed two acts allowing interim appropriations—the *Interim Appropriation for 2022–2023 Act, 2021* (Interim Act) and the *Supplementary Interim Appropriation for 2022–2023 Act, 2022*

(Supplementary Act). These two acts received royal assent on December 9, 2021, and December 8, 2022, respectively. Both acts were made effective as of April 1, 2022, and provided the government with sufficient authority to allow it to incur expenditures from April 1, 2022, to when the *Supply Act, 2023* received royal assent on March 22, 2023.

Figure 15 shows the timelines for the legislative approvals for the 2022/23 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, 2023* received royal assent. The *Supply Act, 2023* decreased authorized public-service investments from $5.595 billion to $5.568 billion, and increased total authorized expenditures of the legislative offices from $298 million to $311 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. There were no Supplementary Estimates tabled in 2022/23.

12.2 Special Warrants

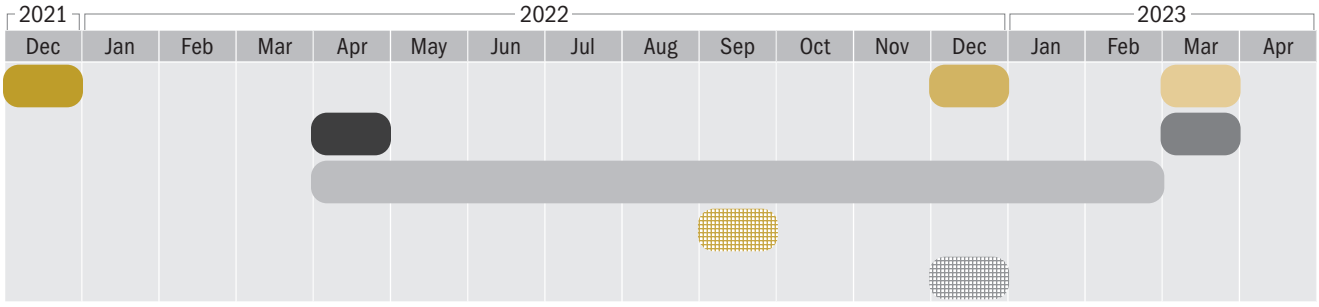
If the Legislature is not in session, section 1.0.7 of the *Financial Administration Act* allows for the issuance of Special Warrants that authorize expenditures for which there is no appropriation by the Legislature or for which the appropriation is insufficient. Special Warrants are authorized by Orders-in-Council and approved by the Lieutenant Governor on the recommendation of the government. No Special Warrants were issued for the fiscal year ended March 31, 2023.

12.3 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

Figure 15: Timeline for the Legislative Approvals for the 2022/23 Expenditures

Prepared by the Office of the Auditor General of Ontario



- *Interim Appropriation for 2022–2023 Act, 2021* receives royal assent.
- 2022 Ontario Budget is tabled.
- *Interim Appropriation for 2022–2023 Act, 2021* and *Supplementary Interim Appropriation for 2022–2023 Act, 2022* are effective.
- Expenditure estimates (referred to as "Main Estimates") for ministries are tabled in the Legislative Assembly.
- Main Estimates for the Legislative offices are tabled.
- *Supplementary Interim Appropriation for 2022–2023 Act, 2022* receives royal assent.
- *Supply Act, 2023* receives royal assent.
- 2023 Ontario Budget is tabled.

Figure 16: Total Amounts Authorized by Appropriation and by the *Supply Act, 2023* for 2022/23 ($ million)

Source of data: *Interim Appropriation for 2022–2023 Act*, *Supplementary Interim Appropriation for 2022–2023 Act*, and *Supply Act, 2023*

Appropriation Type	*Interim Appropriation for 2022–2023 Act, 2021*	*Supplementary Interim Appropriation for 2022–2023 Act, 2022*	Total Interim Appropriation	*Supply Act, 2023**
Expenses of the public service	164,884	10,948	175,832	175,832
Investments of the public service	5,595	–	5,595	5,568
Expenses of the legislative offices	284	14	298	311
Total	**170,763**	**10,962**	**181,725**	**181,710**

* Amounts may not add due to rounding.

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 the 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 for issuing Treasury Board Orders to ministers to make transfers between programs within their ministries, and to the Chair of the Treasury Board for making 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 17 summarizes the total value of Treasury Board Orders issued for the past five fiscal years.

Figure 18 summarizes Treasury Board Orders for the fiscal year ended March 31, 2023, by month of issue.

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 2022/23 fiscal year are expected to be published in *The Ontario Gazette* in December 2023. **Exhibit 4** of this report shows a detailed listing of 2022/23 Treasury Board Orders, including the amounts authorized and expended.

12.4 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 2022/23 estimates.

12.5 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 2022/23 fiscal year, receivables of $197 million due to the Crown from individuals and non-government organizations were written off. (The comparable amount in 2021/22 was $657 million.) The write-offs in the 2022/23 fiscal year primarily related to the following:

- $13.7 million for Business Property Tax Rebate Grant program payments ($nil in 2021/22)

Figure 17: Total Value of Treasury Board Orders Issued, 2018/19–2022/23 ($ billion)

Source of data: Treasury Board

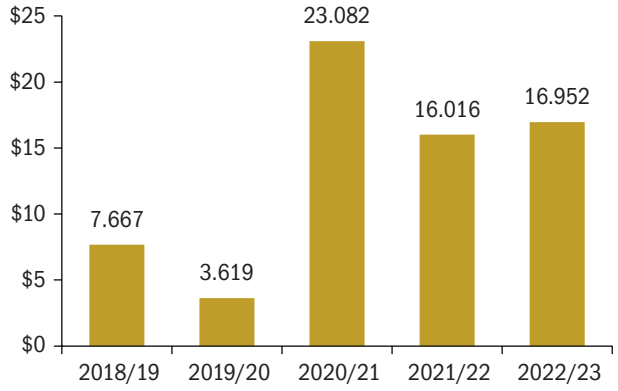


Figure 18: Total Value of Treasury Board Orders by Month, 2022/23

Source of data: Treasury Board

Month of Issue	Treasury Board Orders (#)	Authorized ($ million)
Apr 2022–Feb 2023	62	12,828
Mar 2023	27	1,509
Apr 2023	0	–
May 2023	0	–
Jun 2023	2	1,324
Jul 2023	2	1,292
Total	**93**	**16,952**

Note: Numbers may not add up due to rounding.

- $9.4 million for uncollectible Victim Fine Surcharges ($191.1 million in 2021/22)
- $4.7 million for Ontario Small Business Support Grant Program payments ($210.3 million in 2021/22)
- $1.6 million for Energy Cost Rebate Grant program payments ($nil in 2021/22)
- $52.7 million for student loans ($42.4 million in 2021/22)
- $47.8 million for Ontario Disability Support Program receivables, outstanding five or more years ($23.4 million in 2021/22)
- $46.8 million for bankrupt/insolvent entities with unpaid tax amounts ($65.2 million in 2021/22)
- $8 million for cost recovery (forest fires) ($3.3 million in 2021/22)
- $5.9 million for Criminal Code fines ($13 million in 2021/22)
- $4.4 million for the Motor Vehicle Accident Claims Fund ($2.1 million in 2021/22)

The remaining $1.8 million relates to various ministry write-offs ($4.8 million in 2021/22).

The Ministry Statements and Schedules of the 2022/23 Public Accounts summarizes the write-offs by ministry. Under the accounting policies followed in the preparation of 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-off in the accounts required Order-in-Council approval.

The Province's consolidated financial statements include allowances for doubtful accounts of $1.7 billion (the 2021/22 allowance was $1.6 billion).

Appendix 1: Independent Auditor's Report

Source of data: Office of the Independent Auditor



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, 2023, and the Consolidated Statements of Operations, Change in Net Debt, Change in Accumulated Operating Deficit, Remeasurement Gains and Losses 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, 2023, and the consolidated results of its operations, the consolidated changes in its net debt, the consolidated change in its accumulated operating deficit, the consolidated remeasurement gains and losses 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.

Key Audit Matters

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Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the Consolidated Financial Statements of the Province of Ontario for the year ended March 31, 2023.

These matters were addressed in the context of my audit of the Consolidated Financial Statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

The Key Audit Matters are as follows:

Key Audit Matter	Audit Work to Address
Personal Income Tax	
Personal Income Tax has been identified as a key audit matter because of the magnitude of this revenue and because the estimate is complex and includes several inputs and assumptions. Personal Income Tax is the Province of Ontario's largest revenue stream, providing approximately $44.2 billion (2022 – $46.8 billion) in revenue in 2022-23. Note 1d (Measurement Uncertainty) provides disclosure on measurement uncertainty related to personal income tax revenues. Personal Income Tax revenue in a fiscal year is derived from the Ministry of Finance's estimates of personal income taxes from two calendar years. For the fiscal year ended March 31, 2023, the Province of Ontario records nine months of revenue from the calendar year 2022 and the first three months of revenue from calendar year 2023. However, tax assessments for the 2022 calendar year will not be finalized until December 2023, and 2023 tax assessments will not be finalized until December 2024. As a result, precise revenue figures cannot be determined until 21 months after the fiscal year-end date. As a result, the Ministry of Finance estimates these revenues based on the best information available.	Audit work to address this key audit matter included: • assessing the appropriateness of the method used to make the estimates; • performing a retrospective review to assess the accuracy of prior year estimates; • testing the completeness and accuracy of underlying data and management's calculations; • evaluating the sufficiency of the measurement uncertainty disclosures in the Consolidated Financial Statements; and • engaging an econometric specialist to assist with the evaluation of the Ministry of Finance's personal income tax estimation model.
Corporations Tax	
Corporations Tax has been identified as a key audit matter because of the magnitude of this revenue and because the estimate is complex and includes several inputs and assumptions. Corporations Tax is a large revenue stream, providing approximately $27.8 billion (2022 – $25.2 billion) in revenue in 2022-23. Note 1d (Measurement Uncertainty) provides disclosure on measurement uncertainty related to Corporations Tax revenue. Corporations Tax revenue is based on tax returns assessed by the Canada Revenue Agency (CRA) up to June 30, 2023 and includes estimates of corporate income tax from two calendar years. For the fiscal year ended March 31, 2023, the Province of Ontario records nine months of revenue from the calendar year 2022 and the first three months of revenue from calendar year 2023. Corporations' tax assessments for the 2022 calendar year will not be finalized until December 2023, and the 2023 tax assessments will not be available until December 2024. This means precise revenue figures cannot be determined until 21 months after the fiscal year-end date. As a result, the Ontario Ministry of Finance estimates these revenues based on the best available information.	Audit work to address this key audit matter included: • assessing the appropriateness of the method used to determine the Corporations Tax estimate; • performing a retroactive review to assess the accuracy of prior year estimates; • testing the completeness and accuracy of underlying data and management's calculations; • developing a range estimate to compare to the Ministry of Finance's estimate; • evaluating the sufficiency of the measurement uncertainty disclosures in the Consolidated Financial Statements; and • engaging an econometric specialist to assist with the evaluation of the Ministry of Finance's corporations tax model.

Pension and Other Employee Future Benefits	
The Province of Ontario sponsors several pension plans, both as sole and joint sponsor. In addition, the Province reports in its Consolidated Financial Statements pension benefits for employees in the hospital and colleges sectors. The estimated plan assets and accrued benefit obligations of these plans exceed $14.1 billion (2022 – $14.4 billion). Information related to Pension and Other Employee Future Benefits are disclosed in notes 1d (Measurement Uncertainty) and 6 (Pensions and Other Employee Future Benefits). The Province of Ontario relies on third-party actuarial specialists to estimate the accrued benefit obligation and other information for financial statement note disclosures. These calculations rely on management's best estimate for significant economic and demographic assumptions. Plan assets are valued at market-related value for funded plans. Market-related value is based on the fair value of plan assets reported in the pension plans' financial statements over the last five years. Where observable market data is not available for investments, fair value estimates requiring significant management judgment are used.	Audit work to address this key audit matter included: • assessing pension plan auditors' work over the reliability of the market-related value of plan assets used in the estimates, as well as their work over the plan member data provided by management to an actuarial expert for preparing the estimate of pension obligations; • assessing the qualifications of management's actuarial experts; • obtaining an understanding of the assumptions and methods used by these experts in determining the accrued benefit obligation for pension benefits and the appropriateness of the assumptions and methods used and testing the underlying employee data used in the valuation of the accrued benefit obligation; and • working with an independent actuarial expert to assess management's significant economic and demographic assumptions.
Contaminated Sites Liabilities	
Activities in the natural resources sector may lead to contamination of sites that exceeds environmental standards. When the Province has either taken over responsibility for remediation for sites or is directly responsible for sites, an estimate of the expected costs is prepared and recorded as liabilities on the consolidated statement of financial position. As at March 31, 2023, this remediation liability is estimated to be $1.9 billion (2022 – $1.8 billion). The nature of the liability and the challenges around its estimation are discussed in notes 1d (Measurement Uncertainty), 7 (Other Liabilities) and 11a (Contingent Liabilities). The estimate for contaminated sites liabilities is complex and includes several inputs and assumptions and, as such, has been identified as a key audit matter.	Audit work to address this key audit matter included: • testing the completeness and accuracy of the Province's contaminated sites inventory along with supporting information; • developing a range of estimates to assess the reasonability of key assumptions supporting the estimate; and • engaging an independent specialist with expertise in environmental contamination remediation to assess the reasonableness of the Province's estimation methods.

Asset Retirement Obligations

The estimate for asset retirement obligations is complex and includes several inputs and assumptions and, as such, has been identified as a key audit matter.

The Public Sector Accounting Board introduced a new accounting standard, *PS 3280, Asset Retirement Obligations*, that provides guidance on reporting of liabilities arising from legal obligations associated with the retirement of tangible capital assets. This standard became effective for the Province on April 1, 2022. The Province has legal obligations to retire certain tangible capital assets. As at March 31, 2023, this liability is estimated to be $4.1 billion (2022 – $3.8 billion). The Province adopted the standard using the modified retroactive method with restatement of 2021-22 balances as shown in note 17 (Accounting Changes and Reclassifications).

The nature of the liability and the challenges around its estimation are discussed in notes 1d (Measurement Uncertainty), 1f (Changes in Accounting Policy by Adopting New Standards), and 7 (Other Liabilities).

Audit work to address this key audit matter included:

- assessing the completeness and accuracy of tangible capital assets with legal obligations for asset retirement;
- evaluating the appropriateness of valuation methods used to estimate the obligations;
- verifying the completeness and accuracy of the information considered in the estimation process;
- testing the accuracy of management's calculations by developing a range of estimates to assess the reasonability of key assumptions supporting the estimates; and
- engaging an independent environmental specialist with expertise in asset retirement obligations.

Contingent Liabilities Associated with the Court Decision Related to the Protecting a Sustainable Public Sector for Future Generations Act, 2019

The estimates for the contingent liabilities associated with the court decision related to the *Protecting a Sustainable Public Sector for Future Generations Act, 2019* are complex and include several inputs and assumptions and, as such, have been identified as a key audit matter. As at March 31, 2023, this liability is estimated to be $2.5 billion.

The nature of the liabilities and the challenges around its estimation are discussed in notes 1d (Measurement Uncertainty), and 11a (Contingent Liabilities).

Audit work to address this key audit matter included:

- reviewing legal claims assessments;
- evaluating management's calculations and assumptions for estimating the liabilities;
- assessing the completeness of the liabilities and the underlying data; and
- evaluating a sample of agreements and memoranda of understanding supporting the measurement of the liability.

iGaming Ontario

iGaming Ontario's launch of the regulated Internet gaming market in Ontario was a significant event during the year and, as such, has been identified as a key audit matter.

The Province has consolidated iGaming Ontario as a government business enterprise as described in Schedule 9 (Government Business Enterprises). Additional details about iGaming Ontario are discussed in note 11a (Contingent Liabilities).

Audit work to address this key audit matter included:

- assessing the completeness and accuracy of the single line consolidation;
- performing tests to verify that gross gaming revenue agrees to audited revenues reported and remitted by iGaming Ontario operators;
- reviewing legal claims assessments;
- evaluating management's calculations and assumptions for estimating the liabilities;
- assessing the completeness of the liabilities; and
- performing substantive procedures.

Financial Instruments and Foreign Currency Translation	
The Province adopted new accounting standards for financial instruments and foreign currency translation in *PS 1201, Financial Statement Presentation, PS 2601, Foreign Currency Translation* and *PS 3450, Financial Instruments*. These standards are implemented on a prospective basis as of April 1, 2022. The adoption of the standards resulted in the addition of derivative assets and liabilities, recognized at fair value. Previously, derivative transactions were only recorded upon settlement. In addition, portfolio investments managed on a fair value basis are recognized at fair value. Previously, these investments were recorded at cost. Unrealized foreign currency gains and losses and unrealized gains and losses on investments and derivatives are recorded in the new consolidated statement of remeasurement gains and losses. Previously, these transactions were recorded in the consolidated statement of operations or in the notes to the consolidated financial statement for items such as the notional and fair value of derivatives. The Province is recognizing debt at amortized cost and uses the effective interest method, which requires the Province to recognize unamortized discounts, premiums and transaction costs as part of the amortized cost. Previously, the Province recognized debt at amortized cost and used the straight-line method to record interest. Finally, additional quantitative and qualitative information is disclosed in note 3 (Derivatives and Risk Management) to the consolidated financial statements about the nature and extent of risks associated with portfolio investments, loans, debt and derivatives. The disclosures for financial instruments and foreign currency translation are discussed in notes 1f (Change in Accounting Policy by Adopting New Standards), 2 (Debt), 3 (Derivatives and Risk Management), 8 (Investments), Schedule 5 (Accounts Payable and Accrued Liabilities) and Schedule 6 (Accounts Receivable).	Audit work to address this key audit matter included: • examining the opening and closing balances for the consolidated remeasurement gains and losses and the calculation of unrealized gains and losses on translation of foreign debt, valuation of derivatives and portfolio investments; • evaluating the Province's processes for valuing and disclosing derivatives and embedded derivatives on the consolidated statement of financial position; • verifying the existence, completeness and accuracy of derivative contracts and debt issuances; • evaluating and assessing inputs used in valuation calculations, assessing discount rates and counterparty balances; • reviewing the appropriateness and accuracy of quantitative and qualitative disclosures of the nature and extent of risks associated with debt, derivatives and portfolio investments; and • verifying the appropriate implementation of the standards' transitional provisions by management.

Other Accompanying Information

The Government of Ontario is responsible for the information in the 2022-23 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.

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 controls 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.
- 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 could 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.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Toronto, Ontario
August 29, 2023

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

Appendix 2: 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, How and Why
Balanced budget[1] 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 **Exception, extraordinary circumstances** below).
Exception, extraordinary circumstances (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:			The Province has assessed the ongoing economic uncertainty related to elevated inflation, supply chain challenges and rising interest rates as extraordinary circumstances.
1. The introductory summary of the budget must include the rationale for the Executive Council's determination.	✓		
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 section 8.	✓		
Annual budget[2] 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.	✓		
Contents of the budget 5 The budget required by section 4 must include the following information:			
1. An introductory summary of the key fiscal, economic and debt information contained in the budget.	✓		
2. The macroeconomic forecasts and assumptions used to prepare the budget.	✓		
3. A multi-year fiscal plan that meets the requirements of section 6.	✓		
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.	✓		

Act Requirement	Met Requirement	Did Not Meet Requirement	If Not Met, How and Why
Multi-year fiscal plan 6 (1) A multi-year fiscal plan must meet the requirements set out in this section.	✓		
Period of the fiscal plan (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.	✓		
Contents of the fiscal plan (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.	✓		
Debt burden reduction strategy 7 (1) A debt burden reduction strategy must meet the requirements set out in this section.		✓	See explanation below.
Contents of the strategy (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 37.8%, and not clearly demonstrating how debt will be managed.

Act Requirement	Met Requirement	Did Not Meet Requirement	If Not Met, How and Why
Recovery plan 8 (1) A recovery plan must meet the requirements set out in this section.	✓		
Period of the recovery plan (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.	✓		
Contents of the recovery plan (3) The recovery plan must be consistent with the principles governing Ontario's fiscal policy and must include the following information:			
1. The projected fiscal year in which the budget will be balanced.	✓		
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.	✓		
3. The forecasts and assumptions used to prepare the revenue and expense estimates for the period of the plan.	✓		
4. A reserve to provide for unexpected adverse changes in revenues and expenses, in whole or in part, and the details of the reserve.	✓		
5. Information about the projected ratio of provincial net debt to Ontario's gross domestic product for the period of the plan.	✓		
Mid-year review 9 On or before November 15 of each fiscal year, the Minister shall release a mid-year review that includes the following information:			
1. An introductory summary of the key fiscal, economic and debt information contained in the review.	✓		
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.	✓		
3. Information about the estimated cost of expenditures that are made through the tax system.	✓		

Act Requirement	Met Requirement	Did Not Meet Requirement	If Not Met, How and Why
4. For the purpose of pre-budget consultations with the public:			
i. A description of the key issues that, in the Minister's opinion, should be addressed in the next budget.	✓		
ii. Details about how to participate in the pre-budget consultations.	✓		
Interim updates about revenues and expenses 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.	✓		
Quarterly information about Ontario's economic accounts 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.	✓		
Long-range assessment of economic and fiscal environment 12 (1) Within two years after the most recent general election, as defined in section 1 of the *Election Act*, the Minister shall release a long-range assessment of Ontario's economic and fiscal environment.	✓		
Contents of assessment (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

Alcohol and Gaming Commission of Ontario

Algonquin Forestry Authority

Centennial Centre of Science and Technology (Ontario Science Centre)

Centralized Supply Chain Ontario (Supply Ontario)

Chief Electoral Officer, *Election Act*

Deposit Insurance Reserve Fund, Financial Services Regulatory Authority of Ontario

Election Fees and Expenses, *Election Finances Act*

Financial Accountability Office of Ontario

Financial Services Regulatory Authority of Ontario

Grain Financial Protection Board, Funds for Producers of Grain Corn, Soybeans, Wheat and Canola

iGaming Ontario

Intellectual Property Ontario

Invest Ontario

Legal Aid Ontario

Liquor Control Board of Ontario

Livestock Financial Protection Board, Fund for Livestock Producers

Northern Ontario Heritage Fund Corporation

Office of the Assembly

Office of the Children's Lawyer

Office of the Information and Privacy Commissioner

Office of the Ombudsman

Ontario Cannabis Retail Corporation

Ontario Clean Water Agency (Dec 31)*

Ontario Educational Communications Authority (TVO)

Ontario Electricity Financial Corporation

Ontario Energy Board

Ontario Financing Authority

Ontario Food Terminal Board

Ontario Health

Ontario Heritage Trust

Ontario Immigrant Investor Corporation

Ontario Media Development Corporation (Ontario Creates)

Ontario Northland Transportation Commission

Ontario Place Corporation (Dec 31)*

Ontario Securities Commission

Pension Benefits Guarantee Fund, Financial Services Regulatory Authority of Ontario

Province of Ontario Council for the Arts (Ontario Arts Council)

Provincial Judges Pension Plan

Public Guardian and Trustee for the Province of Ontario

Species Conservation Action Agency

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

Education Quality and Accountability Office

Higher Education Quality Council of Ontario

Metropolitan Toronto Convention Centre Corporation

Niagara Parks Commission

Ontario Tourism Marketing Partnership Corporation

Ottawa Convention Centre Corporation

St. Lawrence Parks Commission

Toronto Island Residential Community Trust Corporation

Walkerton Clean Water Centre

Workplace Safety and Insurance Board (Dec 31)*

* 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

Fair Hydro Trust (Dec 31)[1]

Forest Renewal Trust

General Real Estate Portfolio

Home and Community Care Support Services Central East

Home and Community Care Support Services Central

Home and Community Care Support Services Central West

Home and Community Care Support Services Champlain

Home and Community Care Support Services Erie St. Clair

Home and Community Care Support Services Hamilton Niagara Haldimand Brant

Home and Community Care Support Services Mississauga Halton

Home and Community Care Support Services North East

Home and Community Care Support Services North Simcoe Muskoka

Home and Community Care Support Services North West

Home and Community Care Support Services South East

Home and Community Care Support Services South West

Home and Community Care Support Services Toronto Central

Home and Community Care Support Services Waterloo Wellington

Human Rights Legal Support Centre

Hydro One Limited (Dec 31)[1]

Independent Electricity System Operator (Dec 31)[1]

Investment Management Corporation of Ontario (Dec 31)[1]

McMichael Canadian Art Collection

Metrolinx

Municipal Property Assessment Corporation

Ontario French-language Educational Communications Authority (TFO)

Ontario Infrastructure and Lands Corporation (Infrastructure Ontario)

Ontario Lottery and Gaming Corporation

Ontario Pension Board (Dec 31)[1]

Ontario Power Generation (Dec 31)[1]

Ontario Trillium Foundation

Ornge

Owen Sound Transportation Company Limited

Ontario Agency for Health Protection and Promotion (Public Health Ontario)

Royal Ontario Museum

Science North

Skilled Trades Ontario

Toronto Waterfront Revitalization Corporation (Waterfront Toronto)

Venture Ontario (Dec 31)[1, 2]

1. Dates in parentheses indicate fiscal years ending on a date other than March 31.
2. Ontario Capital Growth Corporation was renamed to Venture Ontario on September 8, 2022 when amendments to the *Venture Ontario Act, 2008* came into force.

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

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

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

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

Children and Family Services for York Region

Children's Aid Society of Algoma

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

LINCK, Child Youth and Family Supports

North Eastern Ontario Family and Children's Services

Simcoe Muskoka Child, Youth and Family Services

The Catholic Children's Aid Society of Toronto

The Child and Family Services of Grand Erie

The Children's Aid Society of the City of Guelph and County of Wellington

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 District School Board
Ottawa-Carleton District School Board
Peel District School Board
Penetanguishene Protestant Separate School Board
Peterborough Victoria Northumberland and Clarington 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

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 ($)	Expended ($)
Agriculture, Food and Rural Affairs	Mar 9, 2023	25,000,000	17,635,991
		25,000,000	**17,635,991**
Attorney General	Oct 24, 2022	3,926,500	3,926,500
	Dec 8, 2022	35,068,100	30,516,744
	Feb 14, 2023	115,462,100	94,040,882
	Feb 23, 2023	286,300	286,278
	Mar 9, 2023	11,259,500	10,962,620
		166,002,500	**139,733,024**
Cabinet Office	Sep 8, 2022	1,310,800	353,530
		1,310,800	**353,530**
Children, Community and Social Services	Sep 8, 2022	988,400	173,800
	Sep 28, 2022	146,357,600	–
	Jan 26, 2023	78,900,000	63,075,245
	Feb 23, 2023	84,200	–
	Mar 9, 2023	70,185,000	13,906,789
		296,515,200	**77,155,834**
Citizenship and Multiculturalism	Dec 8, 2022	2,200,800	1,783,087
	Mar 22, 2023	130,000	–
		2,330,800	**1,783,087**
Colleges and Universities	Mar 9, 2023	9,350,000	7,295,632
		9,350,000	**7,295,632**
Economic Development, Job Creation and Trade	Sep 28, 2022	245,148,400	137,212,326
	Jan 11, 2023	20,000,000	–
	Feb 23, 2023	37,865,000	–
		303,013,400	**137,212,326**

Ministry	Date of Order	Authorized ($)	Expended ($)
Education	Sep 22, 2022	371,191,800	325,769,026
	Oct 24, 2022	2,500,000	–
	Feb 9, 2023	62,600,000	10,317,687
	Mar 22, 2023	4,454,600	–
		440,746,400	**336,086,713**
Energy	Dec 8, 2022	97,650,000	–
		97,650,000	**–**
Environment, Conservation and Parks	Dec 8, 2022	4,264,800	159,754
	Feb 23, 2023	9,590,800	6,523,880
		13,855,600	**6,683,634**
Finance	Nov 14, 2022	39,614,600	–
	Mar 9, 2023	6,208,400	6,205,631
	Mar 22, 2023	18,104,500	17,824,690
	Mar 22, 2023	5,000,000	1,974,066
		68,927,500	**26,004,387**
Health	Sep 8, 2022	323,904,100	18,073,600
	Jan 26, 2023	8,428,300	2,339,821
	Feb 9, 2023	561,050,000	489,991,686
	Feb 23, 2023	25,900	–
	Mar 2, 2023	167,980,700	164,388,482
	Mar 22, 2023	234,703,400	229,667,381
	Jun 7, 2023	1,321,552,500	1,306,200,000
	Jul 26, 2023	41,512,000	41,510,996
		2,659,156,900	**2,252,171,966**
Indigenous Affairs	Oct 24, 2022	560,000	–
	Feb 23, 2023	5,000,000,000	5,000,000,000
	Mar 9, 2023	23,962,200	22,652,200
	Jul 26, 2023	1,250,000,000	1,249,982,926
		6,274,522,200	**6,272,635,126**
Infrastructure	Dec 13, 2022	19,300,000	19,300,000
	Jan 11, 2023	3,000,000	2,428,708
	Feb 23, 2023	7,273,000	836,901
		29,573,000	**22,565,609**

Ministry	Date of Order	Authorized ($)	Expended ($)
Labour, Training and Skills Development	Sep 28, 2022	184,300,000	29,950,922
	Nov 14, 2022	30,000,000	492,266
	Dec 1, 2022	5,292,800	4,272,555
	Dec 1, 2022	273,000	273,000
	Dec 13, 2022	5,500,000	5,500,000
	Jan 26, 2023	6,256,000	6,089,587
	Mar 9, 2023	1,000,000	–
	Mar 9, 2023	4,435,000	875,388
	Mar 22, 2023	17,000,000	11,585,927
		254,056,800	**59,039,645**
Lieutenant Governor	Mar 9, 2023	144,300	24,621
		144,300	**24,621**
Long-Term Care	Sep 8, 2022	44,000,000	29,334,041
	Dec 8, 2022	182,700,000	–
	Dec 8, 2022	1,762,200	1,461,001
		228,462,200	**30,795,042**
Mines	Dec 8, 2022	298,700	–
	Mar 22, 2023	182,210,900	145,107,939
		182,509,600	**145,107,939**
Municipal Affairs and Housing	Sep 8, 2022	1,802,500	1,802,500
	Sep 28, 2022	27,000,000	13,616,570
	Dec 8, 2022	235,000,000	217,519,935
	Mar 9, 2023	19,075,000	17,136,768
		282,877,500	**250,075,773**
Natural Resources and Forestry	Dec 8, 2022	696,500	696,500
	Feb 23, 2023	45,798,100	39,442,307
		46,494,600	**40,138,807**
Public and Business Service Delivery	Nov 17, 2022	2,779,300	2,685,135
	Nov 24, 2022	79,000,000	75,919,870
	Mar 9, 2023	27,500,000	–
	Mar 9, 2023	647,200	–
	Mar 9, 2023	43,414,000	33,442,566
	Mar 9, 2023	1,781,100	833,782
	Mar 9, 2023	612,900	–
	Jun 1, 2023	2,230,000	–
		157,964,500	**112,881,353**

Ministry	Date of Order	Authorized ($)	Expended ($)
Seniors and Accessibility	Sep 8, 2022	9,400,000	3,285,796
	Feb 23, 2023	450,000	–
		9,850,000	**3,285,796**
Solicitor General	Sep 8, 2022	1,800,000	1,800,000
	Nov 17, 2022	3,000,000	3,000,000
	Feb 9, 2023	312,759,400	269,783,739
		317,559,400	**274,583,739**
Tourism, Culture and Sport	Sep 28, 2022	28,600,000	20,437,264
	Oct 27, 2022	7,005,000	3,685,000
	Nov 14, 2022	2,300,000	2,300,000
	Feb 23, 2023	3,900,000	3,117,123
	Feb 23, 2023	6,526,000	2,243,017
	Feb 23, 2023	65,069,800	65,058,838
	Mar 9, 2023	294,800	–
		113,695,600	**96,841,242**
Transportation	Sep 28, 2022	9,264,300	7,783,116
	Feb 23, 2023	539,600	539,600
	Mar 9, 2023	531,600,000	496,622,559
	Mar 9, 2023	694,200	–
		542,098,100	**504,945,275**
Treasury Board Secretariat	Feb 14 2023	80,556,900	–
	Feb 23, 2023	4,217,931,700	–
	Mar 9, 2023	49,073,000	–
	Mar 9, 2023	72,537,600	–
	Mar 9, 2023	7,435,100	4,405,006
	Mar 9, 2023	427,100	
		4,427,961,400	**4,405,006**
Total Treasury Board Orders		**16,951,628,300**	**10,819,441,097**

Ministry of Transportation

Driver Training and Examination

Summary

Ensuring that novice drivers receive appropriate and effective training and testing before they get a driver's licence is a crucial step in keeping Ontario's roads safe. Under the *Highway Traffic Act*, the Ministry of Transportation (Ministry) is responsible for protecting the public by restricting the privilege of driving to those who demonstrate that they have the necessary knowledge, skills and experience to drive safely.

There were over 11.1 million licensed drivers in Ontario as of December 2022, with 95% of them holding a G-class passenger vehicle licence to drive a car, van or a small truck. To obtain a G-class licence, the Ministry's Graduated Licensing System requires novice drivers to pass a vision test, a written test, a city road test and a highway road test. There also are two one-year wait periods built into the system: one between the written and city road test and the other between the city and highway road tests.

The Ministry oversees the network of licensed Beginner Driver Education training schools and testing facilities in the province. As of September 2023, there were 844 Ministry-licensed driving schools offering Beginner Driver Education training programs and more than 6,700 licensed driving instructors. Under an agreement with the Ministry, a contractor (Plenary) provides driver examination services through a subcontractor (Serco) at 56 DriveTest Centres and 36 satellite locations across the province.

Our audit found that practices in the provincial driver examination program were limiting the Ministry's ability to assess novice drivers prior to granting them driving privileges. Certain groups of novice drivers, such as those from urban areas who chose to take their road exams in rural or suburban test centres, or less-experienced drivers from other countries, had higher collision rates after licensing than their peers—indicating that the driver examination program may not be effectively testing their ability to drive safely on Ontario's roads.

In addition, we found that the Ministry provided limited oversight of driving schools and instructors, which meant it may not have been aware of some questionable training or business practices at the schools that could have undermined the integrity of driver examinations. These practices included training students on the specific routes used in road tests, and non-compliance with standards in the delivery of the Ministry's Beginner Driver Education training program, such as shortening in-car training hours.

We also found that the Ministry's oversight of the driver examination service provider was ineffective and inefficient in improving the quality of service it provided. Even though certain costs, such as extending operation hours, were the responsibility of the service provider, the Ministry paid for these costs to attempt to improve the services. Nonetheless, in 2023 the Ministry awarded a new contract to the same service provider, through a non-competitive process, to continue providing service for two more years with an optional extension for an additional year.

Our significant observations include:

Driver Examinations

- **Novice drivers from urban areas who took road tests at rural or suburban test centres had collision rates 16% to 27% higher than other novice drivers.** For example, between January 2022 and March 2023, novice drivers from Brampton who took their road tests at a DriveTest Centre outside Brampton had a collision rate that was 22% higher than their peers who took their tests in Brampton (3.8% versus 3.1%). Because rural and suburban testing centres often used less challenging road test routes, many novice urban drivers may not have been adequately tested in conditions that mirror their typical daily driving conditions. Although a significant number of urban drivers took their road tests at rural or suburban DriveTest Centres, the Ministry did not monitor this or related data, such as road test pass rates, to determine the root causes of the disparate collision rates and their potential impact on road safety.
- **The Ministry reduced the number of requirements needed to pass the highway road test without a full review and formal evaluation of road safety impacts.** Responding to a request from the Minister of Transportation to deal with the backlog of road tests that had accumulated as a result of the COVID-19 pandemic, in January 2022 the Ministry eliminated testing of certain manoeuvres required for the G (highway) road test without seeking formal approval from the Cabinet Office. Even though the backlog was cleared in fall 2022, the Ministry kept the reduced G (highway) road test for almost two years longer than originally planned without conducting proper policy analysis and evaluation of the road safety implications.
- **Less-experienced drivers from countries without driver's licence exchange agreements with Ontario had a significantly higher collision rate (6.31%) compared to the average rate of newly licensed G-class drivers (3.60%).** Drivers who hold a licence from a country without a licence exchange agreement with Ontario and have less than two years of driving experience are considered novice drivers. However, unlike other novice drivers in Ontario, these drivers are not required to wait for a 12-month period before taking their G2 (city) road test, meaning that they had less time to practice their driving skills in Ontario prior to taking the road test.

Driver Training

- **Drivers who shortened their G1 supervised driving period were involved in more collisions.** The Ministry allows novice drivers who complete the optional Beginner Driver Education program to choose to shorten the 12-month wait period to take the G2 (city) road test by as many as four months. However, we found that between 2013 and 2022 these drivers had collision rates that were on average 30% higher than drivers who completed the Beginner Driver Education program but did not shorten their wait period (4.8% compared with 3.7%). This indicates that allowing drivers to shorten their supervised driving period may be counter to the program's objective of putting safer drivers on the road.
- **The Ministry provided limited guidance on, and oversight of, novice driver training.** The only guidance the Ministry has provided for novice drivers is through the requirements of the Beginner Driver Education course, which is not mandatory. That lack of guidance has provided opportunities for unregulated driving services to proliferate. During our audit, we identified

questionable driver-training practices, such as driving instructors "route training" their students on the specific streets and manoeuvres tested during driver exams. Focusing primarily on route training rather than teaching comprehensive driving skills may undermine the integrity of the driving examination process.

- **The Ministry did not effectively oversee the schools that provide Beginner Driver Education training programs and their instructors.** The Ministry's oversight program focused primarily on documentation reviews during compliance audits, making it difficult for Ministry staff to gain insights into the schools' day-to-day operations. In addition, the Ministry did not consistently follow up with driving schools to confirm they had addressed violations that had been noted during the compliance audits. During our audit, we engaged a firm to make so-called mystery shopping visits to 14 driving schools and found that 11 of the schools allowed the mystery shoppers to shorten, or even abandon, their in-car training and still issued them a Beginner Driver Education certificate.

Driver Examination Contract Management and Oversight

- **The Ministry's contract management and oversight functions were ineffective in improving service quality.** Data showed that the driver examination services offered by Plenary/Serco experienced numerous performance failures over the 10-year contract period that began in 2013. Many of these persistent issues were not addressed even after the Ministry attempted to hold the service provider accountable. We also noted that performance measures used to oversee the service provider were relaxed.
- **The Ministry paid additional funds to maintain service levels that were the responsibility of Plenary/Serco.** We found a pattern of Plenary/Serco not meeting customer wait time targets prior to the COVID-19 pandemic and the Ministry paying for changes to improve service even though, under its contract with the Ministry, costs and risks related to providing driver examination services were Plenary's responsibility. The Ministry estimated that between November 2017 and September 2023 it paid Plenary/Serco about $19.2 million to extend operating hours to respond to growing customer demands. Also, the Ministry paid $1.2 million (in 2018) for the establishment of a DriveTest Centre, as well as ongoing operational costs totalling $15 million as of September 2023.
- **The Ministry awarded a new contract to Plenary without competition.** Despite issues of poor performance and disputes over penalties, the Ministry awarded a new contract to Plenary without competition. The Ministry did not start the work on procuring this contract until 2021, and subsequently determined that it did not have enough time for an open competition.

Monitoring High-Risk Licensed Drivers

- **The Ministry rarely requires drivers with repeat driving suspensions to take retraining courses.** Our analysis found that the fatal collision rate in 2022 for drivers who received two or more suspensions in the previous year was six times higher than the general driver population. However, other than drivers who are suspended for impaired driving (alcohol- or drug-related), the Ministry may only require drivers to complete retraining courses after they are convicted in court of dangerous driving behaviours, such as stunt racing or careless driving causing bodily harm. This limited requirement resulted in only about 120 drivers completing the Ministry's retraining courses in 2022, which represents only about 5% of the

over 2,500 drivers who received two or more suspensions in the same year.

- **Elderly drivers' ability to drive safely has not been effectively assessed.** The Ministry assesses the driving skills of drivers aged 80 and older primarily through a cognitive test that requires them to draw the face of a clock for a specific time of the day. This test does not specifically examine a person's motor functions and co-ordination, concentration, spatial perception or reaction time. Our analysis of Ministry data indicated that elderly drivers who passed this test were more likely than the general driving population to have caused the collisions they were involved in, and the average rate of fatal collisions in this group was nearly double that of the general driver population.
- **The Ministry could do more to assess whether drivers were physically or mentally fit to drive.** The *Highway Traffic Act* requires healthcare providers to report to the Ministry patients with specified medical conditions that may make it dangerous for them to drive. Despite the importance of this program, we found the Ministry did not systematically reach out to medical practitioners to increase awareness of the need to report these medical conditions. We also found that the Ministry did not always document its decision to reverse suspensions of drivers who had been found to be medically unfit to drive.

Driver Licensing Identification Requirements

- **The Ministry overrode its own proof of identification requirements without providing a rationale.** To prevent fraud and identity theft, the Ministry's policy requires Ontario driver's licence applicants to show valid government identification documents. However, our review found that since 2019, the Ministry made over 1,000 exceptions, authorizing the use of expired or substandard IDs during the driver's licence application process, and it did so without using consistent standards or documenting the rationale.

Measuring Program Effectiveness

- **The Ministry did not incorporate key data in determining the effectiveness of its road safety programs.** The 2020 Ontario road safety annual report indicated that for more than two decades the Ministry has measured road safety by calculating the number of collision-related fatalities for every 10,000 licensed drivers. Because the province has the lowest fatality rate in North America, the Ministry concluded that Ontario ranked first in road safety. However, the Ministry did not include other key indicators, such as total collision rates, when it assessed, measured and reported key road safety trends in the province, or compared Ontario to other jurisdictions. Although extensive data is available from various Ministry and Serco IT systems, the Ministry did not effectively utilize the data to provide insights into the performance of its driver training and examination programs.

Overall Conclusion

Our audit concluded that the Ministry of Transportation did not have effective evidence-based driver examination programs to evaluate and test novice drivers thoroughly and consistently.

The Ministry did not provide effective oversight of novice driver training and driver examination service providers to ensure desired service outcomes with due regard to economy. Ministry oversight of driving schools and instructors was limited. It does not regulate driver training services outside of the optional Beginner Driver Education program, curbing its ability to identify and/or deter substandard training practices within the industry. In addition, the Ministry's monitoring programs were not designed to proactively identify drivers with repeat suspensions or high-risk medical conditions, impeding the effectiveness of these programs to maximize road safety in Ontario.

Moreover, the Ministry's contract oversight of the driver examination service provider has not been effective in improving driver examination service levels.

In addition, the Ministry paid additional funds to the service provider despite persistent performance issues.

We also found that the performance measures that the Ministry used to evaluate road safety programs, including driver training and examination programs, were incomplete. As such, they did not provide the Ministry and the public with the most relevant and accurate evaluations of Ministry programs.

This report contains 18 recommendations, with 44 action items, to address our audit findings.

MINISTRY OVERALL RESPONSE

The Ministry of Transportation appreciates the work of the Auditor General and welcomes recommendations that help improve driver training and examination programs.

Ontario has the safest roads in North America. We look forward to sharing our continued progress to ensure our roads remain this way.

The recommendations build upon the Ministry's ongoing work to continuously improve transportation safety for all users through policy enhancements, more program oversight, third-party contract management, and the use of business intelligence tools.

The Ministry has started an evaluation of its Graduated Licensing System. In addition to the initiatives already under way as part of this evaluation, we will include the recommendations that were put forward. The evaluation will include the review of the pass rate variance between DriveTest Centres, road safety impacts of the modified G test, effectiveness of the Beginner Driver Education program, and impacts of drivers from both reciprocal and non-reciprocal jurisdictions. We will continue to review best practices of other jurisdictions and the scientific literature, and seek input from stakeholder and service delivery partners.

To enhance program oversight of driving schools and driver examination, the Ministry will undertake initiatives that will ensure the continued safety of road users. We will continue to pursue more oversight of licensed driving schools through an escalating sanctions model. The Ministry recognizes the importance of compliance oversight and will take further steps to implement risk-based audits of operational processes and will look at best practices across jurisdictions to continue to improve delivery of driver examination services.

The Ministry looks forward to working with our partners to review its policies and procedures to introduce countermeasures against high-risk driving, explore enhanced medical reporting requirements, enhance road safety for senior drivers, improve ID escalation processes to prevent fraud, and continue the expansion of our digital transformation.

2.0 Background

2.1 Overview

Pursuant to the *Highway Traffic Act*, the Ministry of Transportation (Ministry) is responsible for protecting the public by ensuring that the privilege of driving is only granted to, and retained by, drivers who understand the rules of the road and can demonstrate they can drive safely. Full driving privileges are granted to novice drivers only after they acquire experience and develop or improve safe driving skills under controlled conditions.

The Ministry's Transportation Safety Division (see **Appendix 1**) is mandated to develop and manage all transportation safety programs, compliance and operational policies, legislation, and regulations under provincial jurisdiction. The Division is responsible for researching, evaluating and developing driver and road safety programs, as well as post-licensing activities such as applying demerit points and suspending licences because of driving penalties or for medical reasons.

Since 2003, the Ministry has been using a service delivery system that largely relies on third-party

contractors (see **Figure 1**) to carry out driver training, examination and licensing services. The Ministry's Oversight and Agency Governance Division (see **Appendix 1**) oversees third-party service providers, develops relationships with contractors and manages contracts.

2.2 Driver Training, Examination and Post-Licensing Programs

2.2.1 Beginner Driver Education Program

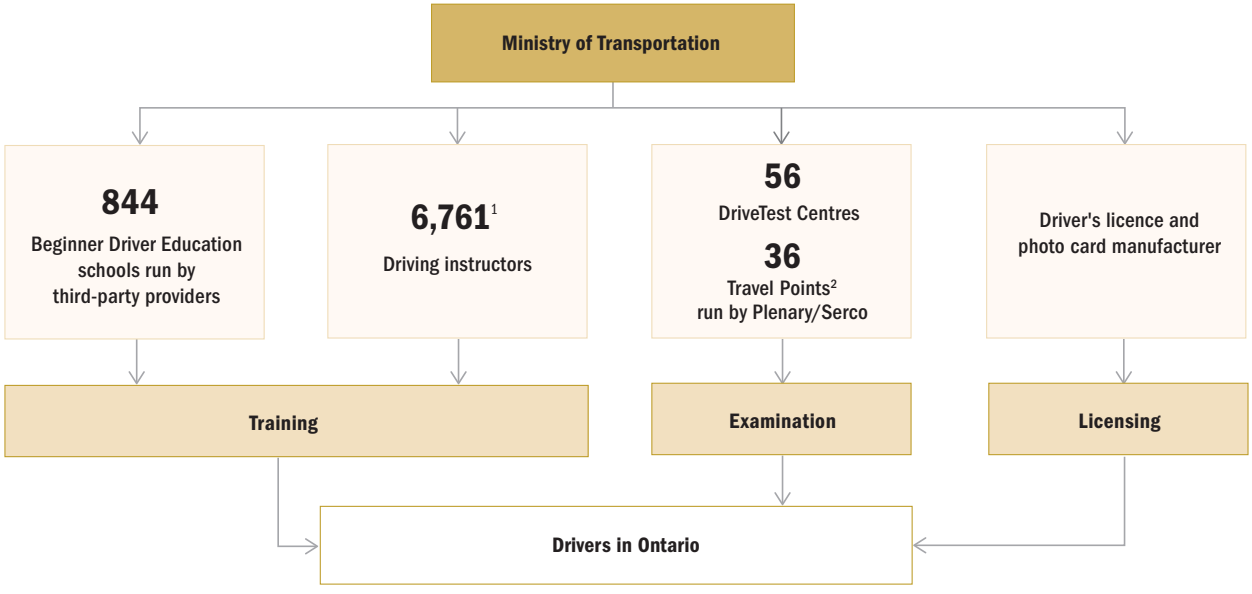
As of December 2022, there were over 11.1 million licensed drivers in Ontario; over 95% of those drivers held a G-class passenger vehicle licence. To obtain a G-class licence, the Ministry does not require mandatory training for novice drivers prior to driver examination. Instead, the Ministry encourages students to complete a Beginner Driver Education training program to help them become safe and responsible drivers. Historically, about 40% of novice drivers have completed the Beginner Driver Education training. In 2022, for example, about 160,000 (out of about 400,000) newly licensed drivers completed the training.

Beginner Driver Education is offered through Ministry-licensed driving schools. These licensed schools must meet the Ministry's standards by providing 40 hours of driving instruction that covers:

- a minimum of 10 hours of in-vehicle training delivered by a licensed instructor, with no more than two students per instructor;
- at least 20 hours of instruction, either in person or online, with a maximum of 40 students for in-person classes or 15 students for virtual classes; and
- 10 hours of flexible instruction time that can be used for additional vehicle and/or classroom/online instruction or driving simulation instruction.

Figure 1: Driver Training, Examination and Licensing Service Delivery Structure

Prepared by the Office of the Auditor General of Ontario



1. Of the 6,761 licensed driving instructors, 1,234 are not affiliated with a Beginner Driver Education school.
2. Travel Points are pop-up DriveTest Centres designed to offer service periodically to a smaller community from a shared, locally well-known facility, such as a community centre or town hall.

Licensed driving schools can use a selection of Ministry-approved, third-party-developed curricula. The completion of the Beginner Driver Education course is recorded in the Ministry's driver's licence database, and graduates can choose to shorten the 12-month wait period—during which G1 drivers must be supervised by a fully licensed driver—by as many as four months. Novice drivers who complete the training course may also be eligible for potential insurance premium discounts.

Driving School and Instructor Oversight

The Ministry has contracted third-party auditing firms to conduct compliance audits of licensed driving schools. Between January 2017 and March 2023, the Ministry and the contracted third-party auditors completed over 1,300 compliance audits of licensed driving schools. The Ministry typically scheduled compliance audits every three to five years for each driving school, depending on the number of non-compliance items noted in previous audits. The Ministry paused these audits during the COVID-19 pandemic period, but they resumed in summer 2022.

These compliance audits typically noted administrative issues such as incomplete student attendance logs or missing insurance documents. In addition, from 2018 to 2020, the Ministry hired investigators to conduct 33 unannounced mystery shops of licensed driving schools to further investigate previously identified instances of non-compliance.

Regulation 473/07 under the *Highway Traffic Act* sets requirements for licensed instructors. The requirements include the completion of a basic driving instructor course, possession of a valid Ontario driver's licence (full G-class) with over four years of driving experience in Ontario or other jurisdictions, no demerit points, and a satisfactory criminal record check. Ontario's more than 6,700 licensed driving instructors can teach both the in-car and in-class/online components of the Ministry's Beginner Driver Education course after completing the Ministry-approved in-class driving instructor's course. About 80% of licensed driving instructors are affiliated with a driving school. The Ministry can revoke a driving instructor's licence when, for example, the instructor accumulates more than three demerit points or is charged with a criminal offence. These violations are automatically flagged by the Ministry's information system.

2.2.2 Driver Examination for G-Class Licences

Under 2013 and 2023 agreements with the Ministry, a service provider (Plenary) provides driver examination services through a subcontractor (Serco). Throughout this report, the term Plenary (or service provider) refers to the legal entity that has the driver examination contract with the Ministry. The term Serco (or subcontractor) refers to the operator of the driver examination services. Plenary/Serco is used to represent the combined operations of the two.

There are 56 DriveTest Centres and 36 satellite locations (also called Travel Points) across the province. (See **Appendix 2** for a full list of DriveTest Centres and Travel Points, with service volume statistics and pass rates.) In 2022, Serco conducted 1.17 million knowledge tests and 1.34 million road tests in Ontario. On average, about 73% of drivers pass the G (highway) road test, a percentage that has been generally consistent over the past five years. The road test pass rates vary considerably across DriveTest Centres. For example, in 2022 the G (highway) road test pass rates ranged from 57% in Brampton to 89% in Owen Sound.

Graduated Licensing System

In 1994, Ontario introduced the Graduated Licensing System, which comprises two road tests. With this system, novice drivers have five years to gradually gain the driving knowledge and experience required for the full G-class (passenger vehicle) licence. For both Classes G1 and G2, regulations set the rules and restrictions that driver's licence holders must comply with to help reduce risk and accidents, as shown in **Figure 2**.

To obtain a G1 class licence, an individual must be at least 16 years old and pass a vision test and a knowledge test. To obtain a G2 class licence, an individual with a G1 class license must pass the G2 road test—also referred to as the city test—which focuses on basic driving skills. During the roughly 20-minute city test, driver examiners assess the novice driver's ability to navigate residential streets using basic skills including making turns, handling curves and making lane changes, navigating intersections, parallel parking, and making roadside stops and three-point turns. To obtain a G class licence, an individual with a G2 class licence must pass the G road test, which is also referred to as the highway test. During the 30-minute G (highway) road test, examiners assess the driver's ability to drive on major roads and expressways, including merging on and off, maintaining appropriate speed and space, and signalling, in addition to the basic driving skills tested during the city test.

Reduced G (Highway) Road Test

During the COVID-19 pandemic, DriveTest Centres were closed and passenger road tests (city and highway) were cancelled. When DriveTest Centres reopened in July 2021, there was a backlog of more than 500,000 novice drivers waiting to take road tests. In January 2022, the Ministry reduced the length of the G (highway) road test by eliminating the testing of what it considered redundant and/or low-risk driving manoeuvres, which are outlined in **Figure 3**. In June 2022, the Ministry announced that it would extend the reduced G (highway) road test "until further notice." While the backlog of road tests was cleared by October 2022, the full G (highway) road test had not been reinstated by the end of our audit.

Figure 2: Classes Within the Graduated Licensing System in Ontario

Prepared by the Office of the Auditor General of Ontario

Class	Requirements	Driving Restrictions	Wait Period	Fee ($)
G1	Pass vision test and knowledge test	· Must drive supervised by a fully licensed driver who has at least four years of driving experience; · must maintain a zero-blood-alcohol level; · must not drive between midnight and 5 a.m.; and · must not drive on highways, unless accompanied by a licensed driving instructor.	A Class G1 driver's licence holder can attempt the G2 road test after a wait time of 12 months. This wait time can be reduced to eight months if the novice driver completes a Ministry-approved Beginner Driver Education program.	16.00
G2	Pass G2 (city) road test	Must maintain a zero-blood-alcohol level and must not drive between midnight and 5 a.m.	A Class G2 driver's licence holder can attempt the G road test after a wait time of 12 months.	53.75
G	Pass G (highway) road test	Full driving privileges	n/a	91.25

Figure 3: G (Highway) Road Test Manoeuvres

Prepared by the Office of the Auditor General of Ontario

	Original Test (2017–2021)	Reduced Test (Since Jan. 2022)
Right turns	4	2
Left turns	4	2
Stop intersections	2	1
Through intersections	2	1
Curves	2	1
Roadside stop	1	0
Parallel park	1	0
Three-point turn	1	0
Business sections	2	1
Lane changes in each business section	2	2*
Residential sections	2	0
Expressway sections	2	2
Lane changes in each expressway section	2	2

* Two lane changes in the one business section.

Figure 4: Distribution of Money Collected From the Issuance of Driver's Licences

Prepared by the Office of the Auditor General of Ontario

Breakdown of Money Collected (per transaction)	Amount ($)	%
Plenary revenue	45	50
Ministry of Transportation revenue	30	33
Motor Vehicle Accident Claim Fund*	15	17
Total	**90**	**100**

* The Fund provides coverage in accidents where there is no insured automobile involved or determinable (e.g., an uninsured driver or a pedestrian involved in a hit and run).

Driver Examination Contracts Involving Plenary and Serco

In 2003, the Ministry reached a 10-year agreement with Serco to deliver driver examination services. Serco made a one-time payment of $114 million to the Ministry for the contract. Serco also paid $200,000 a month to fund audit and compliance activities to be carried out by the Ministry.

Following the completion of the 2003–2013 agreement, the Ministry carried out a competitive procurement and selected Plenary as the service provider. Plenary subcontracted Serco to continue to deliver driver examination services in Ontario for another 10 years (2013–2023). In return for exclusive rights to provide driver examination services, Plenary paid the government $75 million upfront, along with concession payments of approximately $1.2 million per month for the 10-year period, and made a final payment of $10 million at the end of the contract period (September 2023). At the outset of the contract, the Province expected its total revenues from Plenary to be approximately $207 million. Serco expected its total revenue to be approximately $500 million. **Figure 4** illustrates the breakdown of the revenue distribution between the Ministry and Plenary based on the example of a five-year licensing transaction fee of $90.

Before this contract ended on September 2, 2023, the Ministry reached a new agreement with Plenary for two years, with a possible extension of one additional year, as well as a transition period of up to another year. Plenary paid approximately $7.67 million to the government as a concession payment.

The Ministry's ongoing costs to administer the driver training and examination program are about $40 to $45 million annually, about 90% of which, on average, is offset by revenues from the concession payments and licence transaction fees.

Driver Examination Contract Oversight

In the September 2013 contract with Plenary, the Ministry defined 14 key performance indicators to help monitor the service provider's performance. The September 2023 contract contained two additional indicators (see **Appendix 3**). Plenary is responsible for self-monitoring and self-reporting all performance failures against the key performance indicators. The

Ministry also conducts compliance reviews of the key performance indicators, including examinations based on the volume of transactions, previous error rates and types of information (for example, 100% review of medical and vision reports). During these transaction reviews, Ministry staff examine scanned copies of identification documents (IDs) and related documents used by Serco to ensure accuracy, such as the name and birth date of the licence applicant.

The contract also requires Plenary/Serco to rectify errors within 10 business days. In cases of more serious issues, for example an injury to the public or an employee, the Ministry can require Plenary/Serco to carry out a root cause analysis.

The contract imposes penalties for performance failures, with added remedies for repeat performance failures. Plenary/Serco and Ministry representatives carry out monthly reconciliations to determine the final penalty amounts (see **Appendix 4**).

2.2.3 Cross-Jurisdictional Information Sharing and Exchange

Ontario has reciprocal driver's licence exchange agreements with all Canadian provinces and territories, as well as with 15 other countries, including the United States, Australia, Germany, Japan, South Korea and Taiwan. Drivers with more than two years of driving experience from these jurisdictions can apply to exchange their licence for an Ontario licence. They are only required to undergo the vision test; they do not have to take either the knowledge or road tests.

Drivers from countries that do not have a reciprocal exchange agreement with Ontario, such as China or India, are designated as novice drivers and are required to go through Ontario's Graduated Licensing System. However, the first 12-month wait period (described in **Figure 2**) can be waived if drivers can show a valid driver licence from their home country with an accompanying translation. If a driver can show a driver's licence with at least two years of documented driving history, along with an original letter from the relevant country's embassy, consulate or high commissioner's office, or from the jurisdiction that originally issued the licence validating the authenticity of the licence, they can bypass the G2 (city) road test, and take the G (highway) road test without completing the second 12-month wait period.

2.3 Proof of Identity Requirements to Obtain an Ontario Driver's Licence

To prevent fraud and identity theft, a driver's licence applicant is required to present originals of at least one government-issued ID showing proof of legal name and date of birth, prior to taking the knowledge test. Accepted identity documents include passports (Canadian or foreign), Permanent Resident Card, Record of Landing, Confirmation of Permanent Residence and temporary immigration documents (IMM 1442). Serco staff have been trained to detect fake and/or substandard documents, and are instructed not to accept documents that do not meet the Ministry's standards.

2.4 Post-Licensing Monitoring of High-Risk Drivers

Demerit Points and Penalties

The demerit point system is intended to hold drivers accountable for their actions and the quality of their driving. Demerit points are added to a driver's licence when a driver is convicted of violating traffic laws. The demerit points from a driving infraction or conviction stay on a driver's record for two years and might result in a suspension of driving privileges for 30 days if a driver accumulates 15 demerit points. The demerit point system does not capture all driving-related offences, as some severe offences are addressed through the *Criminal Code of Canada*.

The Ministry's Driver Improvement Office administers different remedial training and re-examination depending on the type of driving offence:

- Drivers with two suspensions related to impaired driving are required to complete a program delivered by the Centre for Addiction and Mental Health that educates participants on how to

separate alcohol/drugs and driving through lecture-style learning and skills development.

- Drivers convicted of careless driving, including causing bodily harm or death, or stunt racing, are required to take a Driver Improvement Course, offered at some driving schools, consisting of a one-hour in-vehicle driving component and six hours of in-class lessons. Failure to complete the course results in licence cancellation.

Under the *Highway Traffic Act*, drivers involved in a collision could be subject to re-examination, including vision screening and knowledge and road tests. The drivers might also be required to attend an interview with a Ministry's Driver Improvement Counsellor. Interview requirements vary according to the age and medical condition of the driver, as well as the number and types of collisions. The Ministry identifies drivers who have been involved in three or more collisions in a two-year period—with indications of improper driver actions in at least two collisions—as collision repeaters, and requires them to undertake a re-examination and an interview. Not completing the re-examination and/or attending the scheduled interview results in licence cancellation.

Elderly Drivers

Drivers aged 80 and over, representing about 3% of all drivers, are required to renew their G-class licence every two years. To be eligible for this renewal, drivers 80 and over are required to complete a vision test, watch a senior driver education video and attend a Senior Driver Group Education session. During these sessions, the Ministry tests seniors' cognitive abilities using a clock-drawing exercise. This test is intended to examine drivers for potential cognitive decline and whether their ability to drive safely may be impaired.

Medical Standards for Driver Licensing

A regulation under the *Highway Traffic Act* requires drivers to meet the medical standards for physical and mental conditions outlined in the Canadian Council of Motor Transport Administrators' Medical Standards for Drivers. The regulation requires physicians, nurse practitioners and optometrists to report patients with specified medical conditions to the Ministry. These specified conditions include diabetes, seizures or other neurological conditions, visual impairment and other conditions that would significantly impair an individual's ability to drive safely. Police officers and a driver's relatives may also report a suspected medical condition to the Ministry.

The Ministry's Medical Review Office reviews over 280,000 cases annually to determine whether or not to suspend driver's licences. Some drivers are assessed multiple times. If the decision is to suspend a licence, the Medical Review Office notifies the driver about their suspension, as well as the conditions that the individual needs to meet to reinstate their licence. Annually, about 33,000 drivers are suspended from driving for medical reasons.

2.5 Information Systems

The Driver Licensing and Control System is the Ministry's primary database. It contains information on drivers in Ontario such as their driver's licence class, personal information and medical conditions, fees charged for services, and number of collisions.

As a mainframe system, the Driver Licensing and Control System centrally stores information that can be accessed through multiple user-facing applications such as the Ministry-built Beginner Driver Education application and the Serco-built Driver Examination application. ServiceOntario also accesses the Driver Licensing and Control System when renewing driver's licences.

2.6 Ontario Road Safety Annual Report

The Ministry prepares and publishes the Ontario Road Safety Annual Report (ORSAR) to provide insight about established and emerging trends in road safety

in Ontario. This report also supports the Ministry's own road safety research, program development and performance measurement. The Ministry draws information from various sources to produce this annual report, including collision information from police services and other organizations in the justice and health sectors.

Key highlights from the most recent ORSAR (2020) include:

- The fatality rate was 0.5 per 10,000 licensed drivers. This was ranked among the five lowest fatality rates in North America.
- There were 147,756 reportable collisions and 268,559 vehicles involved in collisions.
- 498 collisions were fatal (resulting in 530 fatalities), and 23,371 collisions resulted in personal injury.
- 4,184 collisions resulted in hospital admission, with a total of 43,053 days spent in hospital due to injuries.
- 123,887 collisions resulted in property damage.

The 2020 statistics showed a 9% lower fatality rate and a 30% reduction in the number of collisions resulting in injury when compared with the 2019 report. However, the declines might have been attributable to pandemic-related disruptions.

3.0 Audit Objective and Scope

The objective of our audit was to assess whether the Ministry of Transportation has effective systems and processes in place to:

- design and equitably deliver evidence-based driver training and examination programs so that driver's licences are only granted to, and retained by, those persons who have demonstrated that they drive safely;
- achieve desired service outcomes with due regard to efficiency and economy; and
- monitor and report publicly on the performance of driver training and examination programs.

Our Office conducted a Value-For-Money Audit on Commercial Vehicle Safety and Enforcement in 2019, which included an assessment of commercial vehicle drivers' training and examination programs. As such, our audit scope focused on G-class passenger vehicle drivers and excluded commercial vehicle classes. In planning for our work, we identified the audit criteria (**Appendix 5**) we would use to address our audit objective. These criteria were established based on a review of applicable legislation, policies and procedures, internal and external studies, and best practices in other jurisdictions. Senior management at the Ministry reviewed and agreed with the suitability of our objectives and associated criteria.

We conducted our audit between January 2023 and October 2023. We obtained written representation from the Ministry that, effective November 20, 2023, it had provided us with all the information it was aware of that could significantly affect the findings or the conclusion of this report.

In performing our audit work, we met with staff from various Ministry branches responsible for driver training and examination oversight, procurement, licensing, research and policy development. Our audit work was conducted primarily at the Ministry's office in Toronto. The majority of our document reviews covered the most recent five years. We reviewed relevant research and best practices from Ontario and other Canadian provinces, as well as foreign jurisdictions (such as Australia).

We conducted the following additional work at the Ministry:

- reviewed policies and legislation relevant to driver training, examination and licensing;
- examined data in the Driver Licensing and Control System and analyzed trends and correlations of driver training, examination, medical records, suspensions and collision records;

- reviewed the Ministry's contract arrangement and oversight activities of the service provider, including Plenary/Serco; and
- reviewed reports of compliance audits conducted on driving schools and Plenary/Serco.

We interviewed key stakeholders, such as the Ontario Provincial Police, Ontario Medical Association, Ontario Safety League and Insurance Bureau of Canada, for input on road safety trends.

We also conducted unannounced visits to 10 DriveTest Centres (Mississauga, Toronto Downsview, Brampton, Toronto Metro East, Oshawa, Thunder Bay, Ottawa Canotek, London, Lindsay and Guelph). During the visits, we observed the facilities, interviewed key staff, reviewed documents and shadowed a sample of road tests. We considered a variety of factors in selecting the sites to visit, including geographic location, size and transaction volume of the location, pass rate, and performance results.

In addition, we hired a professional firm to carry out mystery shopping at 14 licensed driving schools across the province.

Finally, we reviewed the relevant audit reports issued by the province's Internal Audit Division to inform our audit work.

We conducted our work and reported on the results of our examination in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada. This included obtaining a reasonable level of assurance.

The Office of the Auditor General of Ontario applies Canadian Standards on Quality Management and, as a result, maintains a comprehensive system of quality management that includes documented policies and procedures with respect to compliance with rules of professional conduct, professional standards, and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

4.0 Detailed Audit Observations

4.1 Driver Examinations

4.1.1 Novice Drivers from Urban Areas Who Took Road Tests at Rural or Suburban DriveTest Centres Were Involved in More Collisions

Our audit found a pattern of novice drivers from urban areas choosing to take their G2 (city) and G (highway) road tests at rural or suburban DriveTest Centres that in many cases have less complex road test routes and higher pass rates. We also found that these novice drivers were involved in more collisions when compared to novice drivers who took their road tests at the DriveTest Centre closest to where they lived. Despite noting this trend, the Ministry has not analyzed why this is happening, its impact on road safety or whether controls should be put in place to encourage novice drivers to take road tests in the areas where they live, work or study, and will likely be doing most of their driving.

In 2022, the Guelph DriveTest Centre administered over 56,000 road tests (city and highway), while the Brampton DriveTest Centre administered about 49,000 road tests (see **Appendix 2**). However, as per the 2021 Census, Guelph has approximately one-fifth of the population of Brampton, meaning that there was a disproportionately high number of people taking road tests in Guelph compared to Brampton.

We identified six rural or suburban DriveTest Centres, including Guelph, that experienced high volumes of road tests and analyzed the registered home addresses of novice drivers who attempted G2 (city) and G (highway) road tests there. We found that for

Figure 5: Analysis of Select DriveTest Centres With High Volumes of Road Tests, January 2022–March 2023

Prepared by the Office of the Auditor General of Ontario

DriveTest Centre (Region)	Road Test Drivers' Home Addresses (Top Three Only)[1]	Distance (km)[2]	% of Drivers Taking Road Test at this Centre
Clinton (North)	London	75	31
	Brampton	178	7
	Kitchener	110	3
Peterborough (North)	Scarborough	115	22
	Peterborough	0	14
	Toronto	140	9
Orangeville (East)	Brampton	38	42
	Mississauga	48	9
	Woodbridge (Vaughan)	52	4
Lindsay (East)	Scarborough	108	14
	North York	124	11
	Toronto	134	10
Guelph (West)	Brampton	71	34
	Guelph	0	14
	Mississauga	70	10
Simcoe (West)	Hamilton Areas (Hamilton, Ancaster and Stoney Creek)	64	14
	Brantford	42	12
	Brampton	135	9

1. See **Appendix 6** for detailed breakdown of drivers' home addresses for each of the six DriveTest Centres.
2. Distances between the rural DriveTest Centre location and the urban DriveTest Centre location nearest to the novice driver's home address.

road tests conducted between January 2022 and March 2023, all six DriveTest Centres had significantly higher volumes of novice drivers from urban areas compared to novice drivers who lived nearby or in rural areas. For example, **Figure 5** and **Appendix 6** (which includes a more detailed breakdown) show that 42% of drivers who took their road tests at the Orangeville DriveTest Centre were from Brampton (compared with only 2% who were from Orangeville).

Further, we analyzed collision rates among newly licensed G and G2 drivers from four urban areas (Scarborough, Brampton, Windsor and Ottawa) covering various geographic regions where a high proportion of drivers completed their road tests at a rural or suburban DriveTest Centre. We found that the collision rates within 15 months after receiving a driver's licence were between 16% and 27% higher among novice drivers from urban areas who chose to travel for their road tests to areas that were more rural or suburban (see **Figure 6**). The analysis shows that, for example, novice drivers from Brampton who took their road tests at a DriveTest Centre outside Brampton had a collision rate that was 22% higher than their peers who took their tests in Brampton (3.8% compared with 3.1%). Similarly, the collision rate was 27% higher for novice drivers from Scarborough who took their road tests at a DriveTest Centre outside Scarborough (3.8% compared with 2.9%).

See **Appendix 7** for further detailed collision rates based on road test locations for novice drivers living in Scarborough, Brampton, Windsor and Ottawa.

Figure 6: Collision Rates for Novice Drivers from Select Cities, January 2022–March 2023

Prepared by the Office of the Auditor General of Ontario

Drivers' Home Location	Where Road Test Completed[1]	# of Drivers Who Passed Road Test	# of Drivers Involved in a Collision	Collision Rate (%)	Difference of Collision Rates (%)
Scarborough[2]	Scarborough	16,873	496	2.9	**27**
	Outside Scarborough	32,881	1,237	3.8	
Brampton	Brampton	23,337	721	3.1	**22**
	Outside Brampton	72,320	2,727	3.8	
Windsor	Windsor	11,546	330	2.9	**20**
	Outside Windsor	7,657	263	3.4	
Ottawa	Ottawa	21,941	543	2.5	**16**
	Outside Ottawa	3,888	113	2.9	

1. See **Appendix 7** for further details on collision rates by road test location.
2. Toronto Port Union DriveTest Centre is considered the home location for Scarborough.

Some Rural and Suburban DriveTest Centres Have Less Complex Road Test Routes

We selected a sample of 10 DriveTest Centres for review and compared road manoeuvres tested at each site and the average length of the road tests. We found that, for example, due to the absence of 400-series highways at some rural and suburban areas, the Ministry had to use city road manoeuvres to replace highway manoeuvres as testing requirements at these DriveTest Centres. That may limit the Ministry's ability to fully assess the knowledge and skills of novice drivers from urban areas at these sites since they were not tested on road conditions similar to those they would have been more likely to encounter near their homes.

Specifically, for the Lindsay, Peterborough, Simcoe and Guelph DriveTest Centres, the Ministry approved highway testing on provincial routes with an average speed limit of 70 kilometres per hour, which is 30 kilometres per hour slower than the speed limit on 400-series highways. In addition, certain highway-related manoeuvres were modified based on local highway conditions. For example, both the Guelph and Lindsay DriveTest Centres tested drivers' ability to merge onto highways using right turns at traffic lights and tested highway lane changes on city roads. Both modifications lowered the complexity of the manoeuvres.

We also observed less traffic on test routes at rural and suburban DriveTest Centres, which means the novice drivers would have had less traffic to navigate around those sites and fewer opportunities to make mistakes.

Finally, the average length of the reduced G (highway) routes was seven kilometres at the Guelph and Lindsay DriveTest Centres (rural), and 14 kilometres at the Toronto Downsview and Brampton DriveTest Centres (urban).

Slower traffic conditions combined with simpler road tests may not provide sufficient testing for novice drivers from urban areas who, once licensed, are more likely to use 400-series highways and face more complex traffic conditions. The Ministry does not proactively review DriveTest Centres' road test routes to identify inconsistencies between the tests, or assess their adequacy, unless requested by Serco.

Some Rural and Suburban DriveTest Centres Had Higher Pass Rates

We found that road test pass rates varied among DriveTest Centres, as shown in **Appendix 2**. In 2022, DriveTest Centres in urban areas, such as Toronto Downsview, Toronto Etobicoke, Brampton and Mississauga, had pass rates that were lower than DriveTest Centres in rural or suburban areas, such as Peterborough, Lindsay and Simcoe. We noticed that this information was available on non-government Internet sites and may, therefore, have influenced novice drivers when they chose the DriveTest Centre for their road test.

In addition, we found that factors other than pass rates—such as lighter traffic conditions—might have influenced novice drivers' choice of DriveTest Centres. For example, between January 2022 and March 2023, over 1,000 novice drivers from the Greater Toronto Area travelled over 500 kilometres to the Hawksbury DriveTest Centre for their road tests, bypassing the Belleville DriveTest Centre, which had a higher pass rate. Similarly, despite the high pass rate at the London DriveTest Centre, we found that 31%, or over 4,000, of the novice drivers who attempted their road tests at the Clinton DriveTest Centre were from London (see **Appendix 6**).

Although Serco's leadership could not definitively explain why these novice drivers chose alternate DriveTest Centres, they noted that both the Belleville and London DriveTest Centres were surrounded by major highways with busier traffic conditions, while Hawksbury and Clinton were in less-populated regions.

Serco has repeatedly received complaints from local communities, such as Guelph, regarding heavier traffic volume created by novice drivers taking road tests around the DriveTest Centre. When Serco brought these concerns to the Ministry's attention, the Ministry did not act. The Ministry speculated that the higher traffic volumes at certain sites may be the result of novice drivers living away from their registered home addresses for work or school, but the Ministry had not collected data to support this assertion.

RECOMMENDATION 1

So that driver examinations effectively assess whether novice drivers are sufficiently prepared to drive safely on Ontario's roads, we recommend that the Ministry of Transportation:

- assess the impact on road safety of novice drivers from urban areas taking their road tests at rural and suburban DriveTest Centres; and
- based on that assessment, identify and put in place reasonable restrictions that prohibit urban novice drivers from taking their road test at a DriveTest Centre outside of where they live, work or study.

MINISTRY RESPONSE

The Ministry of Transportation appreciates the work of the Auditor General. In response to the Auditor General's recommendation, and as part of its ongoing program evaluation of its Graduated Licensing System, the Ministry will conduct an updated assessment of the road safety impact of variances in post-licensing collision rates and pass rates between DriveTest Centres.

Based on the findings, the Ministry will take appropriate action to ensure an effective and efficient examination program that promotes safe driving behaviours.

4.1.2 Ministry Reduced the Requirements for the G (Highway) Road Test Without a Full Review and Formal Evaluation of Road Safety Impacts

As described in **Section 2.2.2**, the Ministry reduced the requirements for the G (highway) road test in 2022 to help manage the road test backlog created by COVID-19 pandemic-related closures and restrictions. We learned that the Ministry kept the reduced G (highway) road test in place for almost eight times longer (or two years as of September 2023) than originally planned, even though the backlog was cleared in fall 2022.

The decisions to reduce the requirements for the G (highway) road test, and to retain those reductions after the backlog was cleared, were made without the support of proper policy analysis and evaluation of road safety implications.

In September 2020, the Ministry made a Treasury Board submission for funding of 84 additional driver examiner positions to help reduce the backlog of 500,000 passenger road tests. At the time, the Ministry did not consider reducing the requirements for the G (highway) road test to be a viable solution as it noted that "policy changes would require extensive policy analysis, including determining whether these policy changes would have impacts on road safety." Despite its assessment, the Ministry later reduced the requirements of the G (highway) road test in response to the Minister's request to reduce the road test backlog, but without conducting extensive policy analysis or seeking formal approval from the Cabinet Office. Initially, the reduced G (highway) road test was put in place as a temporary measure from January 2022 to March 2022. However, in June 2022, the Ministry announced that the reduced G (highway) road test would be extended until further notice. As of September 2023, the Ministry had no plan to resume the full G (highway) road test, even though it had successfully cleared the backlog in 2022.

To justify extending the reduced G (highway) road test in June 2022, the Ministry evaluated the road safety impact of the modification by analyzing changes in the pass/fail rates of the reduced G (highway) road test and the at-fault collision rate of newly licensed G-class drivers. The Ministry reported that "the evaluation did not conclude that the modified road test produced higher risk to road safety." However, we found the following issues with the Ministry's evaluation.

Approximately 54,000 Drivers from Other Countries Were Not Tested for Important Driving Manoeuvres

Drivers from countries that do not have a reciprocal driver's licence exchange agreement with Ontario have to go through the Graduated Licensing System. These drivers can bypass the G2 (city) road test if they can show an authenticated driver's licence from their home country and evidence that they have over two years of driving experience. However, even though the driver may have driving experience gained in the previous country where they lived, these countries may have different traffic laws and driving practices than Ontario.

Through the full G (highway) road test, drivers from other countries would have been tested on all city and highway manoeuvres. With the reduced G (highway) road test in place from January 2022 to March 2023, 54,000 drivers from other countries were only tested on their ability to navigate highways (see **Figure 3**), not residential streets. Important skills, such as parallel parking, three-point turns, and driving in proximity to pedestrians, were not consistently assessed. Since there was no systematic policy analysis prior to reducing the requirements for the G (highway) road test, the Ministry did not have the opportunity to consider the impacts on drivers from other countries who do not have a reciprocal driver's licence exchange agreement with Ontario.

Ministry Assessed the Reduced Highway Road Test Using an Ineffective Measure

The Ministry's evaluation noted a generally consistent pass rate of approximately 71% under both the full and reduced G (highway) road tests, which supported its conclusion that the "reduced G (highway) road test performs as well as the full G (highway) road test." However, we found that there may have been other reasons why the pass rates did not change after the introduction of the reduced road tests.

Serco, which closely monitors road test pass rates, had a 65% to 75% pass rate target for all driver examiners. Supervisors told us that driver examiners with an average weekly pass rate that deviated noticeably from the average (typically 15% higher or lower) would be subject to a performance review. As such, there was an incentive for examiners to achieve consistent pass rates. For instance, based on Serco's policy, a driver examiner with an average pass rate of 90% in one month would be subject to a review and a one-on-one conversation with their supervisor in the following

month. If a driver examiner continued to get these results, they could be subjected to further performance management and coaching actions, such as retraining and shadowing.

There Was Limited Data Available to Assess Impact on Road Safety

The Ministry performed its evaluation of the reduced G (highway) road test in June 2022, which was only six months after it was implemented. Although the evaluation noted a 30% increase in the at-fault collision rate among novice drivers who passed the reduced G (highway) road test (2.4%) compared to novice drivers who passed the full G (highway) road test (1.8%), the Ministry concluded that "the differences are not statistically significant and the number of collisions were too few to draw meaningful conclusions." This difference in at-fault collision rates could have been an important indicator in evaluating impacts on road safety, yet not enough time had passed to support any conclusions.

At the time of our audit in 2023, there was still only limited data on collision rates for novice drivers who passed the reduced G (highway) road test in 2022.

RECOMMENDATION 2

To understand the full impact of the reduced G (highway) road test and make evidence-based decisions about the reduced test, we recommend that the Ministry of Transportation:

- conduct a thorough policy analysis of the impact of the reduced G (highway) road test, including the impact related to drivers from countries with no reciprocal driver's licence exchange agreement with Ontario;
- track and compare the collision rates of drivers who pass the reduced G (highway) road test to those who passed the full G (highway) road test over a sufficient period of time to determine if it increases road safety risk; and
- based on these analyses, determine whether it is appropriate to continue to use the reduced G (highway) road test.

MINISTRY RESPONSE

The Ministry of Transportation agrees with this recommendation. Once sufficient road test and collision data is available, the Ministry will evaluate road safety impacts of the modified G test, as part of the broader evaluation of Ontario's Graduated Licensing System. The review will assess the most effective methods of examining driver competencies and identify potential improvements to Ontario's road-testing programs.

As per the recommendation, the evaluation of the modified G test will analyze the impacts on different sub-groups in the driver population, such as drivers from jurisdictions without a reciprocal licence agreement with Ontario. Based on the outcome of the comprehensive driver examination review, the Ministry will determine whether the modified road test should continue to test all drivers for full licensure or if there is an alternative option that is more appropriate. The Ministry will further review its current policies and procedures regarding foreign driver licence exchanges to ensure proper procedures are being documented and adopted while also ensuring continued alignment with the Canadian Council of Motor Transport Administrators' guidelines where applicable.

4.1.3 Novice Drivers Can Repeat the Knowledge Test as Many Times as Necessary in One Sitting to Pass

The Ministry does not require a wait period after applicants fail their knowledge test. An opportunity to retake the test can be arranged immediately after the applicant pays an additional $16 exam fee. As the Ministry's multiple-choice exam question bank only

has a limited number of questions (approximately 250 questions), many novice drivers choose to repeat the test as many times as needed during one visit to a DriveTest Centre, limiting their opportunity to take the time necessary to learn the rules of the road. Ontario is the only province in Canada that does not have a rule in place regarding a wait period (see **Appendix 8**). For instance, British Columbia requires a seven-day wait period to retake the knowledge test, Quebec requires a 28-day wait period, and Saskatchewan and Alberta limit individuals to one knowledge test a day.

Our data analytics showed that between January 1, 2018 and March 31, 2023, over 1.9 million novice drivers passed the Ministry's knowledge test. We found almost 10% (190,000) of them passed the test with more than three failed attempts within one visit, while 1% (19,000) took the test more than five times. Allowing unlimited and immediate chances to rewrite the knowledge test defeats the purpose of the test as novice drivers can use the exam to "study" the answers to the multiple-choice questions while (re)taking the test, rather than learning the rules of the road in Ontario.

RECOMMENDATION 3

To encourage novice drivers to study the rules of the road more effectively prior to attempting the G1 knowledge test, we recommend that the Ministry of Transportation review best practices in other jurisdictions, such as Quebec and British Columbia, and determine whether it should introduce a wait period before an individual can retake the test or limit the number of tests that can be taken in a single day.

MINISTRY RESPONSE

The Ministry of Transportation will review practices of other leading road safety jurisdictions to determine whether implementing further policies regarding a wait period between knowledge test attempts or a maximum number of daily attempts would produce a road safety benefit.

The Ministry will seek input from stakeholder and service delivery partners, and will consider policy enhancements that balance road safety, customer experience, and operational feasibility.

4.2 Driver Training

4.2.1 Drivers Allowed to Shorten Their G1 Supervised Driving Period Were Involved in More Collisions

The Ministry allows novice drivers who successfully complete the optional Beginner Driver Education program to choose to shorten their G1 supervised driving period and take the G2 (city) road test up to four months earlier, giving them "a time discount" (see **Section 2.2.1**). However, our audit found that the collision rates of novice drivers who completed the Beginner Driver Education program and opted to take the time discount were higher than those who did not take the time discount.

As shown in **Figure 7**, in each of the 10 years from 2013 to 2022 (where data was available), drivers who took the time discount were involved in more collisions. On average, 4.8% of the G2 drivers who completed the Beginner Driver Education and took the time discount were involved in collisions. This rate is 30% higher than the collision rate (3.7%) of G2 drivers who completed the Beginner Driver Education but waited the full 12 months before taking the G2 (city) road test. In addition, the 4.8% collision rate of drivers who took the time discount was nearly 78% higher than the 2.7% collision rate of drivers who did not take the Beginner Driver Education training and therefore were not eligible for the time discount. The differences in these collision rates indicate that allowing drivers to shorten their supervised driving period may be counter to the objective of the Beginner Driver Education program, which is to put safer drivers on the road.

Figure 7: Collision Rates (%) for G2 Drivers, by Beginner Driver Education Completion Status, 2013–2022[1]

Source of data: Ministry of Transportation

	No Beginner Driver Education	Beginner Driver Education	
		Under 12-Month Wait Period	12-Month Wait Period
2013	2.5	4.7	3.5
2014	2.8	5.1	3.9
2015	2.9	5.2	4.0
2016	2.8	5.0	4.0
2017	2.8	5.1	4.0
2018	2.8	5.1	3.8
2019	2.8	5.0	3.6
2020	n/a[2]	n/a[2]	n/a[2]
2021	n/a[2]	n/a[2]	n/a[2]
2022[3]	2.4	3.2	2.9
Average	**2.7**	**4.8**	**3.7**

1. Includes collisions for drivers who obtained their G2 licence through Ontario's Graduated Licensing System. The collisions were caused by the driver or others.
2. During parts of 2020 and 2021, road test examinations were paused due to lockdowns related to the COVID-19 pandemic, disrupting the ability of novice drivers who completed the Beginner Driver Education training to take the G2 road test.
3. More drivers than usual received a G2 licence in 2022 when road tests resumed.

Ministry's Assessment of Beginner Driver Education Program Inconclusive

In an analysis completed in 2016, the Ministry identified that novice drivers who took the Beginner Driver Education program and the time discount tended to drive longer distances on a monthly basis than drivers who did not take the time discount and, as a result, would have had a greater chance of being involved in a collision. After adjusting for this exposure rate, fatal and serious injury collision rates were similar for all three novice driver groups during the second year of driving. However, the Ministry's study did not explain why the fatal and serious injury collision rates were higher for novice drivers who took the Beginner Driver Education program and the time discount in the first year after they obtained their G2 licence.

In 2014, the Ministry provided funding to the Traffic Injury Research Foundation—a Canadian independent, not-for-profit road safety institute—to conduct a survey of about 1,000 young drivers in Ontario. The Foundation's report showed that drivers who took the Beginner Driver Education training and shortened the supervised driving period showed a 35% to 65% higher likelihood of risk-taking behaviour than drivers who did not shorten the supervised driving period. These behaviours include speeding, texting while driving and following another car too closely.

While the two studies provided key insights that explained the trend of higher collision rates in novice drivers who took the Beginner Driver Education time discount, the Ministry did not identify the root causes of such higher collision rates and did not continue to monitor and analyze this trend after 2016. The Ministry told us that it planned to complete a review of Ontario's driver licensing process in the summer of 2024 to assess the impact of these research findings and introduce potential enhancements to the Beginner Driver Education program.

Incentives given to Beginner Driver Education graduates vary across other Canadian provinces (see **Appendix 8**). For example, in Quebec, a driver with a learner's permit, which is equivalent to Ontario's G1 licence, cannot shorten the 12-month supervised driving period. Saskatchewan also does not allow the supervised driving period to be shortened.

4.2.2 Ministry Provided Limited Guidance Regarding Necessary Driving Practices for New Drivers Compared to Other Jurisdictions

The Ministry has not determined a recommended number of hours that a novice driver should practise driving in order to acquire the necessary driving knowledge and skills to become a safe driver in Ontario, nor has it provided such guidance to novice drivers who choose not to complete the optional Beginner Driver Education program. Furthermore, the Ministry has not assessed whether the 10 hours of driving practice included in the curriculum of the optional Beginner Driver Education training is sufficient.

Unlike Ontario, British Columbia recommends 60 hours of supervised driving practice before scheduling

a road test (see **Appendix 8**). Quebec requires novice drivers of any age to complete a standardized road safety education program, which consists of 24 hours of theoretical learning and 15 hours of in-car training. The course covers topics such as sharing the road, risky behaviour, fatigue and distractions.

When we asked why the Ministry did not make the Beginner Driver Education training mandatory so that there would be more consistency related to driving practice requirements, the Ministry told us that, in its view, making the training mandatory might undermine the role and responsibility of parents in teaching safe driving skills to their children.

While social support systems, such as parents, can help novice drivers gain driving experience with their local traffic conditions, this training may not be as comprehensive as the Ministry-approved Beginner Driving Education curricula. Moreover, novice drivers who do not have a social support system in Canada, such as less experienced drivers from other countries (approximately 25% of novice drivers in 2022) as described in **Section 4.3**, would benefit from clear guidance from the Ministry.

RECOMMENDATION 4

So that novice drivers are better prepared to drive safely on Ontario's roads, we recommend that the Ministry of Transportation:

- review and identify opportunities to enhance the effectiveness of the Beginner Driver Education program (program) for novice drivers, including the sufficiency of the existing minimum number of driving practice hours;
- based on leading practices in other jurisdictions, reassess the time discount provision that allows novice drivers to shorten the supervised driving period after the completion of the program;
- based on its review of these areas, implement necessary changes to improve the program; and
- subsequent to making changes to the program, determine whether all novice drivers should be required to complete the program.

MINISTRY RESPONSE

The Ministry of Transportation will review the effectiveness of Beginner Driver Education (BDE) to improve road safety.

In addition to road safety considerations, the Ministry will also review other factors such as financial, personal, equity impacts as well as best practices from other jurisdictions in determining the appropriateness of a mandatory BDE program for novice drivers.

Following the review, opportunities for improvement will be assessed and implemented.

4.2.3 Unregulated Driver Training Services May Undermine the Integrity of Driver Examinations

Other than overseeing the Beginner Driver Education program, the Ministry does not regulate any other fee-based services offered by driving schools and instructors (licensed or unlicensed). These services include in-car driving practice charged by the hour, and road test route training and appointment booking. Such unregulated training services do not teach the full Beginner Driver Education program curriculum. Instead, such services may primarily focus on preparing driving students to pass the road tests, and thus may not effectively train a novice driver. In general, these kinds of driving training services may be more economical and offer more flexibility when compared to the Beginner Driver Education program, which may make them more appealing to some novice drivers. In addition, the Ministry does not regulate or monitor the business practices of unlicensed driving instructors, so it may not be aware of the full extent of the unregulated training services in the province.

Through Internet and classified ad searches, we identified driving lessons advertised for as low as $20 for the first lesson, as well as a wide range of training packages ranging from less than $400 to nearly $2,500 for a premium course. We also found that some of the advertised training services offered the Beginner Driver Education and "guaranteed" that the student would pass their road test. The Ministry does not assess

the reasonableness of the large disparity in prices among training packages, or the appropriateness of these advertisements.

During our visits to DriveTest Centres, we learned of some questionable practices concerning driver training that may undermine the integrity of the driving examination process:

- Some driving instructors follow driver examiners on road tests to learn the specific exam routes and manoeuvres tested so they can "route train" their students instead of concentrating primarily on having them practise driving in realistic traffic conditions. By focusing on teaching students to pass the road tests rather than teaching the comprehensive skill set required for safe driving, these instructors are able to reduce the cost of and time needed for driver training.
- On a social media service, we found over 15 video recordings of actual road tests at some Ontario DriveTest Centres, including Mississauga, Oakville, Oshawa and Newmarket. These videos were posted by individuals who marketed themselves as driving instructors and were made available to the public.

Although it has no enforcement power, Serco has issued warning letters to driving instructors it identified as engaging in route training near DriveTest Centres. In some municipalities, such as Brampton, municipal bylaw officers patrolled test routes and issued fines to driving instructors who lingered around exam routes. However, the Ministry does not govern or oversee which routes driving instructors use to train their students, something it views as a consumer-protection matter.

Regarding monitoring the safety of licensed driving instructors, the Ministry uses its licensing system to automatically revoke an instructor's licence if, for example, an instructor accumulates more than three demerit points on their driver's licence or is convicted of a criminal offence. Between 2018 and 2022, the Ministry's system revoked, on average, about 40 driving instructors' licences annually. In contrast, the Ministry uses a manual process to monitor licensed instructors' delivery of the Beginner Driver Education program. In addition, complaints against instructors are followed up only as part of Ministry compliance audits and mystery shops of driving schools (see **Section 4.2.4**). While the Ministry can revoke a driving instructor's licence for not meeting the Beginner Driver Education requirements (such as the minimum 10 hours of in-car training), the Ministry has only revoked one instructor's licence, on average, for this reason annually.

RECOMMENDATION 5

So that novice drivers are well prepared to drive safely on Ontario roads, and to protect the integrity of the Ministry's driver examination process, we recommend that the Ministry of Transportation:

- review the types of driver training services available in the marketplace (including the practice of route training) and assess their impact on novice drivers and on the integrity of the driver examination process;
- based on that assessment, propose regulatory changes to prohibit driver training services that compromise the Ministry's ability to assess the driving skills of novice drivers through the Ministry examination process; and
- implement monitoring and enforcement tools to deter prohibited driver training services.

MINISTRY RESPONSE

The Ministry of Transportation will assess the types and extent of driver training services in the market place as part of its ongoing evaluation of Beginner Driver Education and Graduated Licensing System programs, and propose changes when necessary.

4.2.4 Weak Oversight of Beginner Driver Education Driving Schools

Ministry Did Not Follow Up on Findings from Audits of Driving Schools to Ensure Violations Were Rectified

The Ministry's compliance audits assess Beginner Driver Education schools' compliance with Ministry policies. The audits are administrative in nature, focusing on reviewing a driving school's records, such as logs of in-class and in-car lessons, employment contracts with driving instructors, and insurance documents.

Between January 2017 and March 2023, the Ministry and its contractors performed 1,379 compliance audits at 1,045 driving schools. Of these audit reports, 134 noted over 10 violations of Ministry policies, and 11 audits noted over 25 violations, such as employing unlicensed driving instructors.

We reviewed a sample of 30 audit reports of driving schools completed between November 2016 and March 2023 that had over 10 violations, as well as the Ministry's follow-up actions on the audits' findings. We found that the Ministry suspended enrolment of students at just two of the schools with a high number of violations. The Ministry assessed the remaining 28 driving schools as having passed their audits after the driving schools described in an email how they had addressed each violation. Within a year of the compliance audits, the Ministry conducted mystery shopping visits at only three of the 28 driving schools as an additional measure to examine potentially questionable practices. For the remaining 25 driving schools, the Ministry did not conduct any follow-up audits to assess whether the remediation actions described by the schools had rectified the issues identified in the audit reports.

At the time of our audit, the Ministry did not have a policy to determine what kind of follow-up actions were necessary to address violations reported through compliance audits. The Ministry was developing a form that staff could use to document the results of compliance audits and track driving schools' remediation actions for issues identified. The Ministry told us that it was testing out a standardized approach that escalates enforcement sanctions against driving schools with serious instances of non-compliance, but a formal plan and project timeline had yet to be established.

Driving Schools Issued Beginner Driver Education Certificates without Students Completing the Training

Although the mystery shopping visits conducted by the Ministry (described in **Section 2.2.1**) found multiple violations, the Ministry conducted just 33 mystery shopping visits from 2018 to 2020 at the over 1,000 licensed driving school locations. These 33 mystery shops noted that over half of the driving schools allowed the mystery shoppers to shorten or even fully abandon their training, but the schools still issued Beginner Driver Education certificates. Acting on the findings of these mystery shops, the Ministry revoked licences for five of the 33 driving schools.

As the Ministry has not performed mystery shops since the beginning of 2020, we engaged a firm to conduct mystery shops at 14 high-risk driving schools across the province. We found that 11 of the 14 mystery shop investigators received Beginner Driver Education certificates from the driving schools with less than the required 10 hours of in-car training. Of the 11 cases:

- four of the investigators were able to abandon in-car training after less than one hour of in-car training; and
- five of the investigators completed between one and 3.5 hours of in-car training.

The results of the mystery shops also noted that of the 14 cases:

- three of the investigators indicated that their instructors trained them, or offered to train them, on exam routes; and
- eight of the investigators were offered additional services by the driving instructors, such as transportation to a suburban DriveTest Centre, use of the instructor's vehicle for the exam, and road test bookings for additional fees.

We asked the Ministry why it conducted so few mystery shops and why it had not conducted any mystery shops since the restrictions of the COVID-19

pandemic were lifted. The Ministry noted that from its perspective, even though mystery shops delivered insights into the day-to-day operations and practices of the driving schools, mystery shops were expensive to carry out (around $5,000 per engagement). The Ministry used mystery shops when it noted a high number of violations in compliance audits, recurring complaints or an indication of potential fraud. However, we found that by directly engaging a mystery shopping firm, we were able to reduce the price per mystery shop significantly.

RECOMMENDATION 6

To strengthen the oversight of driving schools, we recommend that the Ministry of Transportation:

- develop and implement a formal policy to require timely on-site follow-ups at driving schools where audits identified either serious or a high number of compliance violations to assess if the violations have been resolved;
- develop and implement a strategy for routinely conducting cost-effective mystery shops on driving schools that it identifies as high-risk; and
- regularly document and assess progress reported through follow-ups with driving schools to direct the Ministry's future oversight and enforcement actions.

MINISTRY RESPONSE

The Ministry of Transportation agrees with the Auditor General's recommendations and commits to strengthening the oversight of licenced driving schools. The Ministry has initiated the development of an escalating sanctions model, which will include a policy for timely on-site follow-ups at driving schools with either serious or a high number of compliance violations.

The Ministry will explore strategies to conduct cost-effective quality assessment of driving schools identified as high-risk. The Ministry will document and assess its progress and analyze these findings for inclusion into future oversight processes.

4.3 Graduated Licensing System May Not Adequately Prepare Less-Experienced Drivers from Other Countries to Drive in Ontario

Between January 2022 and March 2023, about 133,000 drivers who received an Ontario G-class licence had a driver's licence from a country with which Ontario did not have a driver's licence exchange agreement. These drivers represented about one-quarter of newly licensed drivers in Ontario. Depending on their previous driving experience, the Ministry allows different exceptions to the Graduated Licensing System exam requirements.

For drivers who had at least two years of driving experience from other countries (about 54,000 or roughly 40% of the total), the Ministry allowed them to waive both wait periods (described in **Figure 2**) and take only the reduced G (highway) road test. Our analysis found that this group had a lower collision rate (2.89%) compared to the average collision rate of newly licensed G-class drivers in Ontario (3.60%).

However, for those drivers who had less than two years of driving experience from other countries (about 78,000 or roughly 60%), the Ministry required them to pass both the G2 (city) and G (highway) road tests. Unlike other novice drivers in Ontario, less-experienced drivers from other countries were not required to wait for a 12-month period before taking their G2 road tests. We found that after passing both the G2 (city) and G (highway) road tests, these less-experienced drivers from other countries had a significantly higher collision rate (6.31%) when compared to the average collision rate of newly licensed G-class drivers in Ontario (3.60%).

The higher collision rate among less-experienced drivers from other countries indicated that the Ministry's driver training and examination programs could be strengthened to better prepare these drivers for Ontario's traffic rules and driving conditions. Waiving the first 12-month wait period between the G1 (knowledge) test and the G2 (city) road test (see **Section 2.2.3**) meant that those drivers had less time to practice their driving skills on Ontario roads,

potentially limiting the effectiveness of the Graduated Licensing System. Even though the driver may have driving experience from their own country, these countries may have different traffic laws and driving practices than Ontario.

Ontario was consistent with other Canadian provinces we benchmarked in allowing drivers from other countries to waive the required wait periods in their novice driver examination systems (see **Appendix 8**).

RECOMMENDATION 7

To better prepare novice drivers from other countries for driving in Ontario, we recommend that the Ministry of Transportation:

- research whether drivers from other countries have unique challenges that may contribute to their involvement in a higher proportion of collisions;
- reassess the impact of waiving the 12-month wait period between the G1 (knowledge) and G2 (city) road test; and
- based on the results of Ministry research and reassessment, make necessary changes to the training and examination programs.

MINISTRY RESPONSE

The Ministry of Transportation will examine the road safety outcomes of drivers from other reciprocal and non-reciprocal jurisdictions as part of the broader review of Ontario's Graduated Licensing System. The analysis will determine the difference in road safety risk between new drivers with driving experience from other jurisdictions and drivers originally licensed in Ontario and identify opportunities for improvements accordingly.

Drawing from the findings of this review, the Ministry will determine any appropriate actions to the driver training curriculum and the licensing process for individuals with prior driving experience from other jurisdictions. The Ministry will create, and put into effect any training programs, policies, and documentation to address these identified needs in alignment with requirements defined by the Canadian Council of Motor Transport Administrators.

4.4 Monitoring High-Risk Licensed Drivers

4.4.1 Ministry Rarely Requires Drivers with Repeat Driving Suspensions to Take Retraining Courses

The Ministry's approach to deterring dangerous driving is to penalize drivers for various offences by suspending licences and issuing fines and demerit points (see **Appendix 9**). Penalties increase in severity for repeat offences. However, the Ministry does not identify drivers who may be of higher risk to cause collisions based on a history of repeat driving offences and suspensions and require them to take retraining courses.

Our analysis of Ministry's collision data showed that drivers were significantly and consistently more likely to be involved in fatal collisions if they had received two or more suspensions in the previous year (see **Figure 8**). For example, in 2022 drivers who received two or more suspensions in the previous year had a fatal collision rate six times higher (3.4 per 10,000 drivers) than the general driver population (0.53 per 10,000 drivers).

Figure 8: Fatal Collision Rate of Drivers With Multiple Suspensions

Prepared by the Office of the Auditor General of Ontario

	Fatality Rate per 10,000 Drivers	
Year	All Drivers	Drivers with Two or More Suspensions in the Previous Year
2019	0.55	5.0
2020	0.50	4.0
2021*	0.52	10.4
2022*	0.53	3.4

* Fatality rate is based on preliminary data.

The Ministry may require retraining courses for drivers only after they are convicted in court of serious offences, such as stunt racing, failure to stop for police, or careless driving causing bodily harm. The Ministry's policy—which is that only drivers with a conviction are required to attend retraining courses—may be limiting the number of high-risk drivers with multiple driving suspensions from attending these courses. For example, in 2022, over 2,500 drivers received two or more suspensions for offences not related to alcohol or drug use, such as dangerous driving or racing. However, the Ministry ultimately required only about 5%, or 120, of such drivers to complete courses on driver improvement or defensive driving.

In contrast, the Ministry requires drivers with two suspensions related to alcohol or drug use in the past 10 years to complete a remedial program on how to separate alcohol/drugs and driving, regardless of whether the drivers were convicted by the courts. This broader requirement likely contributes to the comparatively high number of drivers who complete the remedial program: 8,500 drivers in 2022.

While the Ministry's existing penalty-oriented regime of suspensions can deter dangerous driving behaviours, the likelihood of drivers with a history of dangerous driving causing a fatal collision may be reduced by proactively providing remedial measures for these drivers or retraining them. Our research into the practices of other jurisdictions found that retraining programs were commonly required and/or ordered after recurring suspensions in provinces including British Columbia, Saskatchewan, Quebec, Newfoundland and Labrador, New Brunswick and Prince Edward Island. In Alberta, retraining programs may be taken to reduce demerit points; this serves as an incentive for drivers to voluntarily participate in early intervention of high-risk driving behaviours (see **Appendix 8**).

RECOMMENDATION 8

To encourage road safety and provide early remedial measures for drivers with a history of repeat driving offences and suspensions, we recommend that the Ministry of Transportation:

- routinely identify drivers with a record of repeat driving offences and suspensions who Ministry data indicates are at increased likelihood to cause a collision; and
- expand the criteria for requiring drivers to complete remediation and retraining to include these drivers.

MINISTRY RESPONSE

As part of an ongoing driver record comparison study, the Ministry is conducting jurisdictional research and a review of the scientific literature around effective countermeasures against high-risk driving, including driver retraining. Results of this work will be used to determine whether driver retraining should play a greater role in Ontario's demerit point system, and if so, what this training should include.

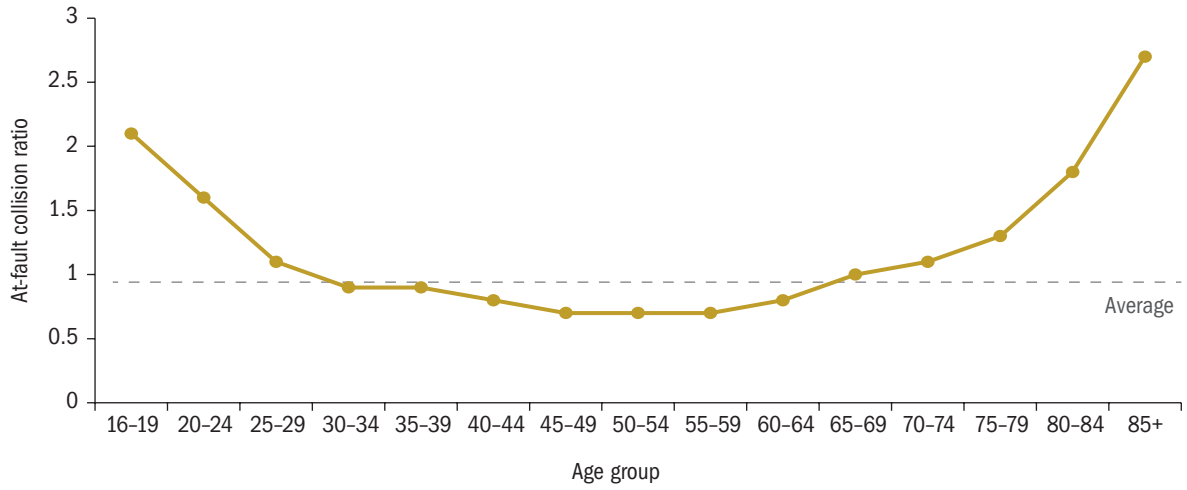
4.4.2 Elderly Drivers' Ability to Drive Safely Not Effectively Assessed

Analysis performed by the Ministry indicated that elderly people have a higher likelihood of causing a collision (see the at-fault collision risk ratio in **Figure 9**). Despite this analysis, the Ministry did not specifically test the driving skills of drivers 80 and older, but instead centred its assessment on a cognitive test that required the drivers to draw a clock (see **Section 2.4**).

Our own analysis indicated that although drivers 80 and older who passed the clock-drawing test generally had a lower collision rate than the general driving population, they were significantly more likely to have

Figure 9: At-Fault Collision Risk Ratio, by Driver Age, 2018

Source of data: Ministry of Transportation



caused the collisions they were involved in (54% at-fault collisions) than the general driver population (42% at-fault collisions). Moreover, about 0.4% of collisions involving drivers who passed the clock-drawing test were fatal, which was nearly double the average rate among the general driver population (about 0.2%). This analysis was based on data from 2018 and 2019, as the Ministry paused the clock-drawing test between March 2020 and May 2022.

The clock-drawing test primarily assesses cognitive decline—which is associated with an increased risk of collision—and accounts for about 40% of medical suspensions for drivers 80 and older. However, the test does not examine motor function and co-ordination, concentration, hearing ability, and spatial perception and reaction time. The Ministry's own 2020 research indicated that over a third of elderly drivers who passed the clock-drawing test could not pass the Ministry's road tests. The research also recommended the introduction of an enhanced road test for elderly drivers, which could combine the driving manoeuvres of a standard highway test with additional scoring to test cognitive abilities related to safe driving. At the time of our audit, the Ministry was considering introducing this enhanced road test in 2026.

We noted that the Australian state of New South Wales requires a medical assessment by a doctor every year for drivers 75 and older. This state also requires drivers 85 and older to take a road test every two years or to downgrade to a modified licence, which only allows driving within a local area to access services such as community activities, medical appointments and shopping. British Columbia, Alberta, Quebec and Newfoundland and Labrador also require medical assessments for elderly drivers.

RECOMMENDATION 9

To enhance road safety for the growing number of elderly drivers, we recommend the Ministry of Transportation review and adopt best practices from other jurisdictions, such as:

- re-examining elderly drivers' driving skills; and
- requiring regular medical assessments for all drivers 80 and older.

MINISTRY RESPONSE

The Ministry of Transportation agrees road safety for senior drivers is important. The Ministry is dedicated to effectively assessing elderly drivers' fitness to drive and ensuring that senior driver's licence renewal procedures are based on up-to-date research evidence and jurisdictional best practices.

4.4.3 Reporting of Drivers Who May Be Medically Unfit to Drive Could Be Improved

Medical conditions that impair a driver's ability to co-ordinate sight, attention and agility increase collision risk, while a driver's sudden incapacitation due to an acute condition such as seizure or heart attack can lead to fatal crashes.

The Ministry's Medical Review Office reviews over 280,000 cases annually and suspends about 33,000 driver's licenses due to a medical condition, as noted in **Section 2.4**. The Ministry's September 2020 study estimated that over a 10-year period (2005–2014), 1,200 collisions were prevented as a result of the Ministry's reviews and medical suspensions.

However, the Ministry's Medical Review Office told us that under-reporting of medical conditions may occur, as health-care providers may be hesitant to report their clients as unfit to drive. The Ministry's study noted common causes of collisions include seizures, dementia, loss of consciousness, sleep apnea and visual impairment.

The Ministry was unable to quantify the number of unreported cases. We attempted to compare the number of diagnoses recorded in the Ministry of Health's databases to the number of cases received by the Ministry of Transportation, but found that neither the Ministry of Health nor the Canadian Institute for Health Information could provide reliable statistics regarding the number of reportable diagnoses.

Nevertheless, the Ministry does not have a program to routinely reach out to medical practitioners to increase awareness of the need to report medical conditions that make it dangerous for a person to drive. The Ministry told us that it had previously presented such information to various medical community groups. The Ministry also distributed an informational brochure on the topic but the brochure was no longer being circulated, and it has not been updated since 2018.

RECOMMENDATION 10

For more complete and timely identification, assessment and suspension of drivers with high medical risks, we recommend that the Ministry of Transportation periodically conduct educational and outreach initiatives to increase awareness among doctors, nurses and optometrists to report patients for medical assessment.

MINISTRY RESPONSE

The Ministry of Transportation appreciates the work of the Auditor General and welcomes the recommendations to improve the Driver Medical Program.

The Ministry will continually review its relationship with the medical community to collaborate on opportunities for educational and outreach initiatives to increase awareness and achieve better outcomes.

4.4.4 Supporting Evidence for Ministry's Medical Suspension Decisions Not Always Complete

Decisions about whether an individual is fit to drive can have life-altering consequences. While drivers with dangerous medical conditions may be at an increased road safety risk, unnecessary suspensions may unduly limit their personal mobility and livelihood. The Ministry's Medical Review Office is responsible for accurately assessing the information provided and suspending drivers who they determine are unsafe to drive. We found that while the assessments generally complied with the Ministry's medical review policy, the Ministry could improve the quality of information it asked health-care professionals to provide, as well as its own documentation of its rationale to suspend or not suspend a driver's licence.

We reviewed a sample of initial assessments and subsequent reassessments of suspended drivers (some of whom were reinstated). We found that in eight of the 30 assessments we reviewed, although the doctors submitted the required form to the Ministry, the doctors did not provide details to support their claims that the drivers' endangering medical conditions had become stable and the drivers' suspensions should be lifted. These supporting details could include medical history and prognosis, test results, proof of completion of a treatment program or other evidence showing that the cause of the medical condition had been effectively addressed. Such information could be useful in informing the Ministry's assessment of the likelihood that the driver will cause a collision due to their medical condition.

In addition, in about 13% of the assessments we reviewed, we could not determine if the Ministry's decisions were reasonable and in accordance with the Ministry's policy, as staff were not required to document their decision-making process and the assessments' rationale was not evident from the content of the forms submitted by doctors. For example, in one instance, in order to reverse an earlier suspension, the Ministry requested lab results to support the opinion that the medical issue had been resolved. However, after eight days and without receiving the lab results, the Ministry reversed the suspension without a documented rationale for doing so.

Moreover, the Ministry also did not have a quality-assurance program to routinely review assessments completed by staff, to check that assessments were complete and appropriately supported, and to identify potential improvements in the efficiency of the process.

RECOMMENDATION 11

To help ensure that decisions to suspend driver's licences are based on all medically relevant information, and that the suspension decisions are consistent and adequately supported, we recommend that the Ministry of Transportation:

- redesign the forms doctors use to provide condition-specific medical information to the Ministry to include all necessary information, such as test or treatment results;
- require medical assessors to consistently document their rationale for decisions related to complex driving suspensions and reinstatements; and
- implement a quality-assurance process to routinely review the completeness and appropriateness of medical assessments.

MINISTRY RESPONSE

The Ministry of Transportation is exploring further requirements to its medical reporting to include supporting assessment methods/tests.

Quality assurance is an important component of ensuring that the Ministry is delivering on the intended goals of its program. We are continuously improving training, audit and quality metrics and will continue to focus on those areas, including ensuring the completeness and appropriateness of medical assessments, and that medical assessors document their rationale for their decisions.

4.5 Driver Examination Services Contract Management and Oversight

4.5.1 Ministry's Contract Administration Was Ineffective, and Failed to Improve Driver Examination Services for Ontarians

We found that the Ministry's processes and contractual tools to improve performance were not effective in facilitating changes from Plenary/Serco to improve customer service over the 10-year contract with Plenary.

Ministry records, from 2013 to March 2023, showed a consistent failure to improve service levels over time, which was reflected in the amount of Plenary/Serco's self-reported performance penalties over this period (see **Figure 10**). The Ministry preliminarily assessed additional performance penalties of $35.5 million between 2013 and 2018. Prior to 2020, the Ministry had challenges collecting Ministry-assessed performance

penalties (see discussion below). Between 2020 and 2022, the Ministry waived the assessed penalties during the COVID-19 pandemic. Moreover, the Ministry's records show that Plenary/Serco did not monitor Drive-Test Centre wait times for inside/counter services as required by the contract. This meant that neither the Ministry nor Plenary/Serco had accurate information on inside/counter wait times until the Ministry pressed for proper monitoring.

As of September 2023, when the 10-year contract term ended, the Ministry's assessment was that Plenary had not fully fulfilled 15 deliverables in the 2013 contract. These deliverables represented services that the Ministry paid for and was of the view that it had not received. Some of these deliverables were to have been implemented between 2013 and 2015 (see **Figure 11**).

Figure 10: Performance Penalties Self-Reported and Paid by Plenary, 2013/14–2022/23 ($ 000)

Source of Data: Ministry of Transportation

Fiscal Year	Performance Penalty Self-Reported	Performance Penalty Paid
2013/14*	165.1	165.1
2014/15	763.6	763.6
2015/16	989.3	989.3
2016/17	683.3	683.3
2017/18	977.4	977.4
2018/19	835.9	835.9
2019/20	1,148.1	1,148.1
2020/21	2,169.0	-
2021/22	21,203.0	24.0
2022/23	7,466.3	663.8
Total	**36,401.1**	**6,250.5**

Note: This figure does not include the Ministry's additional penalty assessments or the mediated settlement paid by Plenary in 2019.

* Because the contract with Plenary started in September 2013, fiscal year 2013/14 covers only the six-month period from September 2013 to March 2014.

Ministry Faced Significant Challenges in Holding Service Provider Accountable

The 10-year contract included various mechanisms, or levers, designed to ensure the effective delivery of services. These included penalties payable by Plenary/Serco for not meeting key performance indicators. However, Plenary/Serco and the Ministry were consistently in disagreement over the amount of performance penalties owing. Due to persistent service issues and disagreements over interpretation of the contract, the Ministry initiated a formal dispute in 2014, only one year into the contract. After lengthy negotiations, and amid other contractual issues, the Ministry and Plenary/Serco reached a mediated settlement in the dispute in 2019.

Figure 11: 2013–2023 Contracted Items Not Delivered by Plenary/Serco Based on the Ministry's Assessment, as of August 2023

Source of data: Ministry of Transportation

Immediate Service Delivery Improvements	Customer Experience/ Customer Care Improvements	Operational Efficiency Opportunities
1. Customer queue notifications	1. Plain language test feedback	1. Knowledge test system administration
2. Appointment scheduling for inside services	2. Enhanced fraud detection	2. KPI 9 tracking mechanism
3. Online customer service functions	3. System will allow scalability and flexibility required to add new products and services	3. Command centre
4. Mobile Travel Point		4. Performance monitoring
5. Online block booking function		5. Road test GPS tracking
		6. Road test route programming
		7. Escrow agreement in form acceptable to Ministry

Figure 12: Documentation Errors No Longer Resulting in Performance Penalties, Revised Contract

Source of data: Ministry of Transportation

Errors	
· Signature on application does not match identification	· Auto transmission incorrectly recorded
· Failed test results not recorded on application	· Date on scoresheet
· Ontario Photo Card number not recorded	· Highway declaration errors
· Height transcribed incorrectly on scoresheet	· Previous number of tests not recorded on scoresheet
· Office use sections of forms incomplete or incorrect	· Type of vehicle or plate number not recorded
· Vision results recorded on application under wrong panel	

Although the Ministry was able to recoup a portion of the performance penalties owing, the settlement also resulted in a reduction in the self-auditing and verification required to be carried out by Plenary/Serco. For example, with the settlement, the number of transactions that required Serco's secondary check went from 100% to 5% of all routine transactions. This reduction in verification lowered costs for Serco. Further, the settlement agreement also reduced the type of performance failures for which the Ministry could charge penalties. This included documentation errors (under key performance indicator 4 in **Figure 12**). **Appendix 3** shows how performance indicators were relaxed over time.

Service Provider Bypassed Appropriate Contract Channels to Influence Ministry Decision-Making

Although the Ministry had contracted with Plenary to deliver driver examination services, and Serco was a subcontractor to Plenary, Serco was successful in reaching outside its subcontract with Plenary to communicate directly with the Ministry. For example, Serco submitted numerous requests and proposals directly to the Ministry, such as requests for additional funds or reductions to services offered. Allowing Serco to work outside the terms of the contract and official project agreement channels weakened the Ministry's ability to rely on and effectively enforce the terms of the contract.

RECOMMENDATION 12

To better motivate the service provider to improve service rather than incur penalties, and to hold the service provider accountable for contract deliverables, we recommend that the Ministry of Transportation:

- design and implement performance measures that incorporate effective penalties for performance failures, including delays in contract deliverables;
- collect an upfront contingency deposit for performance penalties based on historical records; and
- design and implement incentives (in addition to penalties) to promote compliance and appropriate responses from the service provider.

MINISTRY RESPONSE

The Ministry of Transportation recognizes the importance of effective key performance indicators and contract provisions to ensure improved delivery of driver examination services contracted to third parties.

The Ministry is undertaking an analysis to determine the future contracting model for the delivery of driver examination services. The use of modern contract management practices and effective key performance indicators, as well as meaningful

penalties and incentives, will be key considerations for the accountability structures for service delivery and in meeting customer expectations.

RECOMMENDATION 13

To promote effective contract management and relations between the Ministry of Transportation and its service provider, and to avoid undermining the contractual position of the Ministry, we recommend that the Ministry ensure that communications with contractors use appropriate contract channels.

MINISTRY RESPONSE

Recognizing the complexity of the service delivery agreement for driver examination services, the Ministry of Transportation agrees to take steps to ensure an understanding of the contract channels that should be leveraged by Ministry stakeholders when communicating with the service provider.

4.5.2 Ministry's Compliance Audits of Driver Examination Services Were Inconsistent and Incomplete

We found that the Ministry did not consistently evaluate the driver examination services provided by Plenary/Serco. We also found that the evaluations did not include the actual road tests—a crucial element. As described in **Section 2.2.2**, Plenary/Serco was responsible for quality assurance, self-monitoring and reporting all performance failures for 14 performance indicators (see **Appendix 3**). The contract specified that Plenary/Serco was to provide monthly compliance reports to the Ministry, reporting performance failures identified by its own quality-assurance processes.

To ensure that Plenary/Serco's self-auditing, quality-control and continuous-improvement processes were effective, the Ministry carried out its own compliance examinations and site audits. Ministry staff informed us that, historically, the site audits involved auditing road test score sheets; however, this stopped due to Plenary/Serco's transition to digital score sheets and the use of automated validation tools. The Ministry's site visits also did not include direct observation of road tests ("check-rides") to confirm these were delivered according to Ministry standards. This meant that this centrally important facet of licensing was not reviewed by the Ministry.

Our audit examined a sample of the Ministry's reviews of Plenary/Serco's documents and found that the Ministry shifted its audit focus. For example, the Ministry had seen an increased error rate in medical reports for commercial drivers since the beginning of 2023. Therefore, the Ministry decided to pause the examination of novice driver applications and focus its resources on verifying 100% of the medical reports for commercial drivers submitted by Plenary/Serco. We did not see evidence of formal audit planning and risk assessment that provided a clear rationale for this degree of concentration. While risk-based prioritization can increase efficiency, it needs to result from careful risk analysis and ensure adequate coverage.

RECOMMENDATION 14

To better monitor and report on the driver examination service provider's compliance and performance, we recommend that the Ministry of Transportation strengthen its audit function by implementing a program of risk-based audits to examine all key operational processes of driver examination services, including road tests.

MINISTRY RESPONSE

The Ministry of Transportation agrees with this recommendation and has started a review of its practices to strengthen compliance oversight. The Ministry will also examine cost-effective methods to implement risk-based audits of key operational processes of driver examination services.

4.5.3 Ministry Paid Additional Funds to Maintain Service Levels That Were the Responsibility of the Service Provider

Overall, based on the Ministry's records, we found a pattern of Plenary/Serco not providing adequate service and the Ministry paying for changes to improve service even though under its contract with the Ministry, costs and risks related to providing driver examination services were Plenary's responsibility.

Plenary/Serco was unable to meet customer wait time targets prior to the COVID-19 pandemic. According to Ministry documentation, Plenary/Serco "refused to open a new location despite their demand analysis indicating it was needed." As a result, in 2018 the Ministry paid $1.2 million for the construction of the Mississauga DriveTest Centre, and $4 million per year in operational costs, to reduce customer wait times (see **Appendix 10** for timeline). The total operating cost as of September 2023 was about $15 million. Moreover, between November 2017 and September 2023, the Ministry subsidized Plenary/Serco to increase operating hours at various DriveTest Centres to meet growing needs. The Ministry estimated that it paid about $19.2 million in total subsidies during this period.

In addition, the Ministry estimated that COVID-19 pandemic relief provided to Plenary totalled about $35 million. This included paying for:

- recruiting and training additional driver examiners;
- extending service hours at DriveTest Centres and for passenger road testing;
- opening nine temporary road test centres; and
- personal protective equipment and labour costs.

RECOMMENDATION 15

To provide for better accountability of funds provided to third parties for driver examination services to Ontarians, we recommend that the Ministry of Transportation:

- administer contracts such that risks and costs are allocated between the parties in accordance with contractual terms; and
- conduct thorough reviews on all relief, subsidization or reimbursement requests from service providers and render decisions that are consistent with the Ministry's contractual obligations.

MINISTRY RESPONSE

The Ministry of Transportation agrees with the recommended actions and has taken steps to make sure that vendor requests or other changes to the driver examination services contract are evaluated in terms of risk and cost allocation.

Moving forward, the Ministry will implement an assessment process to inform decision-making on relief, subsidization, or reimbursement requests.

4.5.4 Ministry Awarded New Contract to the Service Provider Despite Poor Performance and Issues of Concern

Despite issues of poor performance and disputes over penalties, the Ministry signed a new contract with Plenary in September 2023. The contract was for two years, with a possible one-year extension and up to a possible further year for a transition period. The Ministry was evaluating how it will deliver driver examination services once the term of this contract ends.

Non-Competitive Procurement for New Contract

We found that the Ministry failed to carry out a competitive procurement for post-2023 driver examination services. Similar to the negotiation of the 2013–2023 contract, the Ministry worked with Infrastructure Ontario to evaluate options past the contract end date of September 2, 2023. In May 2021, the Ministry met with stakeholders from across the province and related sectors. This process was led by the Parliamentary

Assistant to the Minister of Transportation with assistance from political staff from the Minister's Office and Ministry staff.

In August 2021, the Ministry considered it had a two-year transition window beginning in September 2021. The Ministry recommended proceeding with the assistance of Infrastructure Ontario and a consulting firm. Seeking to determine the extent of interest from potential service delivery partners, the Ministry contracted the consulting firm to carry out a market sounding in October 2021. Despite the stated intention of gauging the interest of potential future service delivery providers, we found that very few potential service delivery partners expressed interest (this was attributed by the participants to the small number of service providers active in the industry). However, the consultations did include incumbents Plenary and Serco. As this firm was also Plenary's auditor, we inquired if the Ministry had asked how the firm managed potential conflicts of interest. However, the Ministry had no record of doing so.

By the fall of 2021, the Ministry determined that there was not sufficient time to conduct a competitive procurement that could deliver service improvements that would meet customer expectations before the end of the 2013–2023 contract. In response, the Ministry decided to pursue a two-stage approach. The first stage was negotiating a new contract (bridging contract) with Plenary for two years (to September 2025), with an optional extension for an additional year (into 2026). The second stage involved a more extensive evaluation of service delivery options.

After proceeding with its two-stage plan, the Ministry decided the bridging contract would not be reached through a competitive procurement and sought an exemption from government policies that require competitive procurement. When we asked the Ministry why the procurement had begun so late as to preclude a competitive process, Ministry staff said that the COVID-19 pandemic had disrupted early progress in 2020. However, they also noted that all senior management from that period had retired so the Ministry did not have full information about reasons for the delay. We found documentation indicating the Ministry intended to begin work on a transition as early as 2018.

With the exception of Alberta, all other Canadian provinces deliver driver examination services through government divisions or Crown corporations (see **Appendix 8**), which provide governments greater control over quality of services. In Alberta, driver examination services for commercial licences are also delivered by a government division.

Agreement in Principle 2023–2025/2026 Does Not Include an Improved Performance Framework

The Ministry and Plenary reached an agreement in principle for the bridging contract in December 2022. They signed the agreement for the bridging contract on July 31, 2023, with the contract to take effect September 2, 2023. However, we found that the Ministry did not negotiate an improved performance framework for the bridging contract with Plenary.

The Ministry recognized that performance indicators in its 2013–2023 contract with Plenary were not effective in improving service. We compared the key performance indicators from the 2013–2023 contract with the agreement in principle and the bridging contract (see **Appendix 3**) and found that the indicators were largely unchanged and, in some cases, relaxed. Further, we found that penalty amounts for performance failures were, with a few exceptions, unchanged in the new contract (see **Appendix 4**). We also found that the agreement in principle and bridging contract continued to reflect the same issues that we identified in the previous contract, including penalties being waived for certain performance failures.

RECOMMENDATION 16

To provide for more effective oversight of driver examination service providers, and to provide Ontarians with better quality of service, we recommend that the Ministry of Transportation:

- ensure adequate lead time to comply with government policies on procurement when contracting with a service provider;
- consider past performance in negotiating future contracts;
- compare its experience relative to other Canadian provinces to identify best practices in structuring driver examination services; and
- use independent research to immediately evaluate the costs and benefits of various options for an examination service delivery partnership.

MINISTRY RESPONSE

The Ministry of Transportation agrees with the recommendation and is currently reviewing the driver examination services delivery model and will comply with procurement policy requirements.

4.6 Ministry Overrode Its Own Proof of Identification Requirements When Issuing Driver's Licences

Our review found that, since 2019, the Ministry authorized the use of expired or substandard IDs when issuing Ontario driver's licences in over 1,000 so-called special circumstances approvals. While some of these approvals were made for unique and extenuating circumstances, most were allowed to proceed without consistent standards or a documented rationale, compromising the fraud-prevention controls in place for the Province and potentially allowing individuals to fraudulently obtain an official government-issued ID in Ontario.

For applicants who were experiencing extenuating circumstances, Serco, ServiceOntario or the applicant could escalate the licensing requests to the Ministry for further review to determine if an exception could be made. (Case 1 in **Figure 13** illustrates one such case escalated to the Ministry under extenuating circumstances.) Some applicants also may choose to escalate through their local Member of Provincial Parliament (MPP). The Ministry's Driver and Vehicle Services Branch receives these escalations regularly, and the Ministry's Policy Office reviews these escalations for approval. If approved, these cases are given to Serco DriveTest Centres for processing.

Due to inadequacies in its own tracking process, the Ministry did not know how many escalations were received in total, or the escalation channels used. After reviewing a sample of 30 exceptions that were made, we found the following issues:

- **There were no internal guidelines or documented rationale for approving or denying exception requests.** The Ministry has a policy on ID requirements for Ontario driver's licence applicants. The policy is publicly available on the Ministry's website and describes a list of primary and secondary proof of identification documents that can be used. However, the Ministry has no written standards for its staff when reviewing extenuating circumstances and making exceptions to ID requirements. For all samples we reviewed, the IDs provided varied from case to case, and the Ministry did not have criteria for type, number or quality of documents. The Ministry staff told us the approval depended on whether they could ascertain that the applicant had presented their true identity using the ID provided; however, they could not explain how this was done. In addition, the Ministry used emails to keep records of escalations received. For all samples we reviewed, there was no evidence of consistent review steps or clear reasons for allowing the exceptions. In 20 of the 30 cases we reviewed, there were no circumstances provided except for a simple "request for exceptions" (for example, see Case 2 in **Figure 13**). In another 23% (seven out of 30) cases, the circumstances provided were not "extenuating," such as Case 3 in **Figure 13**. Details of the extenuating circumstances were provided in only 10% (three out of 30) of the cases reviewed, as illustrated in Case 1 of **Figure 13**.

Figure 13: Examples of ID Exception Requests Made to the Ministry

Prepared by the Office of the Auditor General of Ontario

Extenuating Circumstances	No Extenuating Circumstances
CASE 1: In October 2020, the applicant travelled to Ontario for a family emergency from a foreign country. The COVID-19 pandemic occurred and the applicant became the primary caregiver to three grandchildren. In May 2021, the applicant was told to obtain an Ontario driver's licence if they wanted to continue to drive; however, their foreign driver's licence had expired. The applicant renewed their foreign driver's licence remotely, but it took time for the documents to be mailed to Canada. The applicant indicated that they needed a means of transportation to take care of the grandchildren. The applicant had a photocopy of their new foreign driver's licence with driver abstract, a valid passport and a valid Ontario health card. The Ministry granted the applicant the ability to exchange their foreign licence for an Ontario driver's licence.	**CASE 2:** The applicant's Canadian passport expired over two years earlier, but they possessed a valid Ontario health card, a Canadian citizenship certificate (not accepted by policy) and a foreign birth certificate through email. The Ministry staff emailed: "This one is from the Minister's Office, so can we make an exception?" The applicant was approved for an Ontario driver's licence. **CASE 3:** The applicant stated that their passport expired over 10 years earlier and they needed a form of identification to work and support their family. The applicant escalated the request through their MPP's office and the Ministry staff approved the applicant for an Ontario Photo Card. However, the MPP's office later indicated that the individual would not accept an Ontario Photo Card and demanded a driver's licence. The Ministry approved this request.

- **There was little or no verification of the validity of the presented documents.** Our sample review showed that all cases were reviewed electronically and there was no evidence that Ministry staff attempted to make a physical verification of the presented IDs or arrange an in-person interview with the applicants themselves. Ministry staff indicated that Serco staff should examine the documents and verify the person at the appointment to issue the driver's licence. However, we found that none of the sample exception approval emails stated the application was "approved pending further verification," but instead told Serco staff it was "approved and please make arrangements." We confirmed this with Serco, which told us that Serco staff most likely would not verify the documents again since the Ministry had already "approved" the person for a driver's licence.
- **Requests from MPPs were more likely to be approved.** We found that 40% (12 out of 30) of the escalations we reviewed were received from MPPs' offices. We noticed that in the emails, Ministry staff consistently included the MPP's name and position to raise the urgency of the requests, as shown in Case 2 in **Figure 13**. Ministry staff told us that they generally approved these requests to avoid further escalations from the MPP's office. When we asked the Ministry for an example of an escalation from an MPP's office that was denied, it could not provide one.

Without consistent guidelines and a documented review process, these exceptions overrode the Ministry's own proof-of-identify controls and compromised the fraud-detection abilities of both the Ministry and Serco. Furthermore, they exposed the Province to further fraud risks as a driver's licence is considered a government-issued ID that can be used as a proof of identification for other applications, such as for a Canadian passport and/or to obtain Ontario Health Insurance Plan coverage.

RECOMMENDATION 17

To better prevent fraud and identify theft, we recommend that the Ministry of Transportation:

- develop internal guidelines and formal procedures to evaluate and document the extenuating circumstances for ID escalations;
- educate Serco and ServiceOntario staff on these guidelines and procedures; and
- put in place a process to monitor that these guidelines and procedures are followed.

MINISTRY RESPONSE

The Ministry accepts this recommendation and is currently in the process of developing internal guidelines and formal procedures to evaluate and document extenuating circumstances for ID escalations.

The Ministry will collaborate and communicate the guidelines and procedures with partners and stakeholders to ensure that the process for escalation is being implemented in a consistent manner.

The Ministry will develop a process to monitor requests for escalations, including a periodic review of the documents being accepted.

4.7 Ministry Did Not Incorporate Key Safety Data When Determining the Effectiveness of Its Road Safety Programs

The Ontario Road Safety Annual Report 2020 indicated that, for more than two decades, the Ministry has measured road safety in Ontario by calculating the number of collision-related fatalities for every 10,000 licensed drivers. Based on statistics that show Ontario has the lowest fatality rate in North America, and that rate has been falling, the Ministry reported that Ontario ranked first in road safety. However, the Ministry did not include other road safety data in assessing safety on Ontario's roads, such as total collision rates.

Ontario At-Fault Collision Insurance Claims Have Steadily Increased in the Past 10 Years

We analyzed data from the General Insurance Statistical Agency, a not-for-profit statistical agent for nine participating insurance regulatory authorities across Canada (Alberta, New Brunswick, Newfoundland and Labrador, the Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, and the Yukon). Our analysis showed a steady increase in at-fault collision claims in Ontario from 2012 to 2019 (see **Figure 14**). The General Insurance Statistical Agency noted that the reduction in the reported claim counts in 2020 and 2021 could largely be attributed to a reduction in traffic levels as a result of the COVID-19 pandemic. In 2022, when all COVID-19 pandemic-related restrictions were removed, both the overall driving insurance claim counts and claim counts per 100 vehicles increased significantly (over 30%).

Figure 14 also compares Ontario drivers' insurance claims for at-fault collisions per 100 vehicles to the same data from Alberta and the Atlantic provinces from 2018 to 2022. Notably, Ontario's insurance claims for at-fault collision per 100 vehicles surpassed Alberta and the Atlantic provinces for the first time in 2022. By excluding at-fault collision rates, the Ministry's evaluation of the effectiveness of its road safety programs could be incomplete.

Ministry's Data Analytic Capability Could Be Improved to Measure Impact on Road Safety

During our audit, we learned that the Ministry does not routinely leverage data from sources outside its own information systems (see **Section 2.5**) to measure program outcomes, including the impact of policy changes. For example, the Ministry does not effectively utilize information from Serco's system to provide insights into the performance of its driver examination program. Many of our data requests, such as matching drivers' addresses with where road tests were taken, were not performed by the Ministry. Furthermore, the Ministry's various information systems were not interfaced to

Figure 14: Comparison of Annual Insurance Claims Made for At-Fault Collisions

Source of data: General Insurance Statistical Agency

	Ontario				
Year	Claim Count	Claims per 100 Vehicles	Year-over-Year Growth of Claims per 100 Vehicles (%)	Alberta Claims per 100 Vehicles	Atlantic Provinces Claims per 100 Vehicles
2012	116,289	2.55	-	-	-
2013	128,382	2.77	9	-	-
2014	137,531	2.90	5	-	-
2015	142,221	2.91	0	-	-
2016	150,511	2.99	3	-	-
2017	157,989	3.10	-	-	-
2018	168,399	3.26	5	4.32	3.17
2019	174,391	3.32	2	4.23	3.14
2020	109,568	2.08	(37)	2.77	2.32
2021	107,849	2.03	(2)	2.67	2.34
2022	145,262	2.70	33	2.45	2.54

make it easy to join data from different functions, including the driver examination service provider.

In April 2020, the Ministry established a Digital Information Management Analytics initiative to enable Ministry staff to access and use information from driver licensing, collisions, commercial carrier and driver training datasets. As of March 2023, the business intelligence tool contained data from the past eight years, but it did not contain any driver examination data because that data was stored by the service provider and had not been accessed by the Ministry. Similarly, the driver medical review database and part of the collision database were not connected to the main database.

The initiative had planned to centralize a substantial portion of the driver examination, medical and collisions databases, but details regarding the timing and scope of these updates had not been finalized at the completion of our audit.

RECOMMENDATION 18

To measure the effectiveness of its driver training and examination programs on a timely basis, we recommend that the Ministry of Transportation:

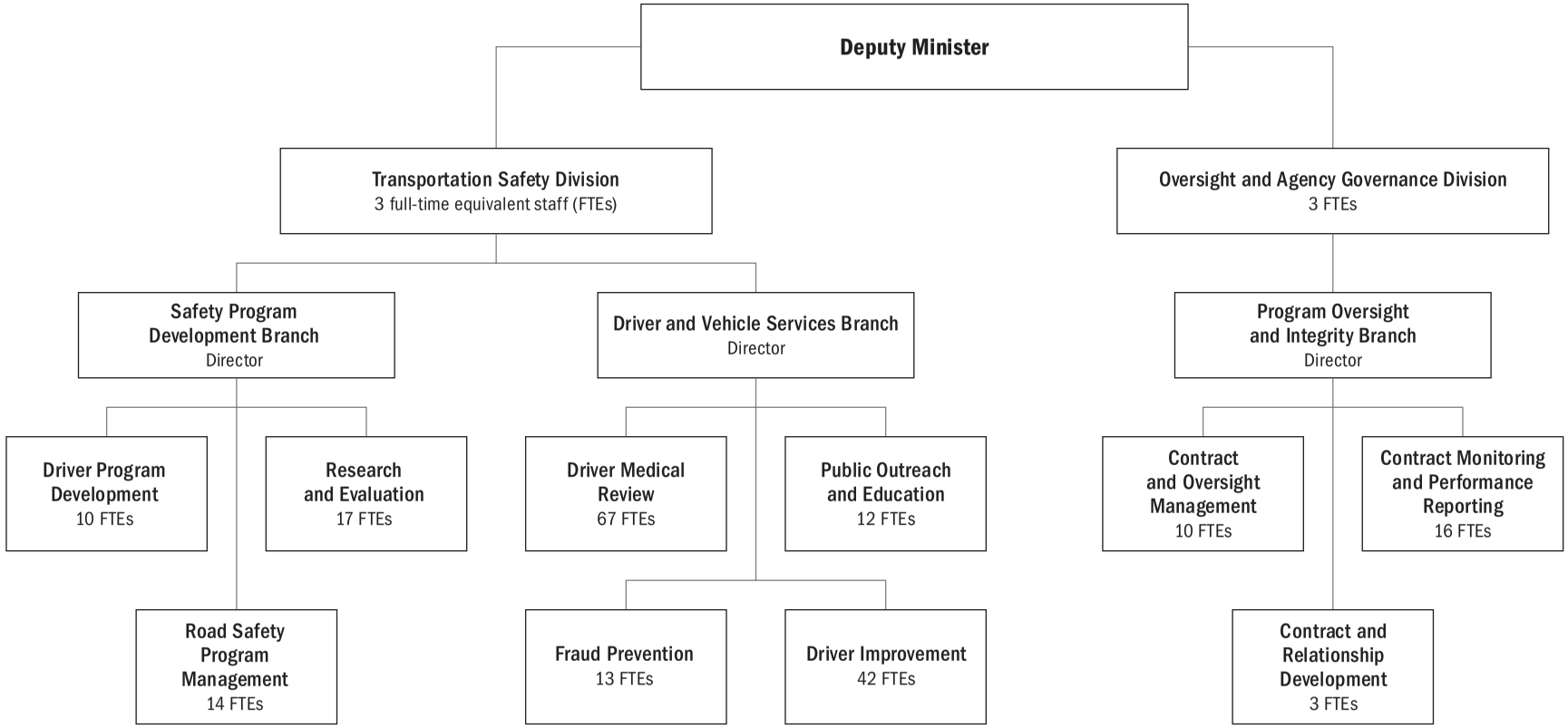
- expand the use of business intelligence tools to conduct additional analytics that leverage data from related information systems, linking driver information to the driver examination, collisions and driver medical databases;
- establish a comprehensive set of road safety indicators, including those related to collision rates, based on the objectives of its driver training and examination programs; and
- monitor its driver training and examination programs using these indicators, and report on the results annually.

MINISTRY RESPONSE

The Ministry of Transportation agrees with the principles of this recommendation. The Ministry has several ongoing multi-year digital transformation initiatives focused on expanding the use of business intelligence tools to support policy and program enhancements. Over the coming years, the Ministry also plans to enhance its capacity to monitor and measure the effectiveness of driver training and examination programs using appropriate road safety indicators, and report the results regularly.

Appendix 1: Excerpt of Organizational Chart, Ministry of Transportation, August 2023

Prepared by the Office of the Auditor General of Ontario



Appendix 2: List of DriveTest Centres and Travel Points with Road Tests Volume and Pass Rates, 2022

Source of data: Ministry of Transportation

Legend:
- High pass rate, > 75%
- 65% to 75%
- Low pass rate, < 65%

	G (Highway) Road Test		G2 (City) Road Test		G1 Knowledge Test
Location of Centre	**Counts**	**Pass Rate (%)**	**Counts**	**Pass Rate (%)**	**Counts**
East Region					
Bancroft	2,698	87	1,731	89	2,526
Belleville	7,801	80	6,336	78	22,858
Brockville	2,323	75	1,372	80	6,176
Cornwall	2,858	76	2,712	78	16,842
Toronto Downsview	32,167	63	22,456	62	131,720
Toronto Etobicoke	15,148	65	19,546	63	131,832
Gwillimbury Offsite*	6,043	56	8,886	69	–
Hawkesbury	2,753	79	2,842	73	10,156
Kingston	9,095	76	4,589	75	21,991
Lindsay	23,543	71	9,449	82	15,096
Toronto Metro East	20,224	64	17,316	63	133,276
Mt Joy Offsite*	13,083	65	8,883	70	–
Newmarket	34,194	61	16,342	64	88,313
Orangeville	36,583	60	11,252	63	52,975
Oshawa	37,837	70	33,810	67	50,755
Oshawa Offsite*	6,417	70	8,679	74	–
Ottawa Canotek	10,095	76	4,922	73	29,183
Ottawa Offsite*	3,047	77	9,345	77	–
Ottawa Walkley	26,546	75	11,937	71	76,817
Pembroke	2,718	68	1,277	65	6,243
Toronto Port Union	29,077	71	26,145	65	87,948
Renfrew	2,638	78	1,535	70	4,867
Smiths Falls	7,131	74	5,537	77	12,853
Winchester	–	–	1,935	81	9,660
North Region					
Barrie	18,372	68	15,481	74	43,016
Clinton	9,030	70	3,607	71	8,655
Dryden	862	70	527	74	3,463
Espanola	1,921	84	1,247	82	3,567
Fort Frances	602	79	569	75	2,911
Huntsville	2,704	83	1,776	78	9,420
Kapuskasing	531	88	323	86	2,980

Legend:
- High pass rate, > 75%
- 65% to 75%
- Low pass rate, < 65%

Location of Centre	G (Highway) Road Test		G2 (City) Road Test		G1 Knowledge Test
	Counts	Pass Rate (%)	Counts	Pass Rate (%)	Counts
Kenora	678	87	580	77	3,276
Kirkland Lake	297	74	221	73	1,235
New Liskeard	632	76	474	69	3,166
North Bay	3,038	86	2,022	80	10,592
Orillia	7,259	80	5,188	73	16,132
Owen Sound	2,912	89	1,548	87	8,686
Peterborough	22,429	74	8,921	72	21,839
Sault Ste. Marie	2,832	68	2,370	78	11,950
Stratford	6,252	78	3,491	79	15,257
Sudbury	5,877	72	3,509	76	20,672
Thunder Bay	5,796	58	4,266	65	17,957
Timmins	1,707	84	1,210	81	8,528
West Region					
Brampton	27,199	57	21,608	63	135,359
Brantford	12,273	59	8,473	71	25,481
Burlington	17,376	69	14,354	74	27,566
Burlington Offsite*	4,531	77	8,856	75	–
Chatham	14,582	77	9,515	81	15,298
Guelph	40,515	69	16,151	62	36,707
Guelph Offsite*	10,795	65	9,453	71	–
Hamilton	20,396	68	10,986	66	65,075
Kitchener	27,473	62	20,913	67	84,620
London	23,157	81	15,039	76	79,724
Mississauga	20,684	63	20,785	65	173,833
Mississauga Offsite*	13,152	61	22,661	73	–
Niagara Offsite*	7,552	74	9,083	77	–
Oakville	30,541	76	13,746	72	78,436
Sarnia	4,700	77	2,810	78	16,466
Sarnia Offsite*	906	61	1,316	75	–
Simcoe	7,872	76	5,337	70	10,850
St. Catharines	18,091	66	11,409	70	50,950
Tillsonburg	6,470	64	4,137	64	9,338
Walkerton	4,626	82	3,287	84	12,599
Windsor	13,635	74	9,981	71	63,683
Woodstock	6,077	61	4,770	60	12,804

Note: ServiceOntario also delivers some driver examination services (knowledge tests only) at its College Park location.

* Offsite locations are temporary examination locations providing road tests as an initiative to address the driver examination backlog. These locations did not offer the G1 Knowledge Test.

Appendix 3: Key Performance Indicators and Changes, 2013–2023

Source of data: Ministry of Transportation

	2013–23 Contract with Plenary	Example of non-compliance	2013–23 Contract with Plenary, after 2019 settlement	Agreement in Principle with Plenary for 2023–25 (with option to 2026)	2023–25 (with option to 2026) Contract with Plenary
1	Submit Monthly Compliance Reports to the Ministry	Compliance report incomplete or submitted more than five days after month-end	No change	No change	No change
2	Respond to additional information requests from the Ministry	Respond to the Ministry's formal information request in more than five business days	No change	No change	No change
3	Driver examiner and customer service agents comply with training requirements e.g., driver examiner every three years	Driver examiner not completing refresher training within required time	(e.g., driver examiner every four years)	No change	No change
4	Driver examinations are processed and recorded correctly, including verification step for all	Misspelled customer name	Secondary verification step required for 100% of certain higher-risk transactions and 5% of all other transactions	Secondary verification step required for 100% of certain higher-risk transactions Requirement for statistical sampling of accuracy for transactions that are not 100% verified	No change
5	Errors corrected within three business days	Misspelled customer name not corrected	Errors corrected within 10 business days	No change	No change
6	Report notifiable incidents, such as serious accidents, to the Ministry within two hours	An injury to a member of the public or an employee not reported within two hours	No change	Multiple notification time frames for different types of incidents. (e.g., on-site media within one hour, incidents resulting in injuries by end of day)	No change

	2013–23 Contract with Plenary	Example of non-compliance	2013–23 Contract with Plenary, after 2019 settlement	Agreement in Principle with Plenary for 2023–25 (with option to 2026)	2023–25 (with option to 2026) Contract with Plenary
7	Enquiries and complaints are tracked and resolved within specified time frames	General enquiry (not requiring consultation with Ministry) not resolved within three business days	No change	Adjustments to time frame for response and resolution of enquiries. 100% of general enquiries will be responded to and resolved within two business days, compared to three previously. Complex enquiries and complaints will be resolved within five business days, compared to three previously	No change
8	Telephone calls are handled within specified service levels	80% of calls do not exceed 30 second wait time	No change	Reduction in the number of specific service requirements (from 12 to 4)	No change
9	Customers are offered road test appointments within 42 days	Customers offered appointments more than 42 days after requested	No change	No change	No change
10	Communications protocols for public disclosure and media releases are followed	Providing information to the media without prior consent	No change	No change	No change
11	Each month, the customer satisfaction rating exceeds 85%	Customer satisfaction rating less than 85%	No change	Measurement will be twice per year instead of monthly	For this KPI only, licence applicants who respond to a customer satisfaction survey immediately after a failed road test are excluded from the rating
12	80% of customers wait for less than 45 minutes in line	Fewer than 80% of customers served within the time frame	80% of customers wait for less than 45 minutes in line at large driving exam centres, and 30 minutes at small centres	No change	Excludes scheduled appointments for long transactions at specific sites
13	Plenary complies with all provisions of its contract with the Ministry	Road tests delayed or cancelled due to inadequate staffing	No change	No change	No change

	2013–23 Contract with Plenary	Example of non-compliance	2013–23 Contract with Plenary, after 2019 settlement	Agreement in Principle with Plenary for 2023–25 (with option to 2026)	2023–25 (with option to 2026) Contract with Plenary
14	Driver examination centres comply with hours of operations requirements	Examination centre not open or open but not delivering services	No change	No general requirement. Adds specific element: Travel Point visits cancelled must be rescheduled within 30 days	No general requirement regarding compliance with hours of operations requirements (but note that these are set in a separate contract schedule to which KPI 13 applies)
15	Not in the 2013–23 contract*			Where Plenary cancels a road test, it will use "commercially reasonable efforts" to reschedule the test within one day The rescheduled test must be within 14 days following the date that Plenary successfully contacts the applicant	No change
16	Not in the 2013–23 contract				Specific centres implementing appointment scheduling for long transactions shall have availability within 21 days of request

Gray shade represents changes to indicator.

* After the 2019 settlement, a temporary KPI 15 was added to require Plenary to implement a cumulative wait time solution by November 1, 2019. The KPI was removed in the Agreement in Principle with Plenary for 2023–25.

Appendix 4: Changes to KPI Performance Penalties

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	Key Performance Indicator	KPI penalty in 2013–23 Contract[1]	KPI penalty in 2013–23 Contract after 2019 Settlement[1]	KPI penalty in Agreement in Principle[1]	KPI penalty in 2023–25 (with option to 2026) Contract with Plenary[1]
1	Submit Monthly Compliance Reports to the Ministry	$5,000/month $230/day	$5,000/month $230/day	$5,000/month $230/day	$5,000/month $230/day
2	Respond to additional information requests from the Ministry	$2,650/month $70/day	$2,650/month $70/day	$2,650/month $70/day	$2,650/month $70/day
3	Driver examiner and customer service agents comply with training requirements	$2,545/month	$2,545/month	$2,545/month	$2,545/month
4	Driver examinations are processed and recorded correctly[2]	$10/transaction	$8/transaction (applied to fewer transactions)	$8/transaction	$8/transaction
5	Errors corrected	$2,975/month (corrections within 3 days)	$2,975/month (corrections within 10 days)	$2,975/month	$2,975/month
6	Report notifiable incidents, such as serious accidents, to the Ministry within two hours	$7,030/month for failure to provide notification (within 2 hours) $6,770/month for failure to provide root cause analysis $6,770/month for failure to implement solution	$7,030/month for failure to provide notification (by end of day) $6,770/month for failure to provide root cause analysis $6,770/month for failure to implement solution	$7,030/month for failure to provide notification $6,770/month for failure to provide root cause analysis $6,770/month for failure to implement solution	$7,030/month for failure to provide notification $6,770/month for failure to provide root cause analysis $6,770/month for failure to implement solution
7	Enquiries and complaints are tracked and resolved within specified time frames	$1,500/month to $2,975/month for specific failures per service points	$1,500/month to $2,975/month for specific failures per service points	$1,500/month to $2,975/month for specific failures per service points	$1,500/month to $2,975/month for specific failures per service points
8	Telephone calls are handled within specified service levels	$1,500/month to $2,975/month for each specific failure	$2,975/month for each specific failure	$2,975/month for each specific failure (fewer failure categories)	$2,975/month for each specific failure

	Key Performance Indicator	KPI penalty in 2013–23 Contract[1]	KPI penalty in 2013–23 Contract after 2019 Settlement[1]	KPI penalty in Agreement in Principle[1]	KPI penalty in 2023–25 (with option to 2026) Contract with Plenary[1]
9	Customers are offered road test appointments within 42 days	$10,415/month, applied each month for each site	$10,415/month, applied each month for each site	Applied each month for each site and each road test class • First instance: $50 • Second instance: $250 • Third instance: $1,125 • Fourth instance: $1,750	Applied each month for each site and each road test class • First instance: $50 • Second instance: $250 • Third instance: $1,125 • Fourth instance: $1,750
10	Communications protocols for public disclosure and media releases are followed	$45/month	$45/month	$45/month	$45/month
11	Customer satisfaction rating exceeds 85%	$2,010/month (measured monthly)	$2,010/month (measured twice per year)	$2,010/month	$2,010/month
12	80% of customers wait for less than 45 minutes in line at large driving exam centres, and 30 minutes at small centres	$325/month applied each month for each DTC for each day where wait exceeded	$750/month for large DTC; $400/month for small DTC Per applicant penalties from $1 to $3.75 depending on length of wait	$750/month for large DTC; $400/month for small DTC Per applicant penalties from $1 to $3.75 depending on length of wait	$750/month for large DTC; $400/month for small DTC Per applicant penalties from $1 to $3.75 depending on length of wait
13	Plenary complies with all provisions of its contract with the Ministry	$255/month applied each month for each performance failure	$255	$255	$255
14	Driver examination centres comply with hours of operations requirements	$3,500/day	$3,500/day	$3,500/day	$3,500/day
15	Rescheduling of cancelled road tests[3]	Not required	Not required	$100–150/month for each performance failure	$100–150/month for each performance failure
16	Specific centres implementing appointment scheduling for long transactions must have availability within 21 days of request	Not required	Not required	Not required	First instance: $100 Second instance: $150 Third instance: $250 Fourth instance: $500

Gray shade represents changes to indicator.

1. Performance penalty calculations are subject to contractual maximums, and penalty charges were waived during periods of the 2013-23 contract.
2. There are no performance penalties applicable to certain categories of transactions, including a signature on an application that does not match identification, failed test results not recorded, and Ontario Photo Card number not recorded.
3. After the 2019 settlement, a temporary KPI 15 was added to require Plenary to implement a cumulative wait time solution by November 1, 2019. The KPI was removed in the Agreement in Principle with Plenary for 2023–25.

Appendix 5: Audit Criteria

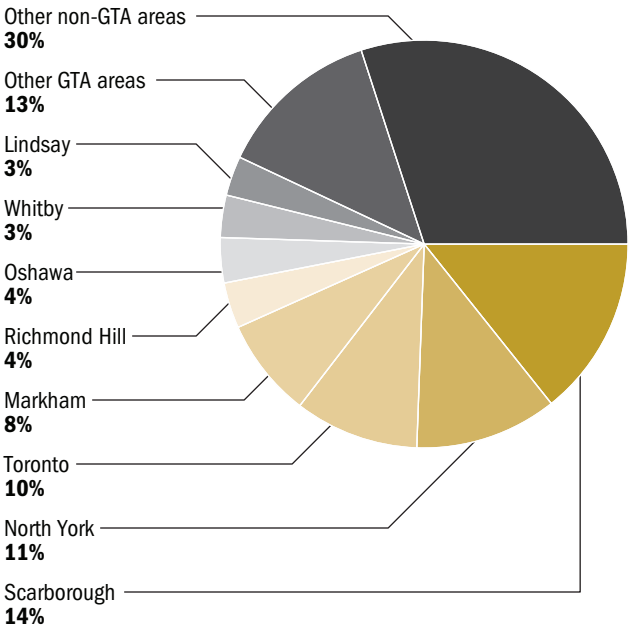
Prepared by the Office of the Auditor General of Ontario

1. Beginner driver training, examination and related program requirements are evaluated and updated by Ministry of Transportation based on evidence to support continuous improvement of road safety.
2. The Ministry is effective in identifying high-risk drivers (e.g., with medical concerns or unsafe driving behaviours) so that only qualified individuals receive a valid licence and/or continue driving in Ontario.
3. The Ministry is effective in overseeing service providers in providing driver examination in accordance with relevant legislations, regulations, policies, contract terms and best practices.
4. The Ministry is effective in managing and exercising its contractual rights with due regard to efficiency and economy.
5. The Ministry is effective in approving and overseeing licensed driving schools and instructors in accordance with relevant legislations, regulations, policies and best practices.
6. Management information systems should provide timely, accurate and relevant information to enable the Ministry to effectively administer the driver training and examination functions, as well as support management decision-making.
7. Appropriate and reasonable performance measures and targets are established and monitored, and compared against actual results to evaluate whether driver training and examination services were provided efficiently and effectively. Results are publicly reported and corrective actions are taken in a timely manner when issues are identified.

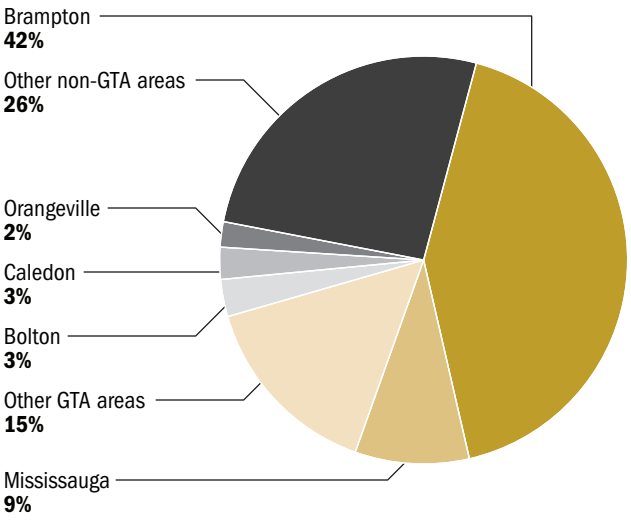
Appendix 6: Home Addresses of Drivers Who Took Road Test at Six Rural DriveTest Centres, January 2022–March 2023

Prepared by the Office of the Auditor General of Ontario

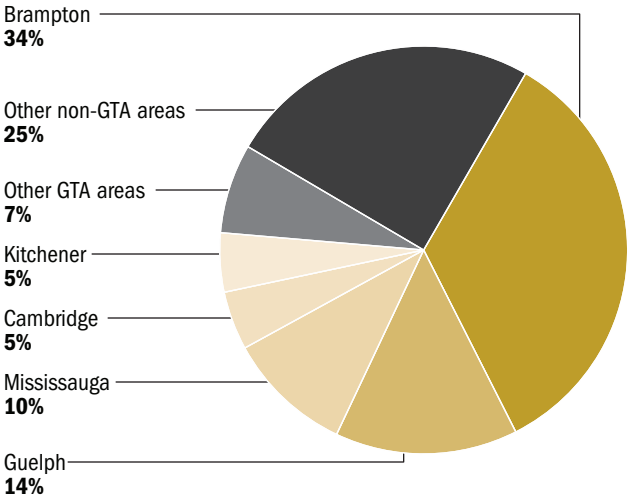
Lindsay DriveTest Centre



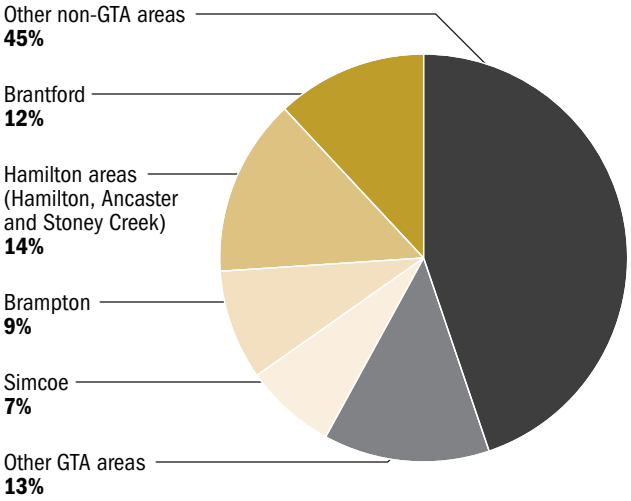
Orangeville DriveTest Centre



Guelph DriveTest Centre*

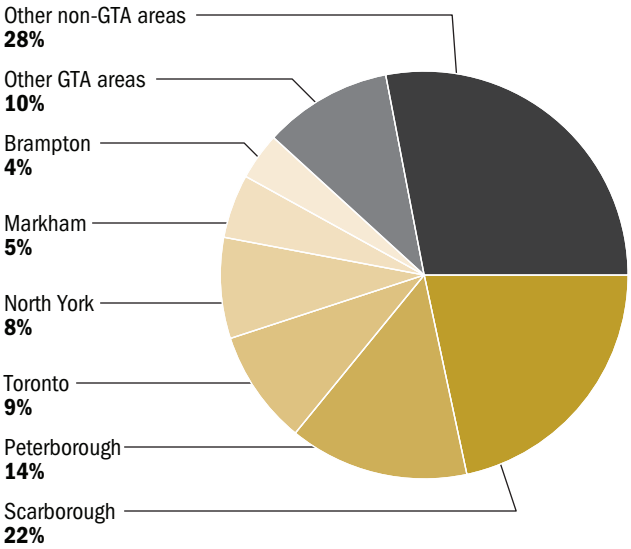


Simcoe DriveTest Centre

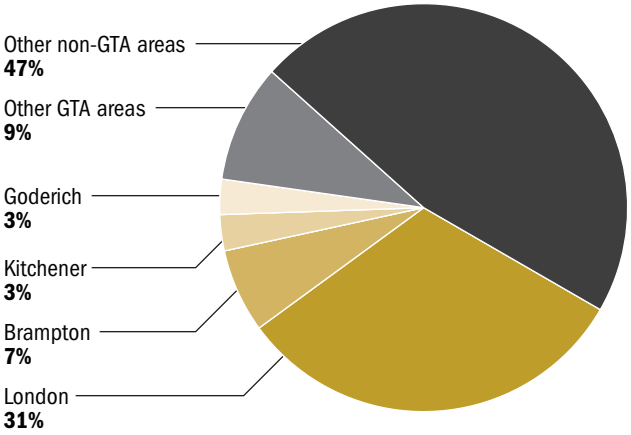


* Includes drivers who completed road test at a temporary location established to clear the COVID-19-related backlog.

Peterborough DriveTest Centre



Clinton DriveTest Centre



Appendix 7: Collision Rates for Novice Drivers Living in Select Cities, by DriveTest Centre Location, January 2022–March 2023

Prepared by the Office of the Auditor General of Ontario

DriveTest Centre Where Road Test Completed	Number of Drivers Who Took Road Test[1]	%	Drivers Involved in a Collision After Road Test[5]	
			#	%
Scarborough (Toronto Port Union)	**16,873**	**34**	**496**	**2.9**
Non-Scarborough Total	**32,881**	**66**	**1,237**	**3.8**
Oshawa[2]	9,909	20	371	3.7
Peterborough	4,902	10	180	3.7
Toronto Metro East	4,716	9	164	3.5
Lindsay	3,416	7	107	3.1
Mount Joy temporary site[3]	2,375	5	97	4.1
Toronto Downsview	1,095	2	52	4.7
Newmarket	981	2	33	3.4
Belleville	546	1	19	3.5
Other[4]	4,941	10	214	4.3
Total	**49,754**	**n/a**	**n/a**	**n/a**

1. Road tests passed between January 1, 2022, and March 31, 2023.
2. Includes drivers who completed road test at temporary additional examination site during the reopening of road test examinations in 2022.
3. Drivers who completed road test at temporary location established to clear COVID-19–related backlog.
4. "Other" includes DriveTest Centres that had fewer than 200 novice drivers from Scarborough who conducted road tests at that location.
5. Includes collisions that involved drivers who obtained their G or G2 licence through Ontario's Graduated Licensing System.

DriveTest Centre Where Road Test Completed	Number of Drivers Who Took Road Test[1]	%	Drivers Involved in Collision After Road Test[4]	
			#	%
Brampton (Home Location)	**23,377**	**24**	**721**	**3.1**
Non-Brampton Total	**72,320**	**76**	**2,727**	**3.8**
Guelph[2]	17,535	18	684	3.9
Orangeville	12,721	13	399	3.1
Mississauga[2]	14,100	15	544	3.9
Oakville	3,432	4	168	4.9
Toronto Etobicoke	2,459	3	71	2.9
Burlington[2]	3,742	4	149	4.0
Hamilton	1,692	2	56	3.3
Niagara[2]	1,359	1	71	5.2
Kitchener	1,108	1	48	4.3
Barrie	1,101	1	52	4.7
Other[3]	13,071	14	455	3.8
Total	**95,697**	**n/a**	**n/a**	**n/a**

1. Drivers who passed road tests between January 1, 2022 and March 31, 2023.
2. Includes drivers who passed road tests at temporary offsite DriveTest locations providing road tests as an initiative to address the road test backlog in 2022.
3. "Other" includes DriveTest Centres that have less than 1,000 novice drivers from Brampton who conducted road tests there.
4. Includes collisions that involved drivers who obtained their G or G2 licence through Ontario's Graduated Licensing System.

DriveTest Centre Where Road Test Completed	Number of Drivers Who Took Road Test[1]	%	Drivers Involved in a Collision After Road Test[3]	
			#	%
Windsor (Home location)	**11,546**	**60**	**330**	**2.9**
Non-Windsor Total	**7,657**	**40**	**263**	**3.4**
Chatham	6,280	33	201	3.3
Sarnia	121	1	6	5.0
London	106	1	5	4.7
Guelph	98	0	2	2.0
Other[2]	1,052	4	49	4.7
Total	**17,768**	**n/a**	**n/a**	**n/a**

1. Road test passed between January 1, 2022, and March 31, 2023.
2. "Other" includes DriveTest Centres that had fewer than 100 novice drivers from Windsor who conducted road tests at that location.
3. Includes collisions that involved drivers who obtained their G or G2 licence through Ontario's Graduated Licensing System.

DriveTest Centre Where Road Test Completed	Number of Drivers Who Took Road Test[1]	%	Drivers Involved in a Collision After Road Test[4]	
			#	%
Ottawa[2] (Home location)	**21,941**	**85**	**543**	**2.5**
Non-Ottawa Total	**3,888**	**15**	**113**	**2.9**
Smiths Falls	1,003	4	23	2.3
Renfrew	265	1	13	4.9
Hawkesbury	265	1	4	1.5
Winchester	241	1	2	0.8
Other[3]	2,114	8	71	3.4
Total	**25,829**	**n/a**	**n/a**	**n/a**

1. Road test passed between January 1, 2022, and March 31, 2023.
2. Includes drivers who completed road test at both Ottawa Canotek and Ottawa Walkley DriveTest Centres, as well as drivers who completed road test at temporary location established to clear COVID-19 related backlog.
3. "Other" includes DriveTest Centres that had fewer than 200 novice drivers from Ottawa who conducted road tests at that location.
4. Includes collisions that involved drivers who obtained their G or G2 licence through Ontario's Graduated Licensing System.

Appendix 8: Cross-Jurisdictional Scan of Driver Training and Examination Programs in Canada

Prepared by the Office of the Auditor General of Ontario

Criteria	Ontario	British Columbia	Alberta	Saskatchewan	Manitoba*	Quebec	Newfoundland	New Brunswick	Nova Scotia*	Prince Edward Island
Fatalities per 100,000 licensed drivers (2021)	5.1	7.9	8.2	10.4	8.1	5.9	8.9	12.1	9.8	13.9
Graduated Licensing Process	Yes – 1 knowledge test and 2 road tests over min. 2 years	Yes – 1 knowledge test and 2 road tests over min. 3 years	Yes – 1 knowledge test and 1 road test over min. 3 years	Yes – 1 knowledge test and 1 road test over min. 2.25 years	Yes – 1 knowledge test and 1 road test over min. 2 years	Yes – 1 knowledge test and 1 road test over min. 3 years	Yes – 1 knowledge test and 1 road test over min. 2 years	Yes – 1 knowledge test and 1 road test over min. 2 years	Yes – 1 knowledge test and 1 road test	Yes – 1 knowledge test and 1 road test over min. 3 years
Licensing process for drivers from countries with no license exchange	Knowledge test and highway road test with no wait period (with foreign driving history of 2+ years)	Knowledge test and highway road test with no wait period (with out-of-province driving history of 2+ years)	Knowledge test and road test with no wait period (with foreign driving history of 2+ years)	Knowledge test and road test with shortened wait period (with foreign driving history of 9+ months)	Knowledge test and road test with wait period potentially shortened	Knowledge test and road test with wait period shortened by the duration of foreign driving history (up to 2 years)	Knowledge test and road test with no wait period reduction	Knowledge test and road test with no wait period (with foreign driving history of 2+ years)	Information not publicly available	Knowledge test and road test within 120 days
Novice drivers can shorten the supervised driving period by taking an approved training course	Yes – can shorten the 12-month G1 supervised driving period by up to 4 months	Yes – can shorten the 24-month novice stage by 6 months	Yes – can shorten the 24-month probationary period by up to 6 months	No – cannot shorten 9-month learner period or 6-month novice period	Information not publicly available	No – cannot shorten supervised 12-month novice driving period	Yes – can shorten the 12-month supervised driving period by 4 months	Yes – can shorten the 12-month supervised driving period by 4 months, but not the 2-year full licensing process	Yes – can shorten the 6-month supervised driving period by 3 months	Yes – can shorten the 12-month supervised period by 3 months
Mandatory driver training course	No – government-approved training course is optional	No – government-approved training course is optional	No – government-approved training course is optional	Yes – course is required	Information not publicly available	Yes – course is required	No – government-approved training course is optional	No – government-approved training course is optional	Information not publicly available	Yes – course is required
Instruction time requirements of government-approved driver training course	20 hrs in-class 10 hrs in-car 10 hrs flexible	16 hrs in-class 12 hrs in-car	15 hrs in-class 10 hrs in-car	30 hrs in-class 6 hrs in-car	Information not publicly available	24 hrs in-class 15 hrs in-car	25 hrs in-class 10 hrs in-car (or 12 hrs for manual transmission)	25 hrs in-class 10 hrs in-car	25 hrs in-class 10 hrs in-car	25 hrs in-class 10 hrs in-car 6 hrs observation
Driving practice guidelines (outside formal driver training course)	None	Min. 60 hrs driving practice recommended	None	Min. 72 hrs driving practice recommended	Information not publicly available	Min. 50 hrs driving practice with guide suggested	None	None	Information not publicly available	None

Criteria	Ontario	British Columbia	Alberta	Saskatchewan	Manitoba*	Quebec	Newfoundland	New Brunswick	Nova Scotia*	Prince Edward Island
Oversight of driver training providers	Compliance audits, mystery shops	Inspections and audits	Compliance audits	Inspections	Information not publicly available	Inspections	Audits (in-class and in-car)	Inspections, re-qualification every 3 years	Inspections and audits	Inspections
Knowledge test	Can fail and retake knowledge test multiple times in the same day	Can retake the test after 1 week	Can retake the test only once per day	Can retake the test only once per day	Novice drivers can retake the test after 1 week	Can retake the test only once per 28 days	Can retake the test once daily up to 5 days; then 7-day wait period applies	Can retake the test only twice per week	Can retake the test only once per day in person, or multiple times online	Can retake the test after 1 week
City drivers can take road tests in rural areas	Yes	Yes	Yes	Road tests in smaller centres are locals-only	Information not publicly available	Yes	Yes	No	Yes	No – road tests taken at nearest testing centre
Length of road test	City test 20 min., Highway test 30 min.	35 min. for each of two road tests	Single road test 45 min.	Single road test 20 min.	Information not publicly available	Single road test	Single road test 30 min.	Single road test 20 min.	Single road test 30 min.	Single road test 60 min.
Measurement of the quality of driver exams	Accuracy of the pass/fail scoring of road tests not measured	Pass/fail rate of road tests and knowledge tests monitored	Review of road test scoring compliance, and "check-rides" by registrar	Accuracy of the pass/fail scoring of road tests not measured	Information not publicly available	Assessments of compliance with driving school registration conditions	Accuracy of the pass/fail scoring of road tests not measured	Pass/fail rates, review of testing processes to ensure consistency by examiners	Information not publicly available	Sample of newly licensed drivers re-examined by Ministry to assess driving skill
Medical reports	Only commercial vehicle drivers proactively submit medical report every 3–5 years (annually if over 65)	Every driver required to submit medical report at age 80 and after	Every driver required to submit medical report at age 75 and after	Only commercial vehicle drivers proactively submit medical report every 3–5 years (annually if over 66)	Information not publicly available	Every driver required to submit medical report at age 80 and after	Every driver required to submit medical report at age 75 and after	Only commercial vehicle drivers required to submit medical report upon initial licensing and at each renewal	Only commercial vehicle drivers proactively submit medical report every 5 years (annually if 65 and over)	Only commercial vehicle drivers proactively submit medical report every 3–5 years (annually if over 65)
Age of elderly drivers	80	80	No specific age	No specific age	Information not publicly available	75	75	No specific age	65	No specific age
For elderly drivers, road test or functional assessment of driving ability?	If driver can draw a clock, no road test required	Medical assessment required	Medical assessment required	No required assessment	Information not publicly available	Medical assessment required	Medical assessment required	No required assessment	Information not publicly available	No required assessment, but a driver refresher course is offered

Criteria	Ontario	British Columbia	Alberta	Saskatchewan	Manitoba*	Quebec	Newfoundland	New Brunswick	Nova Scotia*	Prince Edward Island
Interventions for drivers with suspensions	Retraining programs not required for drivers suspended for driving offences	Superintendent can request drivers with poor driving record to complete retraining or retesting	Retraining not required, but may be taken to reduce demerit points	Retraining programs required after recurrent suspensions	Information not publicly available	Retraining programs required after recurrent suspensions	Retraining program required	Re-examination or retraining may be required after recurrent offences; appeal processes available	Information not publicly available	Retraining program required
Who delivers road test examinations	Private contractor	Crown corporation	Privately contracted driver examiners	Crown corporation	Crown corporation	Crown corporation	Government division	Government division	Government division	Government division
Oversight of driver examination providers	Contractor self-assessment, Ministry site visits	Regular assessments and required participation in quality assurance program	Direct monitoring, audits, record inspections	Annual evaluations with direct monitoring every 2 years	Information not publicly available	Direct monitoring and training of driver examiners	Direct monitoring and training of driver examiners	Direct monitoring of driver examiners and, if required, audits	Information not publicly available	Sample of newly licensed drivers re-examined by Ministry to assess driving skill

* Descriptions of practices in Manitoba and Nova Scotia are based on information readily available publicly.

Appendix 9: Suspensions and Other Penalties, Based on the *Highway Traffic Act*

Source of data: Ministry of Transportation

Offence	Mandatory vs Court-Ordered Suspension	Suspension Duration	Demerit Points[1]	Driver Improvement Course	Imprisonment	Fine[2] ($)
G1 novice driver offences[3]	Mandatory	30 days for first offence; 90 days for second; licence cancellation for third offence	n/a	No	No	Up to 500
Young driver – breach of licensing condition	Mandatory	30 days	n/a	No	No	Up to 500
Drive while under suspension	Mandatory	Six months	n/a	No	Up to six months	Up to 5,000
Distracted driving	Mandatory	Three days for first offence; seven days for second; 30 days for third and subsequent offences within five years[3]	Three for first offence; six for second and subsequent offences	No	No	Up to 3,000
Exceeding speed limit 50 km/h or more	Court-ordered	Up to 30 days for first offence; 60 days for second; one year for third offence within five years	Six	No	n/a	9.75/km over the speed limit[4]
Careless driving	Court-ordered	Up to two years	Six	No	Up to six months	Up to 2,000
Careless driving causing bodily harm or death[5]	Court-ordered	Up to five years	Six	Yes	Up to two years	Up to 50,000
Street racing/stunt driving	Court-ordered	One to three years for first offence; three to 10 years for second; up to life for third and subsequent offences within 10 years	Six	Yes	Up to six months	Up to 10,000

Offence	Mandatory vs Court-Ordered Suspension	Suspension Duration	Demerit Points[1]	Driver Improvement Course	Imprisonment	Fine[2] ($)
Failing to remain	Court-ordered	Up to two years	Seven	No	Up to six months	Up to 2,000
Escape by flight	Mandatory, with duration court-ordered	Five years	n/a	No	14 days to six months	Up to 20,000

1. Demerit points remain on a driver's record for two years. Once 15 points accumulate, a driver is suspended for 30 days.
2. Additional fees and penalties apply for most offences and administrative suspensions: a licence reinstatement fee of $281 and administrative penalty of up to $450 ($550 for alcohol or drug impairment administrative suspensions).
3. Suspensions for G1 licence holders escalate for distracted driving, breach of novice licensing conditions (e.g., zero blood alcohol concentration/drugs, driving without accompanying driver or between midnight and 5 a.m., passenger restrictions) or for being convicted of any offence that would have resulted in four or more demerit points. Suspensions escalate to a 30-day suspension for the first offence, 90 days for the second offence, and the licence is cancelled for the third offence.
4. Speeding fine doubles if the offence occurred in a community safety zone or construction zone.
5. Careless driving causing bodily harm or death is subject to penalties, remedial courses and licence suspension under the *Highway Traffic Act*. Convictions for criminal offences, such as dangerous operation of a vehicle causing bodily harm, failure to stop for police, or impaired driving, can result in penalties under the *Criminal Code of Canada*, and driving suspensions under the *Highway Traffic Act* ranging from one year for a first offence to a lifetime suspension for multiple offences. Alcohol- and drug-related administrative suspensions imposed at the roadside will lead to monetary penalties and to a requirement to complete a remedial education/treatment program.

Appendix 10: Timeline of Serco and Plenary Contracts for Driver Examination Services in Ontario

Source of data: Ministry of Transportation

Date	Event
2003 to 2013	
	Ministry contracts with Serco for driver testing.
2013	
Sep 1	Ministry contracts with Plenary for driver testing. Plenary subcontracts Serco as the service provider.
2014	
Apr to Jul	Ministry issues formal notices of dispute to Plenary due to service shortcomings. Negotiations extend until adjudicator-facilitated mediation in 2019.
2018	
Sep 17	Opening of DriveTest Centre in Mississauga. The Ministry, not Plenary/Serco, is responsible for construction and ongoing operating expenses.
2019	
Aug 31	Settlement of contract dispute through adjudicator-led negotiated settlement with Plenary and Serco.
2020	
Mar 23	Closure of all DriveTest Centres and Travel Points due to COVID-19.
Jun 18	Resumption agreement. The Ministry agrees to set off approximately $2.9 million in Plenary/Serco Covid-19 related costs against the equivalent amount of performance penalties due to the Ministry. Plenary/Serco agrees they will not seek costs beyond those agreed to in the resumption agreement. Performance penalty relief ends May 31, 2021.
Jun 22	Reopening of DriveTest Centres and Travel Points.
Aug	Serco seeks additional reduction of transaction verifications to offset further claimed losses.
2021	
Jan	Proposals from Plenary/Serco and response from Ministry regarding further performance penalty relief.
May	Consultations with sector led by Parliamentary Assistant to the Minister of Transportation.
Jun 14	Resumption of passenger vehicle road testing.
Jun	Performance penalty relief extended to March 31, 2022 for most key performance indicators.
Summer/ fall	The Ministry subsidizes opening of additional temporary locations, increased weekend service and overtime.
Aug	Deployment of an additional 84 examiners; on-boarding costs (e.g., recruitment, hiring, training) paid by the Ministry
Nov	Market sounding report by consulting firm.
Dec	Deployment of an additional 167 examiners; on-boarding costs (e.g., recruitment, hiring, training) paid by the Ministry.
2022	
Apr 1	Treasury Board/Management Board of Cabinet approves negotiation mandate for the Ministry to contract with Plenary for a two-year contract with possible further extension of one year.
May 3	Ministry accepts dispute settlement proposal from Plenary. Agreement to extend penalty relief to December 2022 and cap maximum amounts for various penalties.
Dec 23	Agreement in Principle signed by Ministry with Plenary for bridging contract (two-year extension with possible one further year).
2023	
Jul 31	Ministry signs bridging contract with Plenary.
Sep 2	2013-2023 contract with Plenary ends.

Ministry of Health

Emergency Departments

1.0 Summary

Emergency departments are a crucial part of Ontario's health-care system, providing medical treatment for urgent and emergent illnesses and injuries 24 hours a day, 365 days a year. The facilities, sometimes referred to as emergency rooms, are largely overseen and funded by the Ministry of Health (Ministry) and Ontario Health, the Crown agency charged with integrating health-care services between organizations. Patients can seek care at any of Ontario's 163 emergency departments at any time by either entering by their own means or calling for an ambulance. The fully accessible nature of emergency departments can make it challenging for hospitals to anticipate patient inflows with any certainty. And while emergency departments are meant to treat urgent and emergent health-care issues, managing patient flows and planning appropriate staffing levels are made more complicated because patients also may choose to use them when they cannot access care in a timely manner at another setting, such as their primary care provider or a walk-in clinic. In addition to these inherent and constant challenges, funding issues and staffing shortages exacerbated by the COVID-19 pandemic have put further strain on Ontario's emergency-department system.

We found that while patients requiring immediate life-saving care are able to access the system in a timely manner, emergency departments have otherwise often struggled to provide timely and high-quality care, with patients having to wait on average two hours just to be assessed by a physician. Some emergency department patients who require an inpatient bed have had to wait more than 24 hours, and many continue to be treated in emergency department hallways when space is not available. Strains in the system and long wait times have resulted in delayed or missed diagnoses, leading to patients returning to the emergency department in worse health.

Some of our significant findings include:

Emergency Department Closures

- **There were over 200 temporary emergency department closures in the past year due in part to a lack of a comprehensive province-wide strategy to maintain staffing levels.** Unplanned closures of emergency departments were very rare before 2019/20. However, between July 2022 and June 2023 there were 203 temporary emergency department closures in Ontario, involving 23 hospitals primarily located in rural or remote areas, largely related to a nursing shortage and other staffing challenges. We found that there was no comprehensive province-wide and centralized strategy to help hospitals maintain nurse staffing levels to avoid closures or to reduce the duration of the closure. Instead, the Ministry and Ontario Health generally relied on hospitals to manage these situations independently, typically by closing their emergency department or using more-expensive agency staff where possible. These closures create risks to patients'

health that increase in proportion to the time needed to travel to the next nearest emergency department.

- **Rural and remote hospitals relied heavily on an emergency department locum program to avoid closures even though the program was intended to be used as a temporary solution.** In 2006, in an effort to avert highly disruptive emergency department closures due to the unavailability of physicians, the Ministry created the Emergency Department Locum Program (Locum Program), which aimed to provide urgent coverage as an interim measure of last resort to hospitals facing significant challenges filling emergency department shifts. While the Locum Program has been a strong resource for hospitals facing physician shortages, many hospitals have had to increase their reliance on the program to keep emergency departments open. In 2018/19, the Locum Program provided approximately 27,400 hours of coverage, which more than doubled to over 60,200 hours in 2022/23. During the same period, the cost of running the Locum Program increased by about 108%, from about $5.7 million in 2018/19 to over $11.8 million in 2022/23. Ontario Health estimates that the Locum Program helped to avert over 400 emergency department closures in 2022/23.

Emergency Department Wait Times

- **Wait times to see a physician spiked and varied significantly from region to region.** While wait times to see a physician were relatively stable prior to 2020, there was a significant increase following the COVID-19 pandemic. Patients waited an average of 118 minutes after being triaged to receive their physician initial assessment in emergency departments in 2022/23, approximately 30 minutes longer than the wait time in 2013/14. Patients in the 90th percentile (the longest wait time after the top 10% of wait times are removed) waited up to 257 minutes (or more than four hours) in 2022/23, up from 183 minutes in 2013/14. We also noted that the average wait time for a physician initial assessment varied widely by region and by hospital. For example, patients living in the Champlain region waited 169 minutes, or more than twice as long as patients living in the Central region, where average wait times were 79 minutes. As a result of long wait times for a physician initial assessment, we found that some patients chose to leave an emergency department without being seen by a doctor. In 2022/23, the average left-without-being-seen rate was 5.3%, although some hospitals had higher rates. For example, one hospital had about 14% of patients leave the emergency department without being seen. The wait time for a physician initial assessment at this hospital was approximately 175 minutes (or almost three hours), one of the longest wait times among emergency departments.
- **Unnecessary emergency department visits contributed to long wait times and high costs to the health-care system.** Lower-acuity patients, specifically less urgent or non-urgent cases, accounted for approximately 23% (or 1.29 million) of all emergency department visits in 2022/23. Some of these patients, such as those experiencing a sore throat or cold, did not require emergency care but chose to visit the emergency department because it was the only immediate option available or they had no primary care provider. A 2014 study by the Canadian Institute for Health Information (CIHI), an independent, not-for-profit national organization, noted that one in five emergency department visits could have been treated in a doctor's office or clinic. However, according to a 2019 health-care experience survey completed by the Ministry, only 41% of Ontarians were able to get an appointment with their primary care provider on the same or next day. Emergency department care comes at a significant cost to the health-care system as a whole—the direct cost of an emergency department visit in Ontario

was approximately $165 per visit, almost three times higher than the cost of alternative options like primary care, which cost about $56 per visit.

- **Medical directives, which help reduce the time patients spend in emergency departments, were not used consistently across hospitals.** Medical directives are orders that emergency department physicians have developed to help nurses and other hospital clinicians begin the process of assessing patients and performing certain procedures (such as ordering blood tests) before the physician initial assessment. Empowering nurses and other hospital clinicians to act before patients can be seen by a doctor allows certain basic emergency department testing and procedures to be completed more quickly and efficiently, leading to safer care and better patient flow. However, we noted significant variations in the use of medical directives at the hospital sites we visited. There also was no formal province-wide system for hospitals to share best practices on the use of medical directives.
- **Emergency department patients sometimes had to wait more than 24 hours for an inpatient bed.** In 2022/23, patients waited an average of 13 hours for an inpatient bed, a significant increase from the approximately eight hours they had to wait 10 years earlier. Patients in the 90th percentile waited as many as 35 hours for an inpatient bed, up from about 21 hours in 2013/14. We also noted significant differences across regions and hospitals. On average, patients waited at emergency departments for an inpatient bed for about nine to 19 hours in 2022/23 depending on which region they lived in, a significant increase from the five to 13 hours one year earlier. The long wait times were partly the result of the overall lack of inpatient beds in Ontario hospitals and the backlog of patients who did not require hospital-level care but were waiting for rooms elsewhere in the health-care system. Lengthy wait times have helped maintain high numbers of so-called hallway patients, who have to be seen and treated in emergency department hallways until beds become available.

Quality of Emergency Department Care

- **Strains in the system and long wait times at emergency departments resulted in delayed or missed diagnoses, leading to patients making return visits in poorer health.** To identify areas for quality improvement, in 2016 Ontario Health introduced the Emergency Department Return Visit Quality Program (Quality Program), which requires participating hospitals to report why Ontarians return to the emergency department shortly after their initial visit. We noted that there were 274 return visits with a sentinel (severe and significant) diagnosis in 2022; of these incidents, the hospitals identified a quality issue or adverse event had occurred in 104 cases. The most common causes of adverse events included patient mismanagement (for example, lack of reassessment of patients), a delayed or missed diagnosis, or an unsafe discharge decision. We also noted numerous examples of long wait times contributing to poor outcomes, including a case when a patient making a return visit to the emergency department required emergency surgery, and another when a returning patient was admitted to the critical care unit.

Staffing Shortages

- **Significant staffing shortages reduced access to timely emergency care.** We noted multiple reasons for high staff turnover at emergency departments, especially among nurses. Factors included the higher pay and flexibility offered by private staffing agencies, as well as the introduction in 2019 of Bill 124, which limited annual wage increases for many employed professionals (including nurses) to 1% for three years. Since the Ministry and Ontario Health had never collected and tracked information on staffing shortages and vacancies across emergency

departments, we requested that information from a select number of emergency departments and noted that all of them experienced a significant increase in nursing vacancy rates between 2019/20 and 2022/23. For example, one emergency department's vacancy rate of full-time registered nurses increased from 6% to 26% in that time frame, and the rate for part-time registered nurses rose from 23% to 51%.

- **Worsening staffing shortages have forced hospitals to hire agency nurses at significantly higher hourly rates than permanent staff.** There has been no legislation that caps the amount for-profit staffing agencies can charge to hospitals. We noted that these agency nurses were paid significantly more than hospitals' full-time permanent nurses. For example, agency nurses that hold the position of registered nurse working in an emergency department could get paid more than $75 an hour, compared with about $35 to $50 an hour for full-time permanent nurses employed by a hospital. The greater job flexibility and higher pay of agency nurses have resulted in some permanent nurses leaving hospitals. Furthermore, collective agreements with nursing staff limit the ability of hospitals to move nursing staff between units, forcing hospitals to rely on agency nurses even more to address their nursing shortages. The Ministry and Ontario Health did not track agency staff costs and instead relied on hospitals to manage their own budgets and make decisions related to agency staffing. We reviewed data on agency nurse spending across the hospitals we visited and found that in 2022/23, one hospital spent about $8 million on agency nurses in the emergency department, compared with $2.4 million in 2021/22, and less than $1 million in 2019/20.
- **Inconsistencies and flaws in the physician payment structure could impact the timeliness and oversight of emergency department care.** The majority of emergency department physicians were compensated through an alternative funding arrangement (AFA), while some used a fee-for-service (FFS) model to bill the Ontario Health Insurance Plan directly. Under the AFA, there is typically a base funding component, which is essentially a salary divided among the physicians. We found that there had been a lack of oversight of pay and performance of individual physicians who were part of an AFA and the Ministry does not review information on the funding provided to each physician or the volume of patients seen by each physician. We also noted that the FFS model appeared to incentivize physicians to see more patients in order to receive payment, which in turn resulted in shorter patient wait times. For example, even though only 15% of emergency departments used the FFS model, three of the top five hospitals with the shortest physician initial assessment wait times were using an FFS model while all five of the worst-performing hospitals were on an AFA. We also noted that one of the hospitals indicated it had relatively shorter wait times to see a physician as a result of process improvements, which were easier to implement under an FFS model.

Oversight of Emergency Department Performance and Funding

- **Hospitals continued to get funding for a program that has had mixed results in improving patient flow through emergency departments.** The Ministry created the Pay for Results (P4R) program in 2008 to incentivize hospitals to improve patient flow through the emergency department. We reviewed historical data and found that in the early years of the P4R program, some key performance indicators showed a reduction in wait times, helping patients move more quickly through their emergency department visits. However, we found that performance deteriorated leading up to the December 2018–November 2019 period, the most recent full-year results before

the COVID-19 pandemic. Of the five indicators related to wait times that use historical performance as a benchmark, a significant number of hospitals had a worse performance in 2019 than when they first joined the P4R program. For example, in almost half of the 74 hospitals participating in the program as of 2019, admitted patients spent longer overall in the emergency department and there was a longer wait time for an inpatient bed. Despite this, hospitals with worsening performances continued to receive funding through the program.

Emergency Department Diversion Practices and Virtual Urgent Care

- **Unique diversion practices that have helped some emergency departments handle patient flows more efficiently were often not shared with other hospitals.** We noted that some hospitals have developed practices to help divert patients away from the emergency department to a more appropriate setting within the hospital to receive care. These practices—which include using a rapid assessment zone for low-acuity patients that could be located outside of the emergency department—expedite and improve care for the patient involved while freeing up space and resources for others in the emergency department. While these practices have shown success, we noted that hospitals often did not share best practices province-wide. What's more, the Ministry and Ontario Health also did not have a framework in place to track, evaluate and encourage the use of these effective strategies.
- **A virtual urgent care pilot program has had some early successes, but subsequent changes to the program may result in worse outcomes if not managed effectively.** In 2020, the Ministry approved approximately $4 million in one-time funding to support a regionally co-ordinated a virtual urgent care program, sometimes referred to as virtual emergency department. The program was created to support patients who had concerns about visiting an emergency department during the COVID-19 pandemic, as well as to divert lower-acuity patients away from the emergency department. In 2022/23, patients made over 50,000 virtual urgent care visits, compared with less than 20,000 visits in 2021/22. Ontario Health informed us that it planned to integrate some of the initiatives in the virtual urgent care pilot program into the provincial Health811 call services, through which patients are able to connect with a registered nurse 24 hours a day. However, we noted that some hospitals had concerns that this centralized model may not be as effective as virtual urgent care programs managed directly by hospitals. For instance, a virtual urgent care program managed by a hospital would be able to refer a patient directly for blood tests or diagnostic imaging in one of their facilities, while a patient using a centralized model who is advised to see an emergency physician might have to restart the triage process from the beginning upon arrival at the emergency department.

This report contains 14 recommendations, consisting of 23 action items, to address our audit findings.

Overall Conclusion

Our audit concluded that the Ministry of Health and Ontario Health, in conjunction with hospitals, do not have fully effective systems and processes to oversee the delivery of care at emergency departments, or to manage resources efficiently, to help ensure emergency care that is timely and meets all patient needs. While the sickest patients are able to access and receive emergency department care on a timely basis, more needs to be done to address the risks associated with long wait times and increasing patient length of stay. Furthermore, while the Ministry and Ontario Health do measure areas of emergency department performance, more oversight and assessment are necessary to ensure

hospitals are meeting intended objectives of initiatives, such as those funded through the P4R program. We also concluded that while improvements have been made in the triaging of patients through the use and implementation of eCTAS, some emergency departments over-triage patients consistently, and hospitals need to do more to safely admit, discharge and/or transfer patients to other appropriate care settings in a timely manner.

While wait times to be assessed by a physician were relatively stable from 2013/14 to 2019/20, there has been a spike following the COVID-19 pandemic and patients face increasingly long wait times, sometimes in excess of four hours. This has prompted more patients to leave the emergency department without being seen, which may have contributed to worse health outcomes. In addition, some emergency department patients need to wait in hallways, sometimes for more than 24 hours, to be moved to an inpatient bed due to a shortage of beds and the presence of so-called alternate level of care patients, who cannot be moved out of hospital beds because spots in more appropriate alternative care settings are not available.

Further, we found that many small and rural hospitals have had to rely on the Province's Emergency Department Locum Program to stay open, helping to avoid more than 400 emergency department closures in 2022/23. Despite the program, which was only meant to provide hospitals with temporary relief, there were 203 temporary emergency departments closures due to staffing challenges, primarily because of a shortage of nurses. We also found that hospitals are spending millions of dollars on agency nurses at significantly higher hourly rates when they cannot address staffing shortages through internal resources.

While up to one in five emergency department patients treated and discharged in Ontario could have been treated in a doctor's office or clinic, we found that there have been insufficient efforts to try to divert or transfer patients to more appropriate care facilities. And in cases where hospitals did identify best practices to redirect patients, this information was not being effectively tracked by the Ministry and Ontario Health or shared with other hospitals across the province.

OVERALL MINISTRY RESPONSE

The Ministry of Health (Ministry) thanks the Office of the Auditor General of Ontario for their work and sharing the report on their value-for-money audit of Emergency Departments. Ontario hospitals and emergency departments were at the forefront of the health sector's response to COVID-19 and the COVID-19 pandemic, and its unprecedented challenges have had a lasting impact on the province's health-care system. Throughout the pandemic's waves, hospital emergency departments supported the COVID-19 response, stepping up to meet new and evolving demands amid historic health human resource shortages that impacted the entire health-care system.

The Ministry acknowledges the difficult position hospitals and emergency departments were in and appreciates the role they played in supporting the health-care system response, both locally and provincially. Hospitals provided high-quality patient care throughout the pandemic response, and the effect of the unprecedented global crisis continues to put strain on the delivery of care in emergency departments. The government remains steadfast in its commitment to protect the health and safety of all Ontarians and has worked closely with Ontario Health and hospitals to implement new programs and enhance existing supports to ensure the people of Ontario have access to high-quality emergency care, when and where it is needed. Initiatives like the Emergency Department Peer-to-Peer Program will ensure health-care providers across the province are supported and feel confident in delivering care to some of the most at-risk populations in Ontario's rural, remote and Northern communities. Enhancements to the Pay for Results program will ensure the busiest emergency departments are pushed to continually improve on their performance and that small-volume sites have access to supports that incentivize better performance and the continued delivery of high-quality care.

The Ministry remains engaged with Ontario Health on strategies to support Ontario's emergency departments and ensure that hospitals across the province are able to keep their emergency departments open and able to serve all those seeking emergency care. The Ministry is committed to continue working closely with Ontario Health and Ontario's hospitals to review the findings and recommendations within the report and drive improvements where able. The Ministry also will commit to applying learnings more broadly across the entire health-care system to inform and strengthen guidelines of current and future programs/strategies to support the delivery of high-quality care.

The Ministry recognizes the Ontario Medical Association (OMA) as the exclusive representative of physicians practising in Ontario. Under the OMA Representation Rights and Joint Negotiation and Dispute Resolution Agreement, the Ministry is required to consult the OMA to seek its advice about significant health-care policy and system issues that affect physicians. Further, changes related to physician compensation, including activities and accountabilities under non-fee-for-service agreements, are subject to the negotiation process between the parties set out in the Binding Arbitration Framework.

OVERALL ONTARIO HEALTH RESPONSE

Ontario Health thanks the Office of the Auditor General of Ontario for sharing the value-for-money audit of Emergency Departments.

Ontario Health recognizes the enormous strain on emergency departments, observing increased challenges in patient complexity, and multifactorial impacts of health system capacity challenges that impact emergency department patient flow. High-quality and safe patient care is a priority.

In partnership with the Ministry of Health, Ontario Health works diligently with the emergency department community to ensure that programs dedicated to improving quality and safety in the emergency departments are implemented and shared across the sector. Ontario Health's commitment to supporting patient care, the needs of our clinical teams/staff and access to resources is our priority.

Ontario Health commends recent new programs announced by the Ministry to support emergency departments, such as the Pay for Results (P4R) expansion, the Emergency Department Peer-to-Peer program, as well as a focus on emergency department nursing education and retention. These programs and resources ensure Ontario Health's ability to move forward with emergency department system strategy, capacity and access.

Ontario Health also has implemented innovative strategies to support patients in Ontario with initiatives such as Health811, expansion of P4R and the Peer-to-Peer program to provide system supports. Ontario Health remains committed to ensuring hospitals and regions are supported to reduce the risk of closures and impacts on communities.

Ontario Health is committed to working closely with the Ministry, hospitals and emergency department leaders to ensure that recommendations brought forward from the audit will be implemented, where feasible, to continually address the challenges emergency departments are facing in Ontario.

2.0 Background

2.1 Overview

The province's emergency departments provide medical treatment for illnesses and injuries 24 hours a day. Patients can seek care at any of Ontario's 163 emergency departments—sometimes referred to as emergency rooms—by arriving by their own means or calling an ambulance. While emergency departments are meant to treat urgent and emergency health-care issues, people also may choose to visit emergency

departments when they cannot access care in a timely manner at another setting, such as a primary care practitioner's office or a walk-in clinic.

Figure 1 shows that the annual number of emergency department visits in Ontario over the last 10 years has been relatively stable at approximately 5 to 6 million visits. Because Ontario's population is projected to increase from approximately 15.1 million people in 2022 to over 17 million people within the next 10 years, the volume of emergency department visits is expected to continue to rise.

Figure 2 shows the most common reasons for emergency department visits as well as the volume of visits for the top 10 diagnosis groupings. Of the approximately 5.6 million emergency department visits in 2022/23, these top 10 groupings accounted for 4.9 million visits (or about 88%).

2.2 Patient Flow in Emergency Department

Patient flow through an emergency department involves a number of steps. **Figure 3** shows the typical patient journey when visiting an emergency department, while each step in the process is discussed in further detail below.

2.2.1 Triage

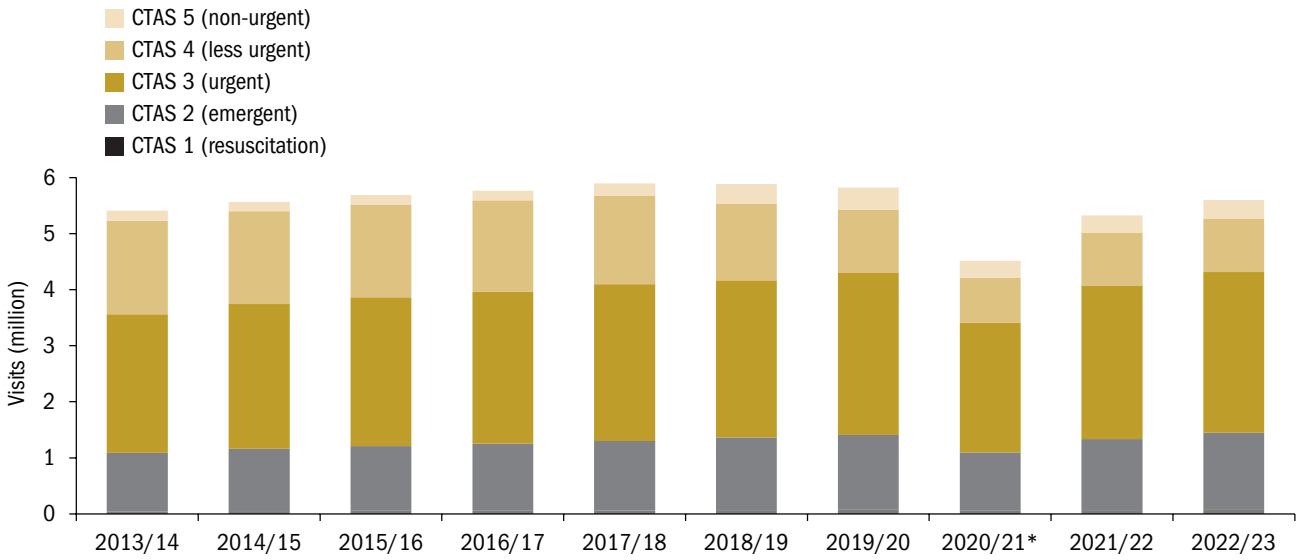
Upon arrival at the emergency department, patients are triaged, which is the process of assessing a patient's acuity level based on the five-level Canadian Triage and Acuity Scale (CTAS). The triage level assigned to a patient, typically by a nurse, determines their priority of being seen and treated. **Figure 4** shows the percentage of emergency department visits by CTAS level in 2022/23.

2.2.2 Physician Initial Assessment

After being triaged, all patients, except those assessed at CTAS 1 (requiring immediate resuscitation), have to wait for a physician assessment. Patients with a relatively higher-acuity level (CTAS 2 or 3) typically wait less time than those with a CTAS level of 4 or 5. Across Ontario, patients waited on average about two hours

Figure 1: Number of Emergency Department Visits by Canadian Triage and Acuity Scale (CTAS), 2013/14–2022/23

Source of data: Ontario Health



Note: This chart is based on data from emergency departments in Ontario that reported information centrally to databases or systems such as the National Ambulatory Care Reporting System.

* In 2020/21, the number of emergency department visits temporarily dropped during the COVID-19 pandemic to about 4.5 million when fewer patients with less urgent needs sought emergency care. The number of visits rebounded to about 5.3 million in 2021/22.

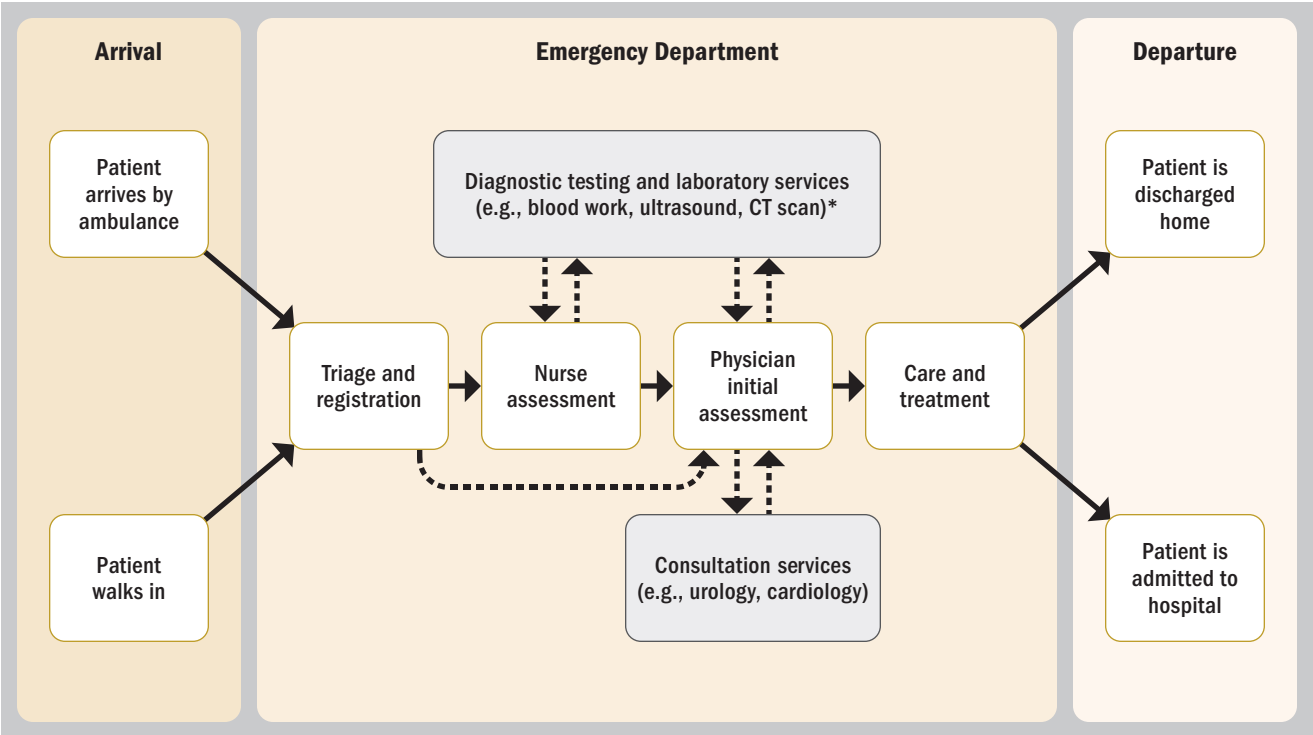
Figure 2: Top 10 Diagnosis Groupings of Emergency Department Visits, Ontario

Source of data: Canadian Institute for Health Information

Diagnosis Group	Examples	# of Emergency Department Visits, 2022/23
1. **Symptoms, signs and abnormal clinical and laboratory findings**	Abdominal and pelvic pain, pain in throat and chest, headache, nausea and vomiting	1,306,458
2. **Injury, poisoning and other consequences of external factors**	Open wounds, fractures, poisoning	1,200,126
3. **Respiratory system**	Asthma, pneumonia, bronchitis	532,338
4. **Musculoskeletal system and connective tissue**	Joint disorders, gout, arthritis	339,026
5. **Digestive system**	Intestinal disorders, appendicitis, hernias	315,110
6. **Genitourinary system**	Acute renal failure, urinary system disorders	284,829
7. **Infectious and parasitic diseases**	Diarrhea, herpes, warts	250,796
8. **Mental, behavioural and neurodevelopmental disorders**	Alcohol use, anxiety disorder, opioid use	239,564
9. **Factors influencing health status and contact with health services**	Surgical and orthopaedic follow-up care, counselling	221,316
10. **Circulatory system**	Hypertension, heart attack, cardiac arrest and stroke	211,063
Total		**4,900,626**

Figure 3: Patient Flow through an Emergency Department

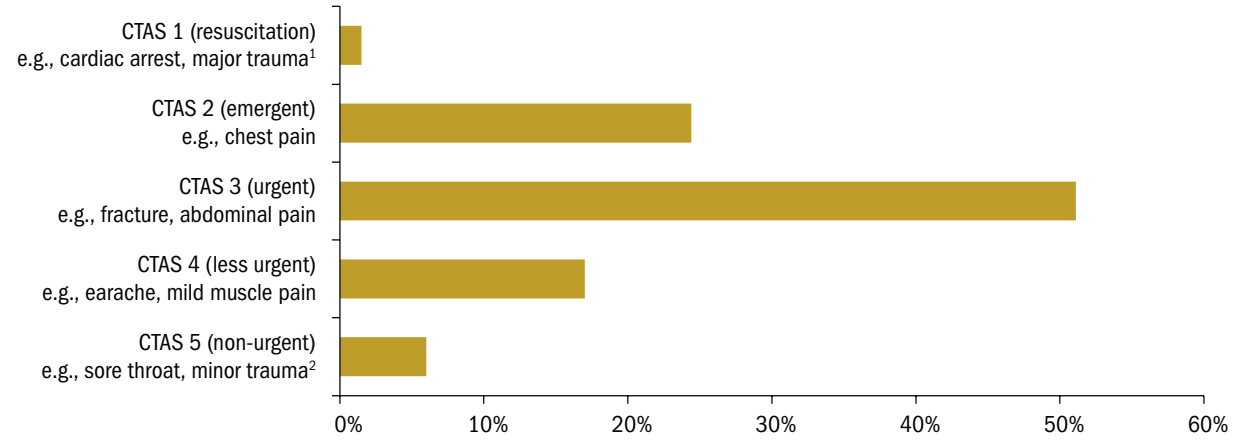
Prepared by Office of the Auditor General of Ontario



* While waiting for a physician initial assessment, a nurse may request early testing (such as blood work) if the hospital utilizes medical directives, which allow nurses to initiate certain procedures for patients presenting specific symptoms, as discussed in **Section 4.2.3.**

Figure 4: Percentage of Emergency Department Visits by Canadian Triage and Acuity Scale (CTAS), 2022/23

Prepared by Office of the Auditor General of Ontario



1. Examples of major traumas include falls, motor vehicle accidents, head or spine injuries, and stabbings.
2. Examples of minor traumas include skin lacerations, sprains, muscle strains, scrapes and abrasions.

for an initial physician assessment, but wait times varied significantly between hospitals and regions, as discussed further in **Section 4.2.1**.

While patients wait for a physician initial assessment, nurses may begin treatment, such as prescribing medication and ordering diagnostic testing (such as blood tests), if the hospital uses medical directives that allow nurses to initiate certain procedures before a physician assessment, as discussed in **Section 4.2.3**. Wait times may be extended if patients require further testing (for example, an ultrasound or CT scan).

2.2.3 Inpatient Admission

After being assessed and treated by a physician in an emergency department, patients may be admitted to hospital for ongoing care and/or health monitoring. In Ontario, these patients typically have to wait in the emergency department for an average of nine to 19 hours until an inpatient bed is available, during which time they may become so-called hallway patients if the emergency department is overcrowded (see **Section 4.2.4**).

2.3 Emergency Department Funding and Spending

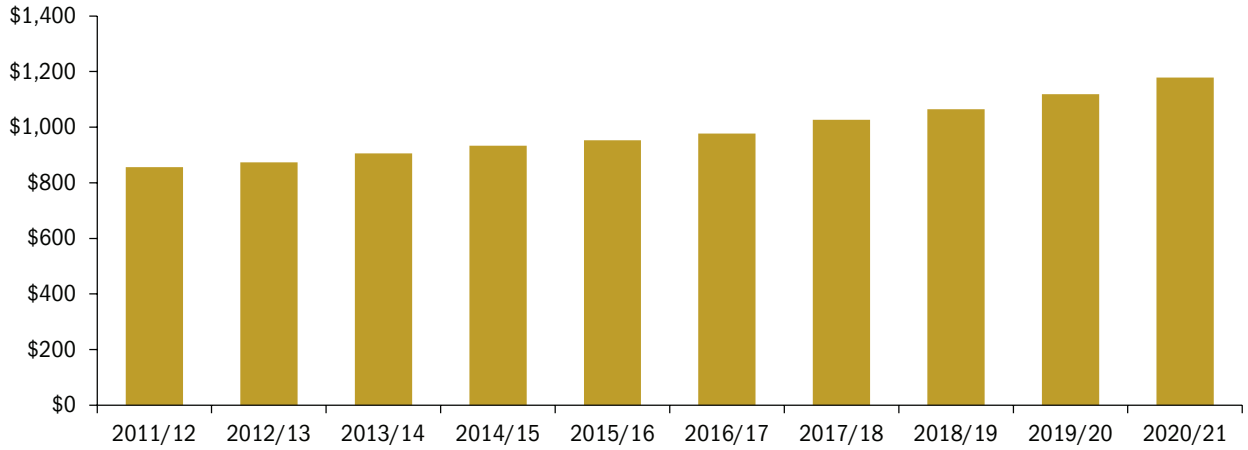
Approximately 60% of the Ministry's funding to hospitals is non-targeted global funding to support core programs and services, including the operation of emergency departments. Global funding is a base (or fixed) amount of annual funding for hospitals to deliver health-care services and cover operating expenses. Each hospital's management has discretion in how to use and allocate its global funding.

In addition to the global base funding, hospitals also may receive targeted funding by participating in performance- and activity-based initiatives or programs for emergency departments, for example, the Pay for Results, or P4R, program (see **Section 4.6**). Such targeted funding, which was approximately $93 million in 2022/23, is minimal compared to the costs of running an emergency department. As of July 2023, 75 mid-sized and large hospitals received this funding. In July 2023, the Ministry announced changes to the P4R program that would expand eligibility, as discussed further in **Section 4.6.1**.

According to the Canadian Institute for Health Information (CIHI), which collects information directly from hospitals that report data into the National Ambulatory Care Reporting System (NACRS), emergency

Figure 5: Emergency Department Spending in Ontario, 2011/12–2020/21 ($ million)

Source of data: Canadian Institute for Health Information



Note: 2020/21 is the latest data available.

department spending in Ontario has been consistently increasing since 2011/12, from $857 million in that year to approximately $1.18 billion in 2020/21 (the most recent year available), as seen in **Figure 5**.

The direct cost of an emergency department visit in Ontario was, on average, approximately $165 per patient in 2019/20, a significant increase from $107 reported in 2005/06. This amount excludes compensation for physicians working in emergency departments, most of whom are paid through alternative funding arrangements, or through a fee-for-service method.

- **Alternative Funding Arrangements:** These are contracts between the Ministry and physician groups that vary from one hospital to another and often involve the Ontario Medical Association, which represents the province's physicians. The contracts have provisions that specify the amount that physicians will receive and the related service levels (i.e., emergency department volumes) that need to be provided. In some cases, contracts can include key performance goals, such as improving patient access and satisfaction. We discuss alternative funding arrangements in **Section 4.5.4**.
- **Fee-for-Service (FFS):** In the FFS model, physicians do not receive compensation directly from the hospital for services provided to patients and instead bill the Ontario Health Insurance Plan (OHIP) based on a set fee for each service provided to a patient. These fees are determined by a schedule of benefits that is part of the *Health Insurance Act*.

3.0 Audit Objective and Scope

Our audit objective was to assess whether the Ministry of Health (Ministry) and Ontario Health, in conjunction with hospitals, have effective systems and processes in place to:

- oversee that the delivery of care at emergency departments is timely and meets patient needs;
- manage resources for emergency departments efficiently to provide continuous availability of emergency care; and
- measure, assess and publicly report the performance and effectiveness of emergency departments on a regular basis.

In addition, our audit assessed whether emergency departments at selected hospitals have effective procedures and systems in place to:

- triage and assess patients appropriately based on their needs in a timely manner and in accordance with applicable standards and requirements; and

- safely admit, discharge, and/or transfer patients to the appropriate units for further care (such as a fracture clinic and for mental-health care) when necessary in a timely manner.

In planning for our work, we identified the audit criteria (see **Appendix 1**) we would use to address our audit objective. These criteria were established based on a review of applicable legislation, policies and procedures, internal and external studies, and best practices. Senior management at the Ministry and Ontario Health reviewed and agreed with the suitability of our objectives and associated criteria.

We conducted our audit between January 2023 and September 2023. We obtained written representation from the Ministry and Ontario Health senior management that, effective November 20, 2023, they had provided us with all the information they were aware of that could significantly affect the findings or the conclusion of this report.

In arriving at the audit conclusion, we performed the following work at the Ministry and Ontario Health:

- interviewed management and staff responsible for managing and overseeing the delivery of emergency department services in Ontario;
- reviewed applicable policies, guidelines, legislation, reports and briefing notes related to emergency departments;
- reviewed strategic plans and related performance measure targets and results;
- reviewed funding structures and methodologies;
- obtained and analyzed various emergency department data, including number of visits, triage counts and levels, wait times and staffing counts; and
- reviewed initiatives and programs such as the Emergency Department Locum Program to help hospitals cover physician shortages, and the Pay for Results program to support innovation and practices that improve patient flow.

We also conducted site visits at the following hospital emergency departments, where we toured the emergency department, met with senior management and front-line staff responsible for the delivery of emergency department care, including physicians and nurses, and reviewed information and files related to patient safety and critical events, patient satisfaction, health human resources, and performance measures:

- Children's Hospital of Eastern Ontario (CHEO);
- Mount Sinai Hospital;
- The Hospital for Sick Children (SickKids);
- William Osler Health System (Brampton Civic Hospital and Etobicoke General Hospital); and
- Windsor Regional Hospital (Metropolitan campus and Ouellette campus)

Furthermore, we met with staff from the following hospitals to discuss specific initiatives and/or challenges faced in delivering emergency department care:

- Haliburton Highlands Health Services regarding their staffing challenges, use of the Emergency Department Locum Program and the permanent closure of their Minden Hospital emergency department on June 1, 2023;
- University Health Network and Sunnybrook Health Sciences Centre regarding their virtual emergency department initiative;
- William Osler Health System regarding its urgent care centre and virtual emergency department initiative; and
- Anson General Hospital regarding its use of the Emergency Department Locum Program to cover ongoing physician shortages.

We also met with staff from the following paramedic groups to discuss patient triage and ambulance offloading challenges at emergency departments:

- Peel Regional Paramedic Services;
- Toronto Paramedic Services;
- Essex-Windsor Emergency Medical Services; and
- Ottawa Paramedic Service.

Throughout our audit, we met with and reviewed information from various stakeholders to better understand the challenges of delivering high-quality and timely emergency care:

- Institute of Clinical Evaluative Sciences, a community of research, data and clinical experts who lead research in various areas of Ontario's healthcare system, including emergency department care;

- Canadian Association of Emergency Physicians, a national advocate for emergency medicine physicians; and
- Ontario Nurses' Association, a union representing approximately 68,000 nurses and health-care professionals who work in a variety of settings, including hospital emergency departments.

We conducted our work and reported on the results of our examination in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada. This included obtaining a reasonable level of assurance.

The Office of the Auditor General of Ontario applies the Canadian Standards on Quality Management and, as a result, maintains a comprehensive quality control system that includes documented policies and procedures with respect to compliance with rules of professional conduct, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

4.0 Detailed Audit Observations

4.1 No Comprehensive Provincial Strategy Was in Place to Prevent Emergency Department Closures

4.1.1 There Were 203 Temporary Emergency Department Closures in the Past Year Due in Part to the Lack of a Comprehensive Strategy to Maintain Staffing Levels

Before 2019/20, unplanned closures of emergency departments were rare. However, between July 2022 and June 2023, 203 emergency departments in Ontario, involving 23 hospitals, closed temporarily, most in rural or remote areas. **Appendix 2** lists the hospitals that experienced a temporary emergency department closure and the total hours they were closed.

We found that most closures were for a period of 14 hours or less, typically from the evening until the following morning. Most hospitals indicated they closed their emergency department because of staffing challenges, particularly a shortage of nurses (see **Section 4.5**), and that some of these closures could have been prevented if more staff resources were available.

While many closures were short, we noted that some hospitals had to close their emergency department repeatedly. Some closures lasted for a longer period. For example, in 2022, South Bruce Grey Health Centre's Chesley site closed its emergency department for 57 days, and Glengarry Memorial Hospital closed its emergency department daily from 6 p.m. to 8 a.m. for 15 days.

According to provincial protocols and policies, when a hospital identifies an anticipated or unanticipated emergency department closure, it is required to notify Ontario Health, which in turn informs the Ministry. In addition, hospitals have to develop a patient management plan to mitigate risks to patient care while the emergency department is closed, for example by working with paramedic groups to send patients to a nearby hospital and having diversion policies to direct patients to other health-care options. However, prior to June 2023, even when the Ministry and Ontario Health learned of a pending emergency department closure, we found that there was no comprehensive province-wide and centralized mechanism or strategy in place to provide support to try to avoid the closure or to reduce its duration. (The one exception is when the closure can be addressed through the Emergency Department Locum Program, discussed further in **Section 4.1.2**.) Instead, the Ministry and Ontario Health relied on hospitals to manage these situations independently, typically by closing down their emergency department or using agency staff if possible (discussed further in **Section 4.5.3**). In June 2023, Ontario Health implemented an updated emergency department closure

policy to begin proactively identifying and addressing ongoing risks of further closures and working with hospitals to determine if there are ways to prevent or reduce closures.

Most of the emergency department closures occurred in smaller or remote communities, where the emergency department is the only viable option for local patients to access urgent care. Closures in rural or remote areas create risks to patients' health that increase in proportion to travel times to the next nearest emergency department. We noted that for the hospitals that had to close temporarily from July 2022 to June 2023 (see **Appendix 2)**, the next closest hospital was typically 30 to 45 minutes away, and in one case, North of Superior Healthcare Group's McCausland Hospital, the next closest emergency department was over an hour away.

RECOMMENDATION 1

To help ensure the stability and continuity of emergency department services across Ontario, especially in smaller or remote communities, we recommend that the Ministry of Health, in collaboration with Ontario Health and hospitals, evolve and regularly update a strategy or action plan to prevent emergency department closures through mechanisms and initiatives including supporting local communities in training and retaining their health-care workforce as well as building capacity in primary and community services.

MINISTRY RESPONSE

The Ministry of Health (Ministry) acknowledges the Office of the Auditor General of Ontario's recommendation to evolve and regularly update a strategy or action plan to prevent emergency department closures through mechanisms and initiatives. On February 2, 2023, the Government of Ontario announced Your Health: A Plan for Connected and Convenient Care, its plan to provide people with a better health-care experience. As part of the broader Health Human Resources Strategy, the Ministry has been working with Ontario Health to develop a strategic focus on supporting service delivery in emergency departments.

Further, part of this announcement included an investment to create up to 18 interprofessional primary care teams. This will help bridge the gap in accessing interprofessional primary care for vulnerable, marginalized and unattached patients to ensure they are able to connect to care where and when they need it. This investment of $60 million over two years, beginning in 2023/24, also will sustain direct service delivery in existing interprofessional primary care teams that are experiencing increased operating costs.

The Ministry recognizes the Ontario Medical Association (OMA) as the exclusive representative of physicians practising in Ontario. Under the OMA Representation Rights and Joint Negotiation and Dispute Resolution Agreement, the Ministry is required to consult the OMA to seek its advice about significant health-care policy and system issues that affect physicians. Further, changes related to physician compensation, including activities and accountabilities under non-fee-for-service agreements, are subject to the negotiations process between the parties set out in the Binding Arbitration Framework.

4.1.2 Rural and Remote Hospitals Have Been Relying Heavily on the Emergency Department Locum Program to Avoid Closures Even Though the Program Was Intended to Be Used as a Temporary Solution

To remain open, each emergency department must have at least one physician available. In 2006, in an effort to avert emergency department closures due to physician unavailability, the Ministry created the Emergency Department Locum Program (Locum Program). The goal of the program was to provide urgent locum coverage on an interim basis to hospitals facing significant challenges covering emergency department shifts. Since the introduction of the Locum Program in 2006, only four unplanned emergency department

closures were a result of physician unavailability, while the majority of the 203 closures noted in **Section 4.1.1** were caused by a shortage of nursing staff.

As of August 2023, the Locum Program had approximately 274 physicians travelling to work at emergency departments struggling to maintain physician staffing levels. To be eligible to work in the program, emergency department physicians must be actively working in an emergency department in Ontario and cannot take shifts through the Locum Program that overlap with their regular work commitments. These physicians are paid a premium hourly rate directly from the Locum Program (in addition to what the requesting hospital pays for physician coverage), and also may receive compensation for time spent travelling to and from rural and remote sites.

Figure 6 shows the Locum Program's hours of coverage and costs over the past five years. In 2018/19, the program provided approximately 27,400 hours of coverage, which more than doubled to over 60,200 hours in 2022/23. During the same period, the cost of running the Locum Program increased by about 125% to over $9.1 million.

Generally, the hospitals that have been requesting support through the Locum Program are smaller rural and remote hospitals. In discussions with administrators at these hospitals, we found that a primary reason for their increased use of the Locum Program has been higher rates of local physicians retiring or leaving the community in the last couple of years. That has forced hospitals to rely on the Locum Program to fill longer-term physician vacancies even though the program was intended to be used as a temporary measure.

We noted that some hospitals have become particularly reliant on the Locum Program to run their emergency departments. For example, 12 hospitals requested and received at least 500 hours of coverage through the program in each of the last five years, and two of these hospitals had over 1,000 hours of coverage in each of those years. Furthermore, in 2022/23 the top 10 hospitals using the Locum Program all requested and received at least 2,500 hours of physician coverage, as seen in **Figure 7**.

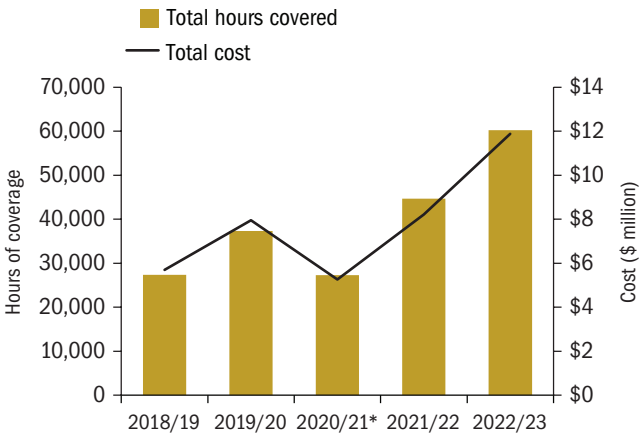
We reached out to hospitals that were regular and significant users of the Locum Program, such as Anson General Hospital, a small northern hospital in Iroquois Falls that received almost 5,000 hours of coverage through the Locum Program in 2022/23. The hospital administrators informed us that without that coverage, they would have had to shut down their emergency department frequently because they otherwise would have had no physician available.

As seen in **Figure 8**, Ontario Health estimates that the Locum Program has helped to avert over 800 emergency department closures over the last five years, with over 400 of those closures averted in 2022/23.

While the Locum Program has been a strong resource in helping hospitals avoid emergency department closures, relying on this temporary program is not necessarily a sustainable option for running an emergency department. For example, as noted in **Figure 7**, Haliburton Highlands Health Services (HHHS) has been significantly reliant on the Locum Program to operate its emergency departments at its two sites (Haliburton and Minden). In the last five years, the Locum Program provided HHHS with approximately 11,500 hours of physician coverage, including almost 4,000 hours in each of 2019/20 and 2022/23. Despite its reliance on the Locum Program, HHHS still had to

Figure 6: Emergency Department Locum Program—Hours of Coverage and Cost, 2018/19–2022/23

Source of data: Ontario Health



* In 2020/21, both hours of coverage and cost decreased because the number of emergency department visits temporarily dropped due to the COVID-19 pandemic.

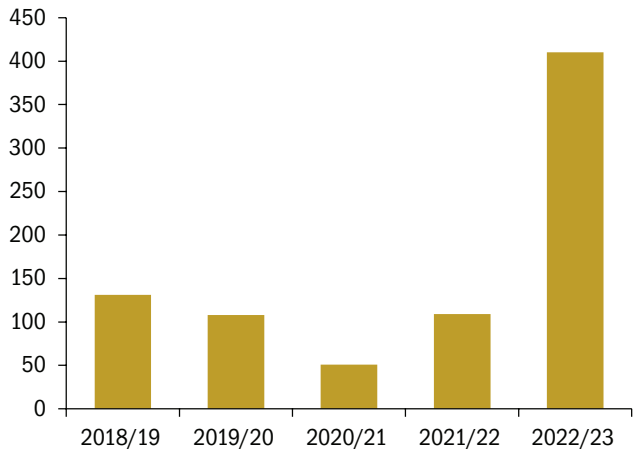
Figure 7: Top 10 Hospital Users of the Emergency Department Locum Program, 2022/23

Source of data: Ontario Health

Region	Hospital	Hours Requested	Hours Covered	% of Requested Hours Covered
North East	1. Anson General Hospital	4,981	4,873	98%
East	2. Deep River and District Hospital	6,124	4,504	74%
East	3. Haliburton Highlands Health Services (Haliburton and Minden sites)	5,476	3,936	72%
East	4. St. Francis Memorial Hospital	6,286	3,841	61%
North East	5. Notre-Dame Hospital	4,120	3,652	89%
West	6. Tillsonburg District Memorial Hospital	4,426	3,058	69%
North West	7. Sioux Lookout Meno Ya Win Health Centre	4,929	2,892	59%
East	8. North Hastings Hospital	4,211	2,855	68%
North East	9. Sensenbrenner Hospital	3,349	2,681	80%
West	10. Grey Bruce Health Services (Lion's Head site)	3,185	2,633	83%

Figure 8: Number of Emergency Department Closures Averted Through Locum Program, 2018/19–2022/23*

Source of data: Ontario Health



* Based on the number of times the Emergency Department Locum Program was able to fill a physician shift to keep an emergency department open.

permanently shut its Minden emergency department on June 1, 2023 due to ongoing challenges with hiring and retaining physicians and nurses, and then consolidate staffing resources at its primary Haliburton site. We met with HHHS administrators and noted that even with the consolidation of its two emergency departments, HHHS expects to continue using the Locum Program to cover unfilled shifts.

4.1.3 The Locum Program Cannot Keep Pace with Hospital Demand

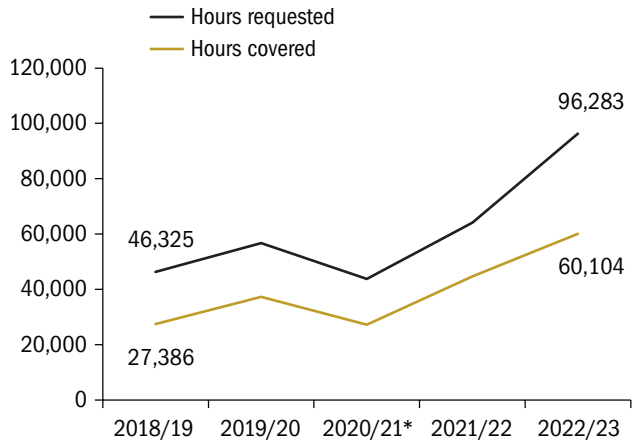
In addition to reviewing the hours covered by the Locum Program, we reviewed how well the Locum Program was able to keep up with hospital requests over the last five years. As seen in **Figure 9**, while hospitals requested over 96,000 hours of support from the Locum Program in 2022/23, the program was only able to cover approximately 60,000 hours.

Ontario Health informed us that due to an overall shortage of emergency department physicians, the Locum Program prioritizes hospitals with the most urgent needs, and considers requests from hospitals in northern communities before those in the south. In all cases, the Locum Program can only be used to fill vacant positions at emergency departments, not increase the number of overall physician positions.

When the Locum Program could not keep pace with requests, hospitals often had to reach out to Health Force (formerly the HealthForceOntario Marketing and Recruitment Agency), which is part of Ontario Health, or nearby hospitals and clinics to fill emergency department shifts and avoid closures. However, like the Locum Program, this coverage only provides temporary help and is therefore not sustainable. Hospitals told us

Figure 9: Hours Requested and Hours Covered by Emergency Department Locum Program, 2018/19–2022/23

Source of data: Ontario Health



* Both hours requested and covered decreased in 2020/21 because the number of emergency department visits temporarily dropped during the COVID-19 pandemic as fewer patients with less-urgent needs sought emergency care.

there will continue to be significant risks of closure if physicians do not start filling permanent positions in rural and remote communities.

RECOMMENDATION 2

To enable consistent and reliable access to emergency department physician care across Ontario and prevent future emergency department closures due to physician staffing, we recommend that the Ministry of Health, in collaboration with Ontario Health and hospitals:

- conduct a comprehensive review of the usage of the Emergency Department Locum Program to identify systemic issues with physician staffing across the province and develop a go-forward strategy; and
- implement mechanisms to incentivize physicians to take permanent roles in rural and remote emergency departments.

MINISTRY RESPONSE

The Ministry of Health (Ministry) acknowledges the Office of the Auditor General of Ontario's recommendation to review the Emergency Department Locum Program.

The Ministry recognizes the Ontario Medical Association (OMA) as the exclusive representative of physicians practising in Ontario. Under the OMA Representation Rights and Joint Negotiation and Dispute Resolution Agreement, the Ministry is required to consult the OMA to seek its advice about significant health-care policy and system issues that affect physicians. Further, changes related to physician compensation, including activities and accountabilities under non-fee-for-service agreements, are subject to the negotiations process between the parties set out in the Binding Arbitration Framework.

4.2 Wait Times for Emergency Care Have Gotten Longer

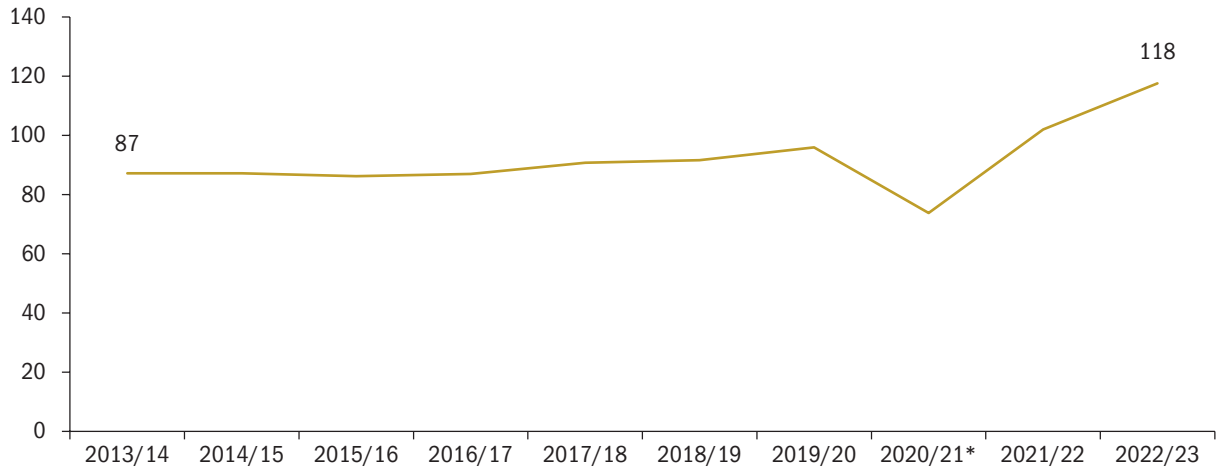
4.2.1 Wait Times to See a Physician Generally Increased, but Varied Significantly Across Ontario

Timely access to a physician assessment is critical in the delivery of high-quality patient care. A patient's first comprehensive assessment by a doctor helps determine what next steps are required, such as further testing, prescribing medication, or administering care. According to an Ontario study by the Institute for Clinical Evaluative Sciences, patients facing longer wait times for a physician initial assessment have a higher likelihood of needing inpatient admission to a hospital. The study also found that there was a slightly higher risk of death for each additional hour a patient waited in the emergency department.

Our review of wait-time data noted that the average wait times to see a physician were relatively stable prior to the COVID-19 pandemic, but have increased

Figure 10: Average Wait Time for a Physician Initial Assessment, 2013/14–2022/23 (minutes)

Source of data: Ontario Health



Note: This chart shows the average wait time for a physician initial assessment for all patients at different acuity levels (CTAS 1 to CTAS 5).

* The average wait time for an initial physician assessment declined in 2020/21 as the COVID-19 pandemic discouraged patients with less urgent symptoms from visiting the emergency department.

significantly since then. We noted that high-acuity patients (CTAS 1, as discussed in **Section 2.2**) were typically able to see a physician in less than 30 minutes. However, in 2022/23 patients waited an average of 118 minutes (or almost two hours) after being triaged to receive their physician initial assessment, as seen in **Figure 10**. This compares with approximately 87 minutes in 2013/14, which is about 30 minutes longer than 10 years earlier. We also reviewed the 90th percentile wait time (the longest wait time after the top 10% of wait times are removed) and found that patients waited up to 257 minutes (or almost four and a half hours) to be seen by a physician in 2022/23, up from 183 minutes (or about three hours) in 2013/14.

Furthermore, the average wait time for an initial assessment by a physician varied widely by region and by hospital (see **Figure 11**). For example, patients living in the Champlain region waited more than twice as long to receive their physician initial assessment compared to patients living in the Central and Central West regions.

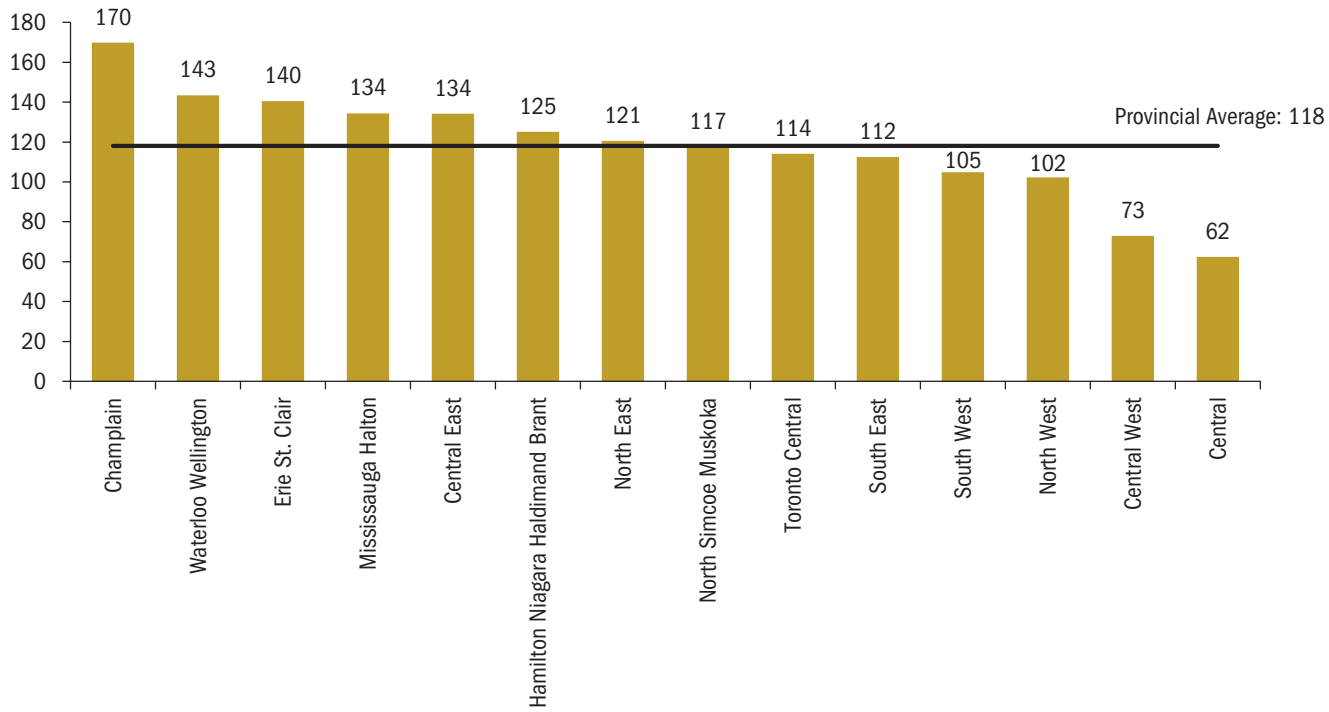
Figure 12 shows the average wait time for a physician initial assessment across the hospitals we visited during our audit, while **Appendix 3** shows the wait time across all of Ontario's emergency departments. Again, we noted significant variations of access to emergency care by hospital, with patients visiting Windsor Regional Hospital's Metropolitan campus waiting an average of 247 minutes (or over four hours) for a physician assessment—which was more than five times longer than the average 45-minute wait at William Osler Health System's Etobicoke General Hospital emergency department.

In speaking with administrators from Windsor Regional Hospital, we noted that one of the key reasons for their long wait times to see a physician was the lack of available primary care in the region, specifically in the evenings and on weekends. This resulted in patients using the emergency department for symptoms that would typically be treated in a primary care setting or to access diagnostic imaging. Furthermore, we found that physician payment structures may also impact the ability of patients to receive a physician assessment on a timely basis, as discussed further in **Section 4.5.4**.

As a result of the lengthening wait times, we found that the so-called left-without-being-seen rate increased as patients chose to leave an emergency

Figure 11: Average Wait Time for Physician Initial Assessment by Sub-region, 2022/23 (minutes)

Source of data: Ontario Health



Note: Regions correspond to the boundaries of the Province's 14 Local Health Integration Networks (LHINs). While the Ontario government merged the LHINs into five Ontario Health regions in December 2019, Ontario Health has continued to report regional wait-time data by LHIN.

Figure 12: Average Wait Time for a Physician Initial Assessment by Selected Hospitals, 2022/23 (minutes)

Source of data: Ontario Health

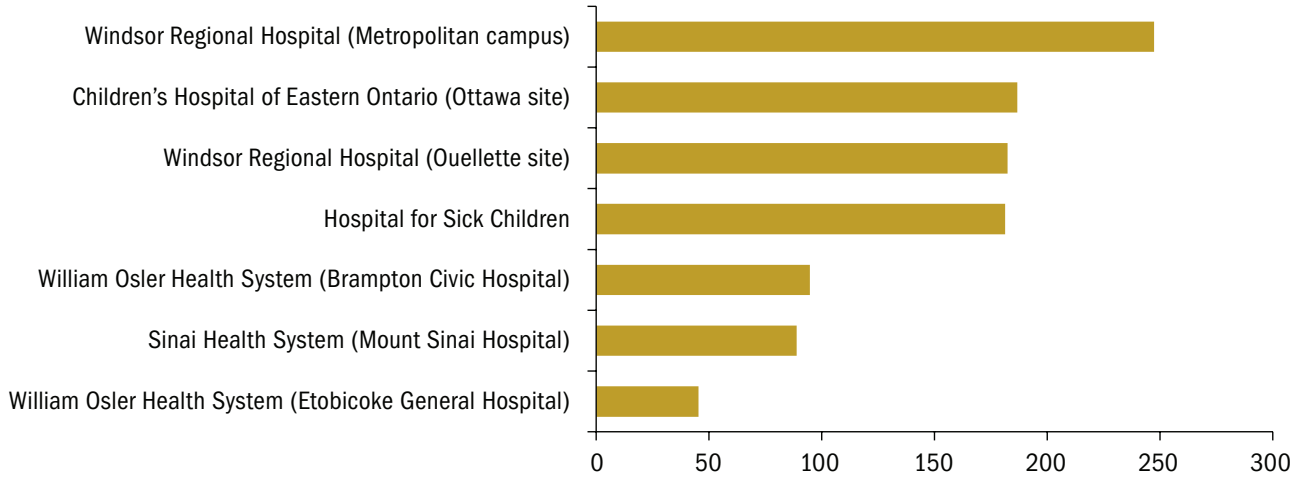
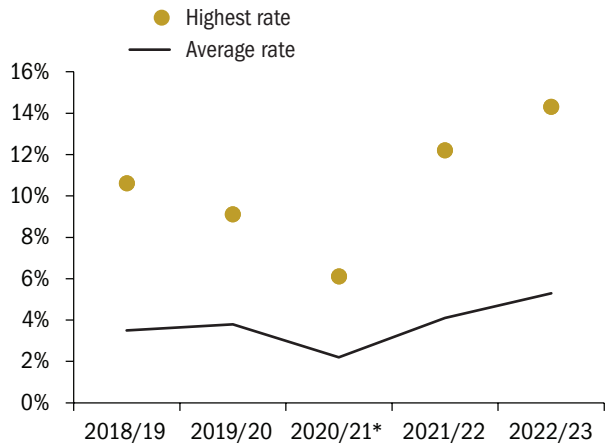


Figure 13: Percentage of People Who Left the Emergency Department without Being Seen, 2018/19–2022/23

Source of data: Ontario Health



Note: "Highest rate" means the emergency department in Ontario with the highest percentage of people who left without being seen.

* In 2020/21, both the average and highest rates of people who left the emergency department without being seen decreased as patient visits dropped due to the COVID-19 pandemic.

department without seeing a physician. As shown in **Figure 13**:

- The average left-without-being-seen rate increased from 3.5% in 2018/19 to 5.3% in 2022/23.
- Significantly long wait times to be assessed by a physician was the key contributing factor to higher left-without-being-seen rates. For example, in 2022/23 one hospital had 14.3% of patients leaving the emergency department without being seen, almost three times higher than the average province-wide rate. The wait time for a physician initial assessment at this hospital was approximately 175 minutes (or almost three hours), one of the longest wait times among hospitals.

While some of these patients chose to leave because they no longer required emergency care or decided to seek care elsewhere (for example, at their primary care provider), some patients who did require emergency care decided to leave because of long wait times and returned to the emergency department in a worse condition (see **Section 4.3.1**).

4.2.2 Unnecessary Emergency Department Visits Contributed to Long Wait Times and High Care Costs

The emergency department is typically the only option for high-acuity patients who need urgent and comprehensive care. Low-acuity patients may also choose to visit an emergency department if they have no other timely option and still want to be seen as soon as possible. Emergency departments will often safely delay care for these patients until higher-acuity patients are seen.

We noted that lower-acuity patients, specifically those assigned a CTAS 4 (less urgent) or CTAS 5 (non-urgent) level by a triage nurse, accounted for about 23% (or 1.29 million) of all emergency department visits in 2022/23, as seen in **Figure 1**. Some of these patients, such as those experiencing a sore throat or cold, chose to visit the emergency department because it was the only option available at the time. Furthermore, emergency departments do not typically refer patients to more appropriate care settings until after they have assessed and treated the patients in the emergency department, although we did note some hospitals had patient diversion practices in place for specific patient populations (see **Section 4.7.1**).

We also noted that the independent, not-for-profit Canadian Institute for Health Information (CIHI) conducted a study in 2014 that found that in cases where emergency department patients were treated and discharged, one in five could have been treated in a doctor's office or a clinic. Some of the common issues among these patients related to colds, sore throats and ear infections. These unnecessary visits to emergency departments have continued to impact the ability of hospitals to provide timely care to other patients.

Hospital staff and emergency department physicians that we spoke with indicated that some lower-acuity patients choose to visit the emergency department to access physician care because their own primary care provider may not be available in the evenings or weekends, or they cannot get any appointment on a timely basis. For example, Windsor Regional Hospital informed us that they had many patients who chose to visit an emergency department instead of

waiting to get an appointment with their family doctor or to avoid taking time off from work. According to the most recent health-care survey completed by the Ministry in 2019, only 41% of Ontarians were able to get an appointment with their primary care provider on the same or next day.

While patients need to have unrestricted access to emergency departments when they feel they need emergency care, it would be prudent for the Ministry and Ontario Health to determine the underlying reasons why lower-acuity patients are visiting the emergency department rather than other health-care settings (for example, primary care or walk-in clinics) and then identify ways to divert those patients to those alternative care options. This will help emergency departments focus on assessing and treating sicker patients, and help reduce overall costs in the health-care system since emergency department care comes at a significant cost. According to recent data from the CIHI, the direct cost of an emergency department visit in Ontario was approximately $165 (as noted in **Section 2.3**), almost three times higher than alternative options like primary care, which cost about $56 per visit.

RECOMMENDATION 3

To offer equitable and timely access to emergency department care for patients who require it, we recommend that the Ministry of Health, in collaboration with Ontario Health, work with hospitals to identify and address challenges, such as the lack of timely access to primary care and lack of awareness of other health-care options, to help ensure lower-acuity patients receive care in the most appropriate care setting.

MINISTRY RESPONSE

The Ministry of Health (Ministry) acknowledges the Office of the Auditor General of Ontario's recommendation to work with hospitals to identify and address challenges to help ensure that lower-acuity patients receive care in the most appropriate care setting. On February 2, 2023, the government of Ontario announced Your Health: A Plan for Connected and Convenient Care, its plan to provide people with a better health-care experience. Part of this announcement included an investment to create up to 18 interprofessional primary care teams. The Ministry will use this investment to help address the Office of the Auditor General of Ontario's recommendation by bridging the gap in accessing interprofessional primary care for vulnerable, marginalized and unattached patients to ensure they are able to connect to care where and when they need it. This investment of $60 million over two years, beginning in 2023/24, will also sustain direct service delivery in existing interprofessional primary care teams that are experiencing increased operating costs.

The Ministry recognizes the Ontario Medical Association (OMA) as the exclusive representative of physicians practising in Ontario. Under the OMA Representation Rights and Joint Negotiation and Dispute Resolution Agreement, the Ministry is required to consult the OMA to seek its advice about significant health-care policy and system issues that affect physicians.

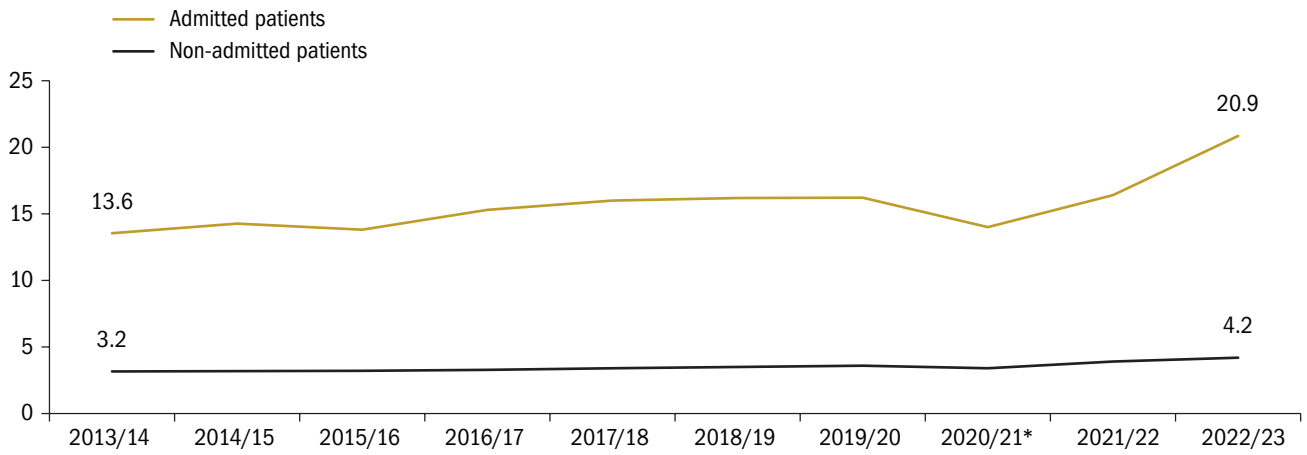
4.2.3 Medical Directives That Help Reduce the Time Patients Spend in Emergency Departments Were Not Used Consistently across Hospitals

Patients, regardless of whether they have to be admitted to the hospital or can be discharged after their emergency department visit, have had to spend significantly more time in the emergency department than they did prior to the COVID-19 pandemic. **Figure 14** shows the average time a patient spent in an emergency department for each visit over the last 10 years (2013/14–2022/23), from the time they were triaged by a nurse to when they left the emergency department. We found that:

- Patients who did not need to be admitted to an inpatient unit spent an average of 4.2 hours in an emergency department in 2022/23, over 30% more than the average 3.2 hours in 2013/14.

Figure 14: Average Time Spent in the Emergency Department, 2013/14–2022/23 (hours)

Source of data: Ontario Health



* The average time patients had to spend in emergency departments dipped temporarily in 2020/21 as the number of visits decreased during the COVID-19 pandemic.

- Patients requiring inpatient admission spent an average of almost 21 hours in the emergency department in 2022/23, or 50% more time than the average 14 hours in 2013/14. (Wait times for inpatient admission are discussed further in **Section 4.2.4**.)

While some of the time spent waiting in an emergency department is unavoidable (for example, waiting for blood tests or diagnostic imaging results), we found that hospitals do not have or use medical directives consistently to help speed up patient care.

Medical directives, which are developed by a hospital's emergency department physicians, authorize nurses and other hospital clinicians (such as physician assistants) to begin the process of assessing patients and performing certain procedures before their physician initial assessment. Common examples include ordering blood tests or imaging and administering pain control medication. For example, a hospital may have a medical directive that indicates that patients presenting with cardiac chest pain should be given specific medication and sent for blood tests while patients who experienced an acute injury, such as a fall, in the previous 48 hours should be sent for an x-ray at the time of triage.

Empowering nurses and other hospital clinicians to act before the physician initial assessment allows certain basic emergency department testing and procedures to be completed more quickly and efficiently, leading to better patient flow as well as improved patient care because physicians can administer treatment quicker.

Based on our review of medical directives at the emergency departments we visited, we noted significant variations in their use. For example:

- While all of the sites had medical directives, the number of directives in use ranged from nine to 37 depending on hospital, with some sites using the directives to address more specific conditions such as low blood sugar level.
- While data on the use of medical directives is not tracked centrally at hospitals, we noted that some may be using the directives more frequently to initiate care. For example, one hospital indicated that medical directives were used to begin providing patient care for about 50% of emergency department visits.

While medical directives are not always applicable (such as in cases where a physician assessment is needed for a patient with multiple symptoms), there is no formal province-wide system to share best practices on the use of medical directives among hospitals to reduce the amount of time that patients spend in an emergency department.

RECOMMENDATION 4

To reduce the amount of time that patients spend in an emergency department, we recommend that Ontario Health, in collaboration with hospitals and emergency department physicians:

- review existing practices and usage of medical directives across hospitals; and
- develop and regularly update a set of standard medical directives that have shown success for hospital use when possible.

ONTARIO HEALTH RESPONSE

Ontario Health acknowledges the Office of the Auditor General of Ontario's recommendation to work with hospitals and emergency departments to review existing practices and usage of medical directives and develop standard medical directives that have shown success. Ontario Health will continue to support sites interested in implementing medical directives where this resource is identified as an effective strategy for emergency department operations and flow performance.

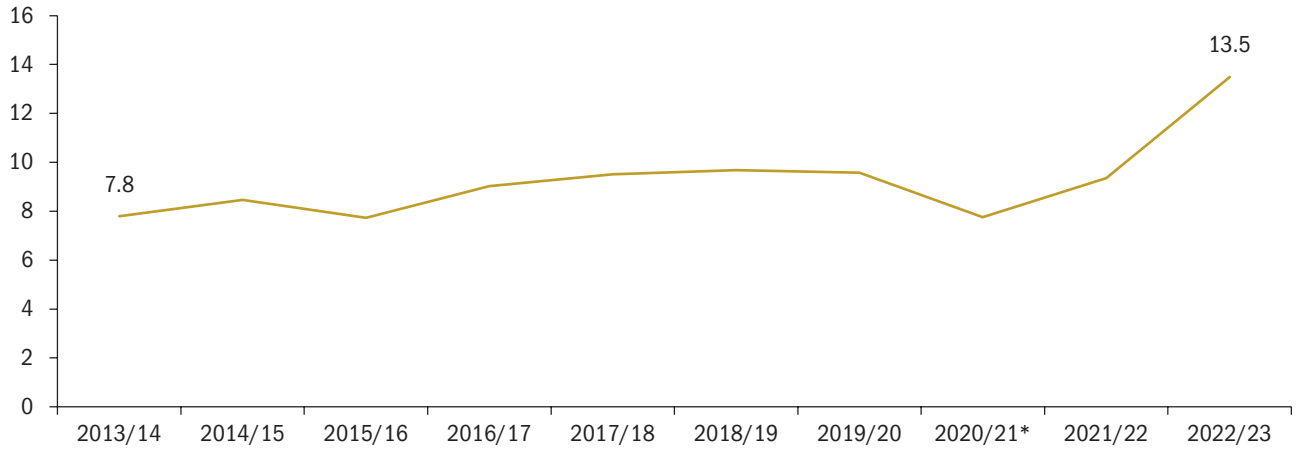
4.2.4 Emergency Patients Sometimes Had to Wait More than 24 Hours for an Inpatient Bed

Most patients who visit an emergency department are discharged the same day. However, some patients are admitted and transferred from the emergency department to an inpatient unit at the hospital for continuous monitoring or longer-term treatment. About 650,000 patients, representing 12% of all emergency department visits, required an inpatient admission in 2022/23 (compared with about 568,000 patients admitted in 2013/14).

As seen in **Figure 15**, in 2022/23 patients waited an average of 13 hours for an inpatient bed, a significant increase from the approximately eight to 10 hours they waited prior to the COVID-19 pandemic. When considering the 90th percentile wait time (the longest wait time after the top 10% are removed), patients waited 35 hours for an inpatient bed, compared with about 21 hours in 2013/14. Aside from the added strain this puts on patients and anyone accompanying them, the presence of people waiting for beds negatively affects the ability of the emergency department staff to focus on incoming patients.

Figure 15: Average Wait Time for Inpatient Bed in Ontario, 2013/14–2022/23 (hours)

Source of data: Ontario Health



* Wait times for an inpatient bed fell in 2020/21 as fewer patients visited the emergency department during the COVID-19 pandemic.

Figure 16: Average Wait Time for Inpatient Bed in Ontario by Sub-region, 2021/22–2022/23 (hours)

Source of data: Ontario Health

Region	Average Wait Time			Longest Wait Time
	2021/22	2022/23	Change	2022/23
Central West	13.0	18.8	5.8	20.8
Central East	12.4	18.9	6.5	24.4
Hamilton Niagara Haldimand Brant	12.0	15.8	3.8	44.4
Central	10.9	15.1	4.2	20.4
Mississauga Halton	10.8	21.3	10.6	28.1
Toronto Central	9.3	12.7	3.4	23.3
Champlain	9.1	10.9	1.9	32.5
North West	8.9	10.3	1.3	11.4
North Simcoe Muskoka	8.6	11.7	3.1	14.5
North East	7.8	9.9	2.1	13.8
Waterloo Wellington	7.1	12.3	5.3	15.4
South East	6.7	9.3	2.6	13.9
South West	5.8	8.8	2.9	25.1
Erie St. Clair	4.9	9.1	4.2	12.0

Note: Regions in this table correspond to the boundaries of the 14 Local Health Integration Networks (LHINs). While the Ontario government merged the 14 LHINs into five Ontario Health regions in December 2019, regional wait-time data has continued to be reported by LHIN.

We also noted significant differences in wait times for an inpatient bed across regions and hospitals. As shown in **Figure 16**:

- Patients' wait times in emergency departments for an inpatient bed ranged from about nine to 21 hours, on average, in 2022/23, depending on where in the province they lived. This was a significant increase from five to 13 hours in 2021/22. During this time, patients could be taking up an emergency assessment room or waiting in a wheeled stretcher in a hallway.
- The wait times varied widely by hospital. For example, while the average wait time for an inpatient bed in the Hamilton Niagara Haldimand Brant region was 15.8 hours in 2022/23, some emergency department patients in the region had to wait almost 44 hours.

As seen in **Figure 17**, the wait times for an inpatient bed across the hospitals we visited ranged from 10 to 21 hours for general hospitals and 3.7 to 9.2 hours for pediatric hospitals.

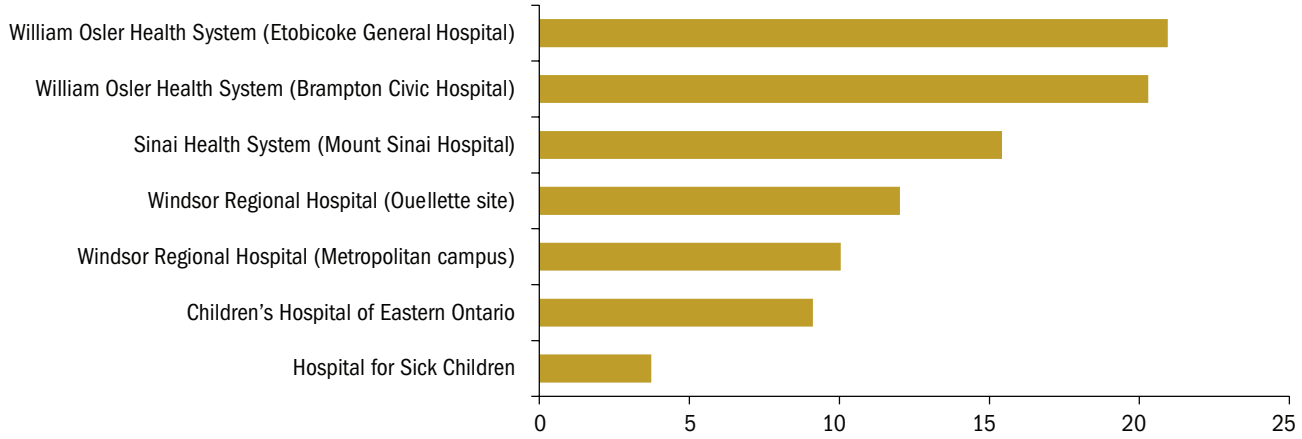
Lack of Inpatient Beds and Hallway Patients

One factor contributing to long wait times for inpatient beds is the lack of available hospital beds in Canada relative to the population. In 2021, Canada had 2.55 hospital beds per 1,000 people, placing it eighth among the 38 countries in the Organisation for Economic Co-operation and Development (OECD). In comparison, France, Germany and Poland had more than double Canada's rate with 5.5 beds per 1,000 people. The OECD does not report information on a provincial level, but Ontario is estimated to be at or lower than the Canadian average.

The long wait time for inpatient beds has been a long-standing issue in Ontario. The Premier's Council on Improving Healthcare and Ending Hallway Medicine, created by the Province in 2018, said in its January 2019 report that hallway health care was a significant problem in Ontario. The report found that on any given day, there were at least 1,000 patients receiving health care in hospital hallways, including in emergency departments.

Figure 17: Average Wait Time for an Inpatient Bed at Selected Hospitals in Ontario, 2022/23 (hours)

Prepared by Office of the Auditor General of Ontario



Based on our analysis of current data and observations at some of the emergency departments we visited, the issue of "hallway patients" continues to be a challenge, creating a significant risk to the general public because it decreases the space in which emergency department staff can treat new patients. The overcrowding also creates added stress for staff, patients and their families. A review of crowding in emergency departments published in 2018 in *PLOS ONE*, an international research journal, noted that crowding is generally associated with poorer patient outcomes.

During our site visits to emergency departments, we found that staff had to keep patients on wheeled stretchers as they waited for an inpatient bed. For example, during our visit to William Osler Health System's Brampton Civic Hospital, we noted a significant number of elderly patients being treated in tight hallways while ambulance paramedics struggled to bring in additional patients. On the day of our tour, we noted that 46 patients were stuck in the emergency department, receiving care in hallways or assessment rooms, because of a lack of available inpatient hospital beds. Since emergency department staff continued to be responsible for these patients, their ability to treat new patients in a timely manner was impacted.

Alternate Level of Care Patients

Another contributing factor to the long wait times for inpatient beds is the relatively high number of patients classified as alternate level of care (ALC). These patients are in a hospital bed but do not require hospital-level care and could be seen and treated elsewhere if space was available in a more appropriate facility, for example, a long-term care home. In our 2010 audit Discharge of Hospital Patients, we noted that ALC patients accounted for approximately 16% of the total number of days patients were hospitalized in Ontario. In comparison, the ALC rate in Ontario hospitals was approximately 15% in 2022/23, indicating a very slight improvement in reducing the impacts of ALC patients on inpatient admissions in the last 13 years.

RECOMMENDATION 5

To improve patient flow within emergency departments and reduce wait times for inpatient beds, we recommend that the Ministry of Health work with Ontario Health and hospitals to expand the capacity of inpatient beds and increase the availability of community resources to reduce the need to treat patients in hallways, and speed up the transfer of inpatients to more appropriate facilities.

MINISTRY RESPONSE

The Ministry of Health (Ministry) acknowledges the Office of the Auditor General of Ontario's recommendation to expand the capacity of inpatient beds and increase the availability of community

resources to reduce the need to treat patients in hallways, and speed up the transfer of inpatients to more appropriate facilities.

The Ministry remains committed to working with Ontario Health to support the hospital sector and to improve access to the right level of care for patients. In 2023/24, Ontario invested up to $1.5 billion in funding to support the continued operation of over 3,500 acute, post-acute and critical-care beds. The Ministry worked closely with Ontario Health to support bedded capacity planning linked to this investment to ensure that the right mix of acute and post-acute beds were provided where they are most needed and would be responsive to patient-care needs. This enables patient flow, provides access to the right level of care in the appropriate care setting, and bolsters the hospital sectors' ability to respond to arising pressures or increasing demand for services, which will help reduce the need to treat patients in hallways.

In 2022/23, the Ministry began funding Ontario Health to implement various alternate level of care (ALC) and patient flow initiatives targeting a reduction in the ALC rate. The initiatives span five categories: capacity maximization, admission avoidance, discharge supports, the development of local strategies, and home and community care. The Ministry has provided Ontario Health, as system administrators, the flexibility within these initiatives to direct funding where it is most impactful and is responsive to the evolving needs of the health system as a whole. The ALC initiatives are focused on providing the right level of care in the right setting and supporting different sectors of the health system to work in cohesion for the benefit of the patient.

The government has also been committed to ending hallway health care and has made a targeted investment into regions particularly struggling with this issue. This dedicated investment began in 2020/21 with a one-time investment to support the creation of an additional 129 hospital beds to increase hospital capacity in the Durham-Scarborough and London regions to target hallway health care. In 2023/24, this investment was made permanent.

Finally, expansion of inpatient capacity is a key component of the Ministry's 10-year capital plan. As part of this plan, the Ministry is investing in 50 major hospital development projects that will add another 3,000 new hospital beds in Ontario. Ontario's health capital investments over the next 10 years will lead to $40 billion in health infrastructure across the province.

4.3 Long Wait Times Impacted the Quality of Emergency Department Care, Resulting in Poor Patient Outcomes

4.3.1 Some Patients Returned to Emergency Departments within a Week in Worse Health

In 2016, Ontario Health introduced the Emergency Department Return Visit Quality Program (Quality Program), which was designed to build a culture of continuous quality improvement in emergency departments across the province.

To identify areas for improvement, the Quality Program requires participating hospitals to report to Ontario Health the reasons why patients return to emergency departments soon after their initial visit. The two types of return visits as defined in the program are:

- An emergency department return visit within 72 hours of discharge, and the return visit results in an inpatient admission.
- An emergency department return visit within seven days of discharge, and the return visit results in an inpatient admission and a sentinel diagnosis relevant to the diagnosis documented in the initial visit. A sentinel diagnosis is one that is severe and significant, such as a heart attack or pediatric sepsis (a bodily response to a serious infection that is considered life-threatening).

Each year, participating hospitals are required to audit all return visits with a sentinel diagnosis within seven days as well as a random selection of return visits within 72 hours. At least 50 return visits must be audited at each hospital and a summary sent to Ontario

Figure 18: Examples of Poor Patient Outcomes

Prepared by the Office of the Auditor General of Ontario

Patient Story	Patient Outcome
A patient reporting recurring episodes of abdominal pain was discharged from the emergency department after it was determined that the blood work, vital signs and a physical exam showed no concerns. A physician only examined the patient in the waiting room and didn't provide a follow-up plan or request outpatient imaging.	The patient returned two days later with a ruptured appendix that required emergency surgery.
A patient arrived at the emergency department complaining of difficulty swallowing. The patient waited for over five hours and, due to the long wait time, decided to take a taxi to another hospital.	Staff at the second hospital determined the patient needed a breathing tube and admitted the patient to the critical care unit.
A clinic referred a patient with a possible hip fracture to the emergency department. The patient received an X-ray about an hour after being triaged but was not seen by a physician until a further nine hours later. The physician then sent the patient for a CT scan, but because of the time already spent in the emergency department the patient decided to leave the hospital.	The patient received a CT scan as an outpatient and was eventually admitted for surgery the following day.
A patient at the emergency department presented with acute and chronic abdominal pain. A CT scan was ordered, but due to a long wait time for the scan the patient decided to leave and return the next day.	After returning to the emergency department for a CT scan the next day, the patient was diagnosed with a strangulated hernia and required inpatient admission.
A patient went to the emergency department with a skin reaction to chemotherapy. While the patient was discharged after receiving treatment, there were no discharge instructions on the record. The patient returned to the same emergency department the following day with the same symptoms. However, likely due to an expected long wait time, the patient left before receiving treatment.	The patient went to another hospital emergency department on the same day and was admitted as an inpatient.
Emergency department staff determined a patient had an obstructing kidney stone, but discharged the patient with a planned follow-up because there was no inpatient bed available.	The patient returned to the emergency department the next day with increased pain and was admitted to the hospital.

Note: These examples are based on a review of the documentation related to the Emergency Department Return Visit Quality Program, as well as discussions with staff at select hospitals we visited.

Health. These return visits may be the result of patients who left the emergency department without being seen by a physician due to long wait times during their initial visit (see **Section 4.2.1**).

We noted that in 2022, 1,135, or about 20%, of the 5,198 audits of return visits identified a quality-of-care issue or adverse event such as patient mismanagement (for example, lack of reassessment of patients), a delayed or missed diagnosis or an unsafe discharge decision. These audits included 274 return visits with a sentinel diagnosis, 104 of which identified a quality-of-care issue or an adverse event had occurred.

We reviewed the details of the audits performed by hospitals over the last five years and noted numerous examples where long wait times to see a physician, a lack of access to timely patient testing and a lack of inpatient bed availability resulted in poor patient outcomes. We also noted additional examples of poor patient outcomes during our work with hospitals (see **Figure 18**). In some instances, patients left emergency departments due to lengthy wait times, but returned shortly after their initial visits and required emergency surgery and hospital admission.

4.3.2 Hospitals Did Not Consistently Track and Report Emergency Department Return Visits and Related Quality-of-Care Issues

Participation in the Quality Program is not mandatory for all hospitals with an emergency department. Only emergency departments that participate in the Pay for Results (P4R) program (see **Section 4.6**) are required to participate in the Quality Program. At the time of our audit, 75 emergency departments participated in the Quality Program, so about half of Ontario's emergency departments were not required to report their data on return visits to Ontario Health. As such, Ontario Health did not know whether those hospitals internally audited their emergency department return visits to identity any issues related to quality-of-care or adverse events.

Furthermore, while the goal of the Quality Program is to foster a culture of continuous quality improvement, we found that hospitals did not report the results of their return-visit audits on a consistent basis, making it difficult to draw conclusions on how the province as a whole is performing. While hospitals are required to indicate whether a return visit was due to a quality-of-care issue (that is, a misdiagnosis or unsafe discharge), there was a wide variation in the way hospitals defined and classified these issues. For example, we found that in two very similar cases at different emergency departments, one hospital called the event a quality-of-care issue, while the other hospital did not. This may have contributed to the wide variation of return-visit rates we found across hospitals. For instance, one hospital indicated almost 35% of its return visits were due to a quality of care issue compared to 4% at another hospital.

Based on our review of data on return visits between 2018 and 2022, we found that the rate of return visits requiring admission remained constant even though the number of emergency department visits declined over that period.

Because of a Ministry decision to expand eligibility for participation in the P4R program, as discussed in **Section 4.6**, there is a likelihood more hospitals will be required to participate in the Quality Program.

RECOMMENDATION 6

To help ensure that emergency departments provide high-quality care, we recommend that Ontario Health expand and monitor the Emergency Department Return Visit Quality Program by requiring all hospitals with emergency departments to participate and report their data on return visits and patient outcomes or issues related to adverse events consistently and on a timely basis.

ONTARIO HEALTH RESPONSE

Ontario Health acknowledges the Office of the Auditor General of Ontario's recommendation, and as a key component to the Pay for Results (P4R) expansion announced by the Ministry of Health in 2023/24, will work with hospital sites to begin planning implementation of the Emergency Department Return Visit Quality Program (Quality Program) in future fiscal years.

Ontario Health aims to maintain the goals of the Quality Program for all participating emergency departments, while designing appropriate program requirements in its expansion to include small-volume sites.

4.3.3 Ambulance Offload Times Contributed to Even Longer Wait Times for Patients and Risks to Communities

Ambulances are a critical part of the health-care system. While 80% of the patients who visited an Ontario emergency department in 2022/23 entered by their own means, 20% were brought in by ambulance. Despite the importance of the ambulance network, we noted that some paramedic groups have struggled to maintain timely service in recent years because ambulances were often stuck at emergency departments waiting to offload a patient. Since all patients arriving at emergency departments are assessed the same way, patients arriving by ambulance did not get priority to walk-ins.

We met with senior staff from various paramedic groups across the province to better understand the

ambulance offload process and challenges faced by paramedic groups when offloading patients at hospitals. While there is no formal provincial target for ambulance offload times, paramedic groups informed us that on average 30 minutes or less is considered best practice in the industry. We found, however, that this target has not been met consistently and there have been cases where offload delays were significantly longer than the 30-minute target. For example:

- Ottawa Paramedic Service experienced offload delays of as long as three hours and faced a total of about 98,000 hours in offload delays in 2022/23.
- Toronto Paramedic Services experienced delays of up to 52 minutes and indicated that they faced a total of almost 62,000 hours in offload delays in 2022/23.

Tying up ambulances poses a significant risk for communities, and it is an ongoing challenge. For example, on multiple occasions in 2023, Essex-Windsor Emergency Medical Services had to declare "code black," a designation that signifies no ambulances are available in the community.

There are two main causes of offload delays: unavailability of nursing staff to immediately triage the patient and bring them into an assessment room; and limited assessment room space. As such, the paramedic must stay with the patient to provide support until emergency department staff take over.

To address the issue of lengthy offload times for ambulance staff, the Ministry implemented the Dedicated Offload Nurse Program in 2008. The program provides funding to some municipalities, which in turn transfer funding to local hospitals to hire nurses or other health-care professionals (i.e., paramedics) to help improve the timeliness and efficiency of the ambulance offload process so the paramedics can get back into the community in a timely manner. Paramedic groups have informed us that this program has been successful in improving offload times, but it does not address all of the main challenges. Given continuous hospital staffing issues and the unavailability of assessment rooms or beds, offload times have remained long even at hospitals with a dedicated ambulance offload nurse.

Some paramedic groups have worked with local hospitals to address the long-standing ambulance offload delays, or shorten offload times, especially for lower-acuity patients. For example:

- Peel Regional Paramedic Services worked with William Osler Health System to implement the Fit2Sit program in October 2020. This program allows paramedics to discharge lower-acuity patients quicker if they are able to sit in the waiting area. Patients are accompanied by paramedic staff to triage, while the hospital takes responsibility for monitoring those patients. We noted that this program has resulted in offload times for patients that meet the Fit2Sit criteria of about nine minutes, significantly shorter than the 30-minute industry standard.
- Windsor Regional Hospital has directly hired two paramedics in one of its emergency department sites to help manage and monitor patients arriving by ambulance until they can be triaged and assessed so paramedics can return to the community quicker.

Despite their success, these practices and processes have not been consistently adopted across hospitals even in regions or hospitals that have experienced lengthy ambulance offload delays.

RECOMMENDATION 7

To efficiently offload patients arriving at an emergency department by ambulance and more quickly free up ambulances to address other emergency calls, we recommend that the Ministry of Health, in collaboration with Ontario Health:

- continue to review and enhance the Dedicated Offload Nurse Program to ensure it supports improvement in offload times; and
- work with hospitals and regional paramedic groups to continue identifying other initiatives, such as the Fit2Sit program in Peel region, that

have improved the offload process, and share these practices across the province to help address lengthy ambulance offload times.

MINISTRY RESPONSE

The Ministry of Health (Ministry) acknowledges and supports this recommendation. The Ministry remains committed to continuing to review and enhance the Dedicated Offload Nursing Program (DONP) and to identify and share best practices across paramedic services and hospitals in order to help reduce ambulance offload times.

The Ministry has made the following progress on this recommendation:

- In the 2023 Ontario Budget, the government is investing an additional $51 million over three years to strengthen the DONP.
- In 2023/24, the DONP funding invested will help 30 municipalities provide 650,000 hours of offloading support, transferring ambulance patients to hospital care, and allowing paramedics to return to the community faster to respond to 911 calls.
- Expanded DONP eligibility to allow hospitals to also hire other types of health providers (paramedics, respiratory therapists, and physician assistants) in offloading positions, providing more flexibility to better manage ambulance offload times.
- Continue to share best practices from hospitals high performing in ambulance offload times (for example, North York General Hospital) with paramedic services and other hospitals across the province to help them improve their ambulance offload. Resources that have been shared include a Tool Kit for Promoting Ambulance Offload, created by Toronto Paramedic Services, with all paramedic services in the province.

4.4 Triaging Process Has Improved but More Oversight and Further Changes Are Needed

4.4.1 New Triaging System Was in Place but Some Hospitals Were Not Using It

As discussed in **Section 2.2.1**, triaging is the process of prioritizing patients based on the urgency of their symptoms or injury to help ensure that resources are allocated effectively to treat the sickest patients first.

When a patient visits an emergency department, their first clinical interaction is typically with a triage nurse. Triage nurses assess the urgency of a patient's condition based on both subjective and objective information, including the patient's presenting symptoms, general appearance and health history. The triage nurse also conducts general tests that typically include a check of the patient's blood pressure and vitals. This information is then used to assign a priority level using the Canadian Triage and Acuity Scale (CTAS).

During our 2010 audit Hospital Emergency Departments, hospitals were manually conducting triaging. At the time, we found that file documentation was sometimes lacking and triage was not performed on a consistent basis. In response to our findings and recommendations, the Ministry and Ontario Health began implementing the electronic Canadian Triage and Acuity Scale system, known as eCTAS, across hospitals in 2016 to help ensure consistency and oversight of triaging across the province. The eCTAS system allows triage nurses to input pertinent patient information to determine a CTAS level for each incoming patient.

Based on our review of eCTAS and discussion with hospital staff, we found that nurses' use of the system has generally made the triage process more consistent and efficient. Furthermore, we noted multiple studies that looked at usage of the eCTAS system and noted its benefits. For example, one study published in the *Journal of American College of Emergency Physicians* in 2020 looked at the triage process before and after the

implementation of eCTAS in Ontario and found that it improved the consistency of triaging patients, especially among patients with multiple complaints such as chest pain, fever and shortness of breath. Another study published the same year in the medical journal *Annals of Emergency Medicine* reviewed the use of eCTAS at seven Ontario emergency departments before and after implementation and found that the system had improved the accuracy of the assigned triage levels compared to an auditor's assessment of CTAS level.

Despite these improvements, and even though both Ontario Health and the Ministry have encouraged hospitals to implement the eCTAS system, 44 emergency departments do not currently use eCTAS. Ontario Health informed us that it was in the process of onboarding 11 more emergency departments as part of an eCTAS expansion project scheduled to take place in 2023/24—though, once completed, that would still leave 33 emergency departments outside the system.

4.4.2 Some Hospitals Were Consistently Overriding the Triage Level Assigned by the System, Indicating More Training May Be Needed

In some situations, nurses can decide that the triage level assigned by the eCTAS system is not urgent enough—that is, the triage nurse's observation and assessment of the patient may lead the nurse to believe the patient is sicker than what the system indicates. In these cases, it is possible for the triage nurse to manually override the eCTAS system and assign a higher triage level. For example, if the eCTAS system assigns a patient CTAS 4 but the nurse believes the patient needs to be seen more urgently, the nurse could manually assign the patient a CTAS 2. When this happens, the system tracks the override and the reason for the override based on a drop-down menu. The triage override function only allows a nurse to increase a patient's priority, not lower it.

Ontario Health, which centrally oversees the eCTAS system, monitors when triage nurses at any particular hospital override the system more than 10% of the time. When a hospital does so, Ontario Health will send information related to the overrides to the hospitals and ask administrators to explain the high number of overrides.

We noted that in the last five years, the provincial average override rate has consistently exceeded 10%, ranging from 14% to 16%. In that time, over 70 hospitals were overriding eCTAS more than 10% of the time. In 2022/23, about 13 hospitals were overriding the eCTAS levels in more than 25% of their cases, or 2.5 times the expected threshold set by Ontario Health.

Furthermore, we noted that in some cases, override rates were attributable to certain triage nurses, with some overriding the triage levels more often than others, indicating that they may not have been adequately trained on the use of the eCTAS system and its override function. For example, one of the pediatric hospitals we visited was overriding eCTAS in almost 29% of cases, with even higher override rates in earlier years. We also noted that hospitals had initiated additional training to help ensure triage nurses understood how to correctly utilize the system. However, the hospital also mentioned that eCTAS was not as well integrated with pediatric triaging. As such, the hospital indicated that it would be beneficial to update the eCTAS system by adding more symptoms aligned with pediatric care that impact triage levels.

There are situations in which increasing the triage level is valid. For example, patients presenting with non-urgent symptoms may also be undergoing significant mental distress that needs to be treated but cannot easily be captured in the eCTAS system. However, since the purpose of implementing the eCTAS was to help ensure consistency and oversight of triaging, overrides may raise the risk that patients are not being triaged equitably or in accordance with their needs. Ontario Health informed us that the eCTAS system may

not be able to capture all of the patient's concerns when they present at the emergency department, and therefore having some overrides is unavoidable, but should be limited overall.

RECOMMENDATION 8

To safely, effectively and equitably triage patients, we recommend that Ontario Health:

- work with all hospitals in the province to implement the electronic Canadian Triage and Acuity Scale (eCTAS) system;
- conduct a thorough analysis of why some hospitals, such as pediatric hospitals, have consistently high triage override rates and determine whether changes to the system are necessary; and
- ensure triage nurses are adequately trained on the use of the eCTAS system and receive regular ongoing training as needed.

ONTARIO HEALTH RESPONSE

Ontario Health acknowledges the Office of the Auditor General of Ontario's recommendation and, as a key component to the Pay for Results (P4R) expansion announced by the Ministry of Health in 2023/24, will use the opportunity to further work with hospital sites to begin planning implementation of eCTAS in future fiscal years and to analyze why some hospitals have consistently high triage override rates.

Ontario Heath uses a Train the Trainer system to train a clinical lead in each of the sites using the Ontario Health eCTAS Application (Complex and Basic). Clinical Leads are responsible for training the staff at their facility in how to use eCTAS. Certification and Webservice sites have chosen the option to use their own process and documentation in their eCTAS tools.

4.5 Human Resource Shortages and Payment Structures Posed Risks to Emergency Department Accessibility

4.5.1 Significant Staffing Shortages Reduced Access to High-Quality Emergency Care

Staffing shortages and vacancies, particularly in nursing, have put many emergency departments under pressure and resulted in temporary closures in recent years (see **Section 4.1.1**).

In discussions with Ontario Health and hospitals, we noted the high staff turnover and difficulty with hiring and retaining nurses were mainly due to:

- the introduction of Bill 124, which limited wage increases for many employed professionals (including nurses) to 1% each year for three years, angering nurses, especially those working at hospitals in urban centres with higher costs of living, and leading to court challenges;
- higher pay and flexibility being offered by agencies (discussed further in **Section 4.5.3**);
- low staff satisfaction at hospitals;
- an increase in workplace violence in emergency departments; and
- nurses retiring or taking early retirement.

Since the Ministry and Ontario Health have never collected and tracked information on staffing shortages and vacancies across emergency departments, we requested staffing counts and vacancies from the emergency departments we visited and compared the information in 2019/20 (pre-COVID-19) and 2022/23 (see **Figure 19**). We noted that:

- Most emergency departments experienced a significant increase in vacancy rates between 2019/20 and 2022/23. For example, one emergency department's vacancy rate of full-time registered nurse increased significantly from 6% to 26%, and the rate for part-time registered nurses increased from 23% to 51%.
- Most emergency departments had high vacancy rates for full- and part-time registered nurses in 2022/23 ranging from 11% to 51%.

Figure 19: Emergency Department Vacancies for Registered Nurses (RNs) at Selected Hospitals in Ontario, Pre- and Post-COVID-19 (%)

Prepared by the Office of the Auditor General of Ontario

Hospital	Position	Vacancy Rate[1]	
		2019/20	2022/23
William Osler Health System (Brampton Civic Hospital and Etobicoke General Hospital)	Full-time RN	6	26
	Part-time RN	23	51
Sinai Health System (Mount Sinai Hospital)	Full-time RN	3	19
	Part-time RN	12	19
Windsor Regional Hospital (Metropolitan campus and Ouellette campus)	Full-time RN	6	17
	Part-time RN	15	25
Children's Hospital of Eastern Ontario	Full-time RN	10	11
	Part-time RN	12	20
Hospital for Sick Children[2]	Full-time RN	8	22

1. As at March 31 fiscal year-end.
2. The Hospital for Sick Children did not have any part-time vacancies to report.

In summer 2022, Ontario Health began surveying hospitals on behalf of the Ministry to identify overall staffing pressures in emergency departments. We reviewed the results of this survey as of May 1, 2023 and found that out of the 71 hospitals that responded, 83% (or 59 hospitals) reported having a staffing shortage in their emergency departments to varying degrees. In the survey, 69% (or 49 hospitals) described the staffing shortage as moderate, while 14% (or 10 hospitals) said their staffing situation was severe or critical. Despite this, at the time of our audit neither the Ministry nor Ontario Health had developed a long-term strategy or acted upon this information to take specific actions related to hospitals with significant staffing shortages.

4.5.2 Hospitals Had Limited Flexibility to Address Staffing Shortages at Emergency Departments Using Internal Resources

An organization can often resolve staffing shortages in a specific department by reorganizing its internal staffing resources on a temporary basis. We asked administrators at the hospitals we visited whether they were able to have nurses in other units provide temporary support in the event of a nursing shortage in the emergency department. They informed us that hospitals' collective agreements with nursing staff provided them with limited flexibility to move nurses between units.

We noted that nurses are required to meet specific training requirements to work effectively in an emergency department. These requirements include:

- at least one to two years of hands-on training in addition to other certifications; and
- new nurses need to be overseen by an experienced and trained nurse.

While it is understandable that nurses with particular training and experience should work in areas where they have expertise, redeploying nurses from other units to fill temporary staffing gaps at emergency departments is a practical and feasible solution. We noted that the practice of redeploying nurses has been used by some hospitals we visited and was in place during the COVID-19 pandemic after a special order was issued by the Ontario government. Specifically:

- The government issued a special order during the pandemic under the March 17, 2020 declaration of emergency that allowed hospitals to temporarily reassign staff based on needs. This included redeploying staff (including nursing staff under collective agreements) within a

hospital or between hospital sites. For example, a hospital we visited indicated that because of this order, it was able to shift nurses from inpatient units into the emergency department on a temporary basis to fill significant vacancy gaps and sick leaves. The hospital indicated that it would be beneficial to continue to have this flexibility. However, this special order is no longer applicable.

- One of the hospitals we visited, where nurses were not part of collective agreements, had initiatives in place that enabled it to fill staffing gaps in the emergency department effectively without putting patient care at risk. Examples of such practices include:
  - using nurses from other units of the hospital to help fill staffing needs in the emergency department; and
  - having a trained and experienced emergency department nurse overseeing and supporting nurses redeployed to the emergency department from other units.

4.5.3 Hospitals Filled Staffing Gaps by Hiring Agency Nurses at Significantly Higher Hourly Rates

When a hospital is facing a nursing shortage that cannot be addressed by redeploying its own staff, it often has to rely on staffing agencies to fill gaps and vacant positions. This has put financial pressure on hospitals that employ agency nurses, partly because they are usually paid more than permanent staff.

While there are many staffing agencies in Ontario that provide nurses to fill positions, it is unclear how often hospitals use these agencies to fill vacancies at their emergency departments because the Ministry and Ontario Health do not collect such information. There also is no legislation that caps the amount these private, for-profit companies can charge hospitals. The Ministry and Ontario Health do not specifically track agency staff costs and rely on hospitals to manage their own budgets and make decisions related to agency staffing.

We reviewed data on agency-nurse spending across the hospitals we visited and found that in 2022/23, one hospital spent about $8 million on agency nurses in the emergency department, more than three times the amount it spent in 2021/22, and more than eight times its spending in 2019/20. Another hospital we visited spent $2.7 million on agency nurses across its emergency departments in 2022/23, 4.5 times more than the approximately $600,000 it spent in 2021/22.

Through our review of hospital finances, we found that the cost to use agency staff was significant because hospitals pay agency nurses significantly more than their own full-time permanent nurses. For example, agency nurses that hold the position of registered nurse working in an emergency department could get paid more than $75 an hour, compared with about $35 to $50 an hour for the full-time permanent nurses employed by a hospital. One hospital paid agencies from $99 to $106 an hour to hire a registered nurse for its emergency department.

Through our Office's 2023 audit Hospitals in Northern Ontario: Delivery of Timely and Patient-Centred Care, we found that the significant use of agency nurses extends beyond emergency departments. For example, that audit found that of the 34 Northern Ontario hospitals that responded to a questionnaire, 30 of them used agency nurses in 2022/23 at a cost of more than $73 million. Furthermore, that audit found that agencies charged hospitals as much as $160 an hour for a registered nurse.

Barring Ministry intervention, agency nursing costs may continue to rise. The higher pay and flexible hours for agency nurses have resulted in some permanent nurses leaving hospitals as well as high vacancy rates (as discussed in **Section 4.5.1**), which in turn has forced hospitals to rely on agency nurses even more to fill their nursing shortages.

RECOMMENDATION 9

To efficiently and economically deliver emergency care, we recommend that the Ministry of Health, in collaboration with Ontario Health:

- expand existing data collection to include vacancy data of emergency departments to identify staffing challenges and determine if any province-wide actions need to be taken;

- comprehensively collect and monitor hospital expenditures on agency staffing to determine the reasonableness of payments to staffing agencies and the need to negotiate or legislate such payments to ensure fairness and transparency; and
- work with collective-bargaining organizations to implement permanent mechanisms that allow for more flexibility of staff movement within each hospital in urgent and temporary situations.

MINISTRY RESPONSE

The Ministry of Health (Ministry) acknowledges the Office of the Auditor General of Ontario's recommendation to expand existing data collection to include vacancy data of emergency departments. The Ministry acknowledges the importance of effective data collection and analysis in support of effective health workforce planning. The Ministry will review the data-related aspects of the recommendation to determine how best to refine its data-collection practices in support of current and future work to support service delivery in emergency departments. Today, the Ministry already collects data regarding hospital staffing pressures, staffing positions, vacancies and staff absenteeism. Data related to compensation expenses for agency staff who provide direct care/services is collected on a quarterly basis in the Ontario Healthcare Financial and Statistical System. This information can be used to monitor the utilization of agency staff for particular service departments.

With respect to the element of the recommendation related to agency staffing, the Ontario government recognizes the role staffing agencies play in supporting a flexible workforce. The government also recognizes that agency rates in Ontario have increased significantly, creating instability for hospitals, long-term care homes and emergency departments. We are working to evaluate the issue of rising agency reliance and costs. This includes, as noted in the government's Plan to Stay Open: Health System Stability & Recovery, engaging with frontline partners to better understand how we can bring stability to hospitals, long-term care homes and emergency departments, while protecting quality of care. The Ministry will also review mechanisms that allow for more flexibility of staff movement within each hospital in urgent and temporary situations.

4.5.4 Inconsistencies and Flaws in the Physician Payment Structure Could Impact Timeliness and Oversight of Emergency Department Care

As discussed in **Section 2.3**, the majority of emergency department physicians are compensated through an alternative funding arrangement (AFA), while some physicians use a fee-for-service (FFS) model and bill directly to the Ontario Health Insurance Plan. In cases where an emergency department is under the AFA model, all emergency department physicians working for that hospital are part of the same AFA. For physicians compensated through the AFA, there is typically a base funding component, which is essentially a salary divided among the physicians working under the AFA.

We noted that outdated AFAs can contribute to hiring and retention challenges in some communities, particularly in Northern Ontario. For example, one northern hospital indicated that its significant reliance on physicians through the Locum Program (described in **Section 4.1.2)** could be attributed to the outdated terms and conditions of the AFA, which did not adequately capture the number and complexity of patients that emergency physicians had to treat. Because many patients do not have access to primary care, the emergency department can be the only care provider in a northern community. The situation, in turn, may lead to further physician vacancies and further reliance on the Locum Program.

We also noted that there can be a lack of oversight of the pay and performance of individual physicians who are part of an AFA. Specifically, we noted that the Ministry does collect the total hours worked by physicians collectively at each hospital for adherence to AFA agreements, but does not review information on

the funding provided to each physician or the volume of patients seen by each physician. For example, there is no oversight mechanism to identify and review physicians who see a relatively low number of patients per shift or who spend longer on assessments compared to peers.

We also found that patient access to a physician could be directly impacted by whether physicians are compensated through an AFA or FFS model. Although only 15% of all emergency departments are under an FFS model, of the five hospitals with the shortest physician initial assessment wait times in **Appendix 3**, three were using an FFS model while all five of the lowest performing hospitals were on an AFA.

For example, William Osler Health System's emergency department physicians are under an FFS model. Despite the high volume of patients in its emergency department, it still had relatively short wait times for a physician initial assessment compared to all other hospitals we visited, as noted in **Figure 12**. An emergency department physician at the hospital told us that the shorter wait times to see a doctor were a result of process improvements that were easier to implement under an FFS model.

The Ministry and the Ontario Medical Association have agreed to undertake a study to evaluate the AFA, the workload of emergency department physicians and the time they spent treating patients. The study, which may ultimately impact base payments made to those physicians, was expected to begin in January 2024 and be completed in early 2025. However, we noted that there was no plan to evaluate the effectiveness of both the AFA and FFS models and to determine which model better meets patient needs.

RECOMMENDATION 10

To effectively and efficiently compensate emergency department physicians, we recommend that the Ministry of Health work with Ontario Health and hospitals to comprehensively review all current compensation structures and make changes to help ensure they are patient-focused and incentivize timely patient care.

MINISTRY RESPONSE

The Ministry of Health (Ministry) acknowledges the Office of the Auditor General of Ontario's recommendation to work with Ontario Health and hospitals to review current compensation structures and make changes as needed to ensure patient-focused and timely patient care.

The Ministry recognizes the Ontario Medical Association (OMA) as the exclusive representative of physicians practising in Ontario. Under the OMA Representation Rights and Joint Negotiation and Dispute Resolution Agreement, the Ministry is required to consult the OMA to seek its advice about significant health-care policy and system issues that affect physicians. Further, changes related to physician compensation, including activities and accountabilities under non-fee-for-service agreements, are subject to the negotiations process between the parties set out in the Binding Arbitration Framework.

4.6 Oversight of Emergency Department Performance Was Lacking and Initiatives to Improve Performance Were Not Evaluated

To incentivize improvement in patient flow through emergency departments, the Ministry created the Pay for Results (P4R) program in 2008. Managed and overseen by Ontario Health, the program provides financial incentives to help hospitals improve the performance of their emergency departments. The objective of P4R is to support hospital innovation and practices that reduce patient wait times and length of stays.

The P4R program has focused on large hospitals with a high volume of emergency department visits. To be eligible to participate, an emergency department must have had at least 30,000 annual visits in the last two consecutive years. At the time of our audit, there were 75 hospital sites participating in the P4R program. On July 20, 2023, the government announced it would invest an additional $44 million in the P4R program and expand the eligibility criteria to

allow smaller hospitals to participate in the program, although the funding allocation was still in progress at the time of our audit.

The program assesses the performance of each participating hospital's emergency department using six key performance indicators:

- Length of stay for admitted patients
- Length of stay for non-admitted high-acuity patients
- Length of stay for non-admitted low-acuity patients
- Time to physician initial assessment
- Time to inpatient bed
- Ambulance offload times

Each year, hospitals participating in the program are ranked based on their performance compared with other hospitals. For the first five performance indicators noted above, the ranking considers each participating hospital's most recent annual performance and historical performance since joining the P4R program. For the indicator related to ambulance offload times, the ranking only considers the most recent annual performance. Once all hospitals have been ranked, they are allocated a portion of the P4R program funding, which was approximately $93 million in 2022/23.

4.6.1 P4R Program Showed Initial Successes but It Has Become Less Effective at Improving Emergency Department Patient Flow

Despite showing some success over the years, the P4R program has not had a significant impact on improving patient flow and reducing patient time spent in emergency departments in recent years. We reviewed historical P4R program data and found that in the early years of the program, some key performance indicators showed wait time reductions at participating hospitals. However, we found that the hospitals' average annual performance had deteriorated leading up to the December 2018—November 2019 period, the most recent full-year results before the COVID-19 pandemic, and their average annual performance decreased further during the pandemic. As **Figure 20** shows, based on the five indicators that use historical performance as a benchmark, a significant number of hospitals saw their performance deteriorate in 2019 compared to when they first joined the P4R program. For example, as of 2019 almost half of the 74 hospitals participating in the P4R program at that time had a longer overall patient length of stay in the emergency department for admitted patients and a longer wait time for an inpatient bed compared to when they joined.

Figure 20: Number of Hospitals Where Performance Deteriorated After Joining the Pay-for-Results (P4R) Program by Indicator, Pre-COVID-19

Source of data: Ontario Health

Performance Indicator	Hospitals Where Performance Deteriorated After Joining the P4R Program	
	#	%*
1. Length of Stay for Admitted Patients	36	49
2. Length of Stay for Non-Admitted High-Acuity Patients	18	24
3. Length of Stay for Non-Admitted Low-Acuity Patients	32	43
4. Time Before Physician Initial Assessment	28	38
5. Time to Inpatient Bed	35	47

Note: The Ministry created the P4R program in 2008, and hospitals joined the program in different years. This chart is based on each participating hospital's performance data from the period between December 2018 and November 2019, the most recent full-year results prior to the COVID-19 pandemic. It excludes the sixth performance indicator that measures ambulance offload times because that indicator does not factor in historical performance.

* The percentage is calculated based on data from the 74 hospitals that were participating in the P4R program in 2019.

Figure 21: Length of Stay for Non-Admitted High-Acuity Patients at Selected Hospitals in Ontario (hours)

Prepared by the Office of the Auditor General of Ontario

Hospital	Year Joined P4R	Hours Spent in Emergency Department*		
		Prior to Joining P4R Program	2019	2022
Sinai Health System (Mount Sinai Hospital)	2008/09	10.5	7.9	8.2
Hospital for Sick Children	2010/11	9.2	6.6	10.4
William Osler Health System (Brampton Civic Hospital)	2008/09	9.4	6.7	7.8
William Osler Health System (Etobicoke Hospital)	2009/10	8.0	6.4	7.0
Children's Hospital of Eastern Ontario (Ottawa site)	2010/11	6.8	6.9	9.5
Windsor Regional Hospital (Metropolitan campus)	2008/09	7.9	9.6	13.8
Windsor Regional Hospital (Ouellette campus)	2010/11	6.6	9.8	11.6

* This is calculated using the 90th percentile, meaning times are calculated after removing the 10% of patients with the longest wait times.

We reviewed these indicators across the hospitals we visited and found similar trends (see **Figure 21**). For example, some hospitals had shown improvement in the length of stay for non-admitted patients in 2019 while others had gotten worse, but all had regressed between 2019 and 2022.

Furthermore, while P4R funding is allocated to hospitals based on the performance of their emergency departments, we noted that participating hospitals continued to receive P4R funding even when their performance slipped from 2019 to 2022.

Ontario Health and some hospitals informed us that demographic profiles for communities and regions have changed significantly since hospitals began joining the P4R program almost 15 years ago. For instance, population growth or increased emergency department utilization make it more difficult for hospitals to maintain or improve their performance.

Another reason that P4R has become less effective is related to the way some hospitals are using the P4R funding. Based on our review of P4R documentation and practices across the hospitals we visited, we found that instead of testing and trying new methods to help shorten wait times and the overall length of stay in an emergency department, some hospitals were using P4R funding to create and/or fill nursing or clinician positions in order to keep up with patient volumes and care needs. This approach helps address patient flow in the short term, but may do little to improve patient wait times and length of stay in the longer term.

4.6.2 Some Performance Initiatives Appeared Beneficial but Evaluations Were Not Being Done to Confirm Viability for Expansion

Through our review of initiatives funded by the P4R program at the hospitals we visited, we noted that some appeared to be beneficial in improving patient flow and reducing the time patients spend in the emergency department. For example:

- SickKids has used some of its P4R funding to create an emergency department hub to treat ambulatory patients who are at lower acuity (CTAS 3 to CTAS 5) and likely to be discharged home. These patients comprise 76% of the patient visits to SickKids' emergency department.
- Windsor Regional Hospital used some P4R funding to create a dedicated emergency department psychiatrist shift seven days a week to reduce wait times for a psychiatric consultation and to help certain patients transition between the emergency department and the mental health assessment unit.
- Four of the five hospitals we visited used some P4R funding to hire physician assistants, who

help free up time for emergency department physicians to see more patients.

While funding for the P4R program is meant to be flexible and used by hospitals to develop initiatives that improve the performance of their emergency departments, we found that the Ministry and Ontario Health had not done a thorough evaluation of potential best practices to determine if they could be implemented on a permanent basis and expanded to more hospitals. If this evaluation had been done, hospitals would have been able to more effectively identify practices that improve patient flow.

RECOMMENDATION 11

To more effectively improve patient flow across emergency departments in Ontario, we recommend that Ontario Health, in collaboration with the Ministry of Health and hospitals:

- evaluate the effectiveness of the Pay for Results (P4R) program to determine what changes are necessary to meet the intended objectives, such as setting performance targets; and
- review hospitals' use of performance funding to ensure that these practices align with the objectives of the P4R program and that effective practices are adopted by more hospitals.

ONTARIO HEALTH RESPONSE

Ontario Health acknowledges the Office of the Auditor General of Ontario's recommendation to evaluate the effectiveness of the Pay for Results (P4R) program and review hospitals' use of performance funding. In 2023/24, the Ministry announced significant changes to the P4R program. Ontario Health will work closely with the Ministry and hospital sites on implementation of the P4R expansion and will use this opportunity to continue work to address the recommendation. Ontario Health closely monitors performance of all sites participating in P4R.

4.7 Province Does Not Have Framework to Evaluate and Encourage Use of Effective or Emerging Practices

4.7.1 Effective Diversion Practices at Emergency Departments Were Not Being Shared with Other Hospitals for Province-Wide Implementation

During our site visits, we noted that some hospitals have unique practices to divert certain patients away from the emergency department to a specific unit or space within the hospital for treatment. Such practices not only can expedite care for patients in a more appropriate setting but also free up space and resources in emergency departments. Examples of these practices included:

- In September 2022, SickKids introduced the Rapid Assessment of Pediatric Patients Zone (RAPP Zone) to provide care for patients who showed up at the emergency department but did not need emergency level care and could be seen and treated by a primary care physician. Specifically, parents of lower-acuity patients arriving at the emergency department would be directed to record their child's symptoms and general health information through an online application using a QR code on their smartphone. If they met certain criteria based on symptoms and age, patients would be directed to a different area of the hospital where they would be seen by a primary care physician (without the need for triaging by the emergency department). While this service was only available during specific times, SickKids estimated that approximately 20% of its low-acuity patients were being diverted from the emergency department as a result of this initiative. SickKids indicated that the costs of delivering care in the RAPP Zone is less than the cost of delivering care in the emergency department as these patients only require limited medication administration and nursing

monitoring or interventions. While we noted there were similar rapid assessment practices at other hospitals we visited, patients at those institutions were still being treated within the emergency department, which can divert resources away from more urgent cases.

- For over 10 years, Windsor Regional Hospital's Metropolitan site has been using an initiative to fully divert pregnant patients who arrive at the emergency department with specific symptoms related to pregnancy (such as cramping and vaginal bleeding). Instead of being triaged and waiting at the emergency department to be assessed by a doctor, these patients are sent directly to the obstetrics and gynaecology unit for triage and treatment. This initiative has helped Windsor Regional Hospital divert about 6,000 emergency department patients each year.

We also noted that other hospitals had practices in place to treat specific patient conditions in a more timely and appropriate manner within the emergency department. During our site visit to Brampton Civic Hospital, we noted that patients arriving with minor complaints such as a potential fracture or orthopaedic concerns could be triaged to a separate area within the emergency department if the patients met specific medical criteria. This area was staffed with an orthopaedic technician during certain hours of the day, and if the patient required an x-ray, the imaging could be quickly reviewed and interpreted for next steps.

While these practices have shown success, we noted that hospitals did not consistently and effectively share best practices province-wide. The Ministry and Ontario Health also did not have any framework to evaluate and encourage or recommend the use of effective practices that have shown success to hospitals across the province.

RECOMMENDATION 12

To provide patients with timely access to appropriate care, we recommend that Ontario Health work with hospitals to identify initiatives that have successfully and safely diverted lower-acuity patients, or those with specific symptoms, away from emergency departments, and share those practices for province-wide implementation.

ONTARIO HEALTH RESPONSE

Ontario Health acknowledges the Office of the Auditor General of Ontario's recommendation. Ontario Health will work with hospitals and community partners to identify initiatives and best practices to provide system level successes to ensure patients access the right care at the right time and place.

4.7.2 Urgent Care Centres Can Be Expanded to Care for Low-Acuity Patients

Urgent Care Centres (UCCs) are health-care settings specifically designed, equipped and staffed to provide care to patients seeking prompt or immediate treatment for non-life-threatening conditions and injuries without prior appointments. At the time of our audit, there were 11 UCCs in Ontario, although only seven of them were required to report data such as wait times to Ontario Health. One of the hospitals we visited (Windsor Regional Hospital) was at an early stage of planning to set up a UCC to specifically deal with lower-acuity patients due to a lack of timely access to primary care in the community.

Seen as a way to take some pressure off of emergency departments, UCCs typically handle patients with acuity levels between CTAS 3 to CTAS 5, though they still need to be staffed and equipped to deal with life-threatening situations. The goal of a UCC, which does not typically have short-stay beds, is to treat and release patients back to their home or community. If a patient does require admission to an inpatient unit or longer-term care, they would be transferred to an emergency department. Each UCC requires an agreement with an affiliated hospital to transfer patients requiring full-service emergency department care or patients who are not well enough to be sent home after receiving care at a UCC.

Figure 22: Time to See a Physician and Length of Stay at Urgent Care Centres (UCCs) in Ontario, 2022/23 (hours)

Source of data: Ontario Health

Urgent Care Centre	Time to Physician Initial Assessment	Length of Stay
1. St. Joseph's Hospital	1.4	2.4
2. Niagara Health System (Douglas Memorial Hospital site)	1.1	2.0
3. Niagara Health System (Port Colborne General site)	1.3	2.0
4. William Osler Health System (Peel Memorial Centre)	0.8	2.2
5. Trillium Health Partners (Queensway Health site)	0.9*	2.5*
6. Mackenzie Health (Vaughan site)	1.2	1.6
7. Kingston Health Sciences Centre (Hotel Dieu Hospital)	1.4	2.9
Provincial Average for Urgent Care Centres (UCCs)	**1.2**	**2.3**
Provincial Average for Emergency Departments	**2.0**	**6.2**

* Trillium Health Partners temporarily closed its UCC beginning April 2020 and has not reopened it since then. These results are from 2019/20, the most recent available data.

In 2022/23, there were approximately 230,000 patient visits to the seven UCCs that report data to Ontario Health. Patients visiting these UCCs were, on average, seen by a physician much quicker than they would have been in an emergency department and, in turn, their overall time getting the care they needed was significantly shorter. In 2022/23, patients waited an average of 1.2 hours in a UCC for their physician initial assessment compared to an average of two hours in emergency departments. Patients also spent an average of 2.3 hours in the UCC, which was over three times shorter than those visiting an emergency department. **Figure 22** provides a list of the seven UCCs and the average time to see a physician and length of stay.

Based on our visits to a UCC and an emergency department located in the same region that are both part of the William Osler Health System, we noted that the UCC at Peel Memorial Centre was able to see patients much quicker than the emergency department at Brampton Civic Hospital. Since the UCC and the emergency department are located relatively close to each other (about a 15-minute drive), we inquired whether William Osler Health System had a strategy to direct some lower-acuity emergency department patients to the UCC to help alleviate pressures on its emergency department and enable staff to focus on higher-acuity patients. While William Osler Health System did try to raise awareness and educate patients on the appropriate use of the UCC, we noted that there was no such strategy or procedure to direct lower-acuity patients to its UCC.

RECOMMENDATION 13

To improve access to emergency care for low-acuity patients, we recommend that the Ministry of Health, in collaboration with Ontario Health:

- assess the feasibility of a review of the Urgent Care Centres (UCCs) model and determine where expansion of this model can be best utilized; and
- work with hospitals to raise public awareness of alternative care settings such as UCCs that may be more appropriate for low-acuity patients.

MINISTRY RESPONSE

The Ministry of Health (Ministry) acknowledges the Office of the Auditor General of Ontario's recommendation to improve access to emergency care for low-acuity patients. The Ministry will engage with Ontario Health to determine if a review of the Urgent Care Centre model is required. The Ministry will also work with hospitals to determine the appropriate next steps in continuing to raise public awareness of alternative care settings for lower-acuity patients.

With respect to any new or existing Urgent Care Centre physician contracts, the Ministry recognizes the Ontario Medical Association (OMA) as the exclusive representative of physicians practising in Ontario. Under the OMA Representation Rights and Joint Negotiation and Dispute Resolution Agreement, the Ministry is required to consult the OMA to seek its advice about significant health-care policy and system issues that affect physicians. Further, changes related to physician compensation, including activities and accountabilities under non-fee-for-service agreements, are subject to the negotiations process between the parties set out in the Binding Arbitration Framework.

4.7.3 Virtual Urgent Care Pilot Program Has Shown Some Early Success but Subsequent Changes to the Program May Result in Worse Outcomes if Not Managed Effectively

In 2020, during the COVID-19 pandemic, the Ministry approved approximately $4 million in one-time funding to support a virtual urgent care program, sometimes referred to as a virtual emergency department. The pilot program was created to support patients who had concerns about visiting an emergency department in-person, as well as to divert lower-acuity patients away from the emergency department. The virtual urgent care program offers patients a convenient way to get medical advice or care using a computer or smartphone instead of going to an emergency department. Depending on patient needs, physicians working in virtual urgent care can provide a prescription, and advise patients whether to visit their primary care doctor or go to the nearest emergency department for an in-person assessment. In 2022/23, patients made over 50,000 virtual urgent care visits, compared with fewer than 20,000 visits in 2021/22.

In one example, two medical institutions in Toronto (University Health Network and Sunnybrook Health Sciences Centre) set up a virtual urgent care program in 2020. We met with staff involved in the delivery of the program and found that it was designed to offer same-day appointments to patients seven days a week, from 9 a.m. to 9 p.m. on Monday to Friday and from 9 a.m. to 1 p.m. on Saturday and Sunday. The virtual urgent care visit is meant for patients who cannot make an urgent appointment with their primary care provider but require urgent attention for non-life-threatening medical concerns. Symptoms suitable for virtual urgent care include a fever, body aches, sore throat or cough and fever.

Ontario Health engaged the Schwartz/Reisman Emergency Medicine Institute—a not-for-profit research, education and health policy institute under a partnership of the Sinai Health and North York General Hospital—to conduct an overall study of the virtual urgent care pilot program. The study, released in June 2022, highlighted a number of key outcomes:

- Over 75% of presenting complaints were low-acuity, with rash, fever, abdominal pain and COVID-19 vaccine queries representing about 30% of the issues discussed.
- Of the almost 83% of patients who had a primary care provider, about 31% indicated they contacted virtual urgent care because they could not make a timely appointment with their family physician.
- About 16% of patients were advised to visit their nearest emergency department while about 66% were discharged after receiving treatment and/or medical advice on next steps. The remainder were referred to primary care or other community care settings.
- 94% of patients rated their overall virtual experience as eight out of 10 or greater.

While the study identified positive outcomes, it also raised the concern that the program needed to be evaluated to determine if it was sustainable. In particular, the study indicated that patients, most of whom already had a primary care provider, were using the system in place of seeing a primary care provider to receive expedited medical advice. This was not the program's intended purpose and could put added strain on emergency department staff, who are responsible for running virtual urgent care initiatives.

The study also noted that a number of factors needed to be considered before a decision could be made to move forward with the virtual urgent care program. These included analyzing whether nurse

practitioners, physician assistants and primary care physicians can be utilized in the virtual program to support emergency department physicians, and whether virtual services can be amalgamated into a single provincial system, or network of regional systems, to better share resources among hospitals.

We also noted that another study, published in the *Canadian Medical Association Journal* in November 2023, questioned the overall impact of the virtual urgent care pilot program on both subsequent emergency department visits and hospital admissions. These indicate the need to better understand the inherent limitations of virtual care and ensure future virtual providers have timely access to in-person outpatient resources, to prevent subsequent emergency department visits.

Ontario Health informed us that it was integrating the virtual urgent care pilot program with the province-wide Health811 call service, which allows people to connect with a registered nurse day or night by phone to get certain kinds of medical advice. Patients who call 811 will be triaged by the registered nurse and if the patient is eligible for a virtual urgent care visit, the patient will be connected with the virtual urgent care clinic in their region and seen by a nurse practitioner. The nurse practitioner can assess the patient's needs, prescribe treatments and determine next steps, such as whether an emergency department visit is needed. This decision was based on findings from the virtual urgent care pilot program study that indicated most patients who accessed the program already had a primary care physician and also noted that nurse practitioners or other similarly trained individuals could provide the same level of care in a virtual setting.

However, there is a possibility that having a centralized model may not be as effective as virtual urgent care programs managed directly by hospitals, and further changes may be needed to move forward with the centralized model. For example:

- Through discussion with one of the hospitals we visited, we noted that the virtual urgent care clinic that the hospital previously ran was able to connect or refer virtual care patients for further assessment and treatment at the hospital if needed. For instance, the virtual urgent care clinic would be able to directly refer a patient for diagnostic imaging, and could also provide a prescription if needed. In contrast, if the patient used the Health811 system, the patient's journey may not be as seamless. For instance, if the nurse practitioner indicates an in-person visit is needed, the patient would have to repeat the triage process upon entering the emergency department.
- The two medical institutions in Toronto that initiated the joint virtual urgent care program, as noted above, raised similar concerns about the centralized model proposed by Ontario Health. They indicated that Ontario Health and the Ministry should better incorporate local hospitals into any future virtual care program so that patients can more easily be referred to obtain further assessments and treatments (for example, booking blood tests and getting a prescription) by calling Health811 rather than having to physically visit an emergency department and restart the entire patient journey.

RECOMMENDATION 14

To reduce the number of unnecessary emergency department visits and improve access to urgent care, we recommend that Ontario Health work with hospitals and physicians that deliver virtual urgent care to determine what changes should be made to the provincial Health811 program to better address health-care system gaps and meet patient needs.

ONTARIO HEALTH RESPONSE

Ontario Health acknowledges the Office of the Auditor General of Ontario's recommendation to work with hospitals and physicians that deliver virtual urgent care to determine what changes should be made to the provincial Health811. Ontario Health will work with the Women's College Hospital Institute for Health Systems Solutions and Virtual Care to evaluate current virtual urgent care models and ensure Health811 is leveraged to its potential to support gaps in patient care needs.

Appendix 1: Audit Criteria

Prepared by the Office of the Auditor General of Ontario

1. Effective triage, discharge and transfer processes and practices are in place at emergency departments to ensure patients have timely access to high-quality services and care that meet their needs.
2. Responsibilities and accountabilities of parties involved in the delivery of services and care at emergency departments are well defined to ensure that proper oversight is in place and patients are kept safe and provided with high-quality services and care that meet their needs.
3. Adequate and effective programs or initiatives are in place to ensure that emergency departments have stable and adequate levels of staffing and resources to provide patients with timely and high-quality services and care.
4. Funding for emergency departments is appropriately allocated, used and monitored to address the differences in needs among hospitals, and is responsive to changes in needs on a timely basis.
5. Effective communications processes are in place to raise public awareness and understanding of options available for care based on needs.
6. Sufficient, accurate and timely information related to emergency departments, such as service volumes, wait times and triage levels is regularly collected, assessed and used to guide decision-making.
7. Appropriate performance measures and targets are established to ensure that services and care at emergency departments are continuously monitored against intended objectives. Results are publicly reported and corrective actions are taken on a timely basis when issues are identified.

Appendix 2: Emergency Department Closures in Ontario, July 2022–June 2023

Prepared by the Office of the Auditor General of Ontario

Hospital	Approximate Hours of Closure
1. South Bruce Grey Health Centre (Chesley)	1,884
2. Glengarry Memorial Hospital	573
3. Perth and Smiths Falls District Hospital (Great War Memorial site)	529
4. Listowel Wingham Hospitals Alliance (Wingham and District Hospital)	502
5. Huron Perth Healthcare Alliance (Seaforth Community Hospital)	352
6. Huron Perth Healthcare Alliance (St. Marys Memorial Hospital)	175
7. South Bruce Grey Health Centre (Durham)	150
8. South Bruce Grey Health Centre (Walkerton)	123
9. Carleton Place and District Memorial Hospital	116
10. Campbellford Memorial Hospital	109
11. Huron Perth Healthcare Alliance (Clinton Public Hospital)	93
12. Hôpital général de Hawkesbury et district	86
13. Kemptville District Hospital	75
14. North Shore Health Network (Thessalon)	72
15. Listowel Wingham Hospitals Alliance (Listowel Memorial Hospital)	64
16. Almonte General Hospital	54
17. North Wellington Health Care (Louise Marshall Hospital)	28
18. Norfolk General Hospital	24
19. Arnprior and District Memorial Hospital	23
20. Hôpital Montfort	23
21. South Bruce Grey Health Centre (Kincardine)	14
22. Headwaters Health Care Centre (Orangeville site)	12
23. North of Superior Healthcare Group (McCausland Hospital)	10
Total Hours	**5,092**

Appendix 3: Time to Physician Initial Assessment by Hospital, 2022/23 (hours)

Prepared by the Office of the Auditor General of Ontario

Hospital	Time to Physician Initial Assessment
South Bruce Grey Health Centre (Durham)	0.6
Southlake Regional Health Centre	0.7
William Osler Health System (Etobicoke General Hospital)	0.8
William Osler Health System (Peel Memorial Centre)	0.8
South Bruce Grey Health Centre (Chesley)	0.8
Grey Bruce Health Services (Markdale Hospital)	0.8
Mackenzie Health	0.8
Huron Perth Healthcare Alliance (Clinton Public Hospital)	0.9
Bluewater Health (Charlotte Eleanor Englehart Hospital)	0.9
Grey Bruce Health Services (Lions Head Hospital)	0.9
Quinte Healthcare (Prince Edward County Memorial Hospital)	0.9
Huron Perth Healthcare Alliance (Seaforth Community Hospital)	1.0
Sensenbrenner Hospital	1.0
Mackenzie Health (Cortellucci Vaughan Hospital)	1.0
Grey Bruce Health Services (Meaford Hospital)	1.1
Dryden Regional Health Centre	1.1
South Bruce Grey Health Centre (Walkerton)	1.1
Niagara Health System (Douglas Memorial Hospital site)	1.1
Markham Stouffville Hospital (Markham site)	1.2
Unity Health Toronto (St. Joseph's Health Centre)	1.2
St. Joseph's Hamilton (Charlton campus)	1.2
Mackenzie Health (Vaughan site)	1.2
Timmins and District General Hospital	1.2
North York General Hospital	1.2
Niagara Health System (Port Colborne General site)	1.3
Grey Bruce Health Services (Wiarton Hospital)	1.3
Renfrew Victoria Hospital	1.3
Perth and Smiths Falls District Hospital (Great War Memorial site)	1.3
Scarborough and Rouge Hospital (Birchmount site)	1.3
Hanover and District Hospital	1.3
Haldimand War Memorial Hospital	1.3
Hôpital Notre-Dame Hospital	1.3
Kingston Health Sciences Centre (Hotel Dieu Hospital)	1.4
Scarborough and Rouge Hospital (Centenary site)	1.4
Joseph Brant Hospital	1.4
Huron Perth Healthcare Alliance (St. Marys Memorial Hospital)	1.4
St. Joseph's Hospital (London)	1.4
Scarborough and Rouge Hospital (Scarborough General site)	1.4
South Bruce Grey Health Centre (Kincardine)	1.4
Bluewater-Sarnia General site	1.4

Hospital	Time to Physician Initial Assessment
St. Thomas-Elgin General Hospital	1.5
Halton Healthcare Services (Milton District Hospital)	1.5
Sinai Health System (Mount Sinai Hospital)	1.5
Lake of the Woods District Hospital	1.5
Huron Perth Healthcare Alliance (Stratford General Hospital)	1.5
Strathroy Middlesex General Hospital (Middlesex Hospital Alliance)	1.5
Chatham-Kent Health Alliance (Wallaceburg)	1.6
Muskoka Algonquin Healthcare (Huntsville District Memorial Hospital)	1.6
Woodstock Hospital	1.6
William Osler Health System (Brampton Civic Hospital)	1.6
Quinte Healthcare (North Hastings Hospital)	1.6
Perth and Smiths Falls District Hospital (Smiths Falls site)	1.6
Campbellford Memorial Hospital	1.7
West Nipissing General Hospital	1.7
Collingwood General and Marine Hospital	1.7
Alexandra Hospital	1.8
University Health Network (Toronto Western Hospital)	1.8
Niagara Health System (Greater Niagara General site)	1.8
Temiskaming Hospital	1.8
West Parry Sound Health Centre	1.8
Trillium Health Partners (Mississauga site)	1.8
Thunder Bay Regional Health Sciences Centre	1.8
Grey Bruce Health Services (Southampton Hospital)	1.8
Markham Stouffville Hospital (Uxbridge site)	1.8
Georgian Bay General Hospital (Midland site)	1.9
Muskoka Algonquin Healthcare (South Muskoka Memorial Hospital)	1.9
Brockville General Hospital (Charles Street site)	1.9
Unity Health Toronto (St. Michael's Hospital)	1.9
Lakeridge Health (Port Perry Hospital)	1.9
Toronto East Health Network (Michael Garron Hospital)	1.9
Soldiers' Memorial Hospital	1.9
St. Mary's General Hospital	1.9
Lakeridge Health (Bowmanville Hospital)	2.0
Hamilton Health Sciences (West Lincoln Memorial Hospital)	2.0
Quinte Healthcare (Trenton Memorial Hospital)	2.0
Kingston Health Sciences Centre (Kingston General)	2.0
Lakeridge Health (Oshawa Hospital)	2.0
Hôpital Montfort	2.0
Health Sciences North (Ramsey Lake Health Centre)	2.1
Norfolk General Hospital	2.1
Ross Memorial Hospital	2.1
Glengarry Memorial Hospital	2.1
Niagara Health System (Welland Hospital site)	2.1

Hospital	Time to Physician Initial Assessment
Headwaters Health Care Centre (Orangeville site)	2.1
Chatham-Kent Health Alliance (Chatham)	2.2
Northumberland Hills Hospital	2.2
Stevenson Memorial Hospital	2.2
Royal Victoria Regional Health Centre	2.3
London Health Sciences Centre (Victoria Hospital)	2.3
Erie Shores Healthcare	2.3
Grey Bruce Health Services (Owen Sound Hospital)	2.3
Trillium Health Partners (Credit Valley site)	2.3
University Health Network (Toronto General Hospital)	2.3
Tillsonburg District Memorial Hospital	2.3
Grand River Hospital (Kitchener-Waterloo site)	2.3
Guelph General Hospital	2.3
Pembroke Regional Hospital	2.4
Lennox and Addington County General Hospital	2.4
Halton Healthcare Services (Georgetown Hospital)	2.5
Lakeridge Health (Ajax Pickering Hospital)	2.5
Humber River Health (Wilson site)	2.5
Ottawa Hospital (Civic campus)	2.6
Hamilton Health Sciences (Hamilton General Hospital)	2.6
Hamilton Health Sciences (McMaster Children's Hospital)	2.6
Sault Area Hospital	2.6
Brantford General Hospital	2.7
Cornwall Community Hospital	2.7
North Bay Regional Health Centre	2.8
Peterborough Regional Health Centre	2.8
Groves Memorial Community Hospital	2.8
Niagara Health System (St. Catharines General site)	2.8
Queensway Carleton Hospital	2.8
Quinte Healthcare (Belleville General Hospital)	2.9
London Health Sciences Centre (University Hospital)	2.9
Cambridge Memorial Hospital	3.0
Hamilton Health Sciences (Juravinski Hospital)	3.0
Hospital for Sick Children	3.0
Windsor Regional Hospital (Ouellette site)	3.0
Children's Hospital of Eastern Ontario (Ottawa site)	3.1
Halton Healthcare Services (Oakville-Trafalgar Memorial Hospital)	3.3
Winchester District Memorial Hospital	3.5
Ottawa Hospital (General campus)	3.5
Sunnybrook Health Sciences Centre	3.7
Hôpital général de Hawkesbury et district	3.8
Windsor Regional Hospital (Metropolitan campus)	4.1

Note: This table is based on emergency departments and urgent care centres that report wait-time information to Ontario Health; some small hospitals are not currently required to report such information.

Ministry of Health

Ontario Health

Hospitals in Northern Ontario: Delivery of Timely and Patient-Centred Care

Summary

Northern Ontario encompasses almost 90% of the province's total landmass, but only about 6% of the province's entire population. Thirty-six public hospitals of various sizes serve the approximately 790,000 Ontarians who call Northern Ontario home. Some of these hospitals are located in cities such as Thunder Bay and Sudbury, but the majority of them are smaller hospitals located in more rural and remote areas of the province. According to government and stakeholder documents, compared to the rest of Ontario, residents of Northern Ontario typically have poorer health outcomes, a shorter average life expectancy, and a higher average rate of hospitalization due to injury. Northern Ontario has a higher proportion of residents who are Indigenous and Francophone compared to the rest of the province. In Northern Ontario, there are fewer options for affordable housing and public transportation, and health-care professionals may not have access to the same amenities available in other parts of the province. In addition, a higher proportion of hospital beds in Northern Ontario are occupied by patients who are waiting to receive care elsewhere. All these factors present Northern Ontario hospitals with unique challenges for providing equitable, timely, and quality health care in the communities they serve.

In 2022/23, the Ministry of Health (Ministry) gave hospitals in Northern Ontario almost $1.9 billion to operate. This funding flowed through Ontario Health, an agency created in 2019 that absorbed a number of health agencies and the former Local Health Integration Networks in April 2021 to manage the health system. Both the Ministry and Ontario Health offer various programs to help improve access to hospital services in Northern Ontario, such as incentives to attract physicians and nurses to work and stay in the region. They also offer grants to reimburse travel expenses for Northern Ontario residents who, given the large landmass and limited number of local services available, need to travel long distances to access appropriate health care, so that residents are not disproportionally affected by virtue of living in northern or rural Ontario.

Our audit found that patients in Northern Ontario are more likely to experience longer waits to access the hospital care they need than patients from other parts of Ontario. Between 2018/19 and 2022/23, the percentage of days where patients were admitted in the hospital but were waiting for discharge to other more appropriate settings, such as a long-term care home or home care, was 24%–35% in Northern Ontario hospitals compared to 10%–22% in the rest of the province. This rate is known as the alternate-level-of-care (ALC) rate. Based on cost information provided

by the Ministry and data that was available from 18 of the 36 northern hospitals that reported ALC data to the Wait Time Information System, we estimated that the Province spent $65 million to keep acute-care patients in Northern Ontario hospitals because long-term care spaces and home-care services were not readily available for them. This is especially concerning when a hospital is at or close to capacity because high ALC rates can lead to hospital overcrowding and even longer wait times for patients who require urgent care at hospitals.

We also found that 10 hospitals in Northern Ontario had to close their obstetrics services between July 2022 and September 2023 because of a shortage of physicians and/or nurses; four remained closed as of the end of September 2023, with three of these closed for over a year. As a result, patients who live near these hospitals would need to travel to other locations, often at significant distances, to deliver a baby or obtain other obstetrics care. Ontario Health did not centrally monitor all instances of service closures at hospitals.

In addition, many hospitals in the north had to rely on using nurses supplied by staffing agencies to supplement their permanent nursing staff, more so than hospitals in the rest of Ontario. Between 2018/19 and 2022/23, the use of agency nurses increased 25 times for hospitals in Northern Ontario compared to about two and a half times for hospitals in the rest of the province. At the northern hospitals we visited during this audit, we found that nursing agencies charged them about three times the hourly rate of a full-time hospital nurse, in addition to accommodation and travel costs. For 2022/23, 29 of the 34 hospitals in Northern Ontario that responded to our questionnaire indicated that they paid about $78 million to private agencies for the use of registered nurses and registered practical nurses.

Some of our other significant findings include:

- **The Ministry did not have a dedicated health-care strategy that addresses all the north region's unique challenges; this is critical for improving access to health care for Northern Ontario patients and for supporting hospitals in the delivery of services.** Although the Ministry had started working toward creating a strategy back in 2009 when it established the Rural and Northern Health Care Panel, which recommended a framework for the region, a strategy was never finalized. In addition, Health Quality Ontario, now part of Ontario Health, developed the Northern Ontario Health Equity Strategy in 2018. This strategy recommended that a network be established with representatives from different sectors to help achieve health equity. However, five years later at the time of our audit, this has not been done because, according to Ontario Health, the Ministry did not approve the required funding.
- **Provincial initiatives and tools to manage health-care staffing shortages in Northern Ontario were fragmented.** The Ministry and Ontario Health separately administer health-care staff recruitment and retention initiatives for Northern Ontario. However, they have not regularly evaluated these initiatives to confirm whether they are effective in retaining physicians and nurses. Unlike British Columbia and Saskatchewan, Ontario does not have a provincial health-care staffing strategy that addresses unique challenges of working in health care in Northern Ontario. In addition, hospitals in Northern Ontario report staff vacancy data, but only on a voluntary basis, and neither the Ministry nor Ontario Health take responsibility for the accuracy of the data, limiting its usefulness in providing a true picture of the available supply of staff in the region. Although the Ministry has developed modelling tools to forecast expected demand for physicians, its tools are not all designed to take into account the age, health condition or location of patients, factors that would affect, for example, what specialists would be needed to serve the needs of different local communities.
- **Patients in northern hospitals could not always obtain timely diagnostic imaging services.** Over the last five years, hospitals in Northern Ontario were far from meeting the

target for wait times for MRI scans. There is a limited number of northern hospitals that have MRI and CT machines. Although the Ministry funds the approved operating hours of MRI and CT machines, it does not provide the capital funding for them. Instead, all hospitals in Ontario are expected to purchase these using funds they raise themselves. However, hospitals in Northern Ontario often face difficulties in raising funds compared to their southern counterparts; one hospital we visited estimated that it would take over two decades to raise the funds needed to purchase the hospital's first MRI machine. Patients in the area currently need to travel four hours away to obtain this service.

- **The Ministry's Northern Health Travel Grant Program's mileage rate of 41 cents per kilometre has not been updated since 2007**. The Ministry created this program in 1985 to provide financial assistance to Northern Ontario residents who must travel long distances to access care for a medical specialist or a Ministry-funded health-care facility. This mileage rate is well below the 2023 mileage rate of 68 cents per kilometre that the Canada Revenue Agency set for business travel. Also, the gas price has increased 58% since 2007. The Ministry has not measured the extent to which the program covers the actual mileage and accommodation expenses that patients incurred to access care away from home. Nor has it analyzed how far patients in Northern Ontario must travel to access care. Without this information to inform its funding decisions on what services to add to the hospitals, the Ministry risks perpetuating many of the health inequities that exist in northern communities.
- **Some, but not all, hospitals in Northern Ontario provided an Indigenous healing space for their patients, had traditional practice policies, had dedicated indoor smudging space, or allowed smudging in patient rooms, based on a survey of hospitals done by Ontario Health in early 2023.** About 17% of the population in Northern Ontario identify as Indigenous, compared to less than 5% in other regions of the province. A 2015 report by the Truth and Reconciliation Commission of Canada (Commission) recommended that health service agencies such as hospitals recognize the value of Indigenous healing practices. The report's recommendations also included increasing the number of Indigenous professionals in the health-care field, ensuring the retention of Indigenous health-care providers in Indigenous communities, and providing cultural competency training for all health-care professionals. However, hospitals do not consistently collect data on what proportion of their patients and staff are Indigenous because the *Public Hospitals Act* does not explicitly require it.

This report contains 20 recommendations with 48 action items to address our audit findings.

Overall Conclusion

Our audit concluded that the Ministry of Health and Ontario Health have processes in place to oversee that the delivery of hospital services in Northern Ontario is timely, consistent and meets patient needs, but they can work on improving their effectiveness. In particular, Ontario lacks a dedicated health-care strategy for the north region; a dedicated strategy could go a long way to better meet the unique health-care needs of Northern Ontario residents. As well, patients in Northern Ontario are more likely to experience longer waits to access the hospital care they need than patients from other parts of Ontario.

The Ministry and Ontario Health also did not routinely measure and publicly report the results and effectiveness of their Northern Ontario programs or initiatives to increase health-care staff in the region or to reimburse health-care travel costs for northern residents, and take corrective actions when necessary. In spite of various health-care staff recruitment and retention programs, the region continues to experience physician and nurse shortages, even leading to prolonged hospital service closures in several cases.

In addition, we found that the public hospitals in Northern Ontario did not consistently have effective processes in place to manage their resources with due regard for economy, so that their patients can receive services in a timely and cost-efficient manner. For example, patients in Northern Ontario are more likely to experience longer waits to access much-needed hospital services than patients from other parts of Ontario. This is despite their greater use of agency nurses—which increased 25 times between 2018/19 and 2022/23 compared to about two and a half times for hospitals in the rest of the province—at a significant financial cost. Unlike British Columbia and Saskatchewan, the Ministry does not have a dedicated health-care staffing strategy that would address these critical health-care challenges in Northern Ontario.

OVERALL MINISTRY RESPONSE

The Ministry of Health (Ministry) thanks the Office of the Auditor General of Ontario for its work, and accepts the overall conclusions of the report and the recommendations that impact the Ministry. The Ministry recognizes the unique challenges of providing equitable access to health care in Northern Ontario, and is committed to working with Ontario Health, northern hospitals and other stakeholder groups on developing and implementing programs and initiatives to address these challenges.

Ontario's health-care plan, Your Health: A Plan for Connected and Convenient Care, is built on three pillars: the right care in the right place, faster access to care, and hiring more health-care workers. Currently under development is an Integrated Capacity and Health Human Resources Plan for Ontario. The goal of this plan is to ensure a greater understanding of the health-care staffing needs in each community, which will inform the development of tailored programs and initiatives. Through innovative programs and initiatives, the Ministry will prioritize areas most in need, such as rural and remote communities, including Northern Ontario, where gaps already exist.

To improve access to health-care services in Northern Ontario hospitals, Ontario has, for example, made investments in the Weeneebayko Area Health Authority to expand the number of patients the hospital can care for, and to build an extended mental health and addictions centre and a long-term care elders lodge, with a goal to reduce wait times and to avoid patients remaining in hallways while they transition to the community.

As part of a long-term sustainability plan, Ontario is analyzing current gaps in the health-care system and anticipating the health-care needs of its population over the next 10 years to determine solutions to address growing health-care demands. With the aim of providing the right care in the right place, faster access to care and hiring more health-care workers in Northern Ontario, the Ministry will continue to work with Ontario Health, hospitals, and other stakeholders to achieve these goals.

OVERALL ONTARIO HEALTH RESPONSE

Ontario Health found the Auditor General's review of Northern Ontario hospitals to be valuable and welcomes the recommendation to collaborate with the Ministry of Health on a dedicated health-care strategy for the north.

Ontario Health North East and North West regions' role is to provide value to the system through health-care planning, funding, delivery, and performance monitoring. We are committed to ensuring that our hospitals, and all health-service providers, have the tools and information they need to deliver quality care in their communities. A dedicated health-care strategy for the North will help inform our Annual Business Plan and our Operational Plans to address some of the complex challenges in the region, such as health human resources training, recruitment, and retention, patient transportation, given its rural/remote locations, and the pressures that hospitals are facing from the COVID-19 pandemic.

It is important to note that the period covered for this audit overlapped with the height of the pandemic from 2020 to 2023, as well as the creation of Ontario Health in 2019, which are contributing factors that directly affect the Auditor General's

findings. The effects of the pandemic are unprecedented, and it needs to be taken into consideration when evaluating hospital performance and their ability to report. Similarly, Ontario Health was newly formed a few months prior to the pandemic, amalgamating 22 organizations, and responding to the crisis by implementing provincial directives such as pausing surgeries and diagnostic testing and by setting aside efficiency and effectiveness performance measures that are understandably an important part of normal operations; however, 2020–2023 was anything but normal. Ontario Health will continue to work with hospitals on pandemic recovery and, at the same time, build its processes to help transform the health-care system. These continuous improvement efforts align with the recommendations in the report.

2.0 Background

2.1 Profile of Northern Ontario

For the purposes of health-care planning and delivery, the Ministry of Health (Ministry) and Ontario Health (a provincial agency established in 2019 to connect, coordinate and modernize the health-care system) define the north region of Ontario as the area from Parry Sound in the south, Kenora in the west, Fort Severn in the north to Mattawa in the east. This area encompasses almost 90% of the province's total landmass, but only about 6% of the province's entire population, or about 790,000 based on 2021 census data. Most communities in the north are rural and remote with small populations—23 of the 36 hospitals in the north region have 60 or fewer beds. Sudbury and Thunder Bay, the two largest urban communities in the north, had populations of 166,000 and about 109,000, respectively, in 2021, and the highest number of beds in the region.

The demographics of Northern Ontario are different from much of the rest of the province. According to Ontario Health, about 17% of the population in Northern Ontario identify as Indigenous (compared to less than 5% in other regions of the province), about 16% identify as Francophone (compared to less than 10% in other regions of the province) and about 3% identify as a racialized population (compared to 13%–47% in other regions of the province).

In 2010, the Ministry published a document titled Ontario Rural and Northern Health Care Framework to guide the unique health-care needs of those Ontarians who live in rural, remote and northern areas of the province. According to that document, Northern Ontario had:

- a lower proportion of residents reporting very good or excellent health status compared to southern rural areas;
- a higher rate of hospitalization due to injury; and
- a higher rate of hospitalization for conditions where outpatient care could prevent or reduce the need for admission to a hospital.

Disparities between the health statuses of residents in Northern Ontario and the rest of Ontario continue to persist. According to more recent publications by Health Quality Ontario (it has since become part of Ontario Health) and the Ontario Medical Association between 2017 and 2021:

- the average life expectancy of those living in the North East and North West regions is lower by two and half years and about three years, respectively, compared to the provincial average;
- the potential years of life lost due to premature death per 100,000 people was 6,255–7,975 years for the North East and North West regions versus 4,198 years for all of Ontario;
- the percentage of inpatient days where hospital beds were occupied by patients who were designated as alternate-level-of-care (that is, they were waiting to receive care elsewhere) was about 23% in the North East and about 30% in the North West, compared to about 15% in all of Ontario; and
- a lack of access to high-speed Internet and unreliable connectivity limits the availability of virtual care for those in remote regions of Ontario.

2.2 Hospital Services in Northern Ontario

The province has a total of 140 public hospitals as of May 2023 spread across Ontario's six health regions: Central, East, Toronto, West, North East and North West; the latter two are sometimes considered one (North) region in certain Ministry and Ontario Health documents. Public hospitals operate on a not-for-profit basis and are funded by the Ministry through Ontario Health. These hospitals provide both inpatient services (requiring overnight stay, such as cardiac surgery and organ transplant) and outpatient services (such as cataract surgery, wound care and diagnostic imaging). Thirty-six or about 26% of the public hospitals in Ontario are located in Northern Ontario, as shown in **Figure 1**. Unlike southern Ontario, Northern Ontario does not have any private hospitals.

Most hospitals in Northern Ontario are located in rural areas and offer limited specialty services and diagnostic imaging services. **Appendix 1** lists the 36 hospitals with their respective number of beds in 2022/23 and acute-care services offered as of September 2023. As well, given their rural locations, some northern hospitals, such as the West Parry Sound Health Centre, are co-located with other health services such as primary care and long-term care. In 2022/23, northern hospitals had about 3,300 beds for various purposes such as acute care, mental health, complex continuing care, and rehabilitation, representing about 10% of all such beds available at Ontario's public hospitals.

2.3 Unique Challenges of Hospital Services in Northern Ontario

2.3.1 Hospital Staffing

Hospitals in Northern Ontario are challenged with health-care staffing issues. According to Ontario Health, northern hospitals have consistently faced difficulties in recruiting and retaining health-care staff, especially in remote locations as the number of health-care professionals who originate from the north and choose to stay and pursue their career in the region may be limited. According to the Ministry and Ontario Health, health-care professionals who relocate to the north from other parts of the province are generally less likely to continue living in the north because of barriers that include fewer options for affordable housing and public transportation, a need for further acquired generalist skills to feel comfortable practising in the north, and reduced or lack of access to the same amenities available in other parts of the province.

The *Protecting a Sustainable Public Sector for Future Generations Act, 2019* (Act), also known as Bill 124, received royal assent in November 2019. This Act limited annual salary increases to 1% over three years for many parts of the public sector in Ontario, including hospitals. In November 2022, the Ontario Superior Court of Justice struck down this Act and declared it unconstitutional. At the time of our audit, the government was appealing the court decision.

The Ministry has several initiatives in place, some of which are administered by Ontario Health, to improve the availability of health-care staff in the north. These initiatives range from increasing the funding for a medical school in the north to providing incentives to bring health-care professionals from other regions of Ontario to work in the north region (see **Appendix 2**).

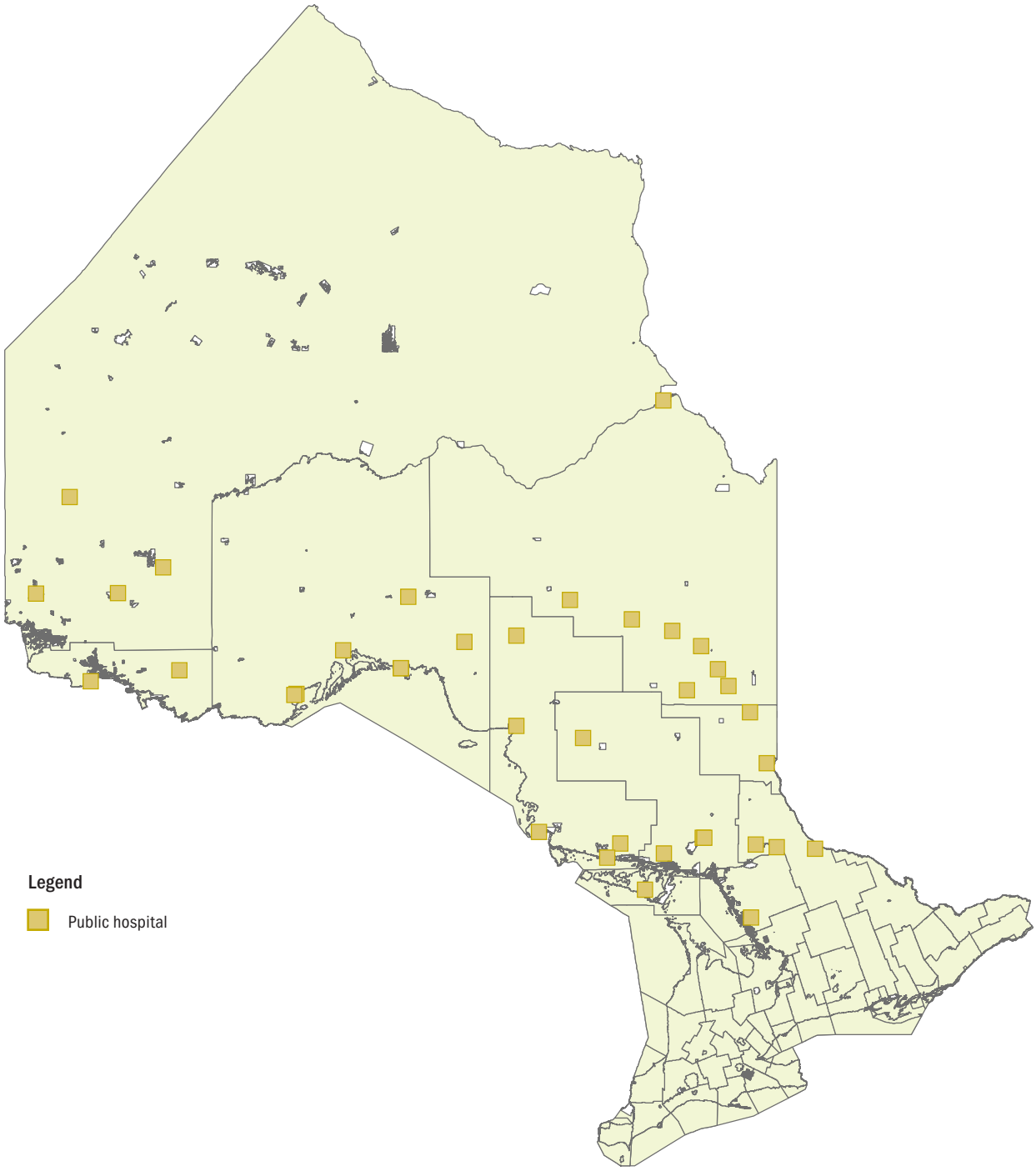
2.3.2 Access to Services

Unlike southern Ontario where hospitals may be less than half an hour away from each other by car, one may have to travel hundreds of kilometres in Northern Ontario to get to the next hospital, to either get to an available bed or access certain specialty services like paediatrics, obstetrics or mental health services.

To help patients in Northern Ontario obtain the care they need, the Ministry administers the Northern Health Travel Grant Program. This program was created in 1985 to provide financial assistance to Northern Ontario residents who travel long distances to access care from medical specialists or Ministry-funded health care facilities. Applicants for the grant have to pay their travel costs upfront and then apply to

Figure 1: Map of Ontario with Locations of the 36 Public Hospitals in Northern Ontario

Prepared by the Office of the Auditor General of Ontario



Note: There are two hospitals located in Sudbury (one acute care and one complex continuing care) and two hospitals located in Thunder Bay (one acute care and one complex continuing care). These locations are layered on one another on this map and therefore the 36 hospitals may appear as 34.

receive the financial assistance after completing their travel. The program provides:

- a grant of $0.41 for every kilometre travelled, based on return road distance travel with a minimum one-way travel of 100 kilometres between the patient's area of residence and the location of the nearest medical specialist or Ministry-funded health-care facility that can provide the required OHIP-insured service; and
- an accommodation allowance of $100–$550, dependent on the number of medically necessary lodging nights, per eligible treatment trip to patients whose one-way road distance to the nearest specialist or Ministry-funded health-care facility is at least 200 kilometres.

In August 2022, a bill was introduced in the Legislature to require the Minister of Health to establish an advisory committee to make recommendations for improving access to health services for people in Northern Ontario by means of reasonable, realistic and efficient reimbursement for travel costs. As of September 2023, this bill was still going through parliamentary discussion and consideration.

Virtual care can help improve patients' access to health services in general, but especially in Northern Ontario given the region's large geographic span. Health services provided to patients virtually can include a patient accessing a physician by phone or video, or a physician at a rural hospital accessing help from a specialist at a larger hospital. The Ministry funds virtual-care services to better connect people with health-care providers across the health-care system.

2.3.3 Meeting the Needs of Indigenous and Francophone Populations

With 17% of Northern Ontario's population being Indigenous and 16% being Francophone, hospitals in the region are expected to have programs that consider the culture, practices and linguistic needs of their local community and have staff who are trained to connect with them.

Indigenous Best Practices

A report published by the Truth and Reconciliation Commission of Canada in 2015 included 94 calls to action—covering areas including child welfare, education, justice and health—to redress the legacy of residential schools and advance the process of Canadian reconciliation. Some of the recommendations are relevant to hospital services in Northern Ontario, including:

- recognize the value of Indigenous healing practices and use them in the treatment of Indigenous patients in collaboration with Indigenous healers and elders where requested by Indigenous patients; and
- increase the number of Indigenous professionals working in the health-care field, ensure the retention of Indigenous health-care providers in Indigenous communities, and provide cultural competency training for all health-care professionals.

Multiple reports have cited best practices in health care for Indigenous peoples in Canada, which involve culturally sensitive approaches that respect Indigenous knowledge, values, and traditions. These practices include:

- cultural competency training for hospital staff to better understand the culture, history, and needs of Indigenous communities;
- involvement of Indigenous peoples in the planning, design, and evaluation of health-care services to ensure these encompass their needs;
- using traditional healing practices, as well as Indigenous patient navigators and interpreters, and incorporating Indigenous artwork and signage; and
- increasing the representation of Indigenous peoples in the health-care system by recruiting and retaining Indigenous health-care workers. These workers can better understand the cultural needs of Indigenous patients and can provide a vital connection between health-care providers and patients.

French Language Services

Under the *French Language Services Act* (Act), a hospital can be designated as French-speaking if it meets certain legislative criteria, including 20 specific requirements. By being designated under the Act, hospitals have to demonstrate that they can provide French language services that are available at all times, offered in an equitable fashion and equivalent to the quality of services offered in English.

Eleven or about one-third of the 36 hospitals in Northern Ontario were either fully or partially designated under the Act as of January 2023. A hospital can be partially designated when it provides only certain programs or services in French. To be fully designated, the hospital must offer all of its services in French actively and on a permanent basis. This means making French-language services available from the first point of contact between the user and the hospital, including all verbal communications and visual communications such as signs, notices and social media.

The 20 specific requirements are grouped in the following major topics: governance, direct services to clients, visual identification and communications, accountability, human resources policy and planning, and community support.

2.4 Key Players in Funding, Oversight and Delivery of Hospital Services in Northern Ontario

2.4.1 Ministry of Health

The Ministry of Health leads the provincial policy work for the health system in Ontario. Several branches within the Ministry work with hospitals in the north region, such as the Hospitals Branch, the Capacity and Health Workforce Planning Branch and the Primary Health Care Branch. While all three branches are responsible for developing policies that affect hospital services, the latter two focus on policies relating to health-care staff and travel grants, respectively.

The Ministry also provides funding to all public hospitals in the province through Ontario Health. The Ministry has the following objectives and priorities for health care in Ontario, as outlined in the Minister's December 2022 mandate letter for Ontario Health for 2023/24: providing the right care in the right place; providing better and faster access to treatments and supports; and hiring more health-care workers.

The Ministry and Ontario Health work together under the terms of a memorandum of understanding (MOU) between the two parties, signed in December 2021 with a requirement to be renewed at least once every five years. The MOU outlines the accountability relationship, roles and responsibilities, ethical framework, reporting requirements, audit and review arrangements, staffing, governance and risk management. In addition, the Ministry and Ontario Health have an accountability agreement between them that outlines Ontario Health's performance goals, reporting requirements and spending plan. This agreement is currently in effect for the period of 2021/22 to 2023/24, and must be renewed upon expiry.

2.4.2 Ontario Health

Ontario had 14 Local Health Integration Networks (LHINs), each a not-for-profit Crown agency covering a distinct region of Ontario. As a result of the Minister of Health's transfer orders under the *Connecting Care Act, 2019*, LHINs' functions related to health system funding, planning and community engagement were transferred to Ontario Health effective April 1, 2021. The north region, which comprises both the North West and North East regions, has a Performance Accountability and Funding Allocation team that is responsible for approving funding and monitoring compliance with the terms and performance targets set out in service accountability agreements with hospitals. Ontario Health also monitors funding to hospitals on an ongoing basis to ensure payments are made according to the hospital's approved spending plans, and are within estimates and program allocations.

2.4.3 Hospitals

Hospitals are independent corporations accountable to their own board of directors. As set out under the *Public Hospitals Act*, hospitals are directly responsible for the

quality of care provided to each of their patients. Hospital administrators are responsible for overseeing the delivery of services and implementation of programs, protocols and procedures adopted by the hospital board, within the parameters of provincial legislation.

The majority of a hospital's funding comes from the Ministry through Ontario Health, but the Ministry may also directly fund hospitals for time-sensitive, specific programs such as expense reimbursements related to the COVID-19 pandemic and capital projects. Hospitals may further raise their own funds through, for example, their foundations, revenues from parking, and allocating space to non-hospital services such as food vendors.

Each hospital signed a Hospital Service Accountability Agreement (HSAA) with Ontario Health. This agreement, standardized for all public hospitals in the entire province, outlines the accountabilities, performance expectations and roles of each party, as well as the requirement to maintain a balanced budget. The agreement also sets out key obligations of the hospital, including meeting all performance standards and reporting requested financial and performance information to Ontario Health.

2.5 Funding and Financial Information

Provincial funding for hospital services is governed under the authority of the *Public Hospitals Act*. It constitutes about 87% of total hospital revenue. The remaining 13% of hospital revenue comes from a variety of sources, such as municipal and federal grants, private insurance, patient self-pay, and fundraising. All revenues are to be used for day-to-day operations—including overhead costs for staffing, supplies and services—and capital initiatives.

In 2022/23, the 36 northern hospitals received total operations funding of about $1.9 billion, equivalent to an 8% share of operations funding for hospitals across the entire province; a similar share was noted in 2020/21 and 2021/22.

Communities play an important role in the success of a hospital in rural areas. Public hospitals often rely on donations, especially from the local community, for capital projects or equipment. Northern hospitals often face difficulties in raising large donations that may be more common for hospitals in the south. According to Ontario Health, the single largest donation to a hospital in Northern Ontario was $10 million in 2022 to Health Sciences North, the largest northern hospital, located in Sudbury. In comparison, a donation of $105 million was made in 2022 to build a new hospital and redevelop an existing one in the Greater Toronto Area.

2.6 Hospital Partnerships with Other Health-Care Providers

In 2019, the Ontario government announced the creation of Ontario Health Teams (OHT). Each OHT is envisioned to include a local hospital, a few long-term care facilities, some home-care agencies and, in some cases, community health clinics or family doctors all linked together in one grouping or team. At maturity, the Ministry expects that OHTs will be responsible for the health outcomes of a population within a geographic area; each will receive its own funding from the government and be subject to a standard set of indicators that will measure their performance in providing integrated care and improving patient outcomes. As of July 2023, the Ministry had approved the operation of 57 OHTs, including 10 in Northern Ontario. As shown in **Appendix 3**, of the 10 Northern Ontario OHTs in place, three were created in 2022 and three were created in 2023 during our audit. These 10 OHTs encompass 32 of the 36 Northern Ontario hospitals.

3.0 Audit Objective and Scope

Our audit objective was to assess whether the Ministry of Health (Ministry) and Ontario Health have effective processes in place to:

- oversee that the delivery of hospital services in Northern Ontario is timely and meets patient needs; and

- measure and publicly report the results and effectiveness of their programs or initiatives, and take corrective actions when necessary.

In addition, our audit assessed whether selected public hospitals in Northern Ontario have effective processes in place to:

- provide hospital services in a timely and cost-efficient manner that meets patient needs and in accordance with applicable legislation and guidelines; and
- use and manage resources with due regard for economy.

In planning for our work, we identified the audit criteria (see **Appendix 4**) we would use to address our audit objectives. These criteria were established based on a review of applicable legislation, policies and procedures, internal and external studies, and best practices. Senior management from the Ministry and Ontario Health reviewed and agreed with the suitability of our objectives and associated criteria.

We conducted our audit between January 2023 and September 2023. We obtained written representation from Ministry and Ontario Health management that, effective November 20, 2023, they had provided us with all the information they were aware of that could significantly affect the findings or the conclusion of this report.

Our audit work was conducted at the Ministry, Ontario Health and selected hospitals in Ontario's north region.

At the Ministry, we conducted the majority of our audit work at the following branches: the Hospitals Branch; the Capacity and Health Workforce Planning Branch; the Primary Health Care Branch; the Ontario Health Teams Policy and Operations Branch; the Indigenous, French Language and Priority Populations Branch; and the Health Data Branch. At these branches, we:

- interviewed representatives who are responsible for program areas pertinent to northern hospitals;
- reviewed applicable legislation and regulations as well as documents consisting mainly of briefing notes, information packages for senior management, and information on various programs; and
- obtained relevant data such as those on the Northern Health Travel Grant Program for patients, incentive programs specific to Northern Ontario to recruit and retain physicians and nurses, shortage of health-care professionals, use of agency nurses, and locations of nursing stations.

At Ontario Health, we:

- reviewed documents consisting mainly of financial information, annual business and operational plans, annual reports, agreements, emails and meeting notes;
- interviewed management and staff responsible for program areas including health-care planning, hospital performance monitoring and data collection, health equity and priority populations, the health-care workforce, and use of virtual care;
- obtained and examined data from systems including the Wait Time Information System, the Self Reporting Initiatives, the National Ambulatory Care Reporting System and the Discharge Abstract Database in order to conduct analyses on hospital performance;
- obtained and examined data from the S9 Dashboard for analysis of physician and nurse shortages; and
- obtained and examined data from the Health Force Ontario Unit on locum physicians.

We visited and completed detailed audit work at three hospitals—Health Sciences North in Sudbury, Hornepayne Community Hospital in Hornepayne, and Sioux Lookout Meno Ya Win Health Centre in Sioux Lookout. At these hospitals, we:

- observed hospital operations;
- interviewed hospital administrators and program staff responsible for recruiting and retaining staff, developing hospital strategy, measuring and reporting performance, monitoring patient flow, managing patient and family complaints, integrating hospital services with other service providers, improving

health equity, using virtual care and paying staff compensation;
- interviewed the Board Chair;
- examined documents related to health-care planning, accreditation and quality improvement, patient flow, health equity training, culturally appropriate health services, French language service designation, capital project approval, and Board of Director meetings; and
- obtained and analyzed data related to alternate-level-of-care patients, wait times and patient complaints.

We also visited four other hospitals: Anson General Hospital in Iroquois Falls and Lady Minto Hospital in Cochrane (both part of MICs Group of Health Services); Services de santé de Chapleau Health Services in Chapleau; and West Parry Sound Health Centre in Parry Sound. At these hospitals, we met with hospital administrators and staff and toured the hospitals to understand local best practices and any unique challenges.

Furthermore, we administered a questionnaire to all 36 hospitals in Northern Ontario to obtain data and information on the areas we examined in this audit; 34 or 94% of them responded.

Every few years, hospitals in Ontario participate in a voluntary accreditation process to assess performance against best practices on patient safety and quality of care, infection prevention and control, medication management, organizational culture and effective governance. For the seven hospitals we visited in this audit, the most recent accreditations were completed between 2018 and 2023. We considered the results of these accreditation reports in our audit work, but otherwise did not examine the same areas that were examined by the accreditation body in our audit.

To obtain stakeholder perspectives on hospital operations in Northern Ontario, we met with representatives from Home and Community Care Support Services, the Northern Ontario School of Medicine University, the Ontario Medical Association, Ornge, and the Registered Nurses' Association of Ontario.

We conducted our work and reported on the results of our examination in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada. This included obtaining a reasonable level of assurance.

The Office of the Auditor General of Ontario applies Canadian Standards on Quality Management and, as a result, maintains a comprehensive system of quality management that includes documented policies and procedures with respect to compliance with rules of professional conduct, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

4.0 Detailed Audit Observations

4.1 Health-Care Strategy for Northern Ontario

4.1.1 No Dedicated Health-Care Strategy for Northern Ontario

The Ministry of Health (Ministry) did not have a dedicated health-care strategy for Northern Ontario that addresses the region's unique health-care needs, including challenges related to geography, the health-care workforce, Indigenous health and other health inequities. In 2009, the Ministry of Health and Long-Term Care had established the Rural and Northern Health Care Panel to define a vision, guiding principles, strategic directions and guidelines to assist the Ministry and the Local Health Integration Networks (since consolidated into Ontario Health) in addressing access to care for rural, remote and northern communities. As a result of this panel's work, in 2010, the Ministry issued an 85-page report titled Rural and Northern Health Care Framework/Plan—Stage 1 Report, which included a reference to two additional stages following

this first stage, to be concluded with the issuance of a final framework for the province.

The report also included the panel's 12 recommendations, as shown in **Appendix 5**, to support the Ministry in developing strategies for rural and northern health care. These recommendations included establishing a process to identify strategies to improve access to health-care services for First Nations communities, continuing to explore innovative ways of attracting health professionals to Northern Ontario, and creating a culture of collaboration and co-ordination among health-care providers in Northern Ontario.

We found that the Ministry never developed a final framework. We noted that Ministry staff last referred to the Stage 1 framework in their work in 2014 and, when we inquired about its status during our audit, they informed us that each government establishes its own strategy. The Ministry told us that, after consulting with the community and making investments to address the panel's recommendations, such as establishing family health teams in rural and northern communities and expanding the Ontario Telemedicine Network, it had determined that a formal framework was not required.

The Ministry told us that it has initiatives and programs specific to the north, some of which are discussed in this report, but it does not have a single document containing a comprehensive health-care strategy for the north region. For example, the Ministry has developed programs to recruit and retain health-care staff in Northern Ontario, such as the Northern and Rural Recruitment and Retention Initiative, the Northern Specialist Locum Programs, the Tuition Support Programs for Nurses and Nursing Community Assessment Visits.

According to the current memorandum of understanding between the Ministry and Ontario Health established in December 2021, the agency's mandate includes "to manage health service needs across Ontario consistent with the Ministry's health system strategies." Having a dedicated health-care strategy for the north is important to guide Ontario Health's focus on the specific areas that would address the unique health-care needs of residents in Northern Ontario.

4.1.2 Province's 2023 Health-Care Strategy Does Not Address All the Unique Challenges of Northern Ontario

The Ministry released Your Health: A Plan for Connected and Convenient Care for the entire province in February 2023. This plan covers three major areas: supporting the right care in the right place, providing faster access to care, and hiring more health-care workers. Apart from enhancing some capacity in northern and rural areas by adding 150 more education seats for nurse practitioners starting in 2023/24, this plan did not provide any specific strategies for addressing the longstanding health inequities identified in Northern Ontario, as mentioned in **Section 2.1.** As well, we confirmed with multiple Ministry branches that they, too, did not have any dedicated strategy targeting the unique challenges facing Northern Ontario hospitals or the north region overall.

The provincial health-care plan was released during our audit and was still being implemented when we completed our work; the Ministry informed us it was developing a mechanism for tracking and monitoring the plan's progress.

This one-size-fits-all approach misses an opportunity to identify all the elements that are needed to provide the best health-care possible in Northern Ontario, and work more effectively to address them. Our discussions with staff from Ontario Health and hospitals identified that non-health-related matters can also influence the quality of hospital services for patients. These include affordable housing, public transportation, child care, Indigenous cultural services and economic development. For example, the scarcity of child care and housing deters many health-care professionals from working in the north region; public transportation and related infrastructure issues can affect physical access to hospitals for both patients and health-care staff; and a lack of culturally safe care contributes to language and communication barriers and mistrust in the health-care system, discouraging some patients from using the health-care services they are entitled to. Also, overall economic development has a broad impact on education, income, employment levels, and access to healthier food options. With a

strategy that also focuses on addressing these unique regional factors, the government could better co-ordinate with other ministries, levels of government and delivery partners to improve the capacity and quality of health care in the region. Multiple stakeholder groups that we engaged with all agreed that there is a need for a dedicated health-care strategy for Northern Ontario. For example:

- Ornge, a Ministry-funded organization that provides air ambulance services across Ontario, indicated that a dedicated strategy for Northern Ontario would help address its specific challenges in the region, including a lack of detailed weather reports and the poor state of runways in some airports with limited de-icing during the winter.
- The Ontario Medical Association reinforced that a dedicated strategy for the north and rural areas is needed, and that a government body needs to be identified to be responsible for monitoring that the strategy is being implemented effectively and that it is leading to improvements in the health outcomes of residents in the north. This is in line with a recommendation in the Ministry's 2010 Rural and Northern Health Care Framework/Plan to create a single point of focus within the Ministry for rural, remote and northern health to increase accountability and make it easier to define and monitor standards for improving access to health care.

Having a dedicated strategy can also help set goals to support timely and accessible health care in Northern Ontario, and allow the government to monitor progress toward these goals. For example, one goal in a dedicated strategy can be to enhance Internet access in rural areas to increase the use of virtual technologies for patient care. Northern Ontario's large landmass limits patient access to services, and virtual care can play a large part to help with this. Providing virtual care is contingent on having reliable, high-speed Internet. A May 2023 report by an organization funded by the Federal Economic Development Agency for Northern Ontario noted that several major areas in Northern Ontario still did not have access to high-speed Internet. In November 2023, the government announced that it will be investing about $11 million to bring improved Internet access to several towns and First Nation communities across Northern Ontario by the end of 2025.

In 2015, the Registered Nurses' Association of Ontario published its Coming Together, Moving Forward: Building the Next Chapter of Ontario's Rural, Remote & Northern Nursing Workforce Report, which proposed 23 recommendations including to:

- "consider the context of rural, remote and northern health-care delivery through meaningful engagement of relevant stakeholders and conducting an impact analysis, when developing new provincial initiatives; and
- invest in ongoing infrastructure renewal and growth in rural and remote communities (i.e., telecommunications, hydro, transportation, housing, etc.)."

Also, before being absorbed into Ontario Health in 2019, Health Quality Ontario (a government agency with a mandate to advise on health-care quality) developed the Northern Ontario Health Equity Strategy in 2018. This strategy included a main recommendation to establish a Northern Network for Health Equity that would support efforts across different sectors to improve health equity for people living in Northern Ontario. According to the World Health Organization, health equity is achieved when everyone, regardless of their social, economic, demographic or geographic differences, can attain their full potential for health and wellbeing. Ontario Health has since implemented some initiatives that align with this strategy's objectives; for example, it has established an internal regional Equity, Inclusion, Diversity and Anti-Racism Committee, and supported hospitals becoming part of Ontario Health Teams to deliver co-ordinated health care that is more connected to patients' local communities. However, five years after it was first developed, the Northern Network for Health Equity had not been established because, according to Ontario Health, the Ministry did not approve its funding request.

We found that jurisdictions in the United States and Australia, and British Columbia in Canada have developed dedicated strategies and initiatives

that address the distinct health determinants in rural regions, much like those in the north, to help improve health-care delivery in these regions. Health determinants are factors such as income, physical environments and social supports that influence population health. We describe these strategies in greater detail in **Appendix 6**.

RECOMMENDATION 1

To better meet the unique health-care needs of Northern Ontario residents, we recommend that the Ministry of Health:

- work with Ontario Health, relevant ministries and stakeholder groups to develop and implement a dedicated health-care strategy for Northern Ontario, considering similar strategies from other jurisdictions as well as factors that may influence the delivery of health care, such as child care and housing;
- review recommendations from the Rural and Northern Health Care Framework/Plan, Northern Ontario Health Equity Strategy, and applicable associations and organizations such as the Registered Nurses' Association of Ontario, Ontario Medical Association and Ornge, and consider them in the dedicated strategy where appropriate;
- develop and monitor performance indicators that measure the goals and outcomes of this dedicated strategy;
- publicly report on the status of implementation of this dedicated strategy annually to show if it is leading to improvements in the health outcomes of residents in the north; and
- establish a schedule to regularly review and update this dedicated strategy.

MINISTRY RESPONSE

The Ministry of Health (Ministry) acknowledges this recommendation. The Ministry and Ontario Health will continue to prioritize the health-care needs for residents in Northern Ontario by building on and improving existing programs and initiatives and working toward the goal of providing the right care in the right place, faster access to care and hiring more health-care workers.

The Ministry will review this recommendation and conduct further analysis to determine the feasibility of a dedicated strategy. If this is deemed feasible, the Ministry will determine next steps that may include considering recommendations from other associations and organizations, developing and monitoring performance indicators, reporting on the status of implementation, and establishing a schedule to review and update the dedicated strategy.

4.2 Physician and Nurse Shortages in Northern Ontario

4.2.1 Ministry Did Not Have a Health-Care Staffing Strategy for the North

The Ministry told us that addressing health-care staffing challenges in Northern Ontario is a priority, but it did not have a plan to address these issues for the north region when we completed our audit.

As discussed in **Section 2.3.1**, the Ontario government has multiple programs in place to attract and retain health-care professionals. While there are some programs designed to help the north region, most programs are for the entire province. For example, the Ontario Learn and Stay Grant, offered by the Ministry of Colleges and Universities, reimburses students for tuition, books and compulsory fees for studying nursing, medical laboratory technology and paramedics in priority communities of Ontario. However, this program's list of priority communities includes cities such as Ottawa, Windsor and London, which are larger and typically attract more students than rural towns in the north. The Ministry stated that in 2022, of the 11,452 nurses who initially registered and reported being employed in Ontario, only 6.2% reported at least one nurse employment position in the North East or North West region.

As discussed in **Section 4.1.2**, Ontario has a health-care plan that covers health-care staffing; however,

the initiatives discussed are for the entire province with limited focus on the north region. In comparison, in September 2022, British Columbia and Saskatchewan each published provincial health-care staffing strategies that included specific planned actions for rural and remote areas. We describe these strategies in **Appendix 7**.

Having a health-care staffing strategy that recognizes the unique challenges in Northern Ontario would help address specific situations that effectively discourage recruitment in northern hospitals. For example, in one hospital we visited, management told us that it has a constant fear of losing Indigenous staff to a nearby federally funded health organization that can provide higher wages and tax exemptions to its Indigenous staff. Management told us it has been seeking a tax exemption from the Canada Revenue Agency for its Indigenous employees since 2011, so the hospital can better compete with other employers in the region to attract and retain talent. However, this was still not resolved at the time of our audit.

RECOMMENDATION 2

To better address health-care staffing challenges in Northern Ontario hospitals, we recommend that the Ministry of Health:

- work with Ontario Health to further implement a health-care staffing strategy with specific actions to address the unique characteristics of health care in Northern Ontario; and
- collaborate with the federal government to explore options to better address the particular staffing challenges of Northern Ontario hospitals—for example, by seeking an exemption on income tax applicable to hospitals' Indigenous employees.

MINISTRY RESPONSE

The Ministry of Health (Ministry) acknowledges this recommendation. The Ministry is working to improve health-care staffing in Northern Ontario as part of a broader health human resources strategy driven by Your Health: A Plan for Connected and Convenient Care. To date, this has included the deployment of a number of programs to support recruitment and retention in Northern Ontario in 2023/24 and beyond, including the Clinical Scholar Program, the Enhanced Extern Program, the Supervised Practice Experience Partnership, and the Community Commitment Program for Nurses.

The Ministry is working at present to evolve this plan to include the following elements moving forward:

- evaluating and calibrating existing recruitment and retention programs specifically for use in the north; and
- developing enduring solutions to support longer-term recruitment and retention of the health workforce in north.

Further the Ministry recognizes the need to work with sector and intergovernmental partners, including the federal government, to evolve and implement a successful health human resources strategy for Northern Ontario.

4.2.2 Staff Shortages Have Led to Ongoing Closures of Hospital Services in Northern Ontario

As discussed in **Section 2.3.1**, northern hospitals have consistently faced difficulties in recruiting and retaining health-care professionals. This shortage has resulted in hospitals having to either close certain departments or reduce operating hours for some services.

Prior to 2018, of the 36 northern hospitals, 19 had the resources to provide obstetrics services. In the summer of 2022, the Ministry asked Ontario Health to track obstetrics service closures in the province because it was a growing concern at the time. Ontario Health stated during our audit that it stopped reporting this information in March 2023 so that it could first establish a process to track all potential and actual closures, and flag any serious risks and concerns to the Ministry. In August 2023, Ontario Health implemented a process to centrally track closures in northern hospitals'

Figure 2: Closure of Obstetrics Departments at Northern Ontario Hospitals, July 4, 2022, to September 3, 2023

Source of data: Ontario Health

Hospital	Location	Type of Staff Shortage That Led to Closure	# of Times Closed	Total # of Days Closed[1]	Average # of Days[1] of Each Closure
Lady Dunn Health Centre	Wawa	Physician	1	**1,777.0**[2,3]	n/a
Weeneebayko Area Health Authority	Moose Factory	Physician	1	**1,707.0**[2,3]	n/a
Red Lake Margaret Cochenour Memorial Hospital	Red Lake	Physician	1	**427.0**[2]	n/a
West Parry Sound Health Centre	Parry Sound	Nursing and Physician	12	**179.5**[3]	15.0
St. Joseph's General Hospital	Elliot Lake	Nursing and Physician	83	**118.0**	1.5
Notre-Dame Hospital	Hearst	Physician	5	**119.0**[2]	n/a
North of Superior Healthcare Group (Wilson Memorial Hospital)	Terrace Bay	Nursing	1	**96.0**	96.0
Sault Area Hospital	Sault Ste. Marie	Physician	1	**3.0**	3.0
Sensenbrenner Hospital	Kapuskasing	Nursing and Physician	5	**2.0**	0.5
Temiskaming Hospital	New Liskeard	Physician	1	**0.5**	0.5

1. Calculated from hours.
2. Calculated as of September 3, 2023; department remained closed as of the end of September 2023.
3. Includes days closed prior to July 4, 2022, as the data that Ontario Health collected included retroactive information on closures.

obstetrics services. By the end of September 2023, 15 northern hospitals were providing obstetrics services.

Ontario Health also tracks emergency department closures across the province, which are described in our 2023 value-for-money audit of Emergency Departments. Ontario Health does not centrally track other department closures in hospitals in Northern Ontario, indicating this work is mostly done separately by regional teams within the agency.

As shown in **Figure 2**, Ontario Health's information showed that between July 4, 2022, and September 3, 2023, 10 of the 19 northern hospitals had reported closures in their obstetrics services lasting anywhere from half a day to this entire period. The agency told us that these hospitals closed their obstetrics services because of a shortage of nurses or physicians, or both. Patients who live near these hospitals would need to travel to other locations, often at significant distances, to obtain the needed non-emergency services. For example, the obstetrics services at Lady Dunn Health Centre in Wawa, Weeneebayko Area Health Authority in Moose Factory and Red Lake Margaret Cochenour Memorial Hospital in Red Lake remained closed as of the end of September 2023, with the first closed for about five years as of September 2023. Patients in Wawa would need to travel to the nearest hospital with obstetrics services—to Sault Ste. Marie, about two and a half hours by car. Patients in Moose Factory would need to travel to Timmins, a one-hour flight scheduled generally only during weekdays, or to Kapuskasing, which takes several hours of travel by airplane and car. Patients in Red Lake would need to travel to Dryden, which is about two and a half hours away by car. We asked Ontario Health whether there were plans to reopen the services at these hospitals. Ontario Health contacted the hospitals and told us that there was interest in restarting the service at Lady Dunn Health Centre, but there was no expected timeline due to a lack of physicians; Weeneebayko Area Health Authority expressed a desire to restart this service, but had not made any funding requests; and Red Lake Margaret Cochenour Memorial Hospital's Medical Advisory Committee decided that resuming the service would not be considered until at least spring 2024 because of a lack of physicians.

RECOMMENDATION 3

To help hospitals provide more accessible care to patients in Northern Ontario, we recommend that Ontario Health develop a process to centrally compile data on significant hospital service reductions, including reasons for the service reductions; and support hospitals with mitigating any service reductions or their impact on patients.

ONTARIO HEALTH RESPONSE

Ontario Health accepts the recommendation. Ontario Health is committed to connecting, co-ordinating, and modernizing our province's health-care system to ensure all people of Ontario have equitable access to high-quality health care, when and where they need it. Ontario Health supports the ongoing need to ensure service reductions and patient impacts are minimized due to health human resource shortages. Ontario Health will continue to strengthen its internal processes to regularly identify and compile data on all significant hospital service reductions, and work with hospitals to find solutions to mitigate service reductions and the impact to patients.

4.2.3 Lack of Reliable Data on Staffing Supply and Demand

Issues with Ministry's and Ontario Health's Collection of Hospital Staffing Data Limit Its Usefulness, and Information Gaps Persist

Both the Ministry and Ontario Health collect data on health-care staff shortages across Ontario, including Northern Ontario. However, we found that the data collected is incomplete and that neither party centrally oversees or fully reviews the data, therefore missing an opportunity to use the data effectively to assess and respond to staff shortages.

Hospitals report staffing data to the Ministry and Ontario Health mainly via three datasets, but we found some issues with the data collection that limit its usefulness. In **Appendix 8**, we describe these three datasets and the deficiencies we found in each. First, because reporting is not mandatory, not all hospitals report the requested data regularly, so the datasets are incomplete and therefore not fully reliable. Second, having three separate channels to collect similar data, such as the number of physician and nurse vacancies, puts an unnecessary administrative burden on hospitals and can discourage data submission. Having a single, mandatory platform for hospitals to submit their data would make it easier for more complete information to be collected, and help improve the reliability of the data. Third, we found discrepancies in the data reported through the different tools. For example, the Northern Ontario Physician Data Collection Tool reported the number of family physician vacancies in the North West and North East as 71 and 118, respectively, for November 2022; this was significantly different from 4 and 37, respectively, as reported by the S9 Census for the same period.

With incomplete and unreliable data to inform its decisions, the Ministry and Ontario Health cannot effectively respond to changing conditions by making impactful, evidence-based changes to improve the province's recruitment and retention programs for physicians and nurses in Northern Ontario.

Ministry's Tools for Forecasting Staffing Needs Not Useful on a Regional Basis, and Did Not Inform Retention and Recruitment Programs for Northern Ontario

The Ministry uses two modelling tools to forecast supply and demand for physicians in the province and one modelling tool to do the same for nurses. However, we found that it has not used this forecast information to help design and improve its programs aimed at attracting and retaining physicians and nurses in Northern Ontario. Also, the Ministry does not regularly report information generated by these tools.

The Ministry has been using the following modelling tools:

- The Assessing Doctor Inventories and Net-Flows Supply Model can project physician supply for up to a period of 19 years by tracking physicians

from post-graduate training, through their practising years, and to retirement, as well as by age, sex and specialty.

- The Utilization Model estimates the number of physicians required in the province based on a future utilization forecast, which is determined by applying the population's rate of visits by physician specialty, according to Ontario Health Insurance Plan claims, to population projections.
- The Ontario Nursing Simulation Model estimates the supply and demand for registered nurses and registered practical nurses.

We found the following concerns with the Ministry's use of these tools:

- The Ministry uses these tools on an ad hoc basis and has no schedule that defines how often it will generate current information for the nursing model or report this information to internal and any external stakeholders. By regularly using these tools to inform program improvement, the Ministry can keep its programs up to date based on current conditions.
- The Ministry's modelling tools for physicians and nurses do not allow for regional-level analysis or identify the needs of patients in a particular area. Yet, as shown in **Section 2.3.1**, Northern Ontario's health-care challenges are different from other regions. The Ministry informed us that it has historically preferred to rely on provincial-level modelling to identify professions or physician specialties with issues that require a more thorough analysis.
- The Ministry's modelling tools are not designed consistently to consider patients' gender, age and health conditions. We noted that the Ontario Medical Association is currently working on developing a model called the Physician Resources Integrated Model, which would use population health needs and workforce capacity along with artificial intelligence to predict future health-care needs, such as how many family physicians and specialists will be required to meet patient needs in a specific geographic area.
- The two physician modelling tools were last updated in 2021, and the nurse modelling tool was last updated in 2017. These updates included more recent data to improve future projections. The Ministry explained that it has not recently updated these tools because of resources being diverted to respond to the COVID-19 pandemic. It stated that it aims to update these tools every two years.
- As of November 2022, using these tools, the Ministry forecast that the demand for physicians will be 38,295 by 2030, which outpaces the supply of 37,703 by 592 physicians. We found no evidence that either the Ministry or Ontario Health has used this analysis to improve any of the health-care staffing programs for Northern Ontario.

RECOMMENDATION 4

To better plan for health-care staffing, we recommend that the Ministry of Health and Ontario Health:

- identify health-care staff shortage information being collected via different datasets and eliminate duplication, and work toward creating a single mandatory platform accessible to both organizations;
- update all modelling tools every two years, considering input from external stakeholders, such as the Ontario Medical Association, that may have other data elements not included in the Ministry's modelling tools;
- develop and implement a process to forecast health-care staffing needs at a regional level for the six health regions on a regular basis; and
- establish a schedule to periodically forecast the future supply and demand for physicians and nurses, follow the schedule to create forecasts and share them with relevant Ministry and Ontario Health program areas, particularly those that administer health-care staff recruitment and retention initiatives.

MINISTRY RESPONSE

The Ministry of Health (Ministry) acknowledges this recommendation.

The Ministry acknowledges the need to avoid the duplication of any data collected from health system employers and staff. The Ministry will work with Ontario Health to identify further opportunities for data integration in support of health workforce planning in the north.

The Ministry continues to work with a number of sector partners to enhance data and evidence in support of health workforce planning for Northern Ontario and the province as a whole. This includes collecting data in relation to physician workforce planning through the Ontario Physician Reporting Centre, a collaborative project of four organizations: the Ministry of Health, the College of Physicians and Surgeons of Ontario, the Council of Ontario Faculties of Medicine and the Ontario Medical Association.

The Ministry will work with system partners including Ontario Health to improve our health workforce modelling tools and examine new methods to incorporate data on a regional level, while avoiding the duplication of any data collected from health system employers and staff.

ONTARIO HEALTH RESPONSE

Ontario Health accepts this recommendation. Ontario Health recognizes the importance of accurate, up-to-date information being available so that hospitals and system partners can make decisions that collectively support the recruitment and retention of health human resources across Ontario. Ontario Health will work with the Ministry of Health to develop a health human resources data plan for the province.

4.2.4 Incentive Program to Attract Nurses to Work in Rural Areas Was Never Evaluated and No Performance Goals Were Established

We found that hospitals in Northern Ontario experienced a higher percentage of vacancies for nurses than hospitals in other parts of the province. As shown in **Figure 3**, in July 2023, 11 northern hospitals reported to Ontario Health that vacancy rates were about 14% for registered nurses and 18.5% for registered practical nurses, while hospitals in other regions had vacancy rates of 13.5% and 12%, respectively. However, not all Northern Ontario hospitals regularly submit vacancy rate information because Ontario Health did not make it mandatory. All 34 Northern Ontario hospitals that responded to our questionnaire stated that they faced a shortage of nurses.

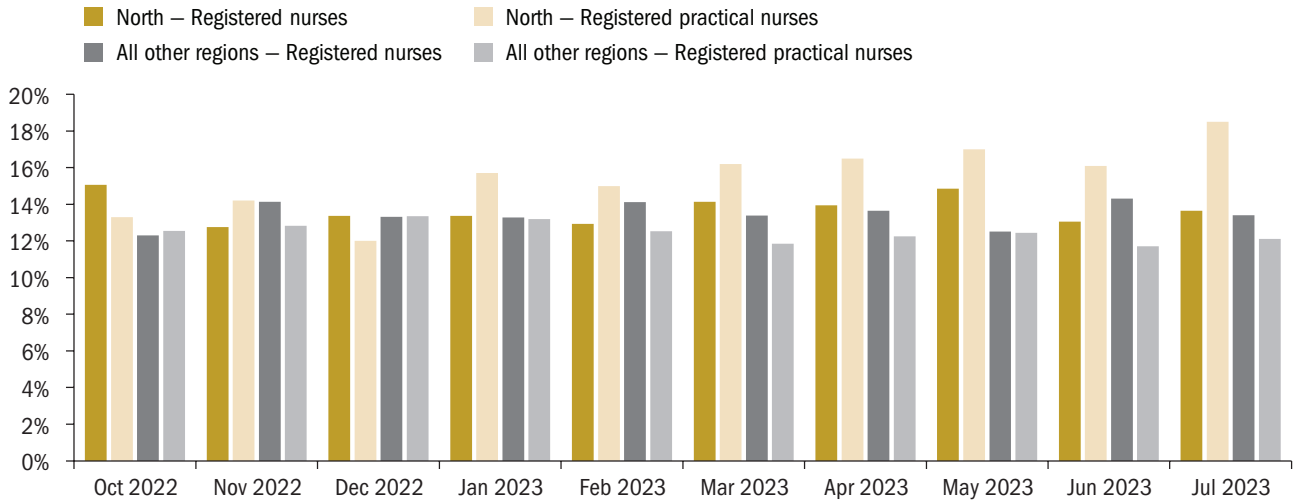
Multiple reports have highlighted a shortage of nurses in Ontario. Management at most Northern Ontario hospitals that we visited told us that they have a dire need for nurses. They also told us that the best way to recruit and retain nurses is to recruit them early in their career. To that end, the Ministry and Ontario Health separately administer nursing incentive programs directed at attracting early-career nurses. However, the only program that focuses on rural areas, which are more common in Northern Ontario, is the Tuition Support Program for Nurses.

The Ministry established this program in 2006/07 to offer tuition reimbursement to recent nursing graduates who choose to work in an eligible underserviced community. Over the last 10 years between 2013/14 and 2022/23, 51% of the program recipients started their nursing careers in a northern community. While more program recipients chose to begin their nursing careers in the north than in the south in five of the last 10 years, the number of program recipients who chose to begin their nursing careers in the north has dropped from 78 in 2020/21 to 35 in 2022/23, as shown in **Figure 4**.

We found that the Ministry has never evaluated the program since its inception about 16 years ago. The Ministry also has not established a target or measured

Figure 3: Vacancy Rates for Nurses at Hospitals in Northern Ontario and Other Regions, October 2022–July 2023

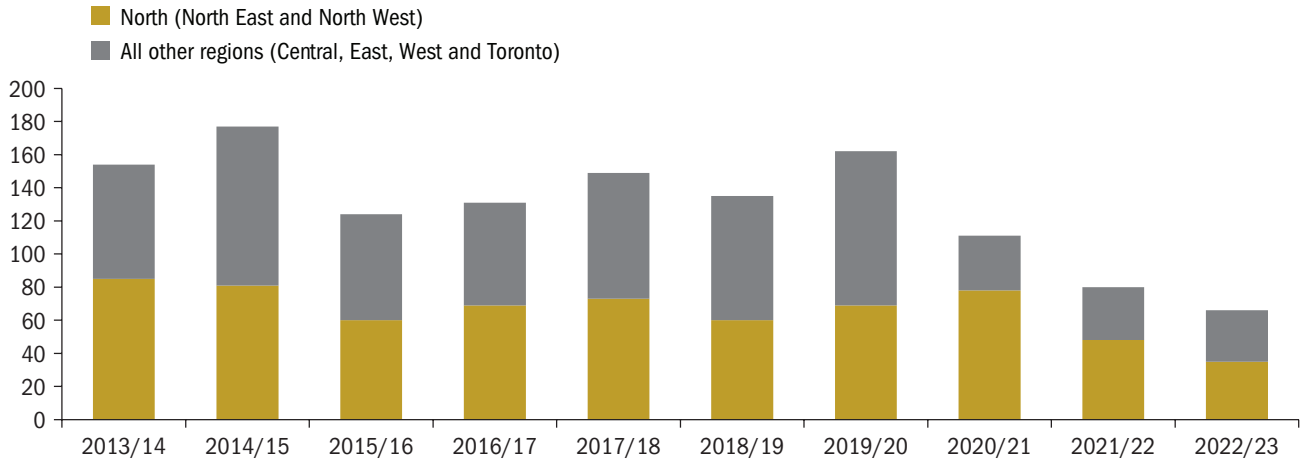
Source of data: Ministry of Health and Ontario Health



Note: October 2022 was the first month that this data was used by Ontario Health. Not all hospitals regularly submit this data.

Figure 4: Number of New Recipients of the Tuition Support Program for Nurses in Northern Ontario and Other Regions, 2013/14–2022/23

Source of data: Ontario Health



how many program recipients remain in Northern Ontario after participating in the program, or tracked whether the nurses originated from Northern or southern Ontario before beginning the program. As such, the Ministry cannot measure whether this program has been successful in building a sustainable workforce of nurses in Northern Ontario.

4.2.5 Northern Hospitals Increased Agency Nurses Hours While Paying Them About Three Times the Amount of Full-Time Staff

Agency nurses are nurses that are contracted through private agencies. The use of nurse agencies is not new in Ontario—agencies have been providing temporary staff to hospitals for many years to cover

vacancies. However, the COVID-19 pandemic has increased the reliance on these agencies, as much of the permanent nursing workforce was reportedly experiencing burnout.

Although the Ministry collects information on hospitals' expenditures on agency staff, the data does not differentiate between expenditures on registered nurses, registered practical nurses and personal support workers, and therefore the Ministry does not know the amount spent just on nursing staff. According to Ontario Health records, which are based on the Ministry's data, northern hospitals spent about $88 million in 2022/23 on health-care staff contracted through nursing agencies.

Of the 34 Northern Ontario hospitals that responded to our questionnaire, 29 of them informed us that they had used agency nurses in 2022/23 and, by their own accounts, spent a total of about $78 million on them.

As shown in **Figure 5**, between 2018/19 and 2022/23, the use of agency nurses in Northern Ontario hospitals increased 25 times, from just over 15,000 hours in 2018/19 to about 391,000 hours in 2022/23, compared to about two and a half times for the rest of the province, from about 540,000 hours to 1.34 million hours for the same period.

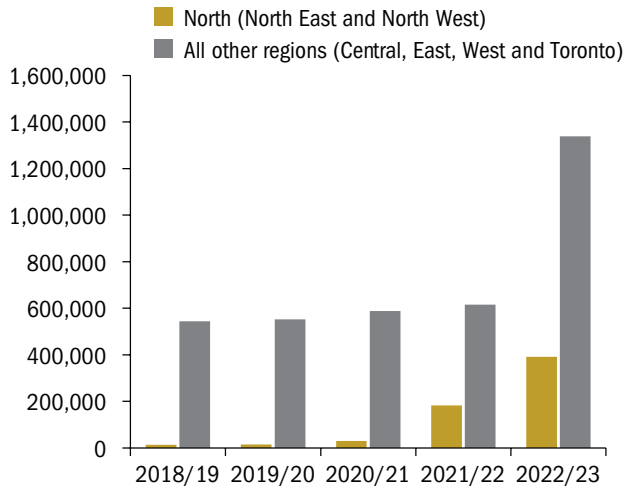
Hospitals in rural areas often have to pay travel and accommodation expenses for some agency nurses compared to hospitals in urban areas, where many agency nurses may already live. We found that, on average, among the northern hospitals we visited during this audit, nurse agencies charged about three times the hourly rate of a full-time nurse employed at a hospital, along with accommodation and travel costs. To illustrate:

- At one hospital we visited, agencies charged the hospital an hourly rate of $83.75–$160 in 2022/23 for a registered nurse, significantly higher than the established wages of $35.50–$42 an hour for that hospital's full-time, unionized registered nurses with up to five years of experience.
- At another hospital we visited, agencies charged the hospital an hourly rate of $120–$155 per hour in 2022/23 as opposed to the unionized wages mentioned above. This hospital also sometimes incurred additional compensation costs because it had to first offer shifts to its fulfill, unionized nurses and pay them overtime wages, but also had to use agency staff to fulfill minimum hours as stipulated in the agency contracts. This arrangement at times can result in more agency nurses than needed working shifts. In addition, this hospital is also responsible for covering the agency nurses' union dues.
- At another hospital we visited, the agency that provides nurses could charge even higher rates for shifts that were booked with less than 12 hours of notice.

At the time of our questionnaire, 30 hospitals had agreements in place with agency nurses; 25 of them had negotiated rates of $101–$150 per hour for a registered nurse, and 27 hospitals had negotiated rates of $76–$125 for a registered practical nurse.

Figure 5: Number of Hours Worked by Agency Nurses in Hospitals in Northern Ontario and Other Regions, 2018/19–2022/23

Source of data: Ministry of Health



In addition, hospitals that hire agency nurses would need to onboard and train them so they can perform the same duties in the same manner as the hospital's own nurses. Our questionnaire results showed that the 30 Northern Ontario hospitals that used agency nurses spent between one shift and four weeks to onboard agency nurses, with many taking about two weeks.

Management at the hospitals in Northern Ontario that we visited informed us that they face unique challenges when using agency nurses. For example:

- Smaller hospitals, which are common in Northern Ontario, typically require nurses to work in multiple departments. In comparison, larger hospitals typically have nurses who only work for a specific department. This workload and other factors have contributed to higher turnover rates among agency nurses.
- Staff from one hospital indicated that they felt they were becoming a travel agent because of the time they spent co-ordinating logistics for agency nurses, including arranging for their housing and transportation, since this is the hospital's responsibility.
- Due to high monthly rents and lack of housing in the community, one hospital we visited purchased its own housing for its agency nurses. However, this also came with additional responsibilities, such as paying for property taxes, Internet, furniture, lawn care and snow blowing, which take away resources from the hospital.

Despite these increased costs, northern hospitals may find it challenging to avoid using agency nurses. Management at one hospital we visited told us the number of agency nurse hours went from 2,000 hours in 2018/19 to over 98,000 in 2022/23 because of a mass exodus of nurses during the COVID-19 pandemic and after the passing of Bill 124, which limited nurses' annual salary increases. Some of these agency nurses had been working at the hospital for over a year. Management at another hospital we visited told us that it had avoided using agency nurses by bringing in more non-nursing support, such as personal support workers, which are staff trained to provide non-medical care such as changing bed linens, and helping patients to the bathroom, brushing their teeth and hair, and helping them be comfortable in bed. However, in October 2023, the hospital started hiring agency nurses to meet its staffing needs.

Of the 30 hospitals that used agency nurses and responded to our questionnaire, 18 stated that they had experienced patient care issues from using agency nurses. In addition, hospitals informed Ontario Health about instances where agency nurses lacked training, resulting in trust issues and extra supervision by physicians. Our 2023 value-for-money audit titled Long-Term Care Homes: Delivery of Resident-Centred Care found concerns regarding continuity of care from agency nurses.

RECOMMENDATION 5

To help increase the availability of nurses in hospitals in Northern Ontario, we recommend that the Ministry of Health:

- establish performance indicators and targets that measure the success of the Tuition Support Program for Nurses, and collect this data at least annually;
- evaluate the Tuition Support Program for Nurses at least once every five years and update the program as needed;
- assess the feasibility of creating a northern-specific program for nurses to help increase the supply of nurses in Northern Ontario; and
- regularly collect hospital spending data on agency health-care staff by type of staff and share it with Ontario Health.

MINISTRY RESPONSE

The Ministry of Health (Ministry) acknowledges this recommendation. The Ministry is working to improve health-care staffing in Northern Ontario as part of a broader health human resources strategy driven by Your Health: A Plan for Connected and Convenient Care. To date, this has included the deployment of a number of programs to support recruitment and retention in Northern Ontario in 2023/24 and beyond, including the Enhanced

Extern Program, the Supervised Practice Experience Partnership, and the Community Commitment Program for Nurses.

The Ministry is working at present to evolve this plan to include the following elements moving forward:

- evaluating and calibrating the Tuition Support Program for Nurses and other existing recruitment and retention programs specifically for use in the north; and
- developing enduring solutions to support longer-term recruitment and retention of the health workforce in the north.

Further, the Ministry recognizes the need to work with sector and intergovernmental partners, including the federal government, to evolve and implement a successful health human resources strategy for Northern Ontario.

The Ministry will continue to collect information on compensation expenses for agency staff based on the hours worked by agency staff versus contracted employees who provide direct care/services in the Ontario Healthcare Financial and Statistical System in support of health workforce planning, and will use this information to monitor the utilization of agency staff for particular service departments.

RECOMMENDATION 6

To help increase the availability of nurses in hospitals in Northern Ontario, we recommend that Ontario Health:

- regularly monitor data on the costs incurred by hospitals for the different types of agency health-care staff;
- explore the opportunity to leverage and align procurement of staffing agencies in the region, while ensuring that doing so does not add further risk to hospital service reductions and patient care in rural and remote hospitals; and
- assess the costs of agency nursing versus what may be required to stabilize and retain hospital-hired nursing staff, and share this analysis with the relevant stakeholders and decision-makers.

ONTARIO HEALTH RESPONSE

Ontario Health accepts this recommendation. Ontario Health understands the impacts of nursing agency staff use on Northern Ontario hospitals. Ontario Health will continue to regularly monitor data on the costs incurred by hospitals for the different types of agency health-care staff and develop local solutions with our hospital partners to help stabilize overall health staffing in communities. Ontario Health will explore opportunities to centralize procurement with agency corporations to maximize quality, value, and efficiency, while minimizing risk to hospitals. Ontario Health will analyze the costs of agency nursing to inform opportunities in support of hospital nurse retention.

4.2.6 Physician Vacancies in Northern Hospitals Still High Despite Recruitment and Retention Initiatives

Although the Ministry has introduced multiple programs to address the shortages of physicians in Northern Ontario, vacancies for family physicians and specialist physicians remained higher in that region compared to other regions in the province. The Ministry and Ontario Health began measuring vacancy data in October 2022. As shown in **Figure 6**, in the month of July 2023, 11 Northern Ontario hospitals reported vacancy rates of 11% for family medicine physicians and 11.5% for specialists, compared to vacancy rates of 7.5% and 6.4%, respectively, for the rest of Ontario.

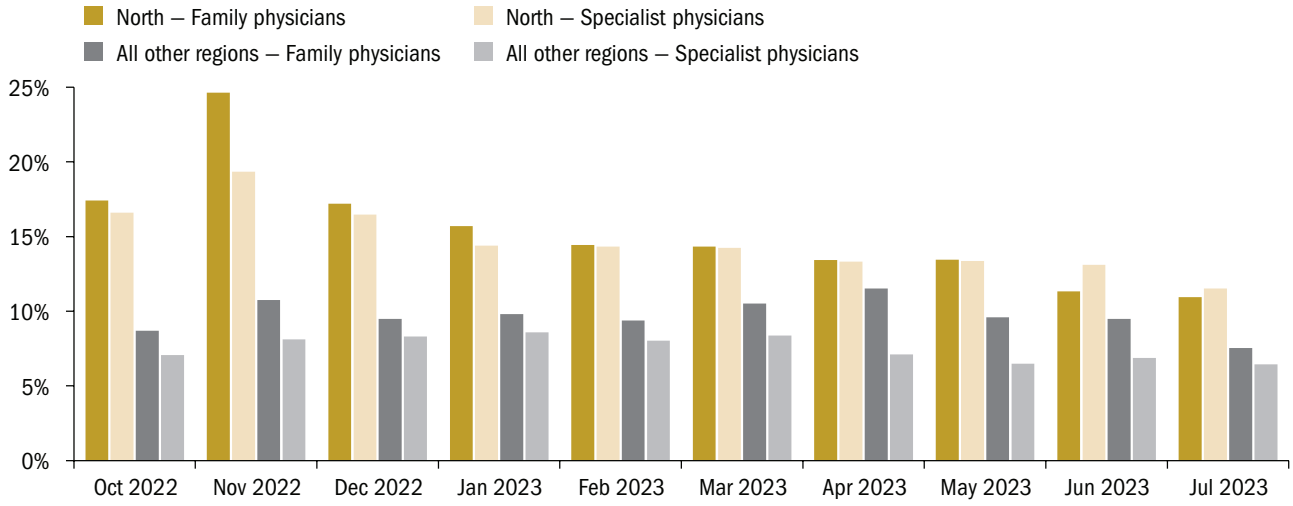
However, the vacancy rates reported by northern hospitals between October 2022 and July 2023 represent 26 of the 36 hospitals in Northern Ontario. Only five of these 26 hospitals reported the vacancy data every month. Ontario Health only encouraged, but did not require, hospitals to submit vacancy information.

Of the 34 hospitals that responded to our questionnaire, 30 stated that they faced a shortage of physicians.

To encourage physicians to work in Northern Ontario, the Ministry manages two initiatives: the Northern and Rural Recruitment and Retention

Figure 6: Vacancy Rates for Physicians at Hospitals in Northern Ontario and Other Regions, October 2022–July 2023

Source of data: Ministry of Health and Ontario Health



Note: October 2022 was the first month that this data was used by Ontario Health. Not all hospitals regularly submit this data.

Initiative (NRRRI) and the Northern Physician Retention Initiative (NPRI).

- The NRRRI, created in 2010, is intended to attract physicians to establish a new full-time practice in eligible northern and rural communities throughout the province. The initiative provides grants ranging from about $85,000 to $125,000 over a four-year period. According to the Ministry, as of March 2023, of the 1,500 physicians who were either actively using or had used the NRRRI, 1,066 or 71% had established new practices in the north region, with 70% of them having settled in the five larger northern cities—North Bay, Sudbury, Sault Ste. Marie, Timmins and Thunder Bay. The Ministry's best estimate of the payments it had made to physicians under this initiative between 2010 when the initiative first began and March 2023 was about $96 million.
- The NPRI, created in 2012, is intended to retain physicians already working in Northern Ontario for at least four years. The initiative pays just over $7,400 a year to each participating physician. The Ministry made $65 million in NPRI payments between 2012 when the program first began and March 2023. Between 2018/19 and 2022/23, about 870 physicians used the initiative annually and there was no notable increase in the number of physicians using the program during this period.

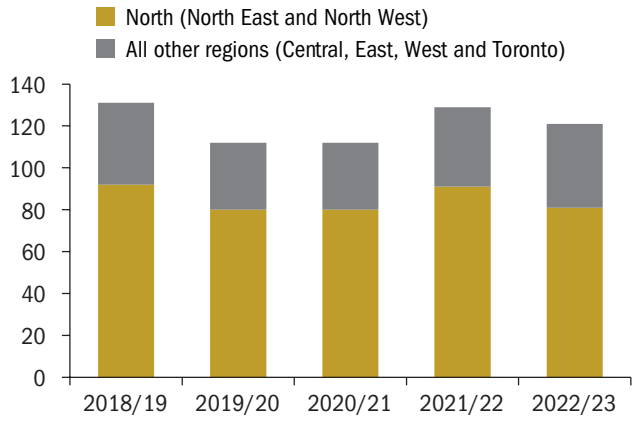
Reliable Data Not Maintained for Physician Incentive Programs

The Ministry admitted that it did not properly track the number of physicians who participated in the NRRRI over the years. The Ministry changed the participation information under the NRRRI multiple times during the course of our audit. As a result, neither we nor the Ministry could rely on this information. The Ministry's best estimate of participation data is shown in **Figure 7;** the number of physicians that received NRRRI funding to establish new practices in the north has fluctuated between 80 and 92 per year between 2018/19 and 2022/23.

Moreover, we found that other than tracking the number of new physicians recruited and retained annually through NRRRI and NPRI, respectively, the Ministry has not established any success measures to assess these two physician incentive programs. For example, the Ministry did not track how many of the

Figure 7: Number of New Physicians Who Received Funding from the Northern and Rural Recruitment and Retention Initiative in Northern Ontario and Other Regions, 2018/19–2022/23

Source of data: Ontario Health



physicians had moved to the north from other regions to show the impact the NRRRI had on bringing more physicians to the north, or how many physicians had completed the NRRRI and subsequently took advantage of the NPRI to show the impact the NPRI had on retaining physicians in Northern Ontario.

Physician Incentive Programs Are Not Regularly Evaluated for Effectiveness

We found that the Ministry has not recently reviewed its incentive program for attracting physicians to Northern Ontario, and it has never reviewed its incentive program for retaining physicians in the region. Regularly evaluating programs, including assessing current market conditions, could help the Ministry make necessary updates to keep the programs effective.

The Ministry conducted an internal review on the NRRRI in 2018, but not since. The internal review had 16 recommendations, which included reducing grant rates to physicians practising in larger northern urban centres to encourage them to move to smaller, rural communities, and introducing needs-based eligibility criteria to ensure program spending is targeted efficiently towards communities with the greatest need. At the time of our audit and five years since the evaluation was completed, the Ministry had implemented less than half of the recommendations and had no plans to implement the remaining recommendations, which include enhancing the advertisement of the initiative and regularly reporting on performance.

The Ministry introduced the NPRI in 2012, but has never reviewed the initiative to measure its effectiveness.

Incentive Amounts Paid to Physicians in Ontario Are Lower Than Other Provinces

Management at the Northern Ontario hospitals we visited expressed concerns that the incentives paid under these two initiatives are not in line with the high costs of living in the north, and therefore do not attract and retain enough physicians in the region. For example, while the Ontario NRRRI pays about $85,000–$125,000 over four years to physicians, Alberta's Rural Education Supplement and Integrated Doctor Experience pays physicians a stipend of $120,000 for a three-year term. As well, Prince Edward Island's Return-in-Service grants pay up to $115,000 for a three-year term in certain rural locations.

Payment Schedule of the Northern and Rural Recruitment and Retention Initiative May Deter Physicians from Staying the Full Work Term

The Ontario NRRRI pays up to $125,000 over four years, 40% of which is within the first year; this elevates the risk that the grant recipient may leave the program after the first year. Paying higher amounts toward the end—rather than the beginning—of a work term would more likely retain physicians for the full five years.

The Ministry did not accurately track program information and was therefore unable to even determine how many physicians have completed the full four years as opposed to leaving early.

In comparison, Saskatchewan recently enhanced its Rural Physician Incentive Program. It created this program in 2013/14 with an incentive of $47,000 over four years, but increased it to $200,000 over five years in April 2023. Qualifying physicians would receive $15,000 at the end of each of the first two years, $20,000 at the end of their third year, and $75,000 at the end of each of their fourth and fifth years.

Incentives Paid to Physicians Based on Outdated Rurality Index Score and No Consideration Placed on Existing Availability of Physicians in the Area

The index score that the Ministry uses to determine incentive amounts under the NRRRI is based on population and other factors from 2006, 17 years ago. This outdated index can mean that current incentive payments to certain communities in Northern Ontario are unjustified.

The Ministry pays different incentive amounts to qualifying physicians in the NRRRI depending on where they will be practising medicine. The Ministry uses the Rurality Index for Ontario (RIO) scores for communities to target funding to highly rural communities, which are prevalent in the north region. The RIO scores are based on three factors: population (count and density), travel time to a health-care referral centre that offers basic physician care, and travel time to a health-care referral centre that offers advanced specialty care. Health-care referral centres in the north are known as Northern Urban Referral Centres. They are located in North Bay, Sault Ste. Marie, Sudbury, Thunder Bay and Timmins. The Ontario Medical Association (OMA), which is responsible for negotiating physician payments with the Ministry, established the RIO scores in 1999/2000, and has not updated the scores since 2008 when they were based on 2006 Census data. If a particular community's population has fallen since then, physicians moving there could be eligible for a higher NRRRI incentive if the rurality score was updated to the current population.

An internal Ministry document from 2009 noted that when the NRRRI program was created, stakeholders were concerned that, among other things, the RIO scores did not take physician supply into account. This means that if a physician wants to practise in a community that has a high RIO score, the program still provides the incentive (and payment) to relocate to that community even if the community already has enough physicians. However, the Ministry still has not addressed this concern, 14 years later. The OMA agreed that RIO scores should likely be updated to account for changes, and told us that it had started the planning work to update them; however, it did not yet have any timelines in place. Any updated scores would then need to be approved by both the Ministry and the OMA.

RECOMMENDATION 7

To increase the availability of physicians in hospitals in Northern Ontario, we recommend that the Ministry of Health:

- establish performance indicators and related targets that measure the success of the Northern and Rural Recruitment and Retention Initiative (NRRRI) and the Northern Physician Retention Initiative (NPRI) and collect this data at least annually;
- re-evaluate the recommendations from its 2018 review of the NRRRI and implement the recommendations if still applicable;
- evaluate the NRRRI and NPRI initiatives at least once every five years;
- identify successful health-care staffing incentive programs from other jurisdictions, including their payment schedules, evaluate their feasibility for Ontario and update the NRRRI and NPRI accordingly; and
- work with the Ontario Medical Association to update the Rurality Index for Ontario scores while considering current market conditions and community demographics.

MINISTRY RESPONSE

The Ministry of Health (Ministry) acknowledges the recommendation. As part of developing a dedicated northern focus to its health human resources strategy, the Ministry is committed to enhancing the NRRRI and NPRI programs by establishing performance indicator targets and ensuring appropriate evaluation, including examining the experiences of other jurisdictions.

The Ministry recognizes the Ontario Medical Association (OMA) as the exclusive representative of physicians practising in Ontario. Under the OMA Representation Rights and Joint Negotiation and Dispute Resolution Agreement, the Ministry is required to consult the OMA to seek its advice about

significant health-care policy and system issues that affect physicians. Further, changes related to physician compensation, including activities and accountabilities under non-fee-for-service agreements, are subject to the negotiations process between the parties set out in the Binding Arbitration Framework.

The Rurality Index for Ontario is used in several instances by the Ministry; therefore, the Ministry is first considering the impacts of this measure of rurality and remoteness on its business and will engage with the OMA as appropriate following this review.

4.2.7 Ontario Health Did Not Evaluate, or Know the Full Cost of, Its Program to Bring Temporary Specialists to Northern Hospitals

Ontario Health administers the Northern Specialist Locum Programs (program), which aim to bring different specialists to temporarily work in Northern Ontario. A locum physician is one who fills in temporarily in another practice or community. We found that Ontario Health could not determine when it last evaluated this program to formally identify areas requiring improvement. Although Ontario Health tracks data on travel and reimbursable expenses for the program, it does not have access to the Ministry's OHIP billing data, and so it cannot track full information on the fees paid for the hours that locum physicians worked. This information is necessary for understanding the full cost of the program, and to help inform future efforts to improve the availability of specialist physicians in Northern Ontario such that patient access to care can be maintained.

Ontario Health administers two other locum physician programs in Ontario: the Rural Family Medicine Locum Program and the Emergency Department Locum Program. The Rural Family Medicine Locum Program is for temporary physicians for both community clinics and hospitals. We discuss the Emergency Department Locum Program in our 2023 value-for-money audit of Emergency Departments, which noted that four of the top nine hospital users of the Emergency Department Locum Program in 2022/23 were in the north region.

For the purpose of this report, however, we focused on the Northern Specialist Locum Programs. This program was established in 1982.

Across all hospitals in Northern Ontario, for the five-year period from 2018/19 to 2022/23, a total of 38,689 locum days were paid to all specialists participating in the program, averaging about 7,700 locum days per year. The specialties requiring the greatest number of locum days in Northern Ontario were internal psychiatry, general surgery, internal medicine, and anaesthesia. Four large northern cities—Sault Ste. Marie, Sudbury, Thunder Bay and Timmins—received about two-thirds of specialist locum coverage days.

For each specialist physician participating in this program, Ontario Health covered not only the physicians' work fees, but also other expenses including travel and accommodations; an additional premium for any travel days over three hours ranging from $493 to $1,480; daily expenses; and an honorarium of $322 per day. Between 2018/19 and 2022/23, Ontario Health paid about $25 million on travel fees and other expenses alone. The average daily cost of travel plus reimbursement for other expenses for a northern specialist was over $660, but could be as high as $1,802 plus actual travel and accommodation reimbursements.

Specialists who bill the government under the program bill for their work for the higher of either their usual fee-for-service rates through the OHIP billing system or the clinical locum rate (ranging from $595 for three to four hours to $1,786 for nine to 12 hours) through Ontario Health. However, the Ministry and Ontario Health only track the amount of fees specialist locum physicians claim using clinical locum rates, and not fee-for-service rates, and therefore could not determine the full costs of the program.

Ontario Health staff could not confirm when the program was last evaluated to determine whether updates are needed—for example, whether the program's fee structure remains reasonable considering different specialists have different fee-for-service rates.

Ontario Health stated that the program is intended to support patient access and physician recruitment and retention, and that it was never intended to be an alternative for recruitment. It further informed us that it does not have accountability for physician services. The program's eligibility and rates are decided between the Ministry and the Ontario Medical Association. Since Ontario Health administers this program, in our view it is in a unique position to support an evaluation with other stakeholders to determine whether this program still meets its intended purpose.

Patients in Northern Ontario More Likely to Be Transported by Air Ambulance to Receive Care Elsewhere

With much of Northern Ontario sparsely populated, transporting patients by air is a common practice to meet patient needs. For example, Weeneebayko Area Health Authority, located at Moose Factory—an island that is accessible only by water in the spring, summer and fall seasons, and by ice road in the winter months—has to rely on air ambulance services to transport patients to this hospital.

Ornge is funded by the Ministry of Health-and provides air ambulance and critical care transport services to people who are critically ill or injured. Ornge delivers its services through four land bases serving southern Ontario and nine air bases equipped with helicopters and/or airplanes located across Ontario. Six of these air bases are located in Northern Ontario—in Kenora, Moosonee, Sioux Lookout, Sudbury, Thunder Bay and Timmins.

In the five-year period between 2018/19 and 2022/23, Ornge completed on average about 18,000 patient transports per year across the province between health-care facilities, often from one hospital to another. In the month of May 2023 alone, Ornge completed about 2,280 transports into, out of, and within all 14 former Local Health Integration Network regions, with 47% of these activities serving just Northern Ontario alone.

We found that Ministry has not analyzed the cost of transporting patients within Northern Ontario or from the region to other parts of the province against the cost of enhancing local capacity to treat patients closer to home—for example, by bringing visiting specialists to more rural hospitals in Northern Ontario. Ontario Health indicated that it has no access to information from Ornge and it is not responsible for such an analysis. One northern hospital we visited ranked the top five specialists it could benefit from having onsite: vascular surgeon, cardiologist, rheumatologist, respirologist and endocrinologist. Currently, patients have to travel to other hospitals to obtain these specialist services, and use Ornge services if they are in critical conditions. According to Ornge, cardiology patients needed the most transports between Northern Ontario hospitals from 2018 to 2022. In 2022, five of Ornge's 20 longest-distance trips within the north region were for cardiology patients; most of them were transferred from smaller hospitals to Health Sciences North, the largest northern hospital and one of the designated cardiac centres in Northern Ontario.

RECOMMENDATION 8

To better inform decisions on program design for the Northern Specialist Locum Programs (program), we recommend that Ontario Health:

- obtain full billing data on locum physicians using the program from the Ministry of Health (Ministry) to determine whether the program payment structure remains appropriate; and
- work with the Ministry to review the usage of the program to identify systemic issues in an effort to determine sustainable solutions to maintain patient access to specialist physicians in northern hospitals.

ONTARIO HEALTH RESPONSE

Ontario Health accepts this recommendation. Ontario Health will work with the Ministry of Health to support analysis of physician billing data and usage of the Northern Specialist Locum Programs, and discuss opportunities to stabilize and improve equitable access to specialist care in Northern Ontario.

RECOMMENDATION 9

To better serve hospital users in Northern Ontario such that they can obtain more timely care closer to home, we recommend that the Ministry of Health conduct a cost/benefit analysis that considers the cost of transporting patients within Northern Ontario and from the region to other parts of the province and the cost of enhancing the local capacity to treat patients closer to home—for instance, by bringing visiting specialists to more rural hospitals in Northern Ontario.

MINISTRY RESPONSE

The Ministry of Health (Ministry) acknowledges the recommendation and the importance of providing Ontarians with timely specialist medical services closer to home, particularly in Northern Ontario, which is characterized by low population density and vast landmasses. The Ministry introduced the Visiting Specialist Clinic Program in 1982 to provide visiting specialist clinics on an outreach basis in targeted communities in Northern Ontario where the population base cannot support a full-time physician specialist. The Ministry will consider evaluating the continued effectiveness of this program.

The Ministry will investigate the feasibility of a cost/benefit calculation that considers the cost of transporting patients within Northern Ontario and from the region to other parts of the Province and the cost of enhancing the local capacity to treat patients closer to home. Undertaking this calculation will be determined based on available data and operational feasibility; other methodologies will also be considered if needed. The goal will be to ensure that the needs and preferences of patients in Northern Ontario remain at the forefront of healthcare planning.

4.2.8 Northern Ontario School of Medicine University Offers Opportunity to Help Increase Physician Workforce in Northern Ontario

The Northern Ontario School of Medicine University is funded jointly by the Ministry of Colleges and Universities and the Ministry of Health. It was created in 2002 and was legislated as a university in April 2022. The university is Canada's first stand-alone medical university and one of seven approved medical schools in the province. With campuses in Sudbury (located at Laurentian University) and Thunder Bay (located at Lakehead University), it provides medical education designated with the mandate to be accountable to the cultural diversity of the region it serves, including Indigenous and Francophone peoples, remote and rural communities, and urban centres.

The university offers an undergraduate Medical Doctor program as well as postgraduate residency programs in nine medical specialities including obstetrics and gynaecology, orthopaedic surgery, paediatrics and psychiatry. According to the university, as of November 2022:

- 559 physicians completed the Medical Doctor program since the first graduating class in 2009 and about 51%, or 284, of them practised in Northern Ontario with 63 of them working in rural communities; and
- 689 physicians completed their residency at the university and 57%, or 390, of them practised in Northern Ontario, with 94 practising in rural areas.

With respect to its postgraduate program, the university offers programs in just over 30% of the 28 physician specialties defined by the Royal College of Physicians and Surgeons of Canada. As well, of the total 96 postgraduate education seats available for 2024, only 34 of them are for specialty programs. Having more specialist program offerings can help increase the availability of different specialists in Northern Ontario.

RECOMMENDATION 10

To enhance the availability of the physician workforce in Northern Ontario, we recommend that the Ministry of Health work with relevant partners, including the Ministry of Colleges and Universities and the Northern Ontario School of Medicine University, to assess the feasibility of increasing the number of specialty programs offered at the university.

MINISTRY RESPONSE

The Ministry of Health (Ministry) acknowledges the recommendation. Ontario has announced an expansion of medical school education with a total of 449 postgraduate positions being added to the system. Of these, the Northern Ontario School of Medicine University is getting a total of 63 positions—38 will be for family medicine and 25 will be for specialty training. Of the 63 positions at the university, 10 have already been added and filled by residents, resulting in an addition of eight more specialty training positions and two more family medicine positions at the university.

The expansion currently under way is dependent on the capacity of the system to expand. Medical schools will be required to support clinical placements for learners and identify preceptors to support their learning. All of this must be factored into any further expansion.

The Ministry continues to work with a number of sector partners, including the Ministry of Colleges and Universities, to enhance data and evidence in support of health workforce planning for Northern Ontario and the province as a whole. The planning of speciality medical education will be informed by this evidence (in addition to the expansion capacity) and will leverage the Northern Ontario School of Medicine University's ability to grow access to speciality services in the north through medical education.

4.3 Barriers to Timely Patient Care in Northern Ontario

4.3.1 Over 330 Patients Waiting for Long-Term Care and Home Care in Northern Hospitals

In the last five years from 2018/19 to 2022/23, patients in Northern Ontario hospitals were more likely to be waiting to be discharged to other more appropriate destinations compared to other regions in the province. This can lead to hospital overcrowding and increased wait times for patients that truly require services at a hospital, especially when the hospital is operating close to or at capacity.

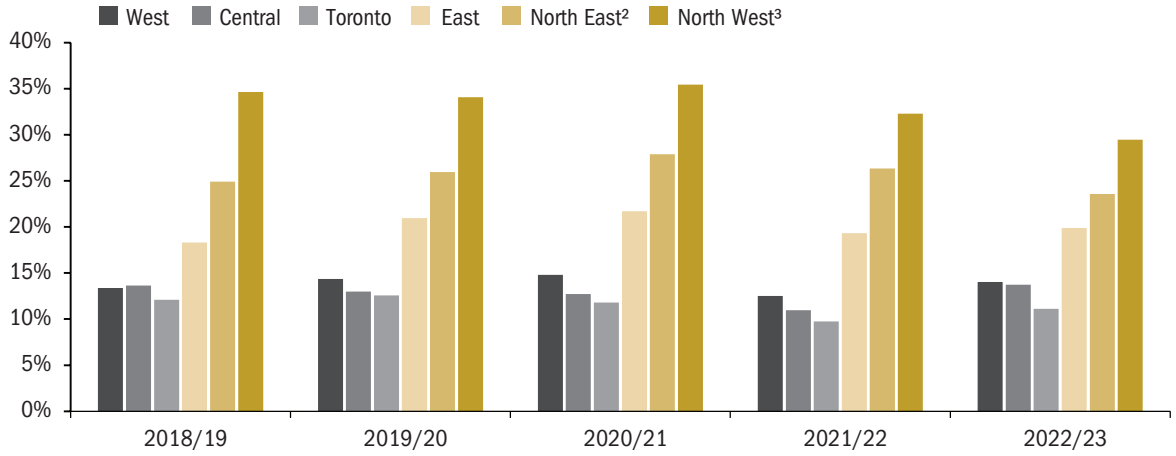
As measured by the percentage of days a hospital bed was occupied by a patient who requires care from another setting such as a long-term care home or home and community care, annual alternate-level-of-care (ALC) rates for Northern Ontario hospitals ranged from about 29%–35% in the North West to about 24%–28% in the North East between 2018/19 and 2022/23. This was higher than rates of about 10%–22% in other regions, as shown in **Figure 8**.

Only half of the 36 hospitals in Northern Ontario report ALC data into the Wait Time Information System. Of the 18 hospitals that reported this data, eight have consistently reported increasing ALC rates over the past five years. As shown in **Figure 9**, Red Lake Margaret Cochenour Memorial Hospital experienced the highest growth in ALC rate from 14% to 45.8% over the five-year period. According to Ontario Health, this represents about five patients; however, this still represents about 30% of the total number of acute-care beds at this hospital, which may affect patient services. As well, 17 hospitals consistently had higher ALC rates than the provincial average throughout 2018/19–2022/23.

As of March 31, 2023, based on Ontario Health's data from 18 hospitals, a total of 549 patients were waiting in northern hospitals to be discharged to other care settings that best meet their needs, with 258 or 47% waiting for long-term care and 79 or 14% of patients

Figure 8: Annual Alternate-Level-of-Care Rates[1] for Hospitals, by Region, 2018/19–2022/23

Source of data: Ontario Health



1. Measured as the number of inpatient days designated as alternate level of care as a percentage of the total number of inpatient days. When a patient is occupying an inpatient bed in a hospital and does not require the intensity of resources/services provided in that care setting (acute, complex continuing care, mental health, or rehabilitation), the patient must be designated as alternate level of care at that time by the physician or delegate.
2. Based on alternate-level-of-care data from six hospitals that reported this information to a central database, out of 24 hospitals in the North East.
3. Based on alternate-level-of-care data from 12 hospitals that reported this information to a central database, out of 12 hospitals in the North West.

Figure 9: Annual Alternate-Level-of-Care Rates for All 18 Northern Hospitals That Report This Data, 2018/19–2022/23 (%)

Source of data: Ontario Health

Hospital	2018/19	2019/20	2020/21	2021/22	2022/23	5-year % Increase/ (Decrease)
Red Lake Margaret Cochenour Memorial Hospital	14.0	20.3	41.6	43.0	45.8	226.8
Santé Manitouwadge Health	19.4	57.0	85.4	84.2	58.0	199.7
Nipigon District Hospital	32.8	35.7	65.4	55.9	45.8	39.7
Atikokan General Hospital	59.6	66.4	63.5	73.3	74.9	25.7
Temiskaming Hospital	41.2	54.2	56.4	56.1	48.9	18.5
Health Sciences North	18.0	21.5	20.5	22.5	20.0	11.2
Sault Area Hospital	20.8	18.0	22.7	20.1	22.1	6.4
Lake of the Woods District Hospital	33.1	36.2	44.1	32.8	34.4	3.9
Sioux Lookout Meno Ya Win Health Centre	36.8	43.8	49.3	44.2	36.2	(1.7)
Thunder Bay Regional Health Sciences Centre	24.7	24.5	26.5	26.6	23.4	(5.2)
West Parry Sound Health Centre	40.8	40.1	44.6	42.1	38.5	(5.7)
North Bay Regional Health Centre	29.7	26.0	29.6	29.7	27.1	(8.7)
North of Superior Healthcare Group	55.9	42.9	31.9	40.2	48.3	(13.6)
Geraldton District Hospital	74.3	68.0	43.4	41.0	58.7	(21.0)
Riverside Health Care Facilities	63.8	58.2	53.8	44.5	48.5	(24.0)
St Joseph's Care Group	38.0	36.2	39.9	28.7	26.5	(30.4)
Dryden Regional Health Centre	35.0	43.9	32.1	44.1	23.4	(33.1)
Timmins and District Hospital	31.3	37.9	38.4	21.8	13.9	(55.6)
North East Average	**24.9**	**26.0**	**27.9**	**26.3**	**23.6**	**(5.5)**
North West Average	**34.6**	**34.1**	**35.4**	**32.3**	**29.4**	**(15.0)**
Provincial Average	**15.3**	**16.2**	**16.4**	**14.2**	**15.3**	**(0.2)**

waiting to be discharged home with home-care services provided by Home and Community Care Support Services. The remaining 39% of patients were waiting for other services, including assisted living, complex continuing care and palliative care. **Figure 10** shows a breakdown of the different destinations active ALC patients were waiting to be discharged to while occupying beds in northern hospitals as of March 2023.

Not being able to discharge patients can contribute to hospitals not having the capacity to care for other patients. In the last three years, the occupancy rates of two hospitals where we conducted detailed audit work were between 94% and 103%; these two hospitals had ALC rates between 20% and 36% in 2022/23, higher than the provincial average of 15% that year. An overcrowded hospital can have a significant impact on patients. For example, at a hospital we visited during our audit, we noted a complaint in March 2023 that an elderly patient who had fallen was confined to a stretcher in the emergency department for about 30 hours. The family was told that the hospital was over capacity and that a bed was not yet available.

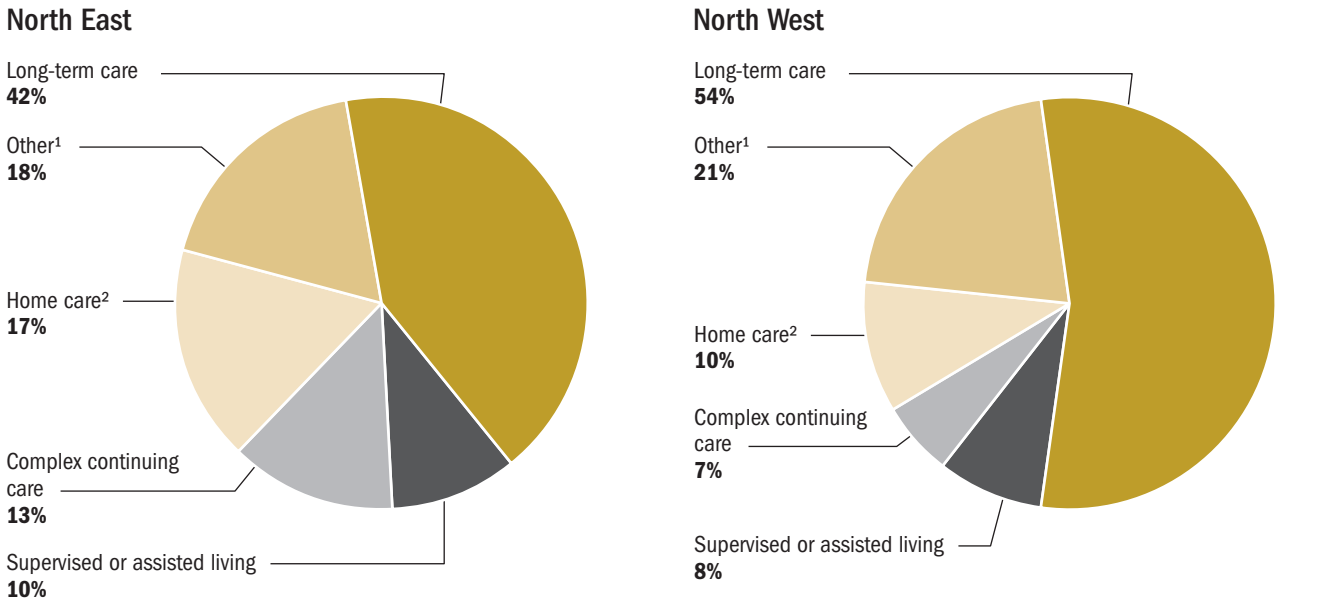
4.3.2 About $65 Million Used in 2022/23 to Support Acute-Care Patients in Northern Hospitals While They Waited for Long-Term Care and Home Care

The associated cost of keeping a patient in a hospital is higher than a long-term care home, which in turn is higher than the cost of home care.

Upon our request, the Ministry calculated that the average daily cost to keep an acute-care ALC patient in a hospital in 2021/22 was $849—this was the most recent data available when we completed our work. In contrast, according to the Ministry, the average daily cost to the province for a long-term care resident was $158 and the average daily cost for home care was $120 in the same period. Based on these daily estimates, in 2022/23, Northern Ontario hospitals used

Figure 10: Destinations for Alternate-Level-of-Care Patients Awaiting Discharge in Northern Hospitals That Report This Data, as of March 31, 2023

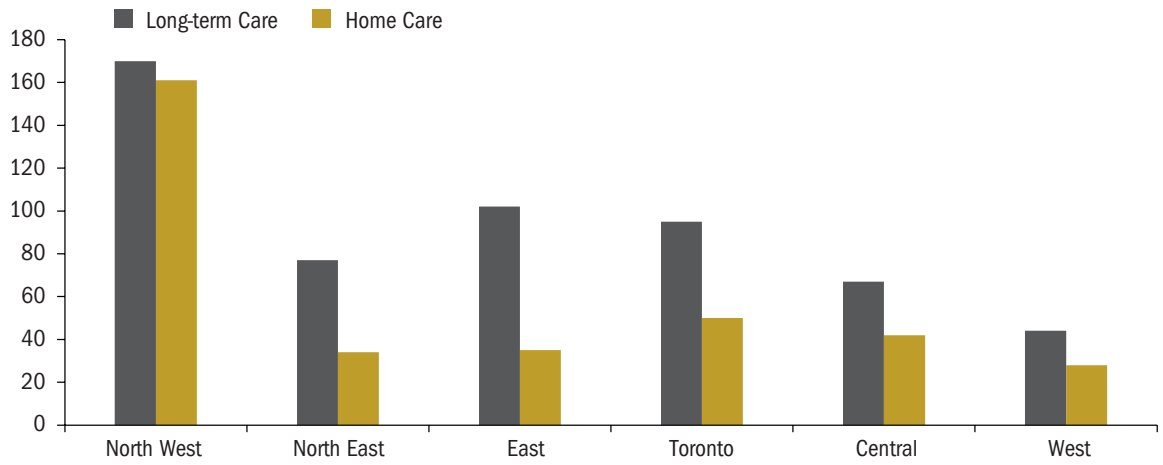
Source of data: Ontario Health



1. Includes rehabilitation facility, home with community services, home without supports, convalescent care, palliative care, mental health beds, and unknown destination.
2. Managed by 14 Home and Community Care Support Services organizations across the province.

Figure 11: Average Wait Time for Long-Term Care and Home Care for Patients Designated as Alternate Level of Care, by Region, as of March 31, 2023 (# of Days)

Source of data: Ontario Health



$79 million of their budgets to keep acute-care ALC patients in these hospitals while they were waiting for long-term care homes or home care. Had the long-term care beds and home-care services been available and the patients been discharged, the provincial cost would have only been about $14 million. This represents $65 million that the province could have saved because long-term care and home care were not readily available for patients ready to be discharged from northern hospitals to these alternate care settings in 2022/23. **Appendix 9** shows the methodology we used to calculate this estimate based on data from 18 hospitals that reported into the Wait Time Information System.

Across Northern Ontario as of March 31, 2023, the wait time for both long-term care and home care for ALC patients ranged from less than 30 days to over five years, with the average wait time being 77 days and 34 days for the North East region and 170 days and 161 days for the North West region, respectively, and as shown in **Figure 11**. The North West region had the longest wait time for both long-term care and home care.

In 2021, Ontario Health prepared a report, titled Informing Care for Seniors, which showed the capacity at the time of the report and anticipated demand for long-term care, assisted living services for high-risk seniors, and community support services at that time, and included recommendations related to the areas in the North West region that faced most significant long-term care pressure. The report determined that additional long-term care beds were required for 13 of the 14 areas in the North West region, with six areas identified as high-priority. Ontario Health told us that the Ministry of Long-Term Care had already approved bed allocations that will partially address these service gaps, if all of these beds are fully approved and constructed. However, none of these beds were actually in service for the people in these areas at the time we completed the audit, since the Ministry of Long-Term Care has a target completion date of 2028. The total number of long-term care beds in Northern Ontario was just below 7,000 from March 2019 to March 2022.

Over the last five years, Ontario Health had not required hospitals to develop improvement plans if they did not meet the performance indicators for ALC. Ontario Health indicated this is to recognize the COVID-19 pandemic's impact on hospitals and ALC being a system-wide issue that requires collaboration among different health-service providers. Instead, to help reduce ALC rates, Ontario Health developed a practice guide that identified leading practices for caring for and proactively managing hospitalized older adults at risk of delayed transition to an appropriate setting. In 2023/24, Ontario Health issued a memorandum to all hospitals in Northern Ontario to

conduct self-assessments on ALC leading practices to help identify required changes and develop action plans. Ontario Health stated that it supported these self-assessments by hosting information webinars and establishing planning committees across the region where representatives from the local health system meet to discuss ALC pressures.

RECOMMENDATION 11

To better care for patients in Northern Ontario in settings that are most suitable to their needs, we recommend that Ontario Health:

- support hospitals across Northern Ontario to adopt leading practices to improve transitions from one care setting to another; and
- work with other health partners including the Ministry of Health, the Ministry of Long-Term Care, and Home and Community Care Support Services to identify and implement solutions to increase the availability of long-term care and home-care services in Northern Ontario.

ONTARIO HEALTH RESPONSE

Ontario Health accepts this recommendation and is committed to continuing its work with northern hospitals on implementing The Alternate Level of Care (ALC) Leading Practices Guide (September 2021). In addition, Ontario Health will continue to work with the Ministry of Long-Term Care on identifying long-term care needs of the region's population and with Home and Community Care Support Services on the need for home care.

4.3.3 Patients in Northern Hospitals Could Not Always Obtain Timely Diagnostic Imaging Services

The timeliness of patient care in Northern Ontario is affected by the availability of services in a hospital. For example, the Ministry funds the approved operating hours of MRI and CT machines but does not provide the capital funding for them. Instead, hospitals in Ontario are expected to purchase these machines by raising their own funds. As discussed in **Section 2.5**, northern hospitals often face difficulties in raising large donations that may be more common for hospitals in other regions.

One hospital we visited estimated that it would take over two decades for it to raise the funds needed to purchase the hospital's first MRI machine; patients in the area currently need to travel four hours away to obtain this diagnostic imaging service.

Similarly, another hospital we visited requires a CT scanner to provide timely support to clinicians so they can diagnose patients more quickly and initiate treatment sooner. Patients at this hospital currently have to travel to another hospital about a 90-minute drive or 110 kilometres away. According to the business case that this hospital developed for the purchase of the CT scanner, it made about 1,900 referrals to another hospital in 2020/21, including for 54 stroke and transient ischemic attack patients, for which a timely CT scan is critical according to stroke diagnosis protocols. Although this hospital has successfully raised the required funds to purchase the required CT scanner through private donations, as of September 2023, Ontario Health had not yet approved the request submitted in November 2022. It informed us that this was due to staff shortages.

RECOMMENDATION 12

To improve access to diagnostic imaging services for patients in Northern Ontario, we recommend that Ontario Health, together with the Ministry of Health:

- assess the need for a dedicated funding model for diagnostic imaging equipment for hospitals in rural areas; and
- review diagnostic imaging equipment proposals submitted by hospitals on a timely basis.

ONTARIO HEALTH RESPONSE

Ontario Health accepts this recommendation and is committed to ensuring equitable and timely access

to health-care services. Ontario Health will work with the Ministry of Health to explore opportunities for funding models for diagnostic imaging equipment. Ontario Health will develop a proposal intake process that ensures all proposals submitted by hospitals are reviewed on a timely basis.

4.3.4 Northern Health Travel Grant Program Outdated and Not Regularly Evaluated

The Ministry provides financial assistance to Northern Ontario residents who may need to travel long distances to access services from a medical specialist or from a Ministry-funded health-care facility, so that residents in Northern Ontario are not disproportionally affected by the travel costs they may have to incur to obtain timely and appropriate health care. In 2022/23, the Ministry, which administers the Northern Health Travel Grant Program as described in **Section 2.3.2**, reported that it approved just over 170,000 applications and paid a total of about $45 million, down from about 205,000 applications and about $56 million in 2018/19.

Northern Health Travel Grant Program Uses Outdated Rate to Reimburse Mileage Expenses and Does Not Cover Meal Expenses

The Ministry has not changed the program's mileage allowance of 41 cents per kilometre since 2007, which is below market rate. This allowance is for either driving a personal vehicle or travelling using commercial means including flights, and is calculated based on the distance travelled after the first 100 kilometres. In comparison, as of June 2023, the Canada Revenue Agency (CRA) allows for Ontario employers to reimburse employees for using their personal vehicle for business purposes for the first 5,000 kilometres at 68 cents per kilometre. Even in 2007, the CRA's rate was 50 cents per kilometre, which was still higher than the program rate set in that year. As well, according to Statistics Canada, the average price of gas in Thunder Bay has increased by 58%, from $1.06 per litre in 2007 to $1.68 per litre in September 2023.

The Ministry last updated the program's accommodation allowance in 2017 from $100 per trip to up to $550 based on the length of the patient's trip, ranging from $100 per night to $550 total for eight or more nights. However, the updated allowance is still not always sufficient to cover the full cost of accommodation; this can cause particular hardship for people living on fixed or low incomes. For example, we found a reported case of two seniors from Northern Ontario living on fixed incomes having to pay out of pocket to obtain the care they needed in Toronto. Although they purchased a hotel room at a discounted hospital rate of $250 per night, the program only covered $100.

We researched similar programs in other jurisdictions. As shown in **Appendix 10**, other jurisdictions pay mileage and accommodation rates closer to market rates. For example, Nunavut's Extended Health Benefits program for residents who have exhausted their third-party insurance, or have no medical travel benefits, pays between $50 and up to the full cost of accommodation depending on the situation and pays for the transportation cost minus a $250 return airfare deductible. Through Newfoundland and Labrador's Medical Transportation Assistance program, patients who travel more than 200 kilometres for medical services can be reimbursed (depending on their locations) for their travel, accommodations and meals at a rate of 100% for the first $1,000, 50% on the next $3,000 and 75% for their remaining expenses per year.

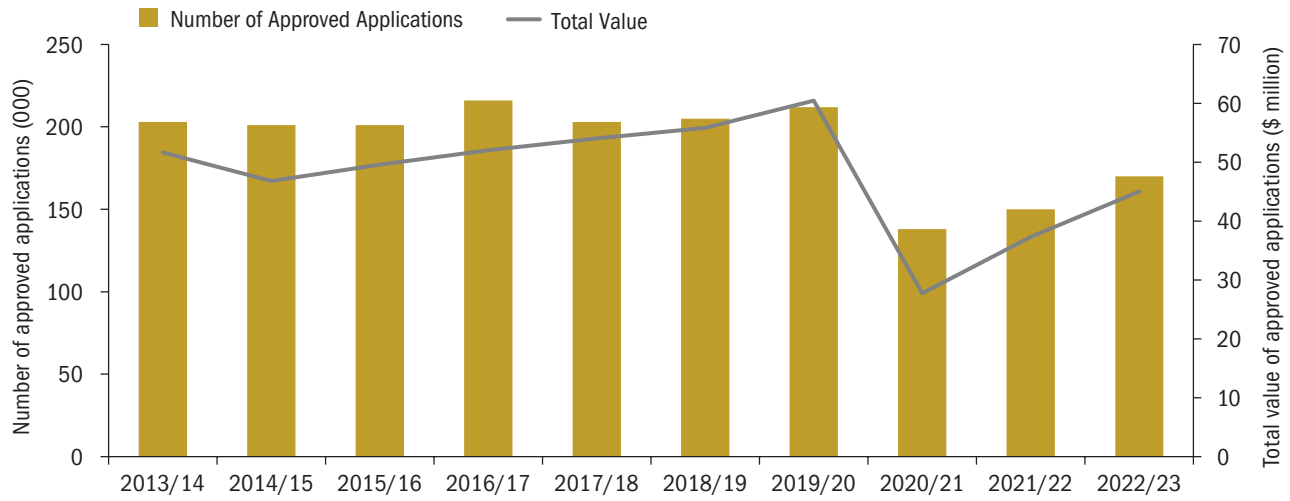
Other jurisdictions, such as New Brunswick and Newfoundland and Labrador, also have meal allowances that include meals in the overall payments. However, the Ontario program does not reimburse meal expenses.

Effectiveness of the Northern Health Travel Grant Program Not Regularly Evaluated

The Ministry monitors monthly data on program spending, number of claims processed, time taken to pay patients once their application is received, and the percentage of applications processed within 30 business days. However, we found that it was missing an opportunity to use the data to identify gaps in the

Figure 12: Number and Total Value of Approved Applications for the Northern Health Travel Grant, 2013/14–2022/23

Source of data: Ministry of Health and Treasury Board Secretariat



health-care services it provides to residents of Northern Ontario. For example, it did not analyze how far patients must travel to access care, and use this to inform its funding decisions on what services to add to the hospitals. Also, it did not measure the extent to which the program covers actual mileage and accommodation expenses that patients incurred to access care away from home. In addition, the Ministry did not properly track the number of approved applications and related amounts, as we found data entry errors. As a result, we could not analyze the data in detail.

We also found that the Ministry has not regularly evaluated the program and has no plans to evaluate it. The Ministry informed us that it considers an increase in approved applications as an indicator of success. **Figure 12** shows that both the yearly number and value of approved applications has been relatively stable from 2013/14 to 2019/20. According to the Ministry, the decrease after 2019/20 was due to reduced medical travel during the COVID-19 pandemic, but applications have since been on the rise.

RECOMMENDATION 13

To improve the effectiveness of the financial assistance for Northern Ontario residents who need to travel long distances to access specialist services or care from Ministry-funded health-care facilities, we recommend that the Ministry of Health:

- re-evaluate the Northern Health Travel Grant Program, considering current market rates for travel and lodging, as well as similar programs in other jurisdictions; and
- establish appropriate performance indicators for the program, collect data to measure program performance and take corrective actions to address any performance deficiencies.

MINISTRY RESPONSE

The Ministry of Health (Ministry) acknowledges the recommendation and that recent inflationary pressures have introduced additional medical travel costs for Northern Ontarians. The Ministry is committed to continuously improving

the Northern Health Travel Grant Program, and will consider current market rates for travel and lodging as well as similar programs in other jurisdictions. The Ministry will continue to assess opportunities to enhance the program and will consider introducing additional performance indicators to augment the existing service delivery indicators currently monitored.

4.3.5 Nursing Stations Providing Primary Care Not Strategically Located across Northern Ontario

As discussed in **Section 2.3.2**, having timely access to hospital care is a key challenge for patients in Northern Ontario given the large landmass and lack of services at some hospitals. As shown in **Figure 13**, as of August 2023, Ontario's north region has 13 Ministry-funded nursing stations while the federal government funds 26 health facilities that provide primary-care services to Indigenous populations in this area.

Provincial nursing stations serve as primary health-care providers for geographically isolated communities, 80 kilometres or more away from a hospital or other alternative primary-care services where population densities are too small to support a full-time physician. These stations are typically staffed by registered nurses or nurse practitioners, with occasional visits from physicians.

The Ministry established most of the current provincial nursing stations in the 1970s and 1980s. Of the active nursing stations, the most recent one was created in 1993. No new stations have been created since then, though there were seven other nursing stations that had been absorbed into larger health-service providers since 2018 and now operate as secondary clinic locations for these providers. According to the Ministry, as of September 2023, it had no plans to create new nursing stations. As the nursing stations program has been in place since the 1970s, the Ministry could not produce any record to elaborate on the case made to establish each site in their current location.

We found that six of the 13 nursing stations are located less than 80 kilometres away from one or more northern hospitals, as shown in **Figure 14**. Having nursing stations located close to hospitals defeats their purpose of extending access to health services to reach more remote communities. Instead, these resources could be better situated to meet the needs of communities located farther away from hospitals.

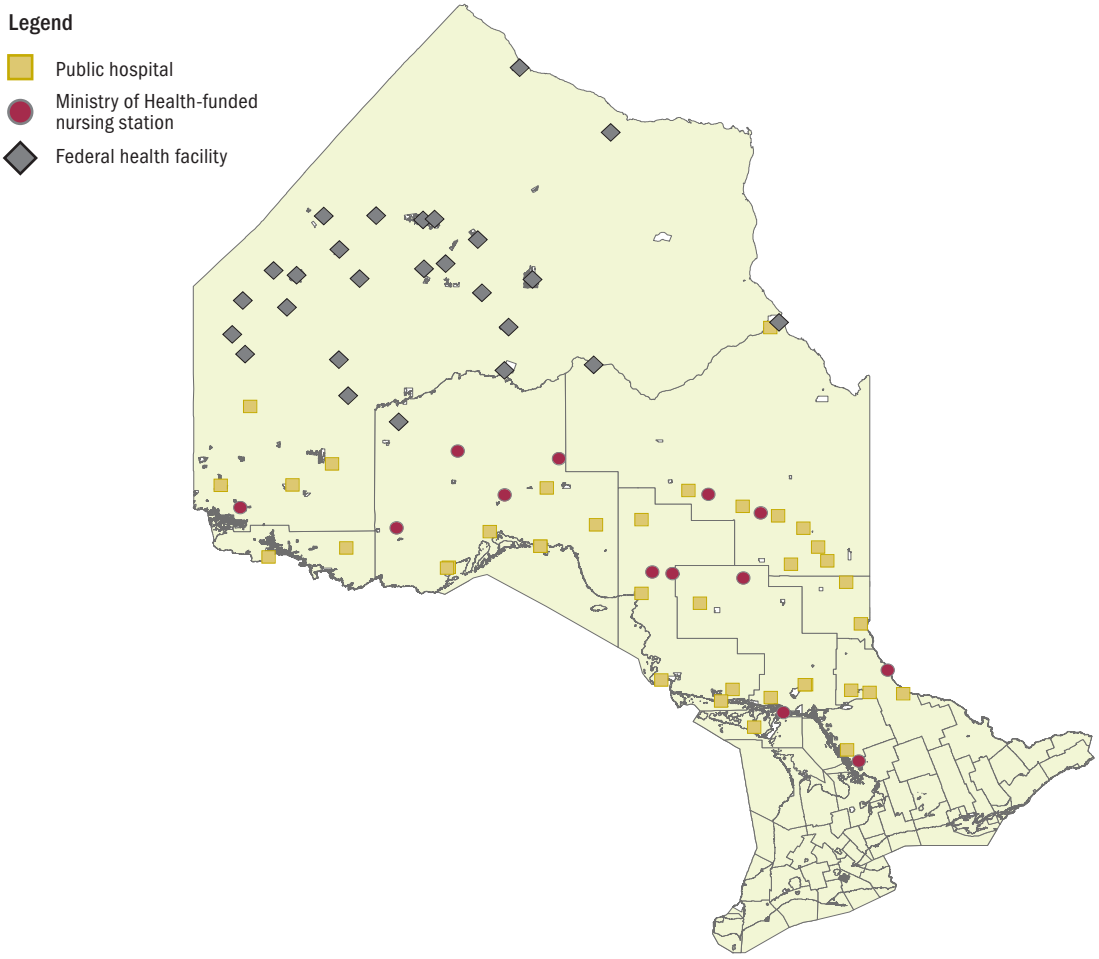
Furthermore, we found that the Ministry does not co-ordinate its nursing stations with the federal government's health facilities—for example, to ensure they are not unnecessarily operating stations near each other or to share common resources. The Ministry stated that it has not co-ordinated with the federal government because the two programs have different mandates and serve different populations.

The Ministry last reviewed the operations of its provincial nursing stations in 2016 to determine if the program was meeting its intended purpose and to make improvements. The review made eight recommendations, including to increase funding to recruit more nursing staff, and to explore collaboration between nursing stations and physicians to avoid duplication of services. At the time of our audit and seven years since the evaluation was completed, the Ministry had implemented less than half of the recommendations and had no plans to implement the remaining recommendations, which included reducing duplication of services between nursing stations and family physician teams, and increasing data-sharing between health-care facilities.

The Ministry also has no plans to conduct another review in the short term, nor has it set any performance indicators or targets for the nursing stations to measure their effectiveness. Ministry staff informed us that the Ministry had not received any complaints about these nursing stations and therefore believed that the model was working well.

Figure 13: Map of Ontario with Locations of Ministry of Health-Funded Nursing Stations, Federal Health Facilities and Public Hospitals in Northern Ontario, as of August 2023

Prepared by the Office of the Auditor General of Ontario



Note: There are two hospitals located in Sudbury and two hospitals located in Thunder Bay. These locations are layered on one another on this map and therefore the 36 hospitals may appear as 34.

Figure 14: Ministry of Health-Funded Nursing Stations Located Less Than 80 km from the Nearest Hospital(s) in Northern Ontario

Prepared by the Office of the Auditor General of Ontario

Nursing Station	Nearest Hospital(s)	Approximate Distance (km)
Fauquier-Strickland Health Centre	Smooth Rock Falls Hospital and Sensenbrenner Hospital	33*
Missinaibi-Mattice Clinic	Notre-Dame Hospital and Sensenbrenner Hospital	33–66
Mactier Health Centre	West Parry Sound Health Centre	37
Nakina Medical Clinic	Geraldton District Hospital	65
Thorne Nursing Station	North Bay Regional Health Centre	68
Dubreuilville Medical Centre	Lady Dunn Health Centre	74

* Distances from the nursing station to the two nearest hospitals are 32.6 km and 33.3 km, respectively.

RECOMMENDATION 14

To enhance access to primary health care for Northern Ontario residents and reduce potential hospital visits, we recommend that the Ministry of Health:

- develop and implement a plan to identify locations in Northern Ontario where nursing stations could alleviate pressure on hospital services; and
- establish new or relocate existing nursing stations to the identified locations.

MINISTRY RESPONSE

The Ministry of Health (Ministry) acknowledges the recommendation and the importance of having access to primary care to reduce hospital visits.

While nursing stations are staffed exclusively by nurses and administrative personnel, Ontario is moving to expand an interdisciplinary approach to delivering primary care, such as in Nurse Practitioner-Led Clinics. The Ministry's 25 existing Nurse Practitioner-Led Clinics serve approximately 100,000 Ontarians and include interdisciplinary providers like social workers, dietitians, and others. Your Health: A Plan for Connected and Convenient Care includes an investment to create new interprofessional primary care teams in communities with the greatest need. By increasing the number of teams, people in underserviced communities and those without a family doctor will be able to connect to the care they need close to home.

The Ministry will reflect on the role of nursing stations in Northern Ontario in the context of Ontario's nursing and northern health initiatives in workforce planning.

4.4 Cultural and Linguistic Considerations at Northern Hospitals

Ontario Health has participated in multiple initiatives to advance relationships with Indigenous communities to better identify disparities, develop programs and monitor progress. Furthermore, as discussed in **Section 4.5.2**, Ontario Health has added new expectations in its 2023/24 accountability agreements with hospitals to measure and report on health equity. During our audit, we identified several areas that warrant continuous improvement to better meet the needs of Indigenous peoples in Northern Ontario. Below are our observations.

4.4.1 Indigenous Health Services Not Consistently Available at Northern Hospitals

Promoting health equity and anti-racism is a key priority for the Ministry and Ontario Health, as reflected in the Ministry's mandate letter to Ontario Health and also in Ontario Health's annual business plan. As well, the Truth and Reconciliation Commission of Canada (Commission), described in **Section 2.3.3**, called for recognizing the value of Indigenous healing practices and using them in the treatment of Indigenous patients in collaboration with Indigenous healers and elders where requested by Indigenous patients. In February 2023, Ontario Health collected information about hospital services for Indigenous peoples from all hospitals in Northern Ontario; these services include Indigenous healing spaces, traditional practice policies, dedicated indoor smudging spaces and the ability to smudge in a patient's room. Smudging is a traditional spiritual practice that involves burning certain herbs to create a smoke that is used for purification and cleansing.

Appendix 11 shows the results of a survey conducted by Ontario Health. About 33% or 12 of the 36 hospitals in the region did not respond to the survey. Of the 24 hospitals in Northern Ontario that responded, 11 hospitals provided an Indigenous healing space for their patients, 16 hospitals had a traditional practice policy, 13 hospitals had dedicated indoor smudging space, and 11 hospitals allowed

smudging in patient rooms. Two hospitals noted that they did not provide any of these services.

The three hospitals in the northern region where we conducted detailed audit work have each made efforts to offer Indigenous traditional practices. For instance:

- One hospital we visited integrates First Nations principles into many of the services it provides. This hospital has instilled traditional Indigenous values and practices into its governance and leadership structure, patient and client support programs, and healing and medicinal treatments, and offers localized cultural awareness and training, and traditional foods.
- Two of the three hospitals we visited had goals in their strategies to provide culturally safe care to Indigenous patients, and demonstrated a comprehensive range of services for Indigenous patients, including Indigenous patient navigators/interpreters, smudging services, elders in residence, and traditional healing and medicine.
- Two hospitals we visited have instituted advisory or elders councils to offer direction concerning the health of the Indigenous population. One of the hospitals had difficulty filling vacancies on its council, while the other's council also had vacancies but the hospital was undertaking efforts to fill them.

Ontario Health explained that while it requires hospitals to provide culturally appropriate services in a safe environment, it does not specify the type of services a hospital should provide to Indigenous patients because each community would have different needs. Ontario Health expects that hospitals engage with local Indigenous communities to determine the type of services that would be provided to meet their needs, and has a process in place where its staff are available to support hospitals in planning their programs.

Indigenous Culture-Related Training Available at Hospitals, but Uptake Was Limited

The Commission also called for providing cultural competency training for all health-care professionals. Indigenous cultural training can help health-care professionals better understand the unique cultural beliefs, practices, and historical experiences of Indigenous communities. Such training can also contribute to the broader goal of achieving equitable and inclusive health-care experiences for all individuals, regardless of their cultural background.

At the three hospitals where we conducted detailed audit work, we found that staff could access Ontario Health's online Indigenous Relationship and Cultural Awareness Courses, but only one hospital tracked participation, which was low, at 6% as of August 2023. Another hospital we visited introduced a video related to Cultural Safety through an online learning platform and 57% of its staff completed the training. At one of the three hospitals, staff could obtain training from two locally developed courses, though just over half of its staff had completed one or both courses, even though this hospital's internal policy requires that staff complete the required training at least once in their career with the hospital.

We found that Ontario Health does not require hospitals to provide mandatory training for staff to raise their awareness of Indigenous culture, or to track the percentage of staff who completed training. Ontario Health stated that it instead requires hospitals to undergo an accreditation process, which includes an assessment of people-centred care that is culturally safe.

Training staff to raise awareness of Indigenous culture and providing cultural competency and anti-racism training could help reduce negative incidents or complaints about how Indigenous patients are treated in hospitals. For example, at one hospital we visited, there was a complaint about a nurse who interrupted a drumming ceremony in a patient's room and demanded it stop, which the family found to be disrespectful because it did not reflect the wishes of the patient and the family.

4.4.2 Data Collection on Indigenous Staff and Patients Fragmented

As noted in **Section 2.1**, about 17% of the population in Northern Ontario is Indigenous. Collecting relevant data is crucial for identifying disparities, monitoring progress, and developing targeted programs, with

an ultimate aim to reduce health-care inequity for Indigenous peoples. Such data may include Indigenous identity (for example, First Nations, Inuit, Métis), Indigenous population health status, access to culturally appropriate health services, language barriers, and how different services are used. Ontario Health supports an Indigenous-led approach to exploring options of how data can be collected to better identify disparities, develop targeted programs, and monitor progress.

We found that the number and proportion of Indigenous patients at each northern hospital was largely unknown to either Ontario Health or hospitals since not all hospitals have information on the number of patients who self-identify as Indigenous. Some hospital staff informed us that their process to collect data would start through self-identification by including culturally appropriate questions in patient registration forms. Of the 34 Northern Ontario hospitals that responded to our questionnaire, only 13 included specific fields on patient registration forms through which patients can voluntarily self-identify as Indigenous. Of the hospitals where we conducted detailed audit work, one knew that about 90% of its patients are Indigenous; another hospital collected self-identification data in two of its programs and was planning to expand collection to other programs. The third hospital did not collect self-identification data, but serves a small population of just under 1,000 people (as of 2021), of which about 100 identify as Indigenous.

As well, the Commission called for increasing the number of Indigenous professionals working in the health-care field, and ensuring the retention of Indigenous health-care providers in Indigenous communities. Again, we found that neither Ontario Health nor hospitals could provide an accurate count of the number or proportion of Indigenous staff at hospitals. Based on the information reported by 34 Northern Ontario hospitals that responded to our questionnaire, we found that almost 60% of northern hospitals do not collect this data, though 14 hospitals were able to provide an estimated percentage of their staff who self-identify as Indigenous, which ranged from 0% to 10%. Of the hospitals where we conducted detailed audit work, management knew the number of Indigenous professionals on the executive team, but could only roughly estimate the number of Indigenous professionals who provide front-line services. None of the hospitals measured whether these numbers were increasing year over year in line with the Commission's recommendation to increase the number of Indigenous professionals working in the health-care field. Ontario Health indicated that it does not require hospitals to collect self-identification information for patients or staff because the *Public Hospitals Act* does not explicitly require it.

RECOMMENDATION 15

To help reduce health inequities and provide culturally appropriate services to meet the needs of Indigenous peoples in Northern Ontario, while recognizing the spirit of the calls for action from the Truth and Reconciliation Commission of Canada (Commission), we recommend that Ontario Health, in consultation with Indigenous communities, work with hospitals to:

- assess ways in which hospitals can more consistently collect data about the Indigenous patients they serve, as well as their Indigenous staff, in an appropriately sensitive manner;
- collect data from all hospitals on the type of Indigenous services provided on at least an annual basis;
- monitor progress on the Commission's calls to increase the number of Indigenous professionals working in health care and to retain Indigenous health-care providers in Indigenous communities; and
- develop a mechanism to monitor that all hospital staff have access to training to promote health equity and anti-racism, and measure participation rates.

ONTARIO HEALTH RESPONSE

Ontario Health accepts this recommendation. It has built many enduring relationships with Indigenous communities and learned a great deal about working together to remove Indigenous peoples'

barriers to access health care and improve Indigenous health outcomes. Many of our foundational learnings are aligned closely with the Calls to Action from the Truth and Reconciliation Commission of Canada, which is reflected in our Indigenous Health Equity Work Plan.

Ontario Health will explore opportunities with Indigenous Partners (the data agreement holders) and hospitals regarding opportunities to collect data on Indigenous patients and staff to serve Indigenous populations better. Ontario Health will continue to strengthen its annual data collection from hospitals on the type of Indigenous services they provide.

Ontario Health will implement a holistic evaluation plan incorporating Indigenous "Ways of Knowing" and methodologies to support the newly established "local obligations" outlined in the 2023 Hospital Service Accountability Agreements. The obligations include advancing Indigenous health strategies and equitable health outcomes and requiring executives to complete training on the topic. Ontario Health's actions will evolve as Ontario Health's expertise and capacity in this work increases and as its goals are met, and as Indigenous priorities shift.

4.4.3 Hospitals Designated to Provide French Services Not Reviewed in a Timely Manner

As noted in **Section 2.3.3**, about 16% of the residents in Northern Ontario are French-speaking. The Ministry of Francophone Affairs defines a French-designated area as one where Francophones make up at least 10% of the population or a city which has at least 5,000 Francophones. As shown in **Appendix 12**, the North East is a designated area, while the North West is partially designated (that is, it has some "French-designated areas").

According to Ontario Health, as of January 2023, eight northern hospitals were fully designated and three were partially designated. We found that all of the fully or partially designated hospitals under the *French Language Services Act* (Act) are located in the North East.

Hospital representatives told us they have difficulty recruiting health-care professionals in general, let alone those who are bilingual or Francophone. For example, one of the fully designated hospitals we visited did not meet the full designation requirement because, as of April 2023, 26% of its staff who were in French-designated positions did not meet the linguistic requirements for their positions.

Ontario Health has set out further expectations regarding the French language in the Hospital Service Accountability Agreement. The Ministry of Health has also set out requirements for non-designated hospitals that have been "identified" to work towards designation under the Act. We selected a sample of designated, partially designated, and non-designated but identified hospitals in Northern Ontario, and requested the reports that these hospitals are required to submit to Ontario Health, and found mixed results:

- Hospitals that are designated must submit a French language services report annually. In our sample, we found the required reports were submitted.
- Hospitals that are non-designated and non-identified must submit a report annually that outlines how the hospital addresses the needs of its Francophone community. We found that one of the two sampled hospitals did not submit the required report.
- Hospitals that are non-designated and identified must submit a French language services plan and provide services in French according to their existing language capacity. In our sample, we found that none submitted the required services plan. Ontario Health informed us that it asked these hospitals to describe their progress in meeting at least five additional designation requirements each fiscal year. These five requirements are in addition to their previously identified targets, which are individual to each hospital as they are at different levels of maturity. The goal is to reach 20 total requirements to reach designation. However, we found no

Figure 15: Status of Evaluations for Northern Hospitals' Compliance with French Designation Requirements, as of August 31, 2023

Source of data: Ontario Health

Hospital*	Evaluation Due in	Evaluation Completed
Notre-Dame Hospital	2021/22	✓
Smooth Rock Falls Hospital	2021/22	✓
Lady Dunn Health Centre	2022/23	
Chapleau Health Services	2022/23	✓
Timmins and District Hospital	2022/23	✓
Health Sciences North	2022/23	
Sensenbrenner Hospital	2023/24	Evaluation in progress
Lady Minto Hospital	2023/24	
Mattawa General Hospital	2023/24	
West Nipissing General Hospital	2023/24	
North Bay Regional Health Centre	2023/24	

* A total of 11 Northern Ontario hospitals were designated to provide French services under the *French Language Services Act*.

evidence that Ontario Health has been monitoring reported data or the hospitals' progress, for which it cited concerns with a staffing shortage.

Furthermore, the Ministry of Francophone Affairs requires organizations that are fully or partially designated to complete an evaluation every three years to confirm they remain compliant with the designation requirements. In practice, designated hospitals in Northern Ontario provide data to Ontario Health, which assesses the hospitals for compliance with the designation requirements, and shares the results with the hospital. The 11 designated hospitals in Northern Ontario were due for evaluation at different times between 2020/21 and 2023/24, while six of them were due for evaluation between 2020/21 and 2022/23; however, we found that only four of the six were evaluated on time, as shown in **Figure 15**.

Not offering sufficient French language services at hospitals could hinder effective communication and accessibility for Francophone patients in Northern Ontario. For example, at one fully designated hospital we visited that received a total of 39 complaints in the last four years concerning French language services, we found instances where patients complained that they were not "actively offered" French services when they presented themselves to the point of entry screening or while receiving care—a requirement under the Act to be fully designated.

RECOMMENDATION 16

To reduce health inequities in Northern Ontario hospitals and better meet the linguistic needs of Francophone patients, we recommend that Ontario Health:

- monitor that designated hospitals complete their evaluation every three years to confirm they remain compliant with the *French Language Services Act* requirements; and
- monitor that identified hospitals submit services plans to demonstrate their capacities and progress toward meeting designation requirements.

ONTARIO HEALTH RESPONSE

Ontario Health accepts the recommendations outlined in the report to better meet the linguistic needs of Francophone patients. Improving French language services is particularly important to Ontario Health given the large Francophone population it serves in the north regions. Ontario Health will review its French Language Services Operational Plan and identify and implement strategic actions to improve measurement, monitoring,

and evaluation of French language services in the region. Ontario Health will support hospitals, and other health-service providers, on compliance and maturing the process to review their progress to increase the number of designated health-service providers, and support identified health-service providers in improving their capacity toward meeting, or increasing, the number of designation requirements completed.

RECOMMENDATION 17

To reduce health inequities in Northern Ontario hospitals and better meet the linguistic needs of Francophone patients, we recommend that the Ministry of Health collaborate with the Ministry of Francophone Affairs to assess the feasibility of mandating that hospitals in designated areas of Northern Ontario become designated under the *French Language Services Act*.

MINISTRY RESPONSE

The Ministry of Health (Ministry) acknowledges the recommendation and the importance of accessing acute health care for Northern Ontario residents and the consideration of mandating hospitals in designated areas of Northern Ontario under the *French Language Services Act*.

Further, a hospital that is not designated does not mean that there are no French services offered. Many of these smaller hospitals communicate in both languages because Ontario offers free translation services to all hospitals in designated areas and/or all hospitals that are partially/fully designated. Translation requests are sent to the regional hub (Health Science North in Sudbury) where there is a team of translators and a co-ordinator.

Noting that being designated is volunteer-based, the Ministry respects the decisions of board-governed hospitals on whether to seek formal designation based on community input and an assessment of the costs and benefits. Furthermore, because of access to free translation services, there may not be an additional incentive for smaller hospitals in designated areas in the north to become designated.

The 11 designated or partially designated hospitals represent some of the largest hospitals in the north. These hospitals are situated in more populated regions, making it easier to recruit and retain French health human resources. Consequently, these hospitals can fulfill the requirements needed for designation under the *French Language Services Act*.

The Ministry will consider the potential costs and benefits of mandating hospitals in designated areas to become designated.

4.5 Hospital Performance Measurement and Reporting

To establish and govern the relationship between Ontario Health and public hospitals, as discussed in **Section 2.4.3**, each hospital enters into an accountability agreement known as the Hospital Service Accountability Agreement (HSAA). The HSAA not only outlines the specific responsibilities and obligations of both parties, but also defines the accountability and performance expectations of hospitals, including performance indicators, associated targets, and the frequency of reporting. Ontario Health has regional teams that are responsible for monitoring the performance of hospitals in each region.

4.5.1 Not All Northern Hospitals Submitted a Consistent Set of Performance Information and Ontario Health Had No Defined Timelines to Rectify This

Hospitals submit wait times for surgeries and diagnostic imaging as well as alternate-level-of-care (ALC) information through the Wait Time Information System (WTIS), and Ontario Health is responsible for monitoring this information. The ALC information measures the extent to which patients occupy hospital beds, but in fact no longer require acute-care services; they are ready to be discharged from the hospital, but are waiting for another more appropriate care setting

such as a long-term care home, a rehabilitation facility or home care.

We found that not all 36 Northern Ontario hospitals report wait times, while only half the hospitals reported ALC information through WTIS and the others reported it through a separate system. As such, at the time of our audit, Ontario Health had to rely on multiple sources of information to review the performance of all northern hospitals, or to identify any that may be performing poorly so that issues could be more readily addressed. However, we found that information stored in one source was less complete than the other source, affecting the comparability of the information.

Of the 36 Northern Ontario hospitals:

- six did not report surgical wait times, even though these hospitals provided surgical services to patients;
- seven others did not report wait times for CT scans, a type of diagnostic imaging, even though these hospitals provided diagnostic imaging services to patients;
- 18 did not submit ALC information through the information platform (WTIS) and therefore Ontario Health had to use a different report to obtain the ALC data for these hospitals on a weekly basis. However, this reported data does not substitute the WTIS report because it is only available weekly rather than daily, and only includes acute-care patients instead of all ALC patients, their admission source and barriers to discharge.

During our audit, Ontario Health was collaborating with two of the six northern hospitals that did not report surgical wait times to onboard them to WTIS, but this work was still ongoing when we completed the audit. Ontario Health had no defined timeline to complete the onboarding for these two hospitals. For the remaining hospitals, the agency informed us that it was still in the initial planning stages and timelines had not been established yet. According to a presentation made by Ontario Health to hospitals in 2023 on WTIS onboarding, the process of onboarding required about seven months of effort and resources, including planning, clinical engagement, interface development, testing, mapping, registration, training, data quality and compliance.

4.5.2 Hospitals No Longer Required to Aim for Targets Relating to Diagnostic Imaging and Emergency Department Wait Times

In 2023/24, Ontario Health introduced a new version of the HSAA for all hospitals in Ontario, but some indicators—including wait time for diagnostic imaging and emergency department length of stay—were reclassified from performance indicators to monitoring indicators. In doing so, Ontario Health eliminated the requirement for hospitals in Ontario to achieve specific targets for these indicators. Ontario Health told us this change was necessary because of the current state of the health system, where it may not be reasonable to request an action plan from hospitals when they do not meet targets and it might be more relevant to focus on mitigation discussions. The different types of indicators mentioned in the HSAA are described in **Figure 16**.

Not having a target could deter hospitals from innovating to achieve better results. For instance, **Figure 17** and **Figure 18** show the performance of

Figure 16: Types of Indicators Used in the Hospital Service Accountability Agreement

Source of data: Ontario Health

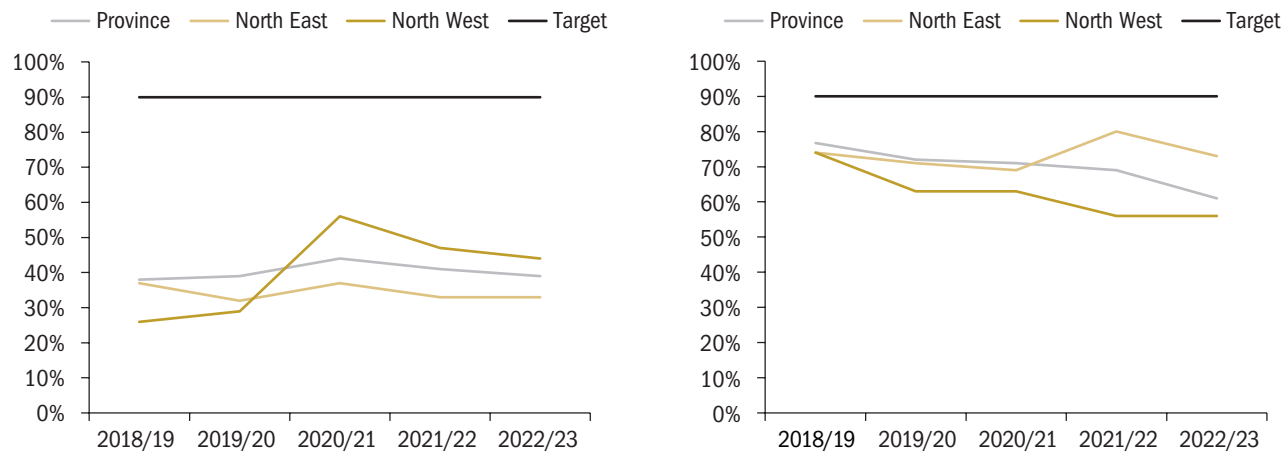
Type of Indicator	Definition
Performance indicator	A measure of hospital performance for which a target is set.
Monitoring indicator	A measure of hospital performance that may be monitored against provincial results or provincial targets, but for which no target is set.
Explanatory indicator	• A measure that is connected to and helps to explain performance in a performance indicator or a monitoring indicator. • May or may not be a measure of hospital performance. • No target is set.
Performance target	The level of hospital performance expected with regard to a performance indicator or a service volume.

the two regions in Northern Ontario compared to the whole province regarding wait times for non-emergency adult MRI and CT scans, and the average wait times in emergency departments, respectively. Over the last five years, North East and North West hospitals were far from meeting the target for wait times for MRI scans, and the average length of stay in emergency departments for admitted patients continued to increase in the regions.

To align with provincial priorities and reflect the current hospital operating environment and focus, Ontario Health introduced two new performance

Figure 17: Percentage of Non-Emergency* Adult MRI and CT Scans Completed within Target Wait Times, 2018/19–2022/23

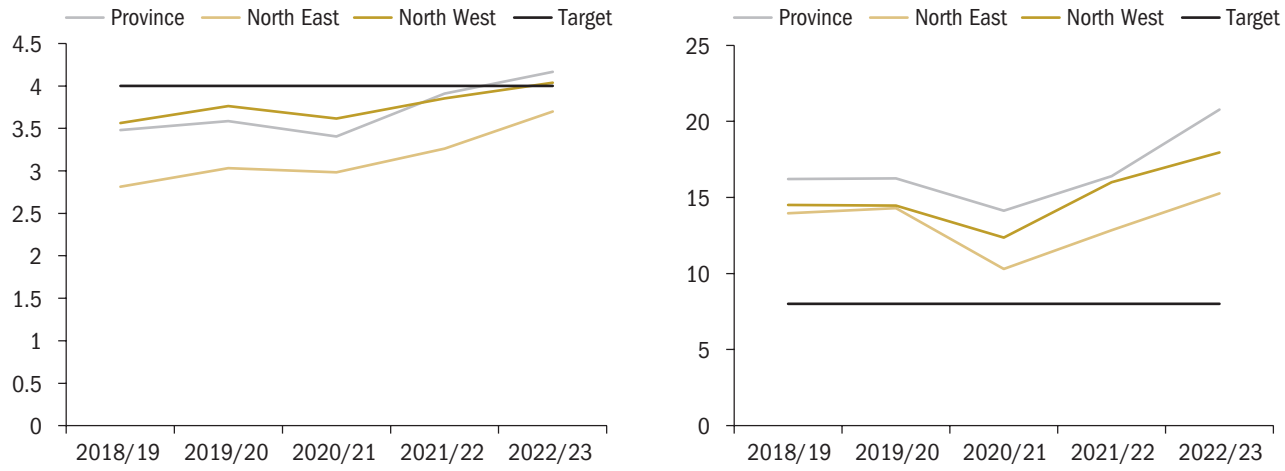
Source of data: Ontario Health



* Non-emergency includes priority 2 to 4 MRI and CT scans (with priority 2 being the most urgent) compared to priority 1 scans, which are emergencies.

Figure 18: Average Number of Hours Spent in Emergency Department for Non-admitted and Admitted Patients, 2019/20–2022/23

Source of data: Ontario Health



indicators in the 2023/24 HSAA, for which hospitals would be required to meet specific targets; these were the percentage of overall long-waiters across all surgical areas (that is, the percentage of patients whose total wait time for a surgical procedure exceeded the target) and ALC throughput ratio (that is, the ratio of discharged ALC patients to newly added ALC patients over a period of time).

In March 2020, shortly after the COVID-19 pandemic was declared a public health emergency, the Ministry had asked all hospitals to cease all non-essential and elective services or reduce them to minimal levels. Ontario Health indicated that this contributed to the increased wait times for diagnostic imaging and surgical services, and setting targets during this time would affect the hospitals' ability to meet targets.

4.5.3 Over 40% of Northern Hospitals Not Contractually Required to Measure and Report on Health Equity

We found that the Hospital Service Accountability Agreement (HSAA) between individual hospitals and Ontario Health does not require hospitals to measure health equity through the use of performance or monitoring indicators. This is despite the fact that both the Ministry and Ontario Health have designated promoting health equity as a strategic priority in 2022/23.

Ontario Health stated that although health equity is not yet measured through the HSAA, it is monitored through expectations outlined under the local obligations of HSAA. In the HSAA for 2023/24, these obligations require hospitals to plan, measure and report on health outcomes, culturally safe access to services, and hospital executive training related to promoting the health of Indigenous peoples. However, Ontario Health staff stated that it will support hospitals to put plans in place by 2024/25 because it needs more time to work on streamlining the planning requirement to ensure consistency across hospitals and to define the metrics that will measure progress.

The 2023/24 HSAA came into effect on April 1, 2023, but as of October 2023, Ontario Health had given extensions to 16 or 44% of the 36 Northern Ontario hospitals to sign this agreement by March 31, 2024. Ontario Health has provided similar extensions to hospitals in other regions given the financial uncertainty faced by hospitals as the Ministry and Ontario Health were still working to fully determine the impact that the overturning of Bill 124 would have on hospital staff's retroactive pay, and as the impact gets realized by the hospitals depending on the arbitration awards, along with inflation and other pressures. Hospitals that had not yet signed the new HSAA would not be bound contractually toward the new indicators and local obligations, though Ontario Health still expects hospitals to report on the new indicators, achieve related targets, and respond to its queries when targets are not being met.

RECOMMENDATION 18

To more effectively monitor the performance of hospitals, we recommend that Ontario Health:

- evaluate the benefits of onboarding all Northern Ontario hospitals that are not currently reporting all information on wait times for surgeries and diagnostic imaging, and alternate-level-of-care rates through the Wait Time Information System, establish an implementation plan with timelines, and collaborate with the Ministry of Health and these hospitals to complete the onboarding;
- reinstate performance targets for wait time indicators for diagnostic imaging and emergency department length of stay in the next iteration of the Hospital Service Accountability Agreement; and
- require hospitals to measure and report indicators related to health equity.

ONTARIO HEALTH RESPONSE

Ontario Health agrees with this recommendation. To ensure effective monitoring, Ontario Health will evaluate the benefits of onboarding remaining hospitals to the Wait Time Information System and develop an implementation plan and timeline in collaboration with the Ministry of Health and

the hospitals. Ontario Health will also review the prior Hospital Service Accountability Agreements' indicators for diagnostic imaging and emergency department length-of-stay for appropriateness in future agreements. Ontario Health will continue to include and expand expectations regarding health equity reporting in the agreements.

4.5.4 Limited Intervention by Ontario Health for Hospitals Not Meeting Performance Targets

Ontario Health collects financial performance indicators from all 36 hospitals in Northern Ontario as part of the HSAA reporting requirements. As shown in **Figure 19**, in 2022/23, 30 of the 36 hospitals showed negative total margins—this is the highest proportion of hospitals in Northern Ontario with expenditures exceeding revenue in the last five years, as illustrated in **Figure 20**. In addition, 14 of the 36 hospitals in 2022/23 experienced liquidity challenges, with their current ratios below one. According to the HSAA, hospitals are required to plan for and maintain an annual balanced operating budget, which means that for each funding year, the total expenses of the hospital must be equal to or less than its total revenue. In 2023/24, the agency put a hold on the need for all hospitals across Ontario to submit hospital improvement plans, to recognize that hospitals face rising agency nurse costs and retroactive pay increases to hospital staff following the strike-down of Bill 124, as explained in **Section 2.3.1**. At the time of our audit, Ontario Health and the

Figure 19: Total Margin and Current Ratio for Hospitals in Northern Ontario, 2022/23

Source of data: Ontario Health

Hospital	Total Margin (%)	Current Ratio
Blind River North Shore Health Network	(11.99)	0.94
Smooth Rock Falls Hospital	(9.46)	0.80
West Nipissing General Hospital	(7.53)	0.97
Temiskaming Hospital	(7.53)	0.82
Geraldton District Hospital	(6.93)	1.69
Nipigon District Memorial Hospital	(6.84)	0.81
Lake of the Woods District Hospital	(6.14)	1.14
Bingham Memorial Hospital	(6.08)	1.09
North of Superior Healthcare Group	(6.02)	0.92
Riverside Health Care Facilities Inc	(5.92)	0.74
Weeneebayko Area Health Authority	(4.16)	1.37
Atikokan Health and Community Services	(4.01)	1.81
Notre-Dame Hospital	(3.86)	1.05
North Bay Regional Health Centre	(3.59)	0.88
St. Joseph's General Hospital	(3.58)	1.59
Dryden Regional Health Centre	(3.32)	1.00
Blanche River Health	(3.20)	1.58
Sioux Lookout Meno Ya Win Health Centre	(2.70)	0.90
Services de santé de Chapleau Health Services	(2.64)	0.97
West Parry Sound Health Centre	(2.49)	1.06
Timmins and District Hospital	(2.16)	0.62
Lady Minto Hospital	(2.08)	1.04
Mattawa General Hospital	(1.88)	2.14
Health Sciences North	(1.85)	0.69
Espanola General Hospital	(1.50)	1.75
Manitoulin Health Centre	(1.29)	0.90
Lady Dunn Health Centre	(1.26)	1.87
Red Lake Margaret Cochenour Memorial Hospital	(0.79)	1.57
Anson General Hospital	(0.65)	1.03
Thunder Bay Regional Health Sciences Centre	(0.20)	0.88
Sault Area Hospital	0.18	1.03
Sensenbrenner Hospital	1.13	1.22
St. Joseph's Continuing Care Centre of Sudbury	2.11	1.98
Santé Manitouwadge Health	2.37	1.27
St. Joseph's Care Group	2.50	1.01
Hornepayne Community Hospital	2.66	2.28

Figure 20: Hospitals in Northern Ontario with a Negative Total Margin,[1] 2018/19–2022/23

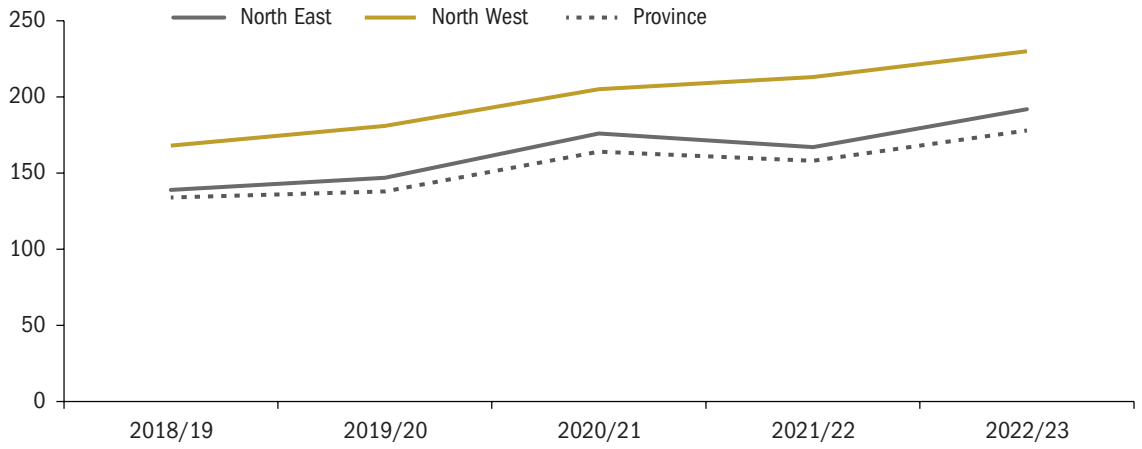
Source of data: Ontario Health

	2018/19	2019/20	2020/21	2021/22	2022/23
# of all hospitals[2]	37	37	37	36	36
# of hospitals with a negative total margin	11	9	1	3	30
% of all hospitals that had a negative total margin	30	24	3	8	83

1. Negative total margin means total hospital expenses exceeded total revenue.
2. In 2020/21, Englehart & District Hospital Inc. and Kirkland and District Hospital merged to become Blanche River Health, reducing the total number of hospitals from 37 to 36 in following years.

Figure 21: Average Wait Times for All Adult Surgeries, by Region, 2018/19–2022/23 (# of Days)

Source of data: Ontario Health



Note: Wait times include time waited from referral to first clinician appointment, and time waited from decision to surgery.

Ministry had not finalized their plans to help hospitals manage these financial deficits.

We also found that Ontario Health did not consistently require underperforming hospitals to submit hospital improvement plans, even before it put a hold on the need to submit these plans. For instance, 11 hospitals had deficits for one or multiple fiscal years between 2018/19 and 2021/22, but were not required to have operational reviews or submit hospital improvement plans. Ontario Health did not have documented justification for why all hospitals with poor financial performance did not develop and submit hospital improvement plans. Ontario Health stated that it considered multiple factors—including the magnitude of the deficit, forecast future revenue, and the reasons for the deficits and whether they were within the hospital's control—when determining whether to request hospital improvement plans from hospitals that underperformed.

We also noted that over the last five years, the North East and North West regions' surgical wait times for adults rose consistently year over year and consistently exceeded the average wait times for the entire province, as shown in **Figure 21**. In response to this, Ontario Health worked with hospitals to establish recovery plans aimed at improving surgical wait times and reducing the percentage of long-waiters (that is, patients who have waited longer than target wait times) to 30%, which is higher than the HSAA target of 20% but was within the agency's established acceptable range of results. During our audit, Ontario Health started working with northern hospitals that missed the provincial target for diagnostic imaging wait times, which we described in **Section 4.5.2**, to help them establish recovery plans to address their underperformance.

RECOMMENDATION 19

To recognize that hospital performance could be affected by outside factors beyond their control, but still drive improvements in other ways within a hospital's control, we recommend that Ontario Health identify and monitor alternative performance indicators if it concludes that a hospital is not meeting targets because of factors beyond their control.

ONTARIO HEALTH RESPONSE

Ontario Health agrees with this recommendation. Ontario Health will continue to monitor relevant indicators for hospitals in support of driving improvements in areas within a hospital's control, and will explore opportunities to identify and develop other indicators to drive improvements in areas beyond a hospital's control.

RECOMMENDATION 20

To hold hospitals more accountable for delivering expected performance levels, we recommend that Ontario Health work with underperforming hospitals to develop and implement a mutually agreed upon action plan to rectify performance issues, and monitor their progress.

ONTARIO HEALTH RESPONSE

Ontario Health agrees with this recommendation. Ontario Health supports holding hospitals accountable for delivering expected performance and will continue to work with underperforming hospitals to ensure performance improvement plans are in place and progress and effectiveness is appropriately monitored.

Appendix 1: Number of Total Beds and Type of Acute-Care Services Offered in All 36 Public Hospitals in Northern Ontario

Source of data: Ministry of Health and individual hospitals in Northern Ontario

			Acute-Care Services Offered[2]					
Hospital	City	# of Beds[1]	Emergency Care	Obstetrics and/or Gynaecology	Paediatrics	Surgical Care	MRI	CT
Health Sciences North	Sudbury[3]	561	✓	✓	✓	✓	✓	✓
Thunder Bay Regional Health Sciences Centre	Thunder Bay	442	✓	✓	✓	✓	✓	✓
North Bay Regional Health Centre	North Bay[3]	431	✓	✓	✓	✓	✓	✓
Sault Area Hospital	Sault Ste. Marie	288	✓	✓	✓	✓	✓	✓
St. Joseph's Care Group[4]	Thunder Bay	263						
Timmins and District Hospital	Timmins	192	✓	✓	✓	✓	✓	✓
St. Joseph's General Hospital[5]	Elliot Lake	75	✓	✓		✓		✓
Lake of the Woods District Hospital	Kenora	70	✓	✓		✓	✓	✓
Temiskaming Hospital	New Liskeard	69	✓	✓		✓		✓
Weeneebayko Area Health Authority[5]	Moose Factory[3]	68	✓	✓[6]	✓[6]	✓		✓
Sensenbrenner Hospital	Kapuskasing	67	✓	✓		✓		✓
St. Joseph's Continuing Care Centre of Sudbury[4]	Sudbury	63						
West Parry Sound Health Centre	Parry Sound	63	✓	✓		✓		✓
Meno Ya Win Health Centre	Sioux Lookout	60	✓	✓	✓	✓		✓
Blanche River Health	Kirkland Lake[3]	58	✓		✓	✓		✓
West Nipissing General Hospital	Sturgeon Falls	49	✓					✓
North of Superior Healthcare Group	Terrace Bay[3]	45	✓	✓		✓		
Riverside Health Care Facilities	Fort Frances[3]	44	✓	✓	✓	✓		✓
Notre-Dame Hospital	Hearst	42	✓			✓	✓	✓
Dryden Regional Health Centre	Dryden	42	✓	✓		✓		✓
Anson General Hospital	Iroquois Falls	34	✓					
Lady Minto Hospital	Cochrane	33	✓			✓		
Manitoulin Health Centre	Little Current[3]	32	✓	✓				
North Shore Health Network	Blind River[3]	27	✓					

Hospital	City	# of Beds[1]	Acute-Care Services Offered[2]					
			Emergency Care	Obstetrics and/or Gynaecology	Paediatrics	Surgical Care	MRI	CT
Geraldton District Hospital	Geraldton	23	✓					
Services de santé de Chapleau Health Services	Chapleau	20	✓		✓			
Mattawa General Hospital	Mattawa	19	✓					
Red Lake Margaret Cochenour Memorial Hospital	Red Lake	18	✓			✓		
Bingham Memorial Hospital	Matheson	17	✓					
Espanola General Hospital	Espanola	17	✓					
Smooth Rock Falls Hospital	Smooth Rock Falls	17	✓					
Atikokan General Hospital	Atikokan	15	✓					
Nipigon District Memorial Hospital	Nipigon	15	✓					
Lady Dunn Health Centre	Wawa	12	✓					
Santé Manitouwadge Health	Manitouwadge	9	✓					
Hornepayne Community Hospital	Hornepayne	3	✓					
Total		**3,303**						

1. Based on number of "Total Beds (daily average)" as reported by hospitals to the Ministry of Health via the 2022/23 Bed Census Summary.
2. Based on data reported by individual hospitals that responded to our questionnaire in September 2023.
3. City of main site—hospital has multiple sites.
4. This hospital provides non-acute care services such as mental health, rehabilitation, or complex continuing care.
5. Offering of acute-care services based on information provided by Ontario Health.
6. Services provided by visiting specialist(s).

Appendix 2: Provincial Programs to Recruit and Retain Physicians and Nurses in Ontario Hospitals

Source of data: Ministry of Health and Ontario Health

Program	Description	Operated by	Designed for Northern Ontario
Northern and Rural Recruitment and Retention Initiative	Helps attract physicians to establish a new full-time practice in eligible communities throughout the province, including the north, by providing payments between about $85,000 and $125,000 paid over a four-year period.	Ministry of Health	✓
Northern Physician Retention Initiative	Helps retain full-time physicians in the north who have already completed at least four years of continuous full-time practice by paying a retention incentive equivalent to just over $7,400 for each year they continue to practise in the region.	Ministry of Health	✓
Tuition Support Program for Nurses	Helps attract nurses from rural and remote communities to return to practise in eligible communities across the province within their first year of graduation by offering tuition reimbursement. The length of return of service required is based on the number of year's tuition that is reimbursed.	Ministry of Health	
Physician Return of Service Programs	Includes multiple programs that help physicians commit to practise in an eligible Ontario community for up to five years in exchange for training or interest relief support.	Ministry of Health	
International Medical Graduates Return of Service	A type of return-of-service program that provides an opportunity for physicians educated outside of Canada to apply for residency positions through the Canadian Resident Matching Services. This return of service is five years, and can be completed anywhere other than the Greater Toronto Area and Ottawa.	Ministry of Health	
Repatriation Program Return of Service	A type of return-of-service program that offers participants an opportunity to complete a residency training position in order to meet Canadian certification. In return, participants commit to practise medicine in an eligible Ontario community for up to five years. This can be completed anywhere other than the Greater Toronto Area and Ottawa.	Ministry of Health	
Northern Specialist Locum Programs	Provides relief and vacancy locum coverage to help support the recruitment and retention of specialists in Northern Ontario communities.	Ontario Health	✓
Emergency Department Locum Program	Helps hospitals avert closure of an emergency department because of physician unavailability; provides urgent locum coverage as an interim measure of last resort to designated hospitals facing significant challenges covering emergency department shifts.	Ontario Health	

Program	Description	Operated by	Designed for Northern Ontario
Rural Family Medicine Locum Program	Supports the viability of rural practice and helps to maintain ongoing primary medical care in eligible communities in Ontario by providing short-term locum coverage for practising rural family physicians.	Ontario Health	
Community Commitment Program for Nurses	Helps attract registered nurses, registered practical nurses and nurse practitioners who have not worked as a nurse in the prior six months to work in hospitals and other health-care facilities by providing $25,000 for a two-year commitment. Program started in May 2022.	Ontario Health	
Distributed Medical Education programs	Provide rural and regional clinical education opportunities outside of Academic Health Sciences Centres (Health Sciences North and Thunder Bay Regional Health Centre in the north) to undergraduate and postgraduate medical trainees at all medical schools. One of the goals is to promote physician practice in rural and northern communities.	Medical Schools	
Hospital Special Premium Payment	Physicians with a practice location with a Rurality Index for Ontario score >=40 receive a hospital special premium payment of a) $7,500 if they have provided $2,000 in eligible hospital services, and b) an additional $5,000 if they have provided an additional $6,000 or more in eligible hospital services, for a maximum of $12,500.	Ministry of Health	

Appendix 3: List of Ontario Health Teams in Northern Ontario and Date Created

Source of data: Ontario Health

Ontario Health Team	Region	Hospital	Date Created
Nipissing Wellness	North East	North Bay Regional Health Centre	Dec 7, 2019
		West Nipissing General Hospital	
All Nations Health Partners	North West	Lake of the Woods District Hospital	Dec 9, 2019
Algoma	North East	Sault Area Hospital	Jul 23, 2020
		North Shore Health Network	
Rainy River District	North West	Atikokan General Hospital	Nov 18, 2020
		Riverside Health Care Facilities (sites: La Verendrye Hospital, Rainy River Health Centre, Emo Health Centre)	
Maamwesying	North East	St. Joseph's General Hospital*	Oct 14, 2022
		Espanola General Hospital*	
Noojmawing Sookatagaing (previously City and District of Thunder Bay)	North West	Thunder Bay Regional Health Sciences Centre	Oct 14, 2022
		St. Joseph's Care Group	
		Nipigon District Memorial Hospital	
		Santé Manitouwadge Health	
		Geraldton District Hospital	
		North of Superior Healthcare Group (sites: McCausland Hospital and Wilson Memorial General Hospital)	
Kiiwetinoong Health Waters	North West	Red Lake Margaret Cochenour Memorial Hospital	Oct 14, 2022
		Dryden Regional Health Centre	
		Sioux Lookout Meno Ya Win Health Centre	
Timiskaming Area	North East	Blanche River Health (sites: Kirkland & District Hospital; Englehart & District Hospital)	Jul 13, 2023
		Temiskaming Hospital	
Cochrane District	North East	Smooth Rock Falls Hospital	Jul 13, 2023
		Timmins and District Hospital	
		Sensenbrenner Hospital	
		Notre-Dame Hospital	
		Anson General Hospital	
		Bingham Memorial Hospital	
		Lady Minto Hospital	
		Services de santé de Chapleau Health Services	
		Hornepayne Community Hospital	
Sudbury Espanola Manitoulin Elliot Lake	North East	Manitoulin Health Centre (sites: Little Current, Mindemoya)	Jul 13, 2023
		St. Joseph's Continuing Care Centre of Sudbury (sites: Greater Sudbury, South Bay Rd, Clarion Hotel)	
		St. Joseph's General Hospital*	
		Espanola General Hospital*	
		Health Sciences North	

* This hospital participated in two Ontario Health Teams at the time of our audit.

Appendix 4: Audit Criteria

Prepared by the Office of the Auditor General of Ontario

Ministry of Health and Ontario Health
1. Provincial strategies are in place and being achieved to support the delivery of timely and patient-centred services in hospitals in Northern Ontario.
2. Performance indicators and targets are established and continuously monitored against actual results to ensure that intended outcomes are achieved and corrective actions are taken on a timely basis when issues are identified.
3. Provincial programs to recruit and retain qualified health-care professionals in Northern Ontario hospitals are regularly monitored and assessed to ensure cost-effectiveness.
4. Initiatives to increase accessibility to hospital services are regularly monitored and assessed to ensure they are meeting their intended purposes.
Selected Hospitals
1. Hospitals co-ordinate with other health service providers to ensure that patients have timely and equitable access to care and health services.
2. Hospitals provide culturally and linguistically appropriate services to patients.
3. Hospitals use available financial and health human resources with due regard for economy and efficiency.
4. Sufficient, appropriate and timely information is available to allow effective oversight of hospital operations.

Appendix 5: Recommendations from the Rural and Northern Health Care Framework/Plan—Stage 1 Report, 2010

Source of data: Rural and Northern Health Care Panel

1.	Create a single point of focus within the Ministry of Health and Long-Term Care (now the Ministry of Health) for rural, remote and northern health. Identifying one person, group or section responsible for rural and northern health will increase accountability in this critical area, and make it easier to define and monitor standards for increasing access to health care.
2.	Establish a process to identify strategies and guidelines to improve access to health-care services for First Nations communities. First Nations communities have unique and complex health-care needs. Any plan to improve access to health care in rural and northern communities must consider these, while also considering the needs of remote, isolated and distant non-Indigenous communities.
3.	Continue to explore innovative ways of attracting health professionals to rural, remote and northern communities in Ontario. There is a constant need for doctors and nurses, as well as nurse practitioners, pharmacists, dieticians and other health-care professionals. Any plan to attract these professionals to rural and northern communities must also be integrated into the broader strategy to attract health-care professionals to Ontario.
4.	Explore ways of better integrating Emergency Medical Services (land and air) with the planning and delivery of local health services in rural and northern communities in Ontario. Currently, Emergency Medical Services are organized at a municipal level and funding and delivery models vary across different regions. This can create barriers to access, particularly in a region as vast as Northern Ontario. Better integration with Local Health Integration Networks (LHINs)* will lead to increased collaboration and co-ordination, resulting in better patient care.
5.	Explore ways of better integrating Public Health services in rural and remote Ontario. As is the case with Emergency Medical Services, public health services and delivery models vary from region to region. This can create imbalances and fragmented services. Better integration with LHINs can help to correct those imbalances.
6.	Support a "local hub" model of health planning, funding and delivery in rural, remote and northern communities. By integrating services across different health sectors and across different communities in rural and Northern Ontario, all parts of the health-care system can work together to deliver the best possible care to patients.
7.	Create a culture of collaboration and co-ordination amongst health-care providers in rural and Northern Ontario. Clearly identify roles and responsibilities and put in place the necessary infrastructure to support a better system of referrals, more efficient patient transfers and better overall access to care.
8.	Improve and strengthen relationships between academic health sciences centres (teaching and research hospitals) and local providers in rural, remote and northern communities. Bigger hospitals have much to offer in the way of support to local providers, and formal networks should be established to enable and encourage that support. This includes telemedicine, patient transfers, remote consultations and the sharing of best practices.
9.	Engage local communities to actively participate in the decision-making process for health-care planning, funding and delivery. The very best way to identify and meet local health-care needs is to consult with local communities. Improved collaboration and dialogue between the public, health-care providers and LHINs is a critical component of any plan to increase access to health-care services.
10.	Conduct a review of how best to improve planning, co-ordination and funding of inter-facility transfers. Moving patients from one facility to another can be difficult, particularly in rural and remote areas. Improving access to care means improving the ways in which we move people between the facilities where they receive that care.

11. Conduct a review of how best to enhance community-based non-urgent transportation solutions. The availability of non-urgent (i.e., not Emergency Medical Services or ambulance) transportation services is very limited in many rural, remote and northern areas of the province. This results in residents either not being able to travel to access care, or incurring high out-of-pocket costs while doing so. The new rural and northern health-care framework must contain measures to enhance non-urgent transportation in areas of the province where it is lacking.

12. Increase the availability of clinical and education technology. Electronic information management holds great potential to improve health care, and that is particularly true in rural and remote areas where travel can be difficult and there may be relatively fewer health-care providers. Any plan to improve access must take advantage of services such as eHealth, telemedicine, and simulation learning, and should include incentives to encourage their use by health professionals.

* On April 1, 2021, the Local Health Integration Networks (LHINs) continued to operate under a new business name, Home and Community Care Support Services, with a narrowed mandate to deliver and arrange patient services. Non-patient functions, such as funding, planning and community engagement, were transferred to Ontario Health.

Appendix 6: Examples of Other Jurisdictions' Health-Care Strategies Targeting Rural Areas

Prepared by the Office of the Auditor General of Ontario

British Columbia

Northern Health released its 2020–2023 Strategic Plan and 2020/21–2022/23 Service Plan, which included initiatives that focused on:

- partnerships to develop and support accessible affordable housing;
- innovative practices in transportation, accommodation, and technology to balance the fact that services are not available in every community;
- increasing the participation of Indigenous workers in health care and health sciences; and
- partnerships to support the employment of locally representative workforces.

Virginia, USA

The Virginia Rural Health Plan 2022–2026 focuses on seven priority areas to monitor the overall health and well-being of the state's rural communities. These areas include education, nutrition and food security, healthy moms and babies, access to health-care services, behavioural health, substance use disorder and recovery, and workforce development.

Queensland, Australia

The Rural and Remote Health and Wellbeing Strategy 2022–27 outlines what the state calls a "whole-of-system approach" to achieving health equity for its rural and remote populations. The strategy recognizes the importance of building stronger partnerships with health, non-health, public, not-for-profit and private system partners to align activities, share resources and share accountabilities.

Australia

The Department of Health and Aged Care's Stronger Rural Health Strategy aims to build a sustainable, high-quality health workforce by 2028 that is distributed across the country based on community need. With a focus on rural and remote communities that have difficulty attracting health-care professionals, the strategy includes many initiatives related to teaching, training, recruitment and retention to improve the health of people in rural areas.

Appendix 7: Examples of Other Jurisdictions' Health-Care Staffing Strategies with Actions Targeting Rural Areas

Prepared by the Office of the Auditor General of Ontario

British Columbia

The Health Human Resource Strategy—Putting People First includes immediate new actions as well as initiatives under way for health professions including paramedics, pharmacists, nurses and physicians. The strategy includes 70 actions that will span five years, focusing on four areas—retain, redesign, recruit and train—to achieve a healthy and productive workforce. Certain actions help direct health-care professionals to rural communities. For example, one action is to develop a new provincial travel resource pool to help deploy nurses to communities of need for short-term support. Another action is to collaborate with other ministries to develop a provincial health sector housing strategy to address barriers to recruitment in communities where market housing is not readily available. In addition, the strategy introduces specific approaches to support and protect Indigenous patients and providers.

Saskatchewan

The Health Human Resources Action Plan includes investing more than $60 million into four areas to address the challenges in health-care staffing and build a more sustainable health-care workforce. The four areas are recruitment, training, incentives and retention, and each area includes action items. For example, one action item aims to add 100 new full-time positions in rural and remote areas for professions such as registered nurses and licensed practical nurses, among others. The plan also mentions converting 150 part-time positions to full-time permanent positions in rural and remote areas for some health-care professions. The Saskatchewan government also intends to provide up to $50,000 in incentive funding over three years for a return-of-service agreement for hard-to-recruit positions, mainly in rural and remote areas. The plan also calls for developing a First Nations and Métis recruitment and retention strategy.

Appendix 8: Tools Used to Track Staffing Data in Northern Hospitals and Deficiencies of Each Tool

Prepared by the Office of the Auditor General of Ontario

Tool	Inception Date	Frequency of Reporting	Description	Deficiencies
Ontario Health North Workforce Profile Tool	Late 2022	Ongoing	• Enables hospitals in Northern Ontario to create and maintain profiles for their current workforce, including nurses. • Ontario Health would use this information to understand the vacancy and agency staffing rates across multiple sectors, as well as to forecast future needs and staffing pressures by geography and type of pressure (such as physician vs. nurses).	• Not yet fully implemented; Ontario Health plans to fully implement this information tool by March 2024. • Participation rate was just over 50% of all northern hospitals as of May 2023, according to Ontario Health.
HealthForceOntario—Northern Ontario Physician Data Collection	2018	Twice yearly	• HealthForceOntario (now part of Ontario Health) began collecting this data in 2018, in partnership with the Northern Ontario School of Medicine (NOSM). • Ontario Health collects data on the number of physicians working and the number of physicians that hospitals were recruiting for at the time.	• Ontario Health must conduct a significant amount of follow-up to obtain complete data, which is then passed to NOSM and discussed with stakeholders.
S9 Census	Apr 2020	Monthly*	• Hospitals report data including physician and nurse shortages, vacancies and absenteeism rates. • Ontario Health began measuring this data from October 2022. Ontario Health uses the data from this census for its monthly internal reporting.	• Reporting is voluntary; as such, some hospitals may submit the data late or not at all. The Ministry of Health sends hospitals email reminders to submit data, but does not mandate reporting. • 10 of the 36 hospitals did not submit data on vacancies between October 2022 and July 2023 (based on information from Ontario Health). • Four of the seven hospitals we visited submitted the data between October 2022 and July 2023. • We found data anomalies, and were told by Ontario Health that reporting of physician information may not be fully accurate because physicians are not hospital employees and may work in multiple locations.

* At Ontario Health's request, the Ministry of Health asked all hospitals to report data weekly starting April 2020, then changed it to monthly starting May 2023.

Appendix 9: Methodology Used to Estimate Additional Costs to Provide Hospital Acute Care to Patients Designated as Alternate-Level-of-Care (ALC) and Waiting for Long-Term Care and Home Care, 2022/23

Prepared by the Office of the Auditor General of Ontario

Data Used	Most Recent Data From	Source of Data
Step 1: **Calculate the total estimated cost to keep all acute-care patients designated as ALC in northern hospitals.**		
Average daily cost for an acute-care[1] patient to stay in a hospital	2021/22	Ministry of Health
Number of days patients were designated as ALC (ALC days) at northern hospitals that submitted this information through the Wait Time Information System	2022/23	Wait Time Information System
Step 2: **Subtract the estimated cost the province would have incurred if the proportion of ALC patients waiting for long-term care had received beds in long-term care homes instead.**		
Average daily cost for a resident to stay in a long-term care home (net of resident's basic bed co-payment adjusted to the estimated collection rate)	2021/22[2]	Ministry of Health
Proportion of hospital ALC days belonging to acute-care patients who were waiting for long-term care homes	2022/23	Wait Time Information System
Step 3: **Subtract the estimated cost the province would have incurred if the proportion of ALC patients waiting for home care had received home care instead.**		
Average daily cost for a home-care client to receive care at home	2021/22[2]	Ministry of Health
Proportion of hospital ALC days belonging to acute-care patients who were waiting for home care	2022/23	Wait Time Information System
Result: $65 million		

This estimate excludes:

- ALC patients in 18 of 36 Northern Ontario hospitals that do not report this information into the Wait Time Information System.
- The number of days acute-care patients designated as ALC waited in hospitals for a long-term care home or home-care application to be processed. This could vary from one case to another, but Home and Community Care Support Services could not provide a standard timeline.
- Data on whether a hospital is at capacity or not.
- Capital costs related to long-term care beds and any additional start-up costs to operate long-term care beds and home care services.

1. Cost data provided by the Ministry is for acute-care patient only and excludes non-acute or post-acute care patients such as those in mental health and rehabilitation beds. Does not consider co-payments by patients waiting for long-term care who need to contribute a co-payment toward their stay at the hospital.
2. Though 2022/23 information was available for long-term care and home care, to keep cost information across all three sectors consistent, we opted to use 2021/22 for this analysis.

Appendix 10: Comparison of Ontario's Northern Health Travel Grant Program with Similar Programs Offered in Other Provinces

Prepared by the Office of the Auditor General of Ontario

Province/ Territory	Program	Covered Expenses			
		Meals	Accommodations	Mileage	Companion[1]
Ontario	Northern Health Travel Grant	$0	$100 per night, up to $550 for ≥8 nights; trips must be over 200 km one way	For trips over 100 km—$0.41 per km for transport by land and air	Yes, but if travel by personal vehicle, the reimbursement is split
Nunavut	Extended Health Benefits[2]	≤$50 per day depending on the situation	$50 to full cost per day, depending on the situation	Full cost with $250 return airfare deductible on approved medical travel	Yes, but not for accommodations
Newfoundland and Labrador	Medical Transportation Assistance[3]	Trips must be over 200 km one way. Depending on the patient's location, either: 1) 100% for the first $1,000; 50% for the next $3,000; and 75% for the remaining expenses per year; or 2) $400 deductible on the first claim. The first $100 of eligible expenses in excess of $400 is reimbursed at 100%; the next $3,000 is reimbursed at 50%; and any remaining eligible expenses in excess of $3,500 during the 12-month period are reimbursed at 75%.			Yes, but not for accommodations
Manitoba	Northern Patient Transportation Program[4]	$0	$0	Full cost	Yes, plus ≤$24.65 per day for meals; ≤$65 per night for accommodations (or $30 if staying in private home); ≤$35 in miscellaneous transportation for up to two days and, if driving, reimbursed at the cost of bus fare
New Brunswick	Out of Province Hostel Facilities & Meal Allowance[5]	≤$110 per day for meals and accommodations; if required to stay more than 30 days, ≤$2,500 for accommodations, but not meals		$0	Meals at ≤$66.74 per day

1. A companion is someone—usually a family member or a caregiver—who escorts the patient to obtain care elsewhere. Most programs reimburse expenses for companions only when prior approvals are given, such as when it is medically necessary to have an escort accompany a patient.
2. Eligibility: All residents who have exhausted their third-party insurance or have no medical travel benefits.
3. Eligibility: Residents who incur substantial out-of-pocket travel costs to access specialized insured medical services that are not available in their immediate area of residence and/or within the province.
4. Eligibility: Residents living north of the 53rd parallel from the Manitoba-Saskatchewan border to Lake Winnipeg, with a Manitoba health card or treaty status.
5. Eligibility: Patients who are required by their physician to travel outside the province but still within Canada and remain at least three consecutive nights at a hostel.

Appendix 11: Indigenous Healing Spaces and Cultural Practice Policies in Northern Hospitals, February 2023

Source of data: Ontario Health

Hospital	Location	Indigenous Healing Space	Traditional Practice Policy	Dedicated Indoor Smudging Space	Smudging Allowed in Patient Room
Manitoulin Health Centre	Little Current	✓	✓	✓	✓
St. Joseph's Care Group	Thunder Bay	✓	✓	✓	✓
Health Sciences North	Sudbury	✓	✓	✓	
Lady Minto Hospital	Cochrane	✓	✓	✓	In some cases[1]
Lake of the Woods District Hospital	Kenora	✓	✓	✓	
Sioux Lookout Meno Ya Win Health Centre	Sioux Lookout	✓	✓	✓	
Red Lake Margaret Cochenour Memorial Hospital	Red Lake		✓	✓	✓
Sault Area Hospital	Sault Ste. Marie	✓	✓	✓	
Thunder Bay Regional Health Sciences Centre	Thunder Bay	✓	✓	✓	
Anson General Hospital	Iroquois Falls		✓		✓
Blanche River Health	Kirkland Lake	✓		✓	
Espanola General Hospital	Espanola		✓		✓
Geraldton District Hospital	Geraldton	✓		✓	
Mattawa General Hospital	Mattawa	✓		✓	
Nipigon District Memorial Hospital	Nipigon		✓		✓
North of Superior Healthcare Group	Terrace Bay		✓		✓
North Shore Health Network	Blind River		✓		✓
Bingham Memorial Hospital	Matheson				✓
Dryden Regional Health Centre	Dryden			✓	
Santé Manitouwadge Health	Manitouwadge		✓		
Notre-Dame Hospital	Hearst				✓
Riverside Healthcare Facilities[2]	Fort Frances		✓		
Atikokan General Hospital	Atikokan				
Lady Dunn Health Centre	Wawa				
Hornepayne Community Hospital	Hornepayne	n/a			
North Bay Regional Health Centre	North Bay	n/a			
Sensenbrenner Hospital	Kapuskasing	n/a			

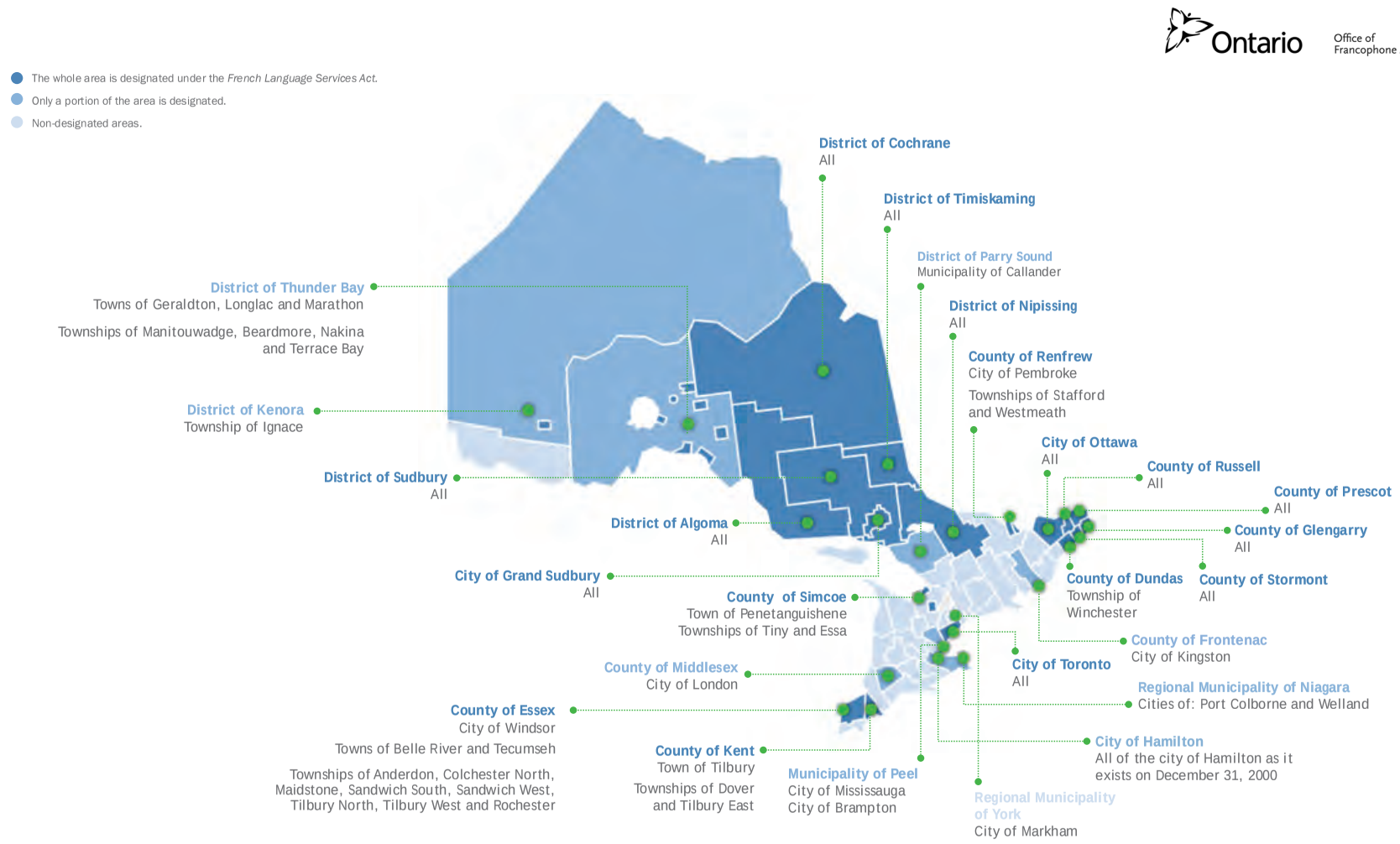
Hospital	Location	Indigenous Healing Space	Traditional Practice Policy	Dedicated Indoor Smudging Space	Smudging Allowed in Patient Room
Services de santé de Chapleau Health Services	Chapleau		n/a		
Smooth Rock Falls Hospital	Smooth Rock Falls		n/a		
St. Joseph's Continuing Care Centre of Sudbury	Sudbury		n/a		
St. Joseph's General Hospital	Elliot Lake		n/a		
Temiskaming Hospital	New Liskeard		n/a		
Timmins and District Hospital	Timmins		n/a		
Weeneebayko Area Health Authority	Moose Factory		n/a		
West Nipissing General Hospital	Sturgeon Falls		n/a		
West Parry Sound Health Centre	Parry Sound		n/a		

n/a: Hospital did not provide information to Ontario Health.

1. According to Ontario Health data, permission to smudge in a patient's room at Lady Minto Hospital depends on the case, and it may be allowed with a portable venting system.
2. Data covers three hospital sites including Emo Health Centre, La Verendrye General Hospital and Rainy River Health Centre.

Appendix 12: Map of French-Designated Areas in Ontario, as of January 2022

Source: Ministry of Francophone Affairs



Note: Last updated on January 14, 2022, through the Ministry of Francophone Affairs website, https://files.ontario.ca/ofa_designated_areas_map_en.pdf

Ministry of Long-Term Care

Long-Term Care Homes: Delivery of Resident-Centred Care

1.0 Summary

Long-term care homes provide accommodation, nursing and personal support services to adults who need 24-hour care, seven days a week (24/7). All long-term care homes are publicly funded and are licensed and regulated by the Ministry of Long-Term Care (Ministry) to operate in Ontario. Most residents in long-term care homes are seniors; over half are 85 years or older. However, homes are also open to anyone over the age of 18 who has comprehensive care needs that cannot be met in other settings.

Our Office has conducted several audits of long-term care in recent years, covering the areas of quality inspection (2015), food and nutrition (2019), and pandemic readiness and response (2021). For this audit, we focused on the ability of long-term care homes to provide residents with both high quality of care and high quality of life. While it is essential to care for the physical well-being of residents, it is equally important that homes offer support and enrichment to meet the mental, social, spiritual and cultural needs of residents. Long-term care homes exist for the benefit of residents; the interests of residents should be at the centre of all decisions. That is the essence of resident-centred care.

Overall, we found that long-term care homes lack the resources and supports to provide their residents with care and a living environment that is centred on their needs. More proactive leadership, guidance and support from the Ministry and its system partners (for example, Ontario Health) are essential to address the systemic issues identified in the audit.

Despite a significant increase in Ministry funding for long-term care staffing (an additional $4.9 billion over four years, 2021/22–24/25), we found that homes are still struggling to maintain sufficient staff to meet the needs of their residents. Many homes we visited have high vacancies and turnover in their nursing and personal support positions, and our analysis of staffing data revealed that a quarter of the homes in the province still provide fewer hours of direct care to residents than the provincial targets. To fill the staffing gap, homes have used agency staff with increasing regularity—a temporary solution that is costly and unsustainable. In addition, we noted from our visits to homes that some homes were missing certain allied health professionals (for example, physiotherapists, social workers and recreational therapists) that are key to residents' quality of life. With the Province set to build 30,000 new long-term care beds by 2028, the staffing issue will only worsen if actions are not taken.

We also found that homes are not always prepared to prevent and manage responsive or aggressive behaviours, which are common among residents with dementia, complex mental illness, substance use and other neurological disorders. These behaviours have sometimes led to physical injuries, creating an unsafe environment for both residents and staff.

In long-term care homes across Ontario, diverse populations must coexist in environments that are geared toward the needs of the majority. Hence, we

found cases where younger adults may not have access to age-appropriate programs and meaningful social connections, and where autistic residents may face a daily barrage of bright lights and loud noises. We also found instances where immigrants may seldom eat foods from their culture or have conversations in a language they understand.

Over the past few years, both the Ministry and long-term care homes have responded to the COVID-19 pandemic with intense efforts to prevent infections and control outbreaks. As the level and risk of infections decline and home operations continue to normalize, the Ministry and the homes should turn their focus toward the quality of life for residents.

The following are some of our significant findings.

Staffing

- **Staffing levels for nurses and personal support workers (PSWs) varied among homes.** We found that at least a quarter of the homes in the province failed to consistently reach the provincial targets in 2021/22–22/23 for hours of direct care. We also noted that the staff-to-resident ratio varied significantly across the homes we visited, especially during the evening and overnight shifts when the coverage of one home could be two or more times worse than another home—with ratios of up to 1:80 for nurses (one nurse for 80 residents) and 1:30 for PSWs. Recruitment and retention continue to be a significant challenge in the long-term care sector due to a shortage of health human resources in Ontario.
- **Increasing reliance on agency staff was costly and reduced continuity and quality of care.** We found that the average direct-care hours provided by contracted nurses and PSWs, including those supplied by agencies, rose from 4% in the first quarter of 2021/22 to 10% in the last quarter of 2022/23. We also noted that the reliance on agency staff varied significantly across homes, with agency staff contributing up to 50% of a home's direct-care hours. By their temporary nature, agency staff were unable to provide residents with the same continuity of care as permanent staff, and some homes we visited noted that mistakes like medication errors tended to happen more frequently among these staff. Agency staff also cost significantly more than permanent staff, since staffing agencies are private for-profit companies and there is currently no legislation capping the amount that these agencies can charge homes. For example, based on our estimates, the average hourly rate for an agency registered nurse (RN) was $97.33/hour, which was 142% higher than the average rate of an RN directly employed by a home ($40.15/hour), with a portion of the difference retained as profit by the agencies.
- **Pay inequity between homes and other health-care settings contributed to higher turnover and staff vacancies.** Besides competition within the long-term care sector, homes also face competition for staffing resources from other health-care settings, such as hospitals. We noted that hospitals offer better pay than long-term care homes. For example, the average hourly rate for registered nurses was 6% higher in hospitals ($40.47) than in long-term care ($38.05); and the average hourly rate for registered practical nurses was 11% higher in hospitals ($29.99) than in long-term care ($27.02). This disparity puts homes at a disadvantage in staff recruitment and retention, resulting in high vacancy rates of 8–12% for PSW and nursing positions in 2022/23.
- **The availability of allied health professionals (AHPs) varied among homes, with many homes lacking support from key professions.** AHPs include a broad range of professions—such as nurse practitioners, physiotherapists, occupational therapists and social workers—whose services contribute to residents' quality of life. We found that about half of the homes fell below the provincial target for direct-care hours in the fourth quarter of 2022/23. Our analysis of 2022/23 staffing data revealed that many homes were severely lacking services from certain

AHPs. For example, 74% of homes provided zero hours of direct care from nurse practitioners. Our visits to homes also confirmed that the utilization of AHPs varied across homes, with some positions missing from some homes.

- **Personal support workers (PSWs) continue to be unregulated.** While PSWs constitute the largest workforce in long-term care homes (approximately 60% of direct-care staff), they are unregulated. The profession is not governed by a code of conduct or standards of practice, and there is no regulatory body to report PSWs with serious misconduct or competency issues in order to discipline or keep them out of long-term care homes. An oversight authority was established in 2021. However, the authority is not functioning as yet and it is not mandatory for PSWs to register with the authority.

Resident-Centred Care

- **Homes had limited access to behavioural support resources.** Responsive or aggressive behaviours are common among people living with dementia, complex mental illness and substance abuse. We noted that over 40% of long-term care residents were assessed with aggressive behaviours in 2022/23. We identified examples from homes we visited where residents' aggressive behaviours led to physical harm or harassment of other residents and/or staff. Homes often do not have sufficient resources to effectively manage these behaviours. For instance, we found the following:
  - Over one-third of the homes we visited were denied funding to hire dedicated behavioural support staff.
  - Although the Ministry has established 307 beds in behavioural specialized units to provide a tailored environment for residents with behaviours that cannot be managed in the regular long-term care setting, the supply is limited and the admission to these units is generally restricted only to residents with a dementia diagnosis.
  - External behavioural resources for younger residents with mental illness or addiction problems were limited, as many of these resources would not accept residents under the age of 65.
- **There was not enough culturally specific care to meet the demand.** There are currently 57 out of 626 long-term care homes focused on serving specific ethnocultural or religious groups. We found that the median wait time in 2022/23 for an ethnocultural or religious home could be up to 1,843 days (approximately five years), compared to 50–223 days for all homes, depending on the region. Our regional analysis noted that while certain regions have a high concentration of particular ethnic groups (for example, the population in Peel Region is approximately 14% South Asian), there are no designated ethnocultural homes in those areas to serve that need. In our visits to mainstream homes (that is, homes that do not provide culturally specific care), we noted that the level of cultural accommodation varied across homes—for example, not all homes have staff who can communicate with residents in their native language, either directly or using language tools or technologies. Providing care in the residents' own language is important, especially for those with dementia (about 63% of all residents), who are more likely to revert to their mother tongue as their condition intensifies.
- **Younger residents were underserved in homes that cater to an elderly population.** Homes had about 6,200 (6.3%) younger residents under the age of 65 as of 2022/23, with some in their early 20s, who stay in long-term care homes because of their high care needs. It is difficult for younger residents to develop social connections that bridge the generation gap between them and the predominantly senior population. In addition, younger residents often do not have access to age-appropriate recreation programs, as programs at long-term care homes primarily cater to the senior residents (for

example, bingo, 60s-themed movies and music activities). In our visits to homes, we also noted that community resources for age-appropriate activities were limited, with some younger residents not getting access to any resources in the community.

Alternate Level of Care (ALC) Patients

- **Implementation of new legislation has not been transparent to the public.** A patient who requires an alternate level of care is someone occupying a hospital bed who no longer requires acute care in the hospital setting. The *More Beds, Better Care Act, 2022,* which came into full effect on September 21, 2022, authorizes Home and Community Care Support Services to determine the ALC patient's eligibility for long-term care and to select homes for the patient without the patient's consent. There were 7,357 ALC patients placed into long-term care homes between September 21, 2022 (effective date of the *More Beds, Better Care Act, 2022*) and March 31, 2023; of that total, 99 ALC patients were placed in homes that were not selected by patients but by placement co-ordinators without the patient's consent, as allowed by the new legislation. Among the remaining 7,258 placements, approximately 60% were not placed in their first-choice home, which was comparable to the 58% observed in the six-month period prior to the implementation of the *More Beds, Better Care Act, 2022*. Despite the public's concerns over the new legislation, none of this information has been disclosed to the public to show when and how the new provisions were used.
- **Outcomes of ALC patients in long-term care homes were not monitored to assess whether their needs were met.** Aside from freeing up hospital beds, one intent of the new legislation is to provide ALC patients with the care they need and a better quality of life in a more appropriate setting. However, the Ministry has not monitored the outcomes of ALC patients after their admission to long-term care to determine whether the transitions were smooth and whether these patients were actually doing well after discharge from the hospital.

Funding and Oversight

- **Funding method lacked up-to-date information to meet residents' current care needs.** The Ministry adjusts the funding to homes every year based on the health condition of each home's residents. However, the index used for adjustment is driven by resident acuity data collected from homes two years prior. Given that the residents' average length of stay in homes is about two to three years, and that health conditions can change significantly over that period, this data does not reflect residents' current care needs. In comparing the data for 2021/22 and 2023/24, we noted that the index can fluctuate significantly for some homes over the two-year gap, with one home reporting an increase of up to 18% (reflecting higher resident needs) and over 40 homes reporting an increase of 5% or more.
- **Long-term care homes faced barriers in navigating through and accessing funding initiatives.** The Ministry currently has over 40 funding initiatives to provide homes with additional funds to address specific issues. The funding system is complex and administratively burdensome, with different requirements for each initiative. Smaller homes are particularly challenged by the process as they have fewer administrative resources than larger homes. We also found that the Ministry has not consistently analyzed the uptake of these funding initiatives to determine whether the initiatives met their intended purposes, and to identify barriers that impede homes from effectively accessing funds.
- **Not all performance indicators had targets to drive and measure improvements, including indicators for residents' safety and care.** The service accountability agreements between Ontario Health and long-term care homes have nine indicators for the homes. However, aside

from two indicators that measure home financial health, most indicators have no targets—including those measuring home performance in relation to quality of care and resident safety. This limits Ontario Health's ability to effectively monitor and hold homes accountable for their performance.

This report contains 12 recommendations, with 29 action items, to address our audit findings.

Overall Conclusion

Our audit concluded that the Ministry, in conjunction with Ontario Health and long-term care homes, does not have fully effective systems and procedures to ensure that residents receive quality care and services. We found that the ability of long-term care homes to provide competent and appropriate care that meets resident care needs is constrained by staffing issues in the health-care sector. Despite increases in funding, long-term care homes still have high vacancy rates for nurses and personal support workers (PSWs)—about 8,000 open positions in 2022/23. To manage the staffing gap, some homes have paid a high price to hire temporary staff from agencies. The high vacancy rates and the increased use of temporary agency staff are disruptive to resident care. We also noted from our visits to homes that some homes have significantly poorer staff-to-resident ratios, which impedes their ability to care for the increasingly complex needs of residents. From 2018/19 to 2022/23, about 41% to 44% of residents exhibited some form of aggressive behaviours and required more care time from staff. We found that homes are not always prepared to manage these behaviours, which puts the safety of both residents and staff at risk on occasions.

We found that long-term care homes lack some of the resources and programs that are critical to residents' quality of life. For example, many homes have not employed certain allied health professionals (for example, social workers, physiotherapists and recreational therapists) who provide a broad range of services that address the physical, emotional, social and spiritual needs of residents. Moreover, home resources and programs primarily catered to the interests and needs of the majority of residents aged 85 and above, resulting in the unique needs of certain groups of residents, such as younger residents, not being met. The supply of culturally sensitive homes is also limited and wait times are long.

Lastly, neither the Ministry nor Ontario Health has developed targets to effectively measure the performance of long-term care homes in relation to quality of care and resident safety. The Ministry also has not consistently measured the uptake of its various funding initiatives to determine if the initiatives (totalling $1.8 billion in 2022/23) have met their intended purposes.

OVERALL MINISTRY RESPONSE

The Ministry of Long-Term Care (Ministry) acknowledges the recommendations from the Auditor General and will use them to further inform key Ministry priorities, which aim to increase the confidence of residents and prospective residents, as well as their families, in the quality of long-term care in Ontario. While there are many effective systems and procedures in place to ensure that residents receive quality care and services, there is always more that can be done to improve resident experience.

As the long-term care sector continues to recover from the ongoing impacts of the COVID-19 pandemic, the Ministry remains committed to supporting a system where every resident experiences the best possible quality of life, supported by safe, high-quality care. The Ministry works closely with our partners, including Ontario Health, and has a multi-year plan to fix long-term care through strategic priority areas, including staffing, sustainability and capital development. These priorities and enablers align with the pillars of Your Health: A Plan for Connected and Convenient Care, and are supported by the quality framework and provisions of the *Fixing Long-Term Care Act, 2021*.

Recent initiatives and investments have built a solid foundation on which to grow, including:

- strengthening staffing and care through investment of up to $4.9 billion over four years towards training, hiring and retention of sector staff;
- doubling the number of home inspectors and enhancing accountability through a $72.3 million investment;
- creating modern, safe, comfortable homes with a commitment to create 30,000 new beds by 2028; and
- enacting the *Fixing Long-Term Care Act, 2021,* and Ontario Regulation 246/22, which more closely align the language in the Residents' Bill of Rights with the grounds of discrimination in the Ontario Human Rights Code and established direct hours of care targets, new compliance and enforcement tools, and strengthened emergency planning and quality improvement requirements.

2.0 Background

2.1 Overview

Long-term care homes provide 24/7 nursing and personal care, as well as assistance with activities of daily living to those whose needs cannot be safely met in the community through, for example, care at home and supportive living programs. In addition to nursing and personal support services, long-term care homes provide residents with a wide range of services—from therapies to recreational programs—to improve physical and mental health, enrich daily life, and promote well-being. The *Fixing Long-Term Care Act, 2021* (Act) describes a long-term care home as "the home of its residents" and a place where its residents "may live with dignity and in security, safety and comfort and have their physical, psychological, social, spiritual and cultural needs adequately met."

2.1.1 Ontario's Long-Term Care Landscape

There are currently 626 long-term care homes in the province, with close to 80,000 licensed beds. These homes can be publicly or privately owned, operating either for profit or not for profit (see **Figure 1**). Homes are spread throughout the province and vary in size, ranging from fewer than 20 beds to over 400 beds. Regardless of ownership and size, all long-term care homes are publicly funded and must be licensed by the Ministry of Long-Term Care (Ministry) to operate in Ontario. They are regulated and subject to requirements prescribed by the Act.

Ontario's senior population (age 65 or older) has grown significantly, from about 2 million in 2013 to almost 2.8 million in 2022, an increase of almost 40% over a 10-year period. Based on the latest population projections published by the Ministry of Finance, this trend is expected to continue, with the senior population projected to increase to 4.4 million by 2045. Among the senior population, the number of seniors aged 85 and older is expected to grow the fastest (see **Appendix 1**).

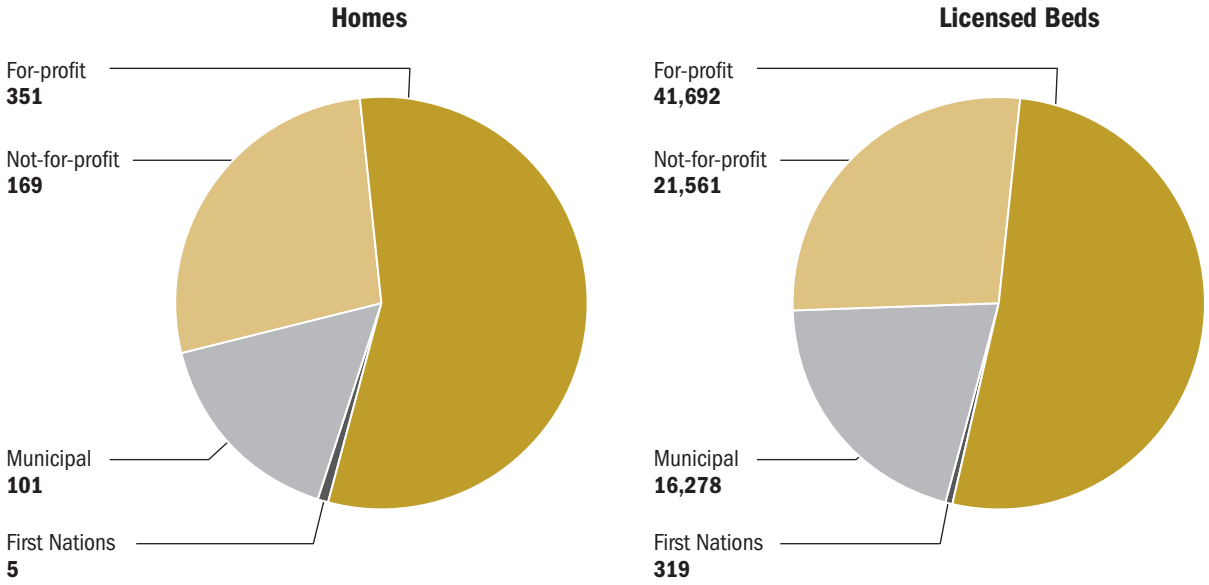
While the senior population increased by almost 40% over the last 10 years, the province's long-term care capacity has remained stagnant, with the number of licensed beds increasing by less than 2% since 2015. The median wait time for long-term care homes has remained long, sitting at about 130 days in 2021/22 (see **Figure 2**). To increase long-term care capacity, the Province has committed to invest $6.4 billion to build 30,000 new long-term care beds by 2028 and to redevelop over 28,000 older beds to modern design standards through the Long-Term Care Development Program. Some projects include beds dedicated for specific cultural and linguistic needs.

2.1.2 Resident Demographics

The average age of long-term care residents in Ontario is about 83 years old and the average length of stay

Figure 1: Number of Long-Term Care Homes and Beds in Ontario by Home Type, January 2023

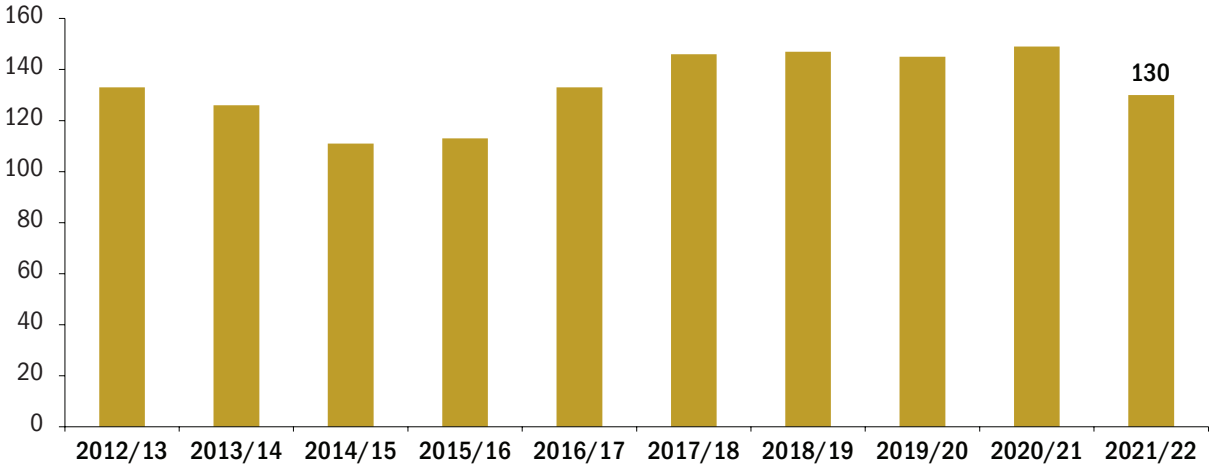
Source of data: Ministry of Long-Term Care



Note: Out of a total of almost 80,000 licensed beds, approximately 4,600 were not in operation, largely due to a directive issued during the COVID-19 pandemic, which eliminated three- or four-bed ward rooms. The directive requires homes to place residents (new admissions and re-admissions) in a room with no more than one other resident.

Figure 2: Median Wait Time for Long-Term Care Bed in Ontario, 2012/13–2021/22 (days)

Source of data: Ontario Health



in a long-term care home is about two to three years. While the majority of residents are seniors aged 65 or older, homes also include a younger population of residents who have experienced brain injury, stroke or other conditions that require the 24/7 care provided by long-term care homes. Today's home residents have more complex needs than in the past, with higher acuity (more severe conditions) and specialized care needs. The majority of residents have cognitive impairments and 63% of residents have a dementia diagnosis. **Figure 3** shows the profile of long-term care home residents in Ontario. The profile of long-term care

Figure 3: Profile of Long-Term Care Residents in Ontario, 2022/23

Source of data: Canadian Institute for Health Information

Selected Characteristics	%
Physical health	
Occasional bladder incontinence	83.8
Occasional bowel incontinence	69.0
Diagnosis of hypertension	64.5
Some indication of health instability[1]	62.0
Diagnosis of diabetes	28.4
Total dependence in activities of daily living	13.4
Diagnosis of cancer	10.6
Daily pain[2]	5.2
Mental and cognitive health	
Moderate to very severe cognitive impairment[3]	72.1
Diagnosis of dementia	63.4
Limited or no social engagement[4]	41.7
Some aggressive behaviour[5]	40.7
Signs of possible depression[6]	24.3

1. Residents with a score of 1 or greater on the Changes in Health, End-Stage Disease and Signs and Symptoms (CHESS) Scale. Score ranges from 0 to 5, with 5 being the "highest instability."
2. Residents with a score of 2 or greater on the Pain Scale, which considers the frequency and intensity of pain. Score ranges from 0 to 3, with 3 being "severe or excruciating daily pain."
3. Residents with a score of 3 or greater on the Cognitive Performance Scale (CPS). Score ranges from 0 to 6, with 6 being "very severe impairment."
4. Residents with a score of 2 or lower on the Index of Social Engagement (ISE). Score ranges from 0 to 6, with 0 being the "lowest social engagement."
5. Residents with mild to more severe aggressive behaviour.
6. Residents with a score of 3 or greater on the Depression Rating Scale (DRS). Score ranges from 0 to 14, with "3 or greater" indicating the "potential presence of a depression disorder."

residents in Ontario is consistent with or slightly more severe than the Canada-wide profile on most measures.

2.2 Key Roles in Long-Term Care

2.2.1 Ministry of Long-Term Care

In June 2019, the Province separated the Ministry of Health and Long-Term Care into two ministries: Ministry of Health and Ministry of Long-Term Care. **Figure 4** summarizes the key roles of the Ministry of Long-Term Care, which include developing policies, implementing initiatives, facilitating sector-wide discussions, regulating through licensing and inspections, funding, and collaborating with other ministries in matters related to long-term care.

2.2.2 Ministry of Health

Despite becoming a standalone ministry, the Ministry of Long-Term Care still collaborates with the Ministry of Health in a number of ways. For example, the two ministries must work collaboratively to address broader health-sector issues, such as health human resources, seniors' access to care services at home and in the community, as well as transitional care following hospitalization.

The Ministry of Health also oversees two Crown agencies—Home and Community Care Support Services (HCCSS) and Ontario Health—both of which play a key role in long-term care, as follow:

- HCCSS provides assessment and placement coordination services for the long-term care sector.

Figure 4: Key Roles of the Ministry of Long-Term Care

Prepared by the Office of the Auditor General of Ontario

Key Role	Description
Policy maker	• Develop legislation, regulations and policies for long-term care homes.
Facilitator	• Build and maintain relationships with key stakeholders representing the sector, families and residents. • Engage with long-term care homes to identify and address systemic operational challenges.
Regulator	• License long-term care operators. • Inspect homes to enforce the requirements of the *Fixing Long-Term Care Act, 2021*.
Funder	• Approve, oversee and fund the development and redevelopment of long-term care homes. • Provide operational funding to long-term care homes—through Ontario Health and directly to homes.
Implementer	• Assess and manage service and financial needs. • Implement strategies and initiatives across the sector.
Collaborator	• Work with other ministries, such as Ministry of Health and Ministry of Seniors and Accessibility, on cross-sector strategic priorities to enhance the continuum of care for seniors.

- Ontario Health, through its accountability agreement with the Ministry of Long-Term Care, manages the performance of individual long-term care homes and the province's long-term care system, working with stakeholders to implement provincial priorities and providing advice and support to the Ministry of Long-Term Care. Ontario Health also maintains service accountability agreements with long-term care homes to hold homes accountable for meeting performance expectations.

2.2.3 Long-Term Care Homes

Long-term care homes are governed by the *Fixing Long-Term Care Act, 2021* and its regulation, O. Reg. 246/22, which set out requirements relating to: residents' rights, care and services; quality; admissions; councils for residents and families; operation of the home, including staffing; funding; licensing; and compliance and enforcement. Homes are also required to comply with the terms and conditions outlined in their respective service accountability agreements with Ontario Health.

Every long-term care home must have staff in the following key management positions:

- The **administrator** is in charge of the home and responsible for its management.
- The **medical director** advises the home on matters relating to medical care and must be a physician.
- The **director of nursing and personal care** supervises and directs the nursing and personal care staff of the home and must be a registered nurse.

Besides the management roles described above, long-term care homes hire staff to provide direct care and support services to their residents. Specifically:

- **Direct-care staff** typically include registered nurses, registered practical nurses, personal support workers, and allied health professionals (for example, nurse practitioners, physiotherapists, occupational therapists, dieticians and social workers).
- **Support staff** include those who provide other essential services unrelated to care, such as janitorial and meal preparation staff.

To provide 24-hour nursing care, every long-term care home must have either a physician or a registered nurse in the extended class (that is, nurse practitioner) providing after-hours and on-call coverage. Also, each home is required to have at least one registered nurse on duty and present at all times, who must be an employee and a member of the permanent nursing staff of the home, except for circumstances as prescribed in regulation where this requirement may not apply.

As of March 31, 2023, there were over 85,000 direct-care staff in the province's long-term care sector. **Figure 5** shows the total number of direct-care staff by position.

2.3 Funding for Long-Term Care

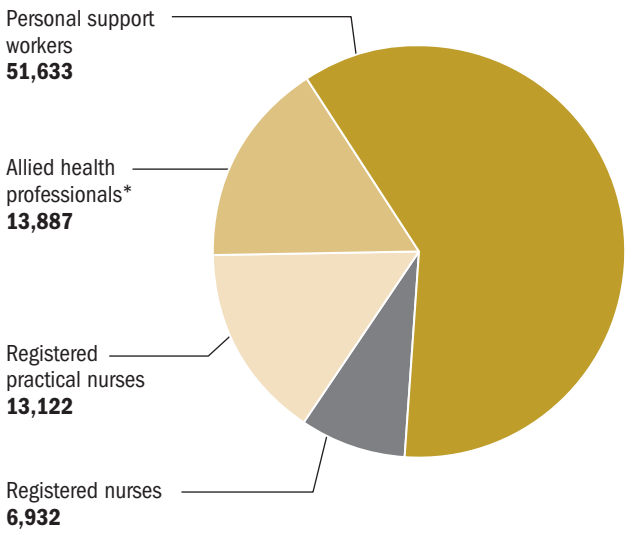
The Province provides funding to long-term care homes to support their ongoing operations. Funding is distributed to homes through the Level-of-Care funding model (see **Section 4.8.1**) and through additional funding streams for specific program objectives (see **Section 4.8.2**). Provincial funding has increased significantly since 2020/21 (see **Figure 6**) to help long-term care homes respond to challenges brought by the COVID-19 pandemic, as well as to implement initiatives to improve the long-term care system (see **Section 2.4**). Residents also contribute a co-payment amount set in regulation. As of July 1, 2023, a resident's co-payment rate ranges from $65.32 per day to $93.32 per day, depending on whether the resident is in basic, semi-private or private accommodation.

2.4 Key Strategic Initiatives

The COVID-19 pandemic has exacerbated and exposed the inadequacies within Ontario's long-term care sector. Various studies and audits have recommended ways to improve the sector (including Ontario's Long-Term Care COVID-19 Commission Report in 2021 and our Office's 2021 audit, *COVID-19 Preparedness and Management: Special Report on Pandemic Readiness and Response in Long-Term Care*). In response, the Ministry of Long-Term Care (Ministry) is implementing various initiatives to fix Ontario's long-term care. These initiatives primarily aim at improving staffing in long-term care, accelerating the development and re-development of long-term care beds, strengthening inspection and enforcement capacity, and broadening the continuum of services to seniors.

Figure 5: Direct-Care Staff in Ontario's Long-Term Care Sector by Position, March 31, 2023

Source of data: Ministry of Long-Term Care



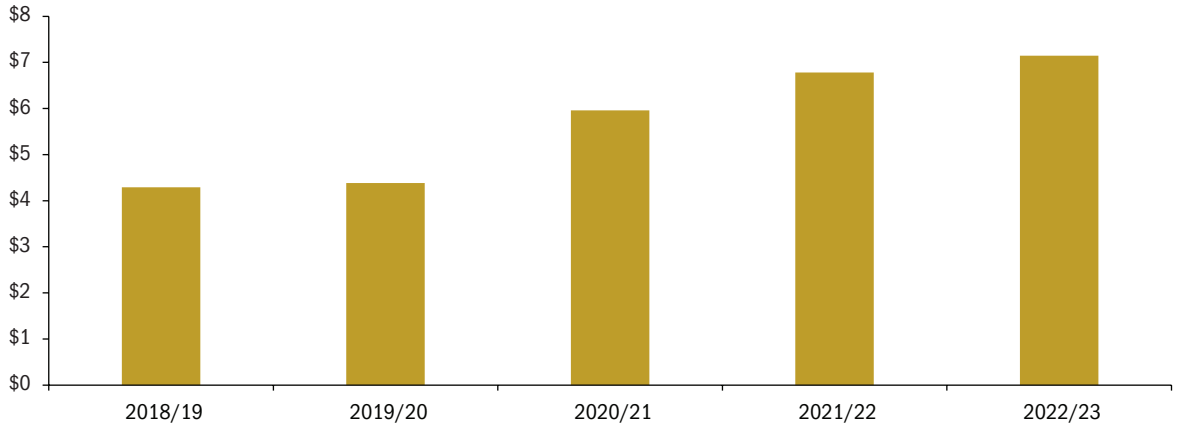
* Examples of allied health professionals include physiotherapists, occupational therapists, nurse practitioners, resident support personnel and activity personnel.

The staffing-related initiatives and impacts are core to the subject matter of this audit. These initiatives, with an estimated investment of up to $4.9 billion by 2024/25, are outlined in the Ministry's 2021-2025 Long-Term Care Staffing Plan, and focus on the following areas:

- increase the hours of direct hands-on care provided by nurses and personal support workers and expand resident access to allied health professionals;
- accelerate and expand education pathways to help increase the supply of new qualified staff;
- build effective and accountable leadership in long-term care homes, support the ongoing development of staff and improve working conditions to help staff retention; and
- continuously monitor and measure the progress of the various staffing plan initiatives.

Figure 6: Provincial Funding Provided for Long-Term Care, 2018/19–2022/23 ($ billion)

Source of data: Ministry of Long-Term Care



3.0 Audit Objective and Scope

Our audit objective was to assess whether long-term care homes, in conjunction with the Ministry of Long-Term Care (Ministry) and Ontario Health, have effective systems and procedures in place to ensure that residents receive quality care and services in a safe environment, by:

- managing, allocating and monitoring staffing resources to provide residents with competent and appropriate care that meets their needs;
- implementing practices and programs to improve services and quality of life for residents; and
- monitoring performance, identifying areas for improvement and implementing action plans on a timely basis.

In planning our work, we identified the audit criteria we would use to address our audit objective (see **Appendix 2**). These criteria were established based on a review of applicable legislation, policies and procedures, internal and external studies, and best practices. Senior management of the Ministry and Ontario Health reviewed and agreed with the suitability of our objective and associated criteria.

We conducted our audit from January 2023 to September 2023, and obtained written representation from the Ministry and Ontario Health senior management that, effective November 20, 2023, they have provided us with all the information they were aware of that could significantly affect the findings or the conclusion of this report.

In arriving at the audit conclusion, we have performed procedures including, but not limited to, the following:

- interviewed key personnel at the Ministry, Ontario Health, and Home and Community Care Support Services;
- interviewed representatives from selected industry associations and advocacy groups (for example, Ontario Long-Term Care Association, AdvantAge Ontario, Ontario Association of Residents' Councils and Ontario Personal Support Workers Association);
- interviewed long-term care residents of selected homes;
- conducted site visits of a sample consisting of 18 long-term homes (see **Appendix 3**), which were selected based on a variety of factors, including:
  - location and area of coverage;
  - home type (for-profit, not-for-profit or municipal);
  - home size (based on number of licensed beds);

  - number of recent complaints and critical incidents; and
  - resident population (for example, percentage of residents with cognitive impairment, with aggressive behaviour, or with greater need for assistance in activities of daily living);
- examined legislation and regulations that govern Ontario's long-term care sector;
- examined memorandums of understanding, accountability agreements and mandate or strategic letters between the Ministry and Ontario Health;
- reviewed documentation from the Ministry, Ontario Health, Home and Community Care Support Services and long-term care homes (for example, policies and procedures, decision documents, performance monitoring or assessment reports, complaints, and financial, staffing and other resident records);
- performed sample testing and data analyses on trends across years (for example, staffing level and ratios, staffing mix, direct-care times, wait times, and performance indicators); and
- performed benchmarking or jurisdictional comparisons where applicable.

We conducted our work and reported on the results of our examination in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements, issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada. This included obtaining a reasonable level of assurance.

The Office of the Auditor General of Ontario applies the Canadian Standards on Quality Management and, as a result, maintains a comprehensive quality control system that includes documented policies and procedures with respect to compliance with rules of professional conduct, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

4.0 Detailed Audit Observations

4.1 Homes Lacked Stable and Adequate Staffing to Care for Residents

To provide residents with high-quality care and to keep them safe, it is critical that long-term care homes maintain a stable and adequate level of nursing and personal care staff. However, despite additional funding from the Ministry of Long-Term Care (Ministry) to support staffing increases since 2021/22, we found that long-term care homes are still experiencing difficulty in recruiting and retaining staff to meet residents' needs. Some homes have had to resort to paying hefty prices to hire temporary staff from agencies to fill open shifts.

4.1.1 Direct-Care Time and Staff-to-Resident Ratios for Nursing and Personal Support Staff Varied among Homes

While the quality of care provided to residents could be affected by various factors (for example, the home environment, home management, staff experience), the reliable presence of nursing staff and personal support workers, and a sufficient staff-to-resident ratio, are key elements in maintaining high-quality care.

Hours of Direct Care

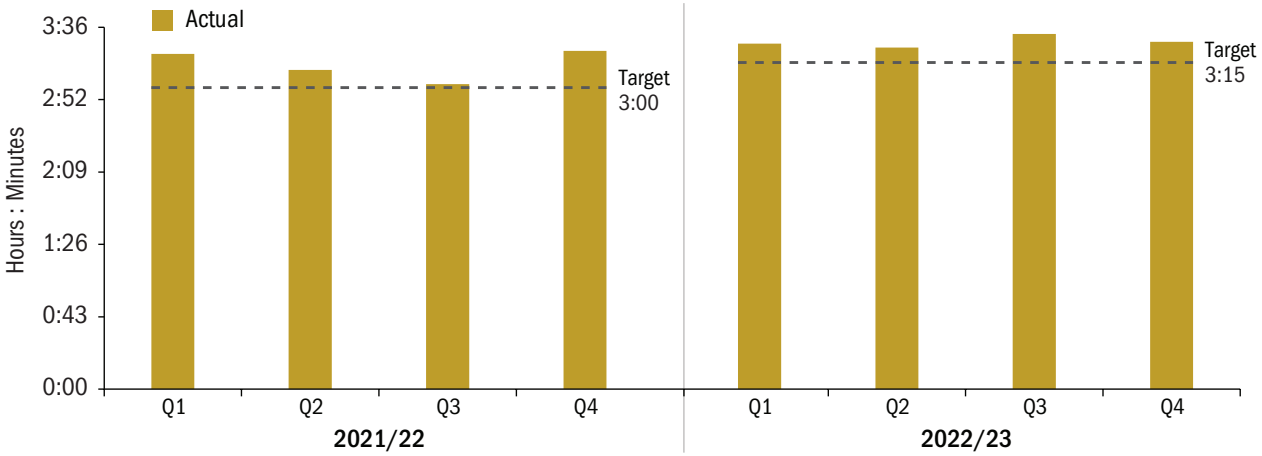
In its 2021-2025 Long-Term Care Staffing Plan, the Ministry recognized the need to have additional staff in homes to provide increased hands-on care to residents. To enable homes to increase their hours of direct care, the Ministry budgeted approximately $3.6 billion to be allocated to homes over four years, from 2021/22 to 2024/25, for the hiring and retention of registered nurses (RNs), registered practical nurses (RPNs) and personal support workers (PSWs). This

is in addition to the base funding allocated to homes (see **Section 4.8.1**). The target, as defined in the *Fixing Long-Term Care Act, 2021* (Act), is for the province to reach a daily average of 4 hours of direct care per resident by 2024/25, with interim targets set for each of the three preceding years (that is, 3 hours by 2021/22; 3 hours 15 minutes by 2022/23; and 3 hours 42 minutes by 2023/24).

In examining staffing data from long-term care homes, we noted that even though homes have collectively achieved the interim provincial targets set for 2021/22 and 2022/23 (see **Figure 7**), direct-care hours varied among homes and at least a quarter of the homes were unable to consistently meet the targets set for the province (see **Figure 8**). However, we found that the Ministry has yet to complete analysis beyond data validation to understand the causes of the

Figure 7: Hours of Direct Care by Nurses and Personal Support Workers (Provincial Average), 2021/22–2022/23

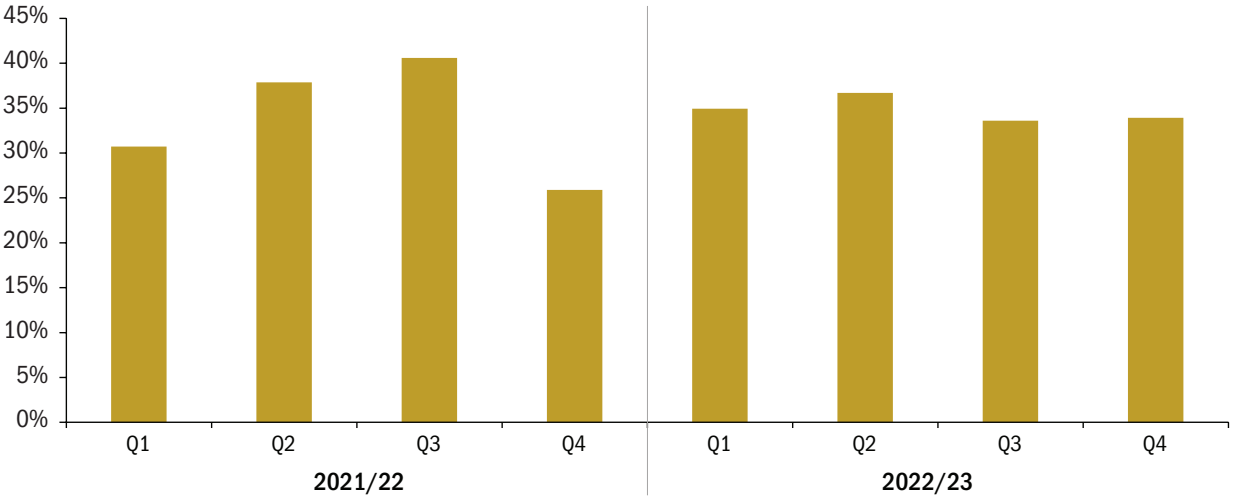
Source of data: Ministry of Long-Term Care



Note: The provincial average is based on the average hours of direct care provided by registered nurses, registered practical nurses and personal support workers, as reported by over 97% of homes that submitted staffing data to the Ministry for the period.

Figure 8: Percentage of Homes Below Target for Direct Care by Nurses and Personal Support Workers, 2021/22–2022/23

Source of data: Ministry of Long-Term Care



Note: The percentage of homes not meeting the provincial target is based on the average hours of direct care provided by registered nurses, registered practical nurses and personal support workers, as reported by over 97% of homes that submitted staffing data to the Ministry for the period.

variations. We also noted that the Ministry does not have insight into how the funds were used to increase direct care (for example, how much was used and by which homes) because the information is unavailable due to delays in reconciling and settling financial information with the homes (refer to **Section 4.8.3**).

The homes and stakeholders we spoke with indicated that recruitment continues to be a challenge in the long-term care sector due to a shortage of health-care workers in Ontario. The strong competition for resources has left many long-term care homes with vacancies. For example, one of the homes we visited indicated that even though the Ministry has provided funding to support the increase in direct care, it had been unable to take full advantage of the additional funding to fill all vacancies due to difficulties in hiring. Homes could have positions vacant for months and receive very few applications to their job postings. Our analysis of staffing data for 2022/23 noted that, despite increases in funding, long-term care homes maintained an average vacancy rate of 11% for RNs (1,047 positions), 12% for RPNs (2,089 positions) and 8% for PSWs (4,870 positions). Also, certain homes have found it harder to attract staff due to factors such as the home's location and compensation (as discussed in **Section 4.1.3**).

The Ministry of Long-Term Care, in collaboration with other ministries (for example, Ministry of Health, Ministry of Colleges and Universities), implemented a number of initiatives in recent years to increase the supply of health human resources. For example, investments have been made to: expand enrolment in nursing and PSW programs at publicly assisted post-secondary education institutions, private career colleges and district school boards; support internationally educated nurses to transition and practise in Ontario; and enhance opportunities for Indigenous learners studying PSW or nursing programs at Indigenous institutes. Some of these initiatives are in an early phase of implementation while staffing shortages remain an issue in long-term care homes. With the commitment to build 30,000 new long-term care beds by 2028, the demand for staffing from the long-term care sector will continue to rise over the next five years.

Staff-to-Resident Ratios

We noted from the homes we visited that the staff-to-resident ratios varied across homes (see **Figure 9**). The variance was particularly noticeable during the evening and overnight shifts, when one home could have one staff person caring for more than twice as many residents, compared to another home. Overnight-shift staff cover a variety of activities, which include performing routine checks, documenting resident condition and care, administering medications, assisting residents with personal care and responding to call bells, among other tasks. Homes with a staff-to-resident ratio as poor as 1:80 for nurses and 1:30 for PSWs could struggle to keep up with the needs of residents during night time, especially in emergencies and where staff need to actively supervise residents who remain awake. For example, one home

Figure 9: Staff-to-Resident Ratios by Shift in Homes We Visited, May–August 2023

Prepared by the Office of the Auditor General of Ontario

	Nurses*		Personal Support Workers	
	Best Ratio	Worst Ratio	Best Ratio	Worst Ratio
Day shift	1:16	1:30	1:6	1:10
Evening shift	1:16	1:40	1:7	1:23
Overnight shift	1:23	1:80	1:13	1:30

Note: Ratios are based on data from the 18 long-term care homes we visited (see **Appendix 3**).

* Nurses include both registered nurses and registered practical nurses.

indicated that, with fewer staff on the overnight shift, it took longer to complete routine floor checks, which could delay the discovery of resident falls.

Staff-to-resident ratios are unregulated and are determined by homes based on their own assessment of needs. While setting a standard staff-to-resident ratio for all homes is difficult or not feasible, in its 2021–25 Long-Term Care Staffing Plan, the Ministry has committed to developing guidance for long-term care homes on staffing models, with staff-to-resident ratios identified as an area for consideration. To date, however, no guidance on staff-to-resident ratios has been issued.

4.1.2 Reliance on Agency Staff Was Costly and Reduced Continuity and Quality of Care

Historically, long-term care homes have hired nursing and personal support staff through agencies to meet temporary needs. However, in recent years, some homes are increasingly relying on agency staff to fill shifts. Section 80 of the *Fixing Long-Term Care Act, 2021* requires long-term care homes to limit the use of temporary, casual or agency staff, in order to provide a stable and consistent workforce and to improve continuity of care to residents. An over-reliance on agency staff could disrupt resident care and add financial pressure on long-term care homes, given the higher hourly rates for these staff. The homes and stakeholders we spoke with also consistently identified the heavy reliance on agency staff as one of the primary concerns in long-term care.

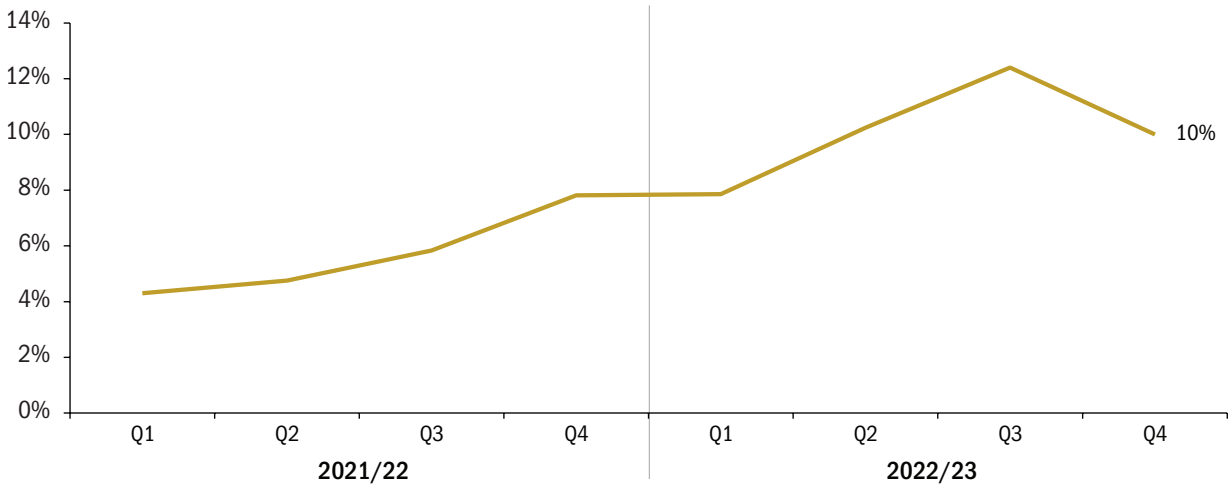
Reliance on Agency Staff Has Been Increasing

As noted in **Section 4.1.1**, homes collectively met the provincial targets for direct-care hours set for 2021/22 and 2022/23 (**Figure 7**). However, our analysis of staffing data revealed that a considerable and increasing percentage of those care hours were provided through contracted staff, including those from agencies, as opposed to regular or permanent staff. As shown in **Figure 10**, these contracted staff accounted for approximately 10% of direct-care hours (over two million hours) provided to residents by nurses and personal support workers (PSWs) in the fourth quarter of 2022/23, an increase from 4% in the first quarter of 2021/22.

We also noted that the reliance on agency staff varied significantly across homes, with agency staff

Figure 10: Percentage of Direct Care Provided by Contracted Staff, 2021/22–2022/23

Source of data: Ministry of Long-Term Care



Note: Percentages are based on staffing data submitted to the Ministry from over 97% of homes. Contracted staff include registered nurses, registered practical nurses and personal support workers supplied by agencies, as well as those who were independently contracted by homes. Presumably the majority of the direct-care hours were contributed by agency staff; however, the actual breakdown of hours between agency staff and staff independently contracted by homes is unavailable from the staffing data.

contributing up to 50% of the direct-care hours of nurses and PSWs at some homes at certain times over the two-year period from 2021/22 to 2022/23. In general, we found that homes in rural or remote areas placed the heaviest reliance on agency staff among all areas, likely because rural and remote areas have traditionally faced greater challenges in attracting health-care workers than urban centres.

Agency Staff Cost More

Staffing agencies are private for-profit companies, and there is currently no legislation capping the amount that these agencies can charge their clients, including long-term care homes. With the entire health-care sector experiencing staffing shortages, agencies can charge long-term care homes significant premiums. Their high profit margins enable agencies to offer higher wages to attract nurses and PSWs to pursue agency opportunities, exacerbating the vacancy issue experienced by long-term care homes. An increased use of agency staff also meant that more public funds were going to these private agencies.

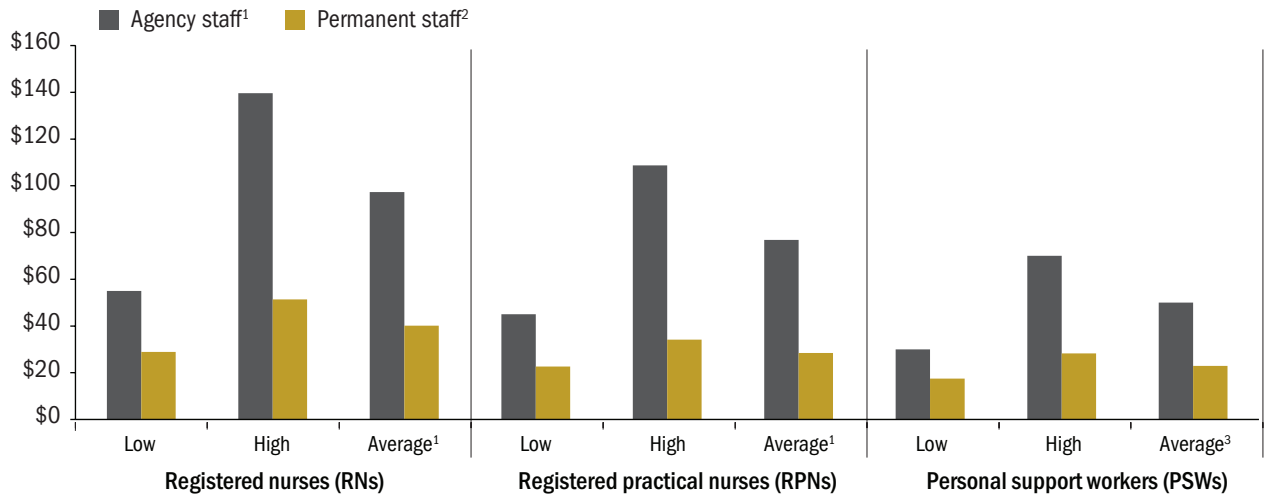
Based on staffing data, homes often pay significantly higher rates for agency staff than for permanent employees. **Figure 11** shows the average hourly rates for agency staff, in comparison to the averages for permanent employees in the same position. Specifically, we noted that:

- The average hourly rate for agency staff is significantly higher than the rate for permanent staff. For instance, the average rate for an RN employed through an agency was $97.33/hour, which was 142% higher than the average wage of an RN directly employed by a home ($40.15/hour).
- The hourly rate for agency staff in the same position also varies significantly. For example, the hourly rate for an RN employed through an agency could range from $55/hour to $139.65/hour.

In addition to the higher hourly rates for agency staff, we were informed by the Ontario Long-Term Care Association that some of its members in remote locations also provided agency staff with accommodation and transportation subsidies. This was confirmed through our visits to homes, with three homes in areas

Figure 11: Average Hourly Wages of Agency and Permanent Staff Providing Direct Care

Sources of data: Ministry of Long-Term Care and Treasury Board Secretariat



1. For agency staff, average wages were calculated from data reported by long-term care homes to the Ministry of Long-Term Care for the third quarter ending September 30, 2022, the latest data available.
2. For permanent staff, average wages were calculated from data submitted to the Treasury Board Secretariat for the Workforce Data Transparency Survey as of December 31, 2021, the latest data available. Wages for PSWs do not include the wage enhancement subsidized by the government. The enhancement was introduced in October 2020 during the COVID-19 pandemic.
3. Average wage is an average of the low and high hourly wages reported for the position. It does not represent the actual average wage earned by staff.

outside urban centres indicating they paid agency staff for travel and/or accommodation in the past. One home informed us that it paid $115 per night on average for agency staff accommodation in early 2023. Another home estimated it paid almost $280,000 in 2021 and 2022 for the travel and accommodation of its agency staff.

Continuity of Care Goes Down as Agency Staffing Goes Up

As discussed in **Section 2.1.2**, today's long-term care residents have more complex needs than residents in the past. It is important for homes to maintain a stable workforce that fosters intimate and trusting relationships between residents and staff, so that staff can better understand the needs and preferences of the residents they care for and provide better continuity of care. Continuity of care improves resident care and experiences, especially for seniors with dementia who rely on familiar faces for reassurance.

Agency staff, by their temporary nature, are unable to provide the same continuity of care to residents that permanent staff can provide. This view is shared among many homes we visited. Homes indicated that agency staff were at times unable to attend to residents' needs in a timely manner due to a lack of familiarity with the residents and with policies. For example, the agency staff would have to spend additional time understanding a resident's ability and dietary preferences, hence slowing down the workflow and upsetting the resident.

The agencies also do not always provide staff that are of high quality or good fit with the home. A couple of homes noted that mistakes like medication errors tended to happen more frequently among agency staff, and there were instances where the home would have to release an agency staff person due to performance or attitude issues. Agency staff who return to the same home on multiple occasions were generally better acquainted with the home's residents and policies and became more accountable to the home. However, while homes could ask for the same staff from the agencies, fulfilling the requests depended on availability.

The Ministry's Long-Term Care Technical Advisory Table is currently examining the agency staff issue within the sector to inform future strategies. No specific planned actions and target completion dates had been decided at the time of our audit.

4.1.3 Pay Inequity Contributed to High Staff Vacancies and Turnovers

On July 30, 2020, the Ministry released a staffing study to help inform a comprehensive staffing strategy for long-term care. The study used compensation data from 2018/19 and found that wages of registered nurses (RNs), registered practical nurses (RPNs) and personal support workers (PSWs) varied across long-term care homes, depending on home type. In general, within the long-term care sector, municipal homes paid the highest wages, followed by not-for-profit homes and then for-profit homes. The same trend showed in the more recent compensation data collected by the Treasury Board Secretariat through its Workforce Data Transparency Survey. Our review of the data found a notable wage disparity among municipal, for-profit and not-for-profit homes as of December 31, 2021 (see **Figure 12**).

Wage disparity could cause unnecessary staff movement, resulting in certain long-term care homes having higher turnover and staff vacancies, which in turn impact the level and continuity of care provided to residents. Our analysis of vacancy data from homes revealed that for-profit homes and not-for-profit homes have consistently higher vacancy rates than municipal homes for all nursing and personal support positions (see **Figure 13**).

Besides competition within the long-term care sector, homes also face competition for staffing resources from other health-care settings, such as hospitals. As identified in the Ministry's 2020 Staffing Study, hospitals on average offer better pay than long-term care homes. For example, the average hourly rate for registered nurses was 6% higher in hospitals ($40.47) than in long-term care ($38.05); and the average hourly rate for registered practical nurses was 11% higher in

Figure 12: Hourly Wages for Permanent Nurses and PSWs by Home Type, December 31, 2021 ($/hour)

Source of data: Treasury Board Secretariat

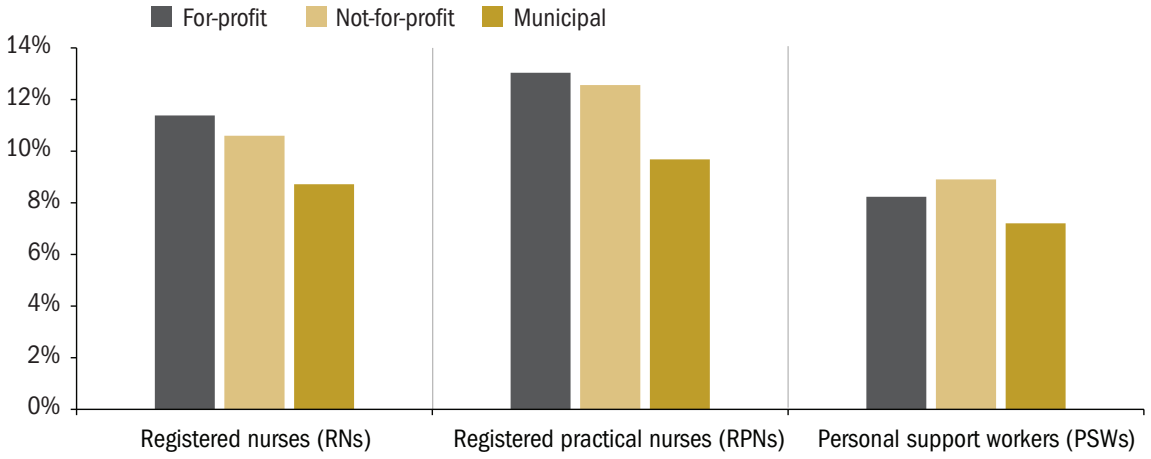
	Registered Nurses (RNs)		Registered Practical Nurses (RPNs)		Personal Support Workers (PSWs)[1]	
Type of Home	**Hourly Range**	**Average[2]**	**Hourly Range**	**Average[2]**	**Hourly Range**	**Average[2]**
All homes	28.94–51.37	40.15	22.70–34.18	28.44	17.54–28.26	22.90
For-profit	28.94–51.13	40.03	22.70–32.88	27.79	17.54–28.26	22.90
Not-for-profit	29.58–51.16	40.37	22.84–32.89	27.87	17.90–27.46	22.68
Municipal	31.14–51.37	41.26	24.94–34.18	29.56	19.50–28.02	23.76

Note: Wages are based on data reported to the Treasury Board Secretariat by long-term care homes in response to the Workforce Data Transparency Survey. The response rate to the survey was approximately 43% among for-profit homes, 34% for not-for-profit homes and 33% for municipal homes.

1. Wages for PSWs do not include the wage enhancement subsidized by the government. The enhancement was introduced in October 2020 during the COVID-19 pandemic. In April 2022, the government made this wage enhancement permanent for PSWs.
2. Average wage is an average of the low and high amounts in the Hourly Range. It does not represent the actual average wage earned by staff.

Figure 13: Vacancy Rates for Nurses and PSWs by Home Type, Fourth Quarter 2022/23 (%)

Source of data: Ministry of Long-Term Care



Note: Vacancy rates show the percentage of jobs that have not been filled for 90 days or more. They do not include short-term vacancies, sick leaves or other forms of temporary absence. The percentages are based on staffing data reported by homes to the Ministry of Long-term Care. Over 97% of homes submitted data for the period.

hospitals ($29.99) than in long-term care ($27.02). This disparity puts homes at a disadvantage in staff recruitment and retention. We noted high turnover and vacancy rates in many homes we visited. For example, one of the large homes had almost 30 vacant positions (excluding temporary positions) in its direct-care staff at the time we visited. In another medium-sized home, 20 nurses and PSWs resigned within the first six months of 2023.

Over the past few years, the Province has not taken a systemic approach to address compensation across health-care settings, considering wage parity to reduce compensation-related labour shortages. The enactment of the *Protecting a Sustainable Public Sector for Future Generations Act, 2019* (Bill 124) on November 8, 2019, did not help to reduce the wage gap across long-term care homes, and may have exacerbated the issue by limiting wage increases at not-for-profit homes to a maximum of 1% annually. However, Bill 124 was overturned by the Ontario Superior Court on November 29, 2022.

The Ministry informed us that compensation harmonization is one of the options that will potentially

be considered in the broader Health Human Resources Strategy that the Ministry of Health is currently developing.

RECOMMENDATION 1

To provide residents with high-quality care and to keep them safe, we recommend that the Ministry of Long-Term Care:

- analyze hours of direct care and staffing mix (that is, permanent staff versus temporary agency staff) at the home level to identify homes with staffing challenges, work with those homes on strategies to address their recruitment and retention challenges, and monitor the outcomes of the strategies;
- monitor staff-to-resident ratios, especially for periods that typically have staffing shortages (such as overnight shifts, weekends and holidays);
- complete the review of the use of agency staff in long-term care and implement strategies to reduce usage and prevent price gouging; and
- collaborate with the Ministry of Health in developing and implementing the long-term Health Human Resources Strategy to address staffing supply and compensation disparity issues across the sector.

MINISTRY RESPONSE

The Ministry of Long-Term Care (Ministry) acknowledges the Auditor General's recommendation to analyze hours of direct care and staffing mix, monitor staff-to-resident ratios, complete the review of the use of agency staff, and collaborate with the Ministry of Health in developing and implementing the Health Human Resources Strategy.

The Ministry is committed to increasing direct hours of care for residents in long-term care in line with the direct-hours-of-care targets under the *Fixing Long-Term Care Act, 2021* (Act), through $4.9 billion in targeted funding dedicated to supporting the achievement of the direct-hours-of-care targets, and other programs aimed at increasing the supply of health human resources.

The Ministry is actively undertaking home and regional-level direct-hours-of-care analysis and will continue with that effort to better understand where there are opportunities to increase direct-hours-of-care performance. To address recruitment and retention, the Ministry will also continue to implement and monitor the uptake of programs that aim at supporting recruitment and retention, such as the personal support workers' permanent wage enhancement, Supporting Professional Growth Fund, Hiring More Nurse Practitioners program, bridging and laddering programs, clinical placements and education/training programs.

As part of work to develop and amend regulations under the Act, the Ministry has made it easier for homes to hire from a broader pool of qualified staff while ensuring safety for residents. Long-term care homes are best positioned to determine the appropriate staffing complement based on their own knowledge of their residents' needs, and the Ministry will continue to monitor staffing mix ratios to inform ongoing supports to the sector.

The Ministry is reviewing the use of agency staff in long-term care to understand regional and home-level trends and is also considering new programs to support human resource capacity, increase full-time work and reduce reliance on agency staff. The Ministry will continue to work in partnership with the Ministry of Health to plan for future staffing needs across the long-term care sector.

4.2 Not All Residents Had Access to Key Allied Health Professionals to Optimize Quality of Life

In addition to 24/7 nursing and personal care, residents at long-term care homes also need access to a

broad range of services from health professionals, such as nurse practitioners, physiotherapists, occupational therapists, social workers, dieticians, activity assistants and others, to help ensure their physical, emotional, social and spiritual well-being. Collectively referred to as allied health professionals (AHPs), these personnel provide care through a variety of programs that are essential in helping residents to maintain and improve their quality of life.

4.2.1 Availability of Allied Health Professionals Varied among Homes

The *Fixing Long-Term Care Act, 2021* establishes a 36-minute target (per resident, per day) for direct care provided by AHPs by March 31, 2023, with an interim target of 33 minutes by March 31, 2022. The 36-minute target was based on a 20% increase to the level of direct-care time identified in 2018. In order to help homes reach the target and sustain care at that level, the Ministry of Long-Term Care (Ministry) budgeted approximately $430 million on top of annual base funding to be allocated to homes over four years, 2021/22–24/25.

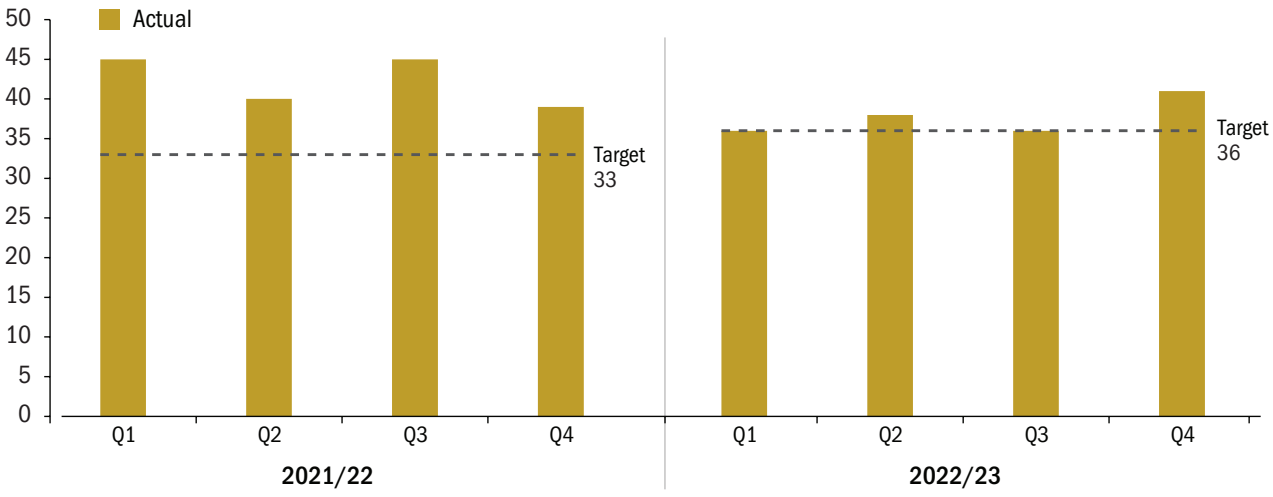
The legislated care target for AHPs is set at the provincial level—that is, it is measured as the average for all homes rather than at the individual home-level. In our analysis of quarterly data on direct-care hours from 2021/22 to 2022/23, we noted that while the annual targets were met at the provincial level (see **Figure 14**), about half of the homes were unable to individually meet this target by the end of 2022/23 (see **Figure 15**). This is similar to what we observed in the direct-care hours for nursing and personal support (refer to **Section 4.1.1**). We found that the Ministry has not investigated direct-care hour variations across long-term care homes to identify under-performing homes with low direct-care time by AHPs, and to understand variations among homes, in order to determine whether residents across the province received equitable services.

4.2.2 Support Was Missing from Key Allied Health Professionals

Our further examination of staffing data also revealed that some homes have consistently failed to provide their residents with services from certain AHPs, as

Figure 14: Minutes of Direct Care by Allied Health Professionals (Provincial Average), 2021/22–2022/23

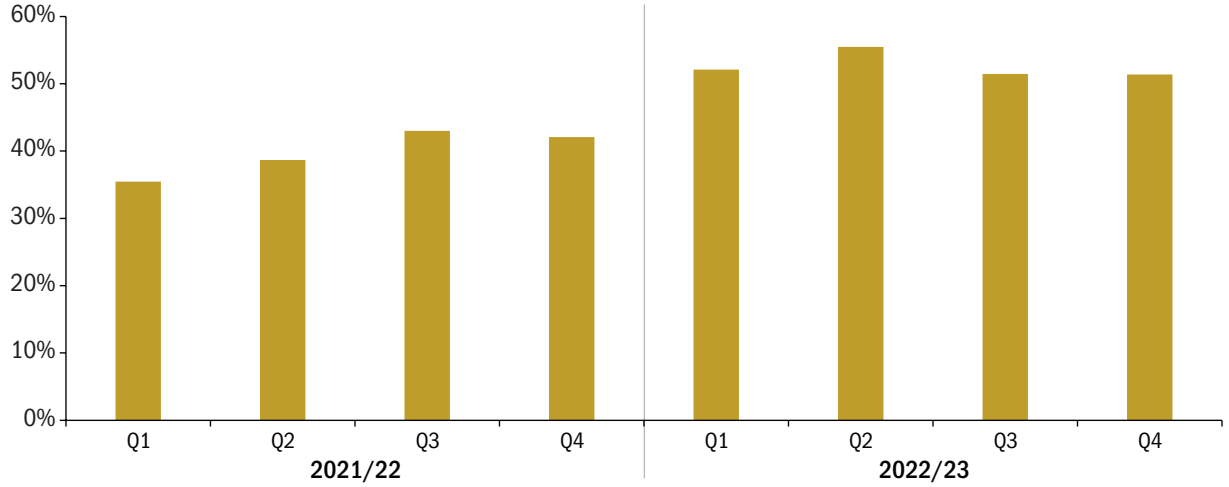
Source of data: Ministry of Long-Term Care



Note: The provincial average is based on staffing data submitted to the Ministry of Long-Term Care from over 97% of homes.

Figure 15: Percentage of Homes Below Target for Direct Care by Allied Health Professionals, 2021/22–2022/23

Source of data: Ministry of Long-Term Care



Note: The percentage of homes not meeting the provincial target is based on staffing data submitted to the Ministry from over 97% of homes.

Figure 16: Homes with No Direct-Care Time Reported for Key Allied Health Professionals, 2022/23

Source of data: Ministry of Long-Term Care

Allied Health Professionals (AHPs)	# of Homes	% of Homes
No nurse practitioner	456	74
No religious or spiritual support staff	447	72
No occupational therapist	418	68
No restorative aide (rehabilitation or therapy aide)	331	54
No social worker or social service worker	239	39
No physiotherapist, physiotherapy aide or physiotherapy assistant	74	12
No activity director or activity assistant	14	2

Note: Results are based on staffing data submitted to the Ministry from over 97% of homes.

indicated by the zero hours of care reported for these professions throughout 2022/23 (see **Figure 16**). Homes have the flexibility to decide the mix of AHPs and their hours, based on the specific and differing needs of residents. However, by having zero or minimal involvement from certain AHPs, homes risk not providing their residents with the comprehensive care they need. This is especially true for residents receiving palliative care. Palliative care in long-term care focuses on improving the quality of life for residents and their families, managing residents' symptoms, and providing psychosocial support and end-of-life care where appropriate. This requires the participation of a multidisciplinary team of care providers—including AHPs—to provide not just the necessary medical interventions, but also psychological, social, emotional and spiritual support.

Nurse Practitioners

As shown in **Figure 16**, 74% of all homes did not have a nurse practitioner in 2022/23. Nurse practitioners can assess, diagnose and treat residents (including prescribing most medications and introducing other interventions); mentor and coach the home's clinical

team; and assist with resident care planning. Consistent with the staffing data in 2022/23, we found that about half of the homes we visited did not have an in-house nurse practitioner at the time of our visit.

We found that homes that do not have in-house nurse practitioners typically have some form of access to these professionals from the community. For example, nurse practitioners from programs like the Nurse-Led Outreach Team would support homes by reviewing resident care plans and providing education to staff on specialized areas, such as palliative care. However, the extent of support varies: some homes access these external resources on an as-needed basis; others receive scheduled visits at differing frequencies, ranging from weekly to monthly. While homes acknowledged the external support, they indicated that having in-house nurse practitioners to provide timely and continuous monitoring of resident conditions, as well as staff education, would be more beneficial. Homes indicated that external nurse practitioners were not always available to assist on urgent matters.

The importance of the nurse practitioner's role in long-term care was highlighted in past reports, such as the *Long-Term Care COVID-19 Commission Report*. In its 2020 staffing study, the Long-Term Care Staffing Study Advisory Group also recommended that the Ministry consider opportunities to further expand the use of nurse practitioners. In October 2022, the Province announced an investment of $57.6 million over three years (2022/23–24/25) in a program to recruit and retain up to 225 additional nurse practitioners in the long-term care sector. The Ministry informed us that 66 full-time-equivalent nurse practitioners had been hired and retained through this program as of August 1, 2023, and confirmed that funding for nurse practitioners hired under this program will continue beyond the original funding end-date of March 31, 2025.

Therapists

Regulation requires every home to provide therapy services to residents, including on-site physiotherapy and occupational therapy. Despite the requirement, our analysis of 2022/23 data noted that 68% did not have an occupational therapist, 54% did not have a restorative aide and 12% did not have a physiotherapist or physiotherapy aide/assistant (see **Figure 16**). Some of these homes did not have any of these three AHPs to support the rehabilitation of residents at all.

Falls are a common cause of injury and emergency department admissions among long-term care residents. According to Ontario Health's system performance reporting, the percentage of long-term care residents who fell increased from 13.8% in 2012/13 to 16.2% in 2021/22, exceeding the provincial benchmark of 9%. Better access to physiotherapy and occupational therapy could potentially improve the trend, as research suggests that effective interventions from these therapies can help prevent falls in long-term care homes and can deliver other benefits to residents, such as improved physical performance and pain reduction.

Social Workers and Spiritual Support

Spiritual well-being and physical health are both important to quality of life. However, our analysis of 2022/23 data indicated that 39% of homes did not have a social worker or social service worker, and 72% of homes did not have religious or spiritual support staff (see **Figure 16**).

While some residents shared with us their positive experiences with the social workers, others indicated that they have never met one in their homes. For example, we noted the following from our visits to homes:

- Five homes did not have a social worker on staff at the time of our visit.
- Six homes had a vacancy in the social work department at the time of our visit. One of them had the position vacant for three months, during which the one remaining social service worker was overseeing the needs of over 170 residents. Another home had two full-time social workers remaining, overseeing the needs of 249 residents.
- One home had only one full-time position budgeted to meet the needs of 160 residents.

The homes we visited informed us that, as well as providing direct care to residents and communicating with their families, their social workers (or social

service workers) also perform a wide variety of tasks, such as reviewing applications, conducting home tours, putting together tour packages, and other administrative tasks as needs arise. One social worker we interviewed estimated that the amount of time they spent on tasks not involving direct care and communication with residents was approximately 55–60%.

In December 2022, the Province announced that it would be providing close to $20 million over three years (2022/23–24/25) to increase social support services for long-term care residents. The funding aims to support the provision of services, mainly by registered social workers and social service workers, toward a best-practice minimum of 30 minutes of care per resident every four weeks. Comparing the fourth quarter of 2022/23 to the previous year, long-term care homes reported an increase of 51 social workers and social service workers in total, which resulted in an increase of 5.8 minutes of direct care provided by these professionals every four weeks. As of September 2023, the Ministry does not yet have approval for funding to sustain this program beyond 2024/25.

Activity Directors or Activity Assistants

While regulation requires every home to have a designated lead for the recreational and social activities program, we noted that about 2% of homes still did not have an activity director or activity assistant in 2022/23 (see **Figure 16**). We also noted that the homes we visited differed in their recreation staff-to-resident ratio. Some homes had ratios as poor as 1:35 (1 staff person for 35 residents), which was three or more times worse than other homes with a ratio of 1:10 or better.

Various studies have stressed the importance of meaningful recreational activities for residents' quality of life and well-being. For example, a study published by the National Institutes of Health in March 2015 noted that having a choice of meaningful activities is important for improving residents' sense of independence and positive self-image. This study also mentioned past research, which found that nursing home residents with Alzheimer's disease demonstrated less agitated behaviours when activities were tailored to their skill level and interests.

RECOMMENDATION 2

To provide residents of long-term care homes with sufficient and timely access to allied health professionals (AHPs), we recommend that the Ministry of Long-Term Care:

- analyze hours of direct care by AHPs at the home level to identify homes with challenges meeting the target, work with those homes on strategies to improve their care hours, and monitor the outcomes of the strategies;
- monitor staff-to-resident ratios and determine whether certain key AHP services should be provided in all homes; and
- project future needs for different AHP services in long-term care and work with homes to develop plans to address potential shortages.

MINISTRY RESPONSE

The Ministry of Long-Term Care (Ministry) acknowledges the Auditor General's recommendation to analyze hours of direct care by AHPs, monitor staff-to-resident ratios, and project future needs for different AHP services.

The Ministry recognizes that allied health professionals (AHPs) provide a critical component of care to long-term care residents. The Ministry implemented targets in legislation for direct care by AHPs and is committed to supporting increases in direct care for residents in long-term care homes, not only through staffing funding but also funding for the Resident Health and Wellbeing Program. This program supports hiring more AHPs (for example, social workers and social service workers) into long-term care, and contributes to the AHP direct-hours-of-care target, and by extension to enhanced resident well-being. The Ministry is actively undertaking home and regional-level direct-hours-of-care analysis and will continue with that effort to better understand

where there are opportunities to increase direct-hours-of-care performance.

While there are some AHP services currently named in regulation (for example, physiotherapy), long-term care homes are best positioned to determine the appropriate staffing complement based on their own knowledge of the needs of the residents living in the home; the Ministry will continue to monitor staff-to-resident ratios to inform ongoing supports to the sector. The Ministry is committed to working with the sector to ensure the funding and regulatory framework for staffing enables long-term care homes to support meeting resident care needs and to address potential shortages. As part of work to develop and amend regulations under the *Fixing Long-Term Care Act, 2021*, the Ministry has made it easier for homes to hire from a broader pool of qualified staff while ensuring safety for residents. The Ministry is also involved in work to clarify and codify the important role that resident support personnel play as AHPs in homes.

4.3 Personal Support Workers Lack Regulation and Standardized Education

As noted in **Section 2.2.3** and **Figure 5**, personal support workers (PSWs) constitute the largest workforce in long-term care homes, making up approximately 60% of the homes' 85,000 direct-care staff. Although they carry out most of the day-to-day care, we found insufficient regulation of the PSW profession and inconsistencies in PSW education to help ensure the quality of care.

4.3.1 PSWs Are Unregulated with No Accountability Mechanisms for Standard of Care

Unlike most health-care professions (for example, physicians and nurses), PSWs are not regulated in Ontario or the rest of Canada; they are not licensed and their actions are not governed by professional practice standards or a code of ethics or code of conduct. There is no regulatory body for long-term care homes to report professional misconduct, incompetence, incapacity or harmful behaviour of PSWs, or for members of the public to make a complaint about a PSW, to ensure the consistent investigation and enforcement of disciplinary measures in all cases.

Homes we visited have terminated PSWs for misconduct or incompetence in the past. For example, several PSWs were terminated by a home when these individuals were found to be physically abusive to a nonverbal resident on multiple occasions by providing care in rough and undignified ways (such as pushing, pulling and grabbing) and unsafely repositioning the resident. Another home terminated a PSW for the individual's aggressive and emotionally abusive behaviour toward a resident and another staff member. In the absence of a regulatory body, it is easier for PSWs who display these problematic behaviours to move from job to job, and difficult for their future employers to know of the risks.

In June 2021, the *Health and Supportive Care Providers Oversight Authority Act, 2021* received royal assent, which led to the creation of the Health and Supportive Care Providers Oversight Authority (Authority) to serve as a new regulatory body providing oversight of PSWs. To date, however, the Authority has not performed any oversight activities because all of the legislation that enables the Authority to fulfill its mandate is not yet in force. But even if the legislation were fully enforced, the effectiveness of the regulatory regime remains uncertain because the legislation does not require PSWs to register with the Authority.

PSWs play a vital role in long-term care homes; it is important to have appropriate accountability mechanisms to ensure they deliver safe, competent, ethical and high-quality care to residents. Accountability mechanisms would also benefit the PSW profession as a whole by disciplining individuals who discredit the profession and removing them from the sector if necessary.

4.3.2 Some PSW Education Programs Did Not Provide Adequate On-the-Job Training

As stated in Ontario Regulation 246/22 (Regulation) under the *Fixing Long-Term Care Act, 2021* (Act), anyone who provides personal support services in long-term care homes must successfully complete a PSW program that meets the standards set by the Ministry of Colleges and Universities (MCU) and has a minimum duration of 600 hours. Neither the MCU's PSW program standard nor the Regulation has prescribed the delivery method or how program hours should be divided between class time and practical experience. In our review, we noted a high degree of variability among programs—both in the practical experience they provide and in the duration of the programs.

The issue of inconsistencies in PSW program offerings was identified in our Office's 2021 audit, *COVID-19 Preparedness and Management: Special Report on Pandemic Readiness and Response in Long-Term Care*. This special report noted that programs offered at community colleges ran for about 24–30 weeks and included 140–438 hours of practical experience; whereas programs offered at private career colleges ran for about 29–52 weeks and included approximately 350–400 hours of practical experience. Although the Act and the PSW program standard have been updated since the 2021 audit, we noted from our visits to homes that inadequate on-the-job training remains a concern. For example:

- One home has PSWs who studied predominantly through online courses. The PSWs exhibited poor communication skills when having difficult conversations with residents. More practical training would have better equipped them for the role.
- Another home indicated that the PSW educational curriculum does not offer sufficient training in soft skills, such as teamwork and customer service, which are essential for the role. More on-the-job training would allow PSWs to gain exposure to these skills before they start working in homes.

Homes we visited also informed us that more on-the-job training could have a positive impact on the preparedness of PSW graduates from the different programs and, consequently, on the quality of care that residents receive.

Long-term care homes are accountable for ensuring that the credentials of all their staff are meeting the legislated requirements. However, without a pubic registry of qualified PSWs or a published list of accredited PSW programs that meet MCU standards, it is difficult for homes to validate a PSW's credentials, given the variation in PSW programs offered by different institutions.

RECOMMENDATION 3

To help ensure that personal support workers (PSWs) are appropriately trained, professional, and accountable to the public, we recommend that the Ministry of Long-Term Care:

- fully launch the Health and Supportive Care Providers Oversight Authority and strengthen its oversight by requiring mandatory registration for PSWs who provide health or supportive care services in long-term care homes; and
- work with the Ministry of Colleges and Universities to review and amend the current education standards to make the proportion of in-class versus practical experience more consistent across PSW certificate programs offered by different institutions.

MINISTRY RESPONSE

The Ministry of Long-Term Care (Ministry) acknowledges the Auditor General's recommendation to fully launch the Health and Supportive Care Providers Oversight Authority and strengthen its oversight, and to work with the Ministry of Colleges and Universities to review and amend the current education standards.

The Ministry continues to work with the Ministry of Health as they lead the implementation of the new Health and Supportive Care Providers

Oversight Authority. Working in collaboration with the Ministry of Health, the Ministry will seek stakeholder feedback regarding the proposed education, training, and experience requirements to register with the new Oversight Authority. The Ministry may seek approval to amend its regulations, as needed, to ensure consistency with the Oversight Authority requirements and clarity for the sector. Long-term care homes will continue to be responsible for ensuring those working as PSWs meet the criteria outlined in regulation.

The Ministry acknowledges that consistency of educational requirements is vitally important to ensure personal support worker (PSW) graduates are appropriately prepared to work in long-term care. The Ministry will work with the Ministry of Colleges and Universities (MCU) as they amend the program standard in response to educational requirements developed by the Health and Supportive Care Providers Oversight Authority during MCU's future reviews.

4.4 Homes Struggled to Cope with Complex Behavioural Issues

Residents have varying levels of cognitive abilities. About 63% of residents have a dementia diagnosis (see **Section 2.1.2**), meaning most have at least some loss of cognitive functioning and loss of behavioural abilities, which could interfere with daily life and activities. A considerable number of residents (12%) also have a mental health history of psychiatric illness or developmental disability.

4.4.1 Responsive or Aggressive Behaviours Remain Prevalent in Long-Term Care Homes

Responsive behaviours are actions, words and gestures presented by people in response to something negative, frustrating or confusing in their social and physical environment. These behaviours are common among people living with dementia, complex mental illness, substance use and/or other neurological disorders. Examples of responsive behaviours include, but are not limited to, hitting, pushing, throwing things, biting, hurting oneself or others, pacing/wandering, general restlessness, screaming, sexually expressive behaviours and repetitive sentences or questions.

Responsive behaviours are prevalent in long-term care homes, given the high percentage of residents with dementia and mental disorders. A 2021 paper published by the Journal of Long-Term Care studied residents from 1,319 long-term care facilities across Canada, spanning a 16-year period from 2002 to 2018, and found that the rates of severe aggressive behaviours were more than three times higher among residents with dementia and/or mental disorder compared to those without either diagnosis.

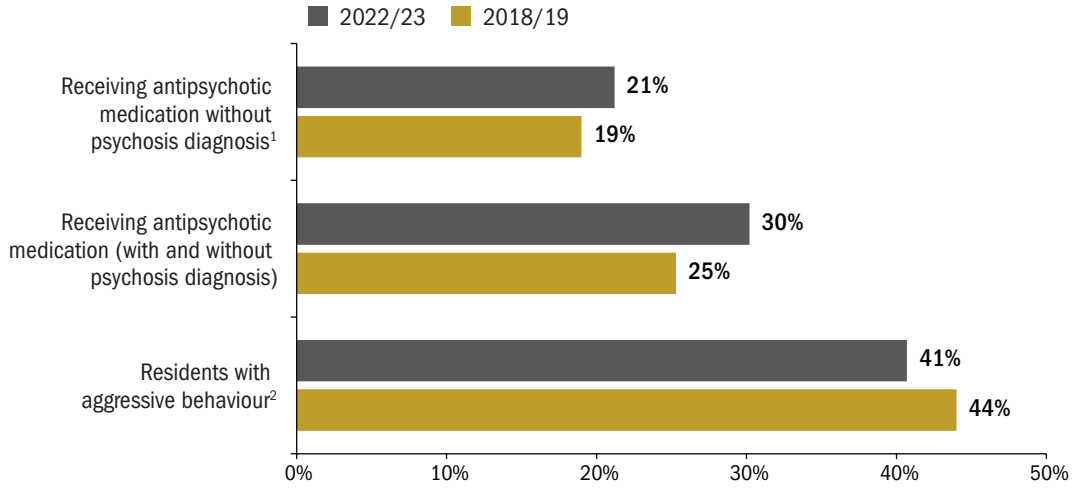
Based on our review of data from the Canadian Institute for Health Information (CIHI), the percentage of long-term care home residents with aggressive behaviours has fluctuated slightly over the last five years (2018/19–22/23) but remained high, ranging from 41% to 44% (see **Figure 17**).

The regulation requires every long-term care home to have strategies and plans developed to meet the needs of residents with responsive behaviours. However, many homes we visited indicated that managing responsive behaviours continued to be a challenge due to limited access to resources and supports (see **Section 4.4.3**) and increasing mental health issues (see **Section 4.6.2)**, and that these behaviours sometimes threatened the safety or well-being of others. For example:

- A resident's responsive behaviours escalated, resulting in a Code White (a code for violent behaviour) when staff determined that the behaviours were becoming an endangerment to the individual and others and causing destruction of property. Emergency services and police were called on scene. Following the incident, the resident continued to exhibit aggressive behaviours, both verbally and physically.
- A resident, who had an increase in physical expressions and was verbally abusive (including

Figure 17: Percentage of Residents with Aggressive Behaviour and Residents Receiving Antipsychotics, With or Without a Diagnosis of Psychosis, 2018/19 and 2022/23

Source of data: Canadian Institute for Health Information



1. The percentage excludes residents with a diagnosis of schizophrenia or Huntington's chorea, experiencing delusions or hallucinations, with an end-stage disease, or receiving hospice care.
2. The percentage includes all residents with an Aggressive Behaviour Scale score higher than zero (zero indicates no aggressive behaviour).

expressing threats of violence), attacked another resident twice within a week, resulting in the other resident becoming fearful of leaving the room. As a result of these incidents, the home had tried to transfer the resident to an alternative community-based facility. However, the transfer process was challenging, as the resident refused to complete an assessment for the transfer.

- A resident sexually harassed other female residents. The home referred the resident to a hospital's inpatient adult mental health program, but the referral was declined as the resident was not meeting the program's criteria for admission. The program acknowledged the home's difficult situation, but indicated that it could not take urgent acute cases directly from the community—including long-term care homes. The program would only accept patients transferred from a designated psychiatric hospital if they were deemed treatment resistant.
- A resident yelled at and hit staff and refused to let anyone touch her, making it difficult for staff to provide personal care assistance, such as changing incontinence products.

4.4.2 Antipsychotic Drug Use Raised a Potential Quality-of-Care Concern

Antipsychotic drugs are used to manage symptoms of psychosis, but are also prescribed for residents to manage severe behavioural and psychological symptoms of dementia. As noted in the 2021 study published by the Journal of Long-term Care (see **Section 4.4.1**), the use of psychotropic drugs (including antipsychotics) may have contributed to residents being asleep for most of the day, keeping their activity and social engagement levels low. Other studies also showed the side effects and dangers of using antipsychotic drugs, which include an increased risk of falls and fractures in older adults.

As shown in **Figure 17**, we noted that use of antipsychotic drugs in long-term care homes has increased over the last five years (2018/19–22/23). Specifically, in 2022/23, 30% of residents were on antipsychotics (up from 25% in 2018/19) and 21% of residents were on antipsychotics without a diagnosis of psychosis (up from 19% in 2018/19), which still slightly exceeded the provincial benchmark of 19% set for these cases. This raises a concern as to whether these drugs are sometimes used inappropriately, especially when the percentage of residents with aggressive behaviours has

declined over the same period (from 44% in 2018/19 to 41% in 2022/23).

Our observation is in line with a study published in Health Services Insights in May 2023, which also raised the question of whether antipsychotics were used pre-emptively in anticipation of challenges during outbreaks and staffing shortages. The study showed that the percentage of residents on antipsychotics without a diagnosis of psychosis also increased during the COVID-19 pandemic in other provinces, including Alberta, British Columbia and Manitoba.

4.4.3 Homes Had Limited Access to Behavioural Support Resources

The ability of long-term care homes to prepare and care for residents with responsive behaviours could be affected by a number of factors, such as the level of staffing, the adequacy of staff training and the availability of dedicated resources for behaviour supports.

Low Staffing Level

As discussed in **Section 4.1.1**, staff-to-resident ratios are not regulated and vary across homes. A home we visited estimated that, with a 1:8 staff-to-resident ratio in the morning, a personal support worker (PSW) could only spend approximately eight to 10 minutes on average to get each resident ready for breakfast within a two-hour window, excluding the time spent on charting and documenting the care provided. This means that within eight to 10 minutes, the staff would have to wake the resident and help the resident use the bathroom (or change their diaper), brush their teeth and get dressed.

Given the current cognitive and physical state of residents, some residents would benefit from or need more one-to-one care. It can be difficult to properly care for residents within the time available, let alone deal with a sensitive population of residents who have more severe behavioural issues. This becomes even more challenging for homes with poorer staff-to-resident ratios, which we observed to be as severe as 1:10 in the morning shift in the homes we visited. For example, a home indicated that it could take up to three staff to provide care for one of its residents, as the resident would resist and react aggressively to care. This had left staff members with less time to attend to the needs of other residents.

Lack of Staff Training/Education

Homes we visited agreed that more in-person, practical training is beneficial because work performed in long-term care homes can be very hands on, which makes in-person training more effective. However, a widespread shortage of resources in the sector (see **Section 4.1.1**) has prohibited homes from providing more in-person training. Homes advised us that it was challenging to find the backfill support necessary to free up staff on the floor to attend training. Of the homes we visited, all have provided some level of training, but the training was mostly provided online, with at least two homes offering only online training.

With over 40% of residents exhibiting aggressive behaviours, it is important that staff at long-term care homes are sufficiently trained to identify behavioural triggers and to manage such behaviours, including ways to communicate with residents. We identified some examples from homes we visited, where resident care could have been enhanced with more training:

- A staff member declared a Code White (a code for violent behaviour) immediately when a resident with severe dementia slammed the table, which triggered an emergency procedure. The supervisor at the home suggested that staff might be able to recognize behavioural clues earlier and prevent the behaviour (or de-escalate the situation differently) if the staff received more training on dealing with residents with severe dementia.
- A resident with a long history of schizophrenia and bipolar disorder would become agitated and verbally abusive towards staff, and staff were unable to manage those behaviours with the same strategies they used to care for residents with dementia. The home felt that it would be beneficial for staff members to receive training on mental disorders and mental health.

- A staff member attempted to stop a resident from entering other residents' rooms, but was unsuccessful and sustained injury as a result of the resident's responsive behaviour. The home indicated that it would be beneficial if the staff had been trained with gentle persuasive techniques.

Limited Beds in Behavioural Specialized Units (BSUs)

The Ministry of Long-Term Care (Ministry) has established Behavioural Specialized Units (BSUs) within some long-term care homes. These units specialize in caring for those with complex behaviours by providing increased staffing, a tailored environment, focused behavioural assessment and enhanced care planning. While each BSU has its own unique admissions criteria designed to align with local needs, in general, BSUs are meant to provide transitional care support for new or existing long-term care residents who have responsive behaviours that cannot be managed in the regular long-term care environment. Residents in BSUs are expected to return to their regular long-term care home setting once their behaviours have stabilized and the extra care requirements gradually taper off.

There were 307 BSU beds in the province as of March 31, 2023. As shown in **Figure 18**, these beds had 94 individuals on wait lists as of March 31, 2023, and a median placement time that ranged from 24 days to 223 days in 2022/23, depending on the region. Aside from those on the wait list, we noted that 142 BSU bed applications were rejected in 2022/23 for reasons such as a lack of nursing expertise or physical facilities needed to provide the care. Ontario Health also informed us that some residents that would benefit from a BSU bed may not be added to the wait lists as the wait is too long.

Homes we visited had varying experiences with the application process. For instance:

- One home applied for BSU beds twice, with each application rejected after the BSU reviewed the resident's behavioural assessment. According to this home, one BSU indicated that it was not suited to care for the resident, who expressed physical aggressions and was previously involved in two critical incidents. Another BSU indicated that the resident was difficult to redirect, required several staff to assist, was impulsive and reacted with aggression when feeling threatened. These rejections raise a question about the accessibility of BSUs and their ability to provide specialized care to those with complex behaviours.
- One home indicated that it attempted to apply for a BSU bed several years ago, but none were

Figure 18: Beds in Behavioural Specialized Units (BSUs) in Long-Term Care Homes, and Wait Lists and Placement Time by Region

Sources of data: Ontario Health and Home and Community Care Support Services

Region	BSU Beds (#)	Individuals on Wait List as of March 31, 2023 (#)	Individuals Placed in 2022/23 (#)	Median Time to Placement in 2022/23 (days)*
Toronto	86	24	11	223
West	70	5	52	27
Central	65	35	72	28
East	46	25	32	40
North West	32	1	18	24
North East	8	4	3	87
Total	**307**	**94**	**188**	

* Median time to placement is provided by the region.

available. The home ended up managing the resident with involvement from the resident's family.

- One home indicated that it never applied for a BSU bed for its residents, as its understanding was that the process could be lengthy.

Our review of the eligibility criteria of six out of 14 BSUs in operation as of March 31, 2023, also noted that the criteria are restrictive. While there are variations across BSUs, all of them require applicants to be medically stable, have a diagnosis of dementia, and exhibit responsive behaviours that are challenging or cannot be managed in the current environment. Some BSUs have explicitly excluded individuals with active substance abuse or whose behaviours are primarily caused by brain injury, mental illness or a neurological condition. Although long-term care homes have a large population of residents with dementia, they also care for residents with other conditions, such as mental illness, substance use disorder and neurological illness, which are especially common among younger residents (refer to **Section 4.6**). By restricting admission to only those diagnosed with dementia, BSUs are not accessible to certain residents whose responsive behaviours cannot be managed in the standard long-term care environment, and homes are left to deal with the behaviours of these residents with their limited resources.

The Ministry is working with Ontario Health to expand BSU capacity and expects that approximately 70 new BSU beds will be added in 2023/24, with an allocated funding of $5.5 million. However, with 41% of long-term care residents having aggressive behaviours (see **Figure 17**) and with over 6,000 residents assessed with more severe aggressive behaviours, there is a risk that the number of BSU beds is still inadequate to meet the needs of the population, even with the additional beds.

Lack of Dedicated Behavioural Support Resources

In 2010, the then Ministry of Health and Long-Term Care launched an initiative called Behavioural Supports Ontario (BSO), through which homes receive funding to hire dedicated staff to support the home in caring for residents with complex and responsive behaviours. While the homes we visited viewed BSO staff as valuable resources, funding for those positions is only provided to homes that Ontario Health has identified in its BSO action plan. Over one-third of the homes we visited were declined funding for BSO staff. Although resources such as mobile BSO support services are available on an as-needed basis in the regions where these homes were situated, the homes indicated that in-house support would provide greater benefits due to the ongoing behavioural issues of residents.

While long-term care homes also have access to a variety of regular or referral-based external behavioural supports (such as psychiatric evaluation and medication recommendation for residents) through partnerships with hospitals or other community resources, we noted from our visits to homes that most homes did not always have adequate or timely access to these services. For example:

- A home with over 150 residents had a psychiatrist visiting the home only once a month, through the Psychiatrist Outreach Program in its local health network. To supplement this, the home paid to contract a geriatric psychiatrist to visit the home once a month to obtain more specialized service.
- A home had access to the Behavioural Support Services in a hospital, which would assign a nurse and PSW team to perform onsite observation and provide recommendations on non-pharmacological interventions (that is, not involving the use of medications) to help the home manage residents' behaviour. However, it could sometimes take a few months for a team to be assigned to the home, depending on the availability of resources.
- A home accessed a hospital's senior mental health behavioural program for two residents, but the wait time was approximately nine to 10 months.

RECOMMENDATION 4

To help ensure that long-term care homes are able to manage responsive and aggressive behaviours of residents, we recommend that the Ministry of Long-Term Care work with Ontario Health to:

- monitor staff-to-resident ratios for residents with more severe responsive behavioural issues;
- consult with homes to identify gaps in behavioural support resources for long-term care (including resources within homes, external support networks, and behavioural specialized units at both the regional and home level), and develop and implement action plans to address the gaps; and
- provide centralized expertise and a forum for homes to share ideas and practices related to behavioural management.

MINISTRY RESPONSE

The Ministry of Long-Term Care (Ministry) acknowledges the Auditor General's recommendation to monitor staff-to-resident ratios for residents with more severe responsive behaviour issues, and consult with homes to identify gaps in behavioural support resources for long-term care.

The Ministry recognizes the importance of helping to ensure long-term care homes are able to effectively support residents with responsive behaviours. The Ministry has invested in high-quality, innovative programs that provide appropriate care to residents with responsive behaviours, including Behavioural Supports Ontario (BSO) and through behavioural specialized unit beds. In addition, to enable centralized supports for BSO services, the Ministry has invested in the operation of the BSO Provincial Coordinating Office (PCO). BSO PCO helps to bring together BSO teams of specialized staff to share best practices and develop practical clinical tools for long-term care staff.

The Ministry also initiated the Local Priorities Fund to enable Ontario Health to make investments in targeted specialized staffing, equipment and supports aimed at removing barriers to alternate level of care in the respective regions. This includes funding for staff training regarding patients with dementia in order to support overall quality of life for residents and reduce the risk of behaviours that could lead to hospital transfer. Separately, the Ministry's High Intensity Needs Fund supports the costs for residents with acute or intensive service needs. This includes funding for supplementary staffing required as a result of ongoing or emerging responsive behaviours and funding for preferred accommodations.

Ontario Health, in partnership with long-term care homes, is best positioned to determine the appropriate BSO staffing complement based upon in-depth knowledge of the needs of residents living in the home and on available investments. The Ministry will continue to monitor BSO staffing mix ratios to inform ongoing supports to the sector and will continue to work with Ontario Health, long-term care homes and other sector partners to identify best practices for maximizing available investments, as well as gaps and opportunities for improved supports for residents who exhibit higher risk, aggressive responsive behaviours.

ONTARIO HEALTH RESPONSE

Ontario Health acknowledges the Auditor General's recommendation. Ontario Health coordinates and integrates several programs that support long-term care homes to manage residents with responsive and aggressive behaviours, including Behavioural Supports Ontario (BSO), Behavioural Support Units (BSUs), the Local Priorities Fund, and High Intensity Needs Fund.

Ontario Health will continue to work with the Ministry and system partners (for example, the BSO Provincial Coordinating Office) and local BSO lead organizations to implement programs and identify mechanisms to share best practices and ideas to support homes in providing care for individuals with responsive behaviours, ensuring quality care

and safety for all residents, in alignment with provincial investments. The target completion date is March 31, 2026.

4.4.4 Incomplete, Inaccurate or Outdated Information about New Residents Hindered Preparation by Homes

Before accepting an admission, long-term care homes receive information about the applicant from Home and Community Care Support Services, which includes health, functional, behavioural and other supplemental assessments as appropriate. However, homes we visited informed us that assessments regarding the applicant's behaviours were not always complete or accurate. For example, certain behavioural issues were not mentioned, and information fields on behaviour triggers could be left blank.

Homes we visited also informed us that the assessments do not always capture the applicant's current condition, as they could be completed up to three months before the authorization of admission. During the three-month period, there can be changes to the applicant's care needs due to advanced age and comorbidities. Although a reassessment is supposed to be completed whenever an applicant's condition has changed significantly, this depends on whether the placement co-ordinator, the applicant, or the applicant's primary care provider, caregiver or substitute decision-maker would initiate it.

Incomplete, inaccurate or dated assessments can hamper a home's ability to prepare for the arrival of new residents. For example:

- A resident's pre-admission assessment did not indicate any wandering or exit-seeking behaviour and so the resident was initially admitted to a non-secure unit at the home. However, soon after admission, the resident wandered away from the home twice within a month, resulting in two critical incidents reported to the Ministry. As a result, the home had to move the resident to a secured unit. The resident's family subsequently informed the home that the resident did exhibit exit-seeking behaviour in the previous home.
- One home noted that an applicant's pre-admission behavioural assessment indicated that the applicant had no explicit behaviours. However, upon admission, it was clear that the resident was verbally and physically aggressive, prompting the home to change plans and move the resident to a high-intensity care room. Had the behaviours been more accurately described in the pre-admission assessment, the home indicated that it could have planned ahead and been better prepared to provide high-intensity care.

Transitioning into long-term care is especially difficult for those living with dementia, and their behaviours could escalate during the initial period of home admission. Having incomplete or inaccurate assessments would only increase the stress on both the residents and staff during the transition period, and should be prevented.

RECOMMENDATION 5

To help ensure that long-term care homes are well informed of the condition of prospective residents in preparation for their admission, we recommend that the Ministry of Long-Term Care work with Home and Community Care Support Services and with homes to review the pre-admission assessment process; determine whether changes can be made to improve the completeness, accuracy, consistency and timeliness of information provided to homes; and then to implement the necessary changes.

MINISTRY RESPONSE

The Ministry of Long-Term Care (Ministry) acknowledges the Auditor General's recommendation to work with Home and Community Care Support Services and with homes to review the pre-admission assessment process and to implement the necessary changes.

The government released Your Health: A Plan for Connected and Convenient Care (the Plan), which aims to connect people in Ontario to the health care they need, when they need it. Through the Plan, Ontario will modernize home care and provide connected care through Ontario Health Teams to support the right care in the right place.

The Ministry recognizes the need to modernize admissions and placement processes to make it more transparent, more user friendly and less burdensome, and has initiated a review of current assessment tools. This work will include engagement with the Ontario Medical Association and Home and Community Care Support Services to inform work that will ensure the tools contain relevant information related to long-term care applicants' health conditions and care needs, in order for homes to assess if they have the nursing expertise as well as facilities to support the admission of applicants. In addition, the government is proposing to develop a new agency—Ontario @ Home—that, if passed, will assume the responsibilities of long-term placement.

4.5 Long-Term Care Sector Was Not Responsive to Cultural Needs of Residents

Ontario's population is highly diverse. According to the 2021 census by Statistics Canada, for example, about 34% of Ontario's population is made up of members of visible minorities, about 30% are immigrants and about 3% have an Indigenous identity. With a resident mix resembling the diverse population of the province, there is a high demand for culturally sensitive long-term care services in Ontario.

Cultural accommodation is important for improving the quality of life for long-term care residents. One important aspect of cultural accommodation is food. Research shows that culturally appropriate meals can encourage residents to eat and drink, which in turn reduces the risk of malnutrition and unintended weight loss. Another important consideration is care in the residents' own language. Communication is essential for one's social life, and people with dementia often lose command of their second language and revert to their mother tongue as their condition intensifies. Culturally appropriate care is also an important element in palliative care. For example, different cultures can have differing ideas of the meaning of life and death, as well as differing involvement of friends and family in care. Stakeholders in long-term care recognize culturally appropriate palliative care as an aspect that needs improvement in long-term care.

Despite the obvious benefits of culturally sensitive care, we found that Ontario's long-term care sector has gaps in delivering such care to those who need it.

4.5.1 Culturally Specific Long-Term Care Homes Are Limited Across the Province

Out of 626 long-term care homes across the province, there are currently 57 designated homes (or about 9%) across the province focused on serving specific ethnocultural groups (for example, Indigenous, Chinese, Finnish, French, Greek, Italian and Ukrainian) or religious groups (for example, Christian, Catholic and Jewish). We visited three ethnocultural homes during the audit and observed various ways in which these homes create a familiar environment for their residents of specific ethnicity. For example:

- A majority of staff members speak the residents' native language or share the same culture as the residents. At one of the three homes we visited, over 95% of staff spoke the native language of residents.
- Signs and information, such as recreational calendars, are posted in the residents' native language.
- Menus are designed to suit the tastes of their residents and reflect their cultural heritage—for example, serving traditional Eastern European and Asian meals daily.
- Elements of the residents' culture are incorporated in activities, with activities conducted in the residents' native language.

- The residents' cultural background is incorporated into the home's décor, television programs and music.

Ethnocultural homes are popular among ethnic communities and tend to have much longer wait times. Our examination of placement data noted that the median wait time for an ethnocultural home was up to 1,843 days (or approximately five years) in 2022/23. This is significantly longer than the provincial median time for placement into a long-term care home, which ranged from 50 days to 223 days in 2022, depending on the region. The long wait times clearly illustrate the popularity of these homes and an insufficient supply to meet the demand—especially since the introduction of the *More Beds, Better Care Act, 2022* to facilitate the flow of alternate level of care (ALC) patients from hospitals to long-term care homes (refer to **Section 4.7**).

Our analysis of regional demographics and long-term care homes noted that, while certain regions have a high concentration of particular ethnic groups, there are no ethnocultural homes in those areas to serve that need. For example, based on 2021 Census data, Peel Region has a high concentration of South Asians (about 14%), but there are no ethnocultural homes in that region designated to support South Asian residents. There is currently one capital development project, comprising 97 new beds and 159 redeveloped beds, planned for this region to meet the needs of the South Asian community. As of September 2023, the project is in the early planning stage and a completion date is not available.

Two international reports, issued in 2011 and 2015, have compared the effect of ethnocultural and mainstream homes on ethnic-specific residents. Both papers found that those living in ethnic-specific homes perform better physically and mentally (for example, exhibiting a less stressful transition into long-term care, more interactions with other residents, higher morale, and lower prescription rates for antipsychotic medication). To date, the Ministry has not completed an analysis of the quality of care, approach to care, and impact on residents of ethnocultural homes versus mainstream homes in Ontario. Such an analysis would provide an opportunity for the Ministry to identify best practices that could be shared across homes to improve care for culturally diverse populations.

The Ministry also has not assessed whether the supply of long-term care homes meets the needs of Ontario's diverse population, considering factors such as ethnicity, cultural heritage, and sexual and gender diversity, among others. Socio-demographic data of existing long-term care residents is limited and does not show where residents of different backgrounds are living.

4.5.2 Level of Cultural Accommodation Varied Across Mainstream Homes

Though having more long-term care homes catering to specific ethnic, cultural or religious groups would be ideal, it is not feasible to have a home for every ethnocultural or religious community in Ontario. A diverse resident population is a reality that mainstream homes have to manage. For example, in one of the homes we visited in the Greater Toronto Area, 20 different languages were spoken by residents. Mainstream homes should be sensitive to the diverse languages and cultural needs of their residents.

We noted from our visits that non-ethnocultural and non-religious homes adopt cultural accommodations to varying extents. For example, some homes use cue cards, sign boards, electronic translation applications or translation by volunteers to overcome communication barriers, and get help from family members to take residents to religious services. Knowledge could be shared among homes to improve care for a culturally diverse population.

We also noted that the need for, or importance of, cultural accommodation in long-term care homes, especially for food, has been raised by homes and stakeholder groups in the past. For example, in October 2016, Toronto City Council requested that the provincial government develop a separate, case-specific funding mechanism for the provision of cultural and religious meals in long-term care homes, in support of the 10 city-operated homes that serve a very diverse

resident population. A similar recommendation was made in 2016/17 by AdvantAge, a provincial association representing not-for-profit homes and services for seniors. Since 2016/17, the Ministry has increased funding to the Nutritional Support category—from $8.33 per resident per day to $12.07 per resident per day (see **Section 4.8.1**). However, the recommendation for a separate funding mechanism to provide cultural and religious meals has not been directly addressed. We noted from our visits to homes that mainstream homes sometimes have difficulty creating meal plans to meet the requests and cultural preferences of individual residents.

RECOMMENDATION 6

To help ensure that long-term care homes are able to care for the culturally specific needs of a diverse resident population, we recommend that the Ministry of Long-Term Care:

- analyze the supply and demand of culturally specific homes in Ontario, factoring the results of the analysis into long-term home development planning; and
- work with long-term care homes to identify best practices for culturally sensitive care and provide homes with guidance for developing practical improvement plans (for example, in the areas of staff training, communication technology investments, and engagement of community and religious organizations).

MINISTRY RESPONSE

The Ministry of Long-Term Care (Ministry) acknowledges the Auditor General's recommendation to analyze the supply and demand of culturally specific homes in Ontario, and work with long-term care homes to identify best practices for culturally sensitive care.

As of November 2023, the Ministry is working with the sector on more than 100 capital projects that propose to serve the needs of Francophone, Indigenous and other culturally specific populations. The Ministry will continue to work with the Ministry of Health and Ontario Health, as well as key sector stakeholders, to assess the capacity needs of the long-term care sector to support an informed approach to system planning within the broader health sector, including the need for services and supports that meet the diverse needs of residents.

Furthermore, the Ministry funds the Centres for Learning, Research and Innovation to educate and train current and future long-term care staff in areas including cultural competency and equity, diversity and inclusion. The Ministry is also exploring the opportunity to establish a Long-Term Care Quality Centre that could support homes by identifying and sharing best practices for culturally sensitive care, so that residents can benefit from culturally appropriate care and services.

The Ministry is committed to goals that advance long-term care services that better meet the unique histories, perspectives and needs of residents. Consistent with this goal, Ontario enacted the *Fixing Long-Term Care Act, 2021*, which included more closely aligning the language in the Residents' Bill of Rights with the grounds of discrimination in the Ontario Human Rights Code; and palliative care requirements were expanded to reflect a more holistic approach that accounts for residents' physical, emotional, psychological, social, cultural and spiritual needs. In addition, ongoing initiatives, including the development and redevelopment of long-term care homes, are enhancing programs and services for long-term care residents.

4.5.3 Prospective Residents with Cultural Needs Lacked Information About Long-Term Care Options

We found that prospective long-term care residents from diverse backgrounds do not have sufficient information to make their home choices.

The Ministry does not publicly list long-term care homes by ethnicity or by the particular group or community served (for example, with respect to religion or sexual and gender diversity), and the Ministry website does not support the filtering of homes by any characteristics other than home name, home address (complete or partial) and user location.

Ontario Health reports on the performance of long-term care homes across the province on its website, using a number of quality indicators—for example, residents who fell, were physically restrained, had pressure ulcers, experienced pain, or had worsened symptoms of depression. Although data on each home is available on the website, it is not easy to compare performance across homes. Each time, users of the website can only select a maximum of five homes for comparison against the Ontario average, indicator by indicator.

RECOMMENDATION 7

To help ensure that prospective long-term care residents from specific cultural groups or communities have access to essential information for home selections, we recommend that the Ministry of Long-Term Care work with Ontario Health to enhance features on their websites by publishing the list of culturally specific homes by type of community served (for example, ethnicity, religion, sexual and gender diversity) and allowing for filtering by home characteristics and performance.

MINISTRY RESPONSE

The Ministry of Long-Term Care (Ministry) acknowledges the Auditor General's recommendation to work with Ontario Health to enhance features on their websites by publishing the list of culturally specific homes by type of community served and allowing for filtering by home characteristics and performance.

Transparency and ease of access to information are of utmost importance to prospective long-term care home residents and their families. The Long-Term Care Home Finder tool, launched in 2022, enables people to find and compare long-term care homes across the province and provides other resources to help people make an informed choice when considering long-term care. The Ministry recognizes that making even more information available will help prospective residents and their family members make informed decisions and is committed to working collaboratively with Ontario Health and other partners, as needed, to ensure websites can support prospective long-term care applicants in searching for culturally specific homes by type of community served.

ONTARIO HEALTH RESPONSE

Ontario Health acknowledges the Auditor General's recommendation. Ontario Health will work in collaboration with the Ministry and other partners, as needed, to support easier access to information about ethnocultural homes.

4.6 Homes Were Not Fully Able to Serve Younger Residents

Most people think that long-term care homes are only for the elderly. But long-term care homes provide a residential alternative for individuals 18 years of age or older who have a valid Ontario health card and have high care needs that cannot be met with any combination of caregiving in their own home or community. As of 2022/23, about 6,200 (6.3%) of the residents in long-term care homes were under the age of 65, including some who were around 20.

Younger people need to be in long-term care because they suffer various conditions that affect their ability to care for themselves, such as brain injury, stroke, physical disability, mental illness or developmental disabilities. Although younger residents are a minority in long-term care homes, it is important that their needs are satisfied. The *Fixing Long-Term Care Act, 2021* (Act) prescribes that every resident has the right to an optimal quality of life.

4.6.1 Homes Lacked Age-Appropriate Supports for Younger Residents

While long-term care homes have the skills to care for the physical needs of younger residents, the environment and recreational programs do not always provide these residents with the stimulation and social surroundings that are vital to a good quality of life—especially for those with better cognitive ability.

Various studies conducted in long-term care homes have demonstrated that social connection is linked to both mental and physical health outcomes, which in turn impact residents' quality of life. However, in a population that is made up predominantly of seniors (over half are 85 years or older and many have dementia), it is difficult for younger residents to develop social relationships and cultivate connections with fellow residents.

Also, younger residents often do not have access to age-appropriate recreation and leisure programs, as the programs at long-term care homes primarily cater to the senior residents. For example, activities like bingo, Elvis-themed music activities, and movies from the 60s are popular in the homes we visited, while activities catering to younger residents—such as outings to movies and shopping centres—are limited. Homes also informed us that community resources that help connect younger residents to age-appropriate activities and peers of similar age are also limited.

We identified cases at the homes we visited where the social, recreational and intellectual needs of younger residents could not be met by the programs at the home. For example:

- A home had only two residents (1%) under the age of 60. One of these residents, around 20 years of age with a brain injury, enjoyed attending a community program to socialize with peers closer to the resident's age. However, the resident required supervision to attend the program and could only afford one such supervised trip per month. The home and the resident's family were trying to find ways to send the resident to these events more often.
- A home had a younger resident, around 50 years of age with a memory disorder, who would need more activities and stimulation geared toward that age group. However, younger residents in this home were offered the same programming as the rest of the, more senior, population. While the resident participated in swimming activities outside the home, these were set up by the resident's family.
- A 35-year-old resident with cerebral palsy required nursing care but was cognitively intact and could converse very well. From the home's perspective, the resident could benefit from living in a group home, as group homes provide a supervised living environment designed to offer care (including daily living assistance and medical services) in a more intimate setting than a long-term care facility can provide.

4.6.2 Younger Residents with Aggressive Behaviours Posed Safety Risks to Frail Residents

Responsive or aggressive behaviours are not only common among people living with dementia, but also displayed by some of those with complex mental illness, substance use disorder or neurological issues—conditions seen in the younger population in long-term care homes. Some homes we visited noted that they are seeing more younger residents with mental illness and/or addiction issues.

We observed a wide age range among residents living in some long-term care homes. For example, in one of the homes we visited, the youngest resident was 35 while the oldest was 100. According to the Act, it is the home's responsibility to ensure the safety and security of all residents. However, maintaining the security of residents over 65, who tend to be frailer due to age, can be difficult when they are cohabitating with younger residents who exhibit aggressive behaviours.

While it is challenging for homes to manage responsive behaviours as a whole (see **Section 4.4**), it is even

more challenging when younger residents who are physically strong are involved in altercations. As one home put it: "how can you protect a 90-year-old confused resident from a 55-year-old physically capable person if that person turns aggressive?"

We noted cases in the homes we visited that illustrate the challenge in managing the behaviours of younger residents with a history of mental illness, addiction or autism. For example:

- A home had a younger resident under the age of 65, who was diagnosed with early dementia and appeared to have an alcohol problem in the past. Unlike other seniors in the home, the behaviour of this resident was unpredictable, without warning signs, and staff were not able to figure out the trigger. The resident punched and kicked a staff member and pushed another resident on different occasions. The resident was eventually released as the home was not suitable to provide care.
- A home has a younger resident, who is about 40 years of age, is cognitively intact and has a history of heavy drug use. The resident was sent to the hospital for psychiatric evaluation as the individual was threatening to commit suicide and also made threats to staff members and distressed other residents. The resident was discharged from the hospital within 48 hours. The resident does not like being at a long-term care home and is waiting for a group home, with an estimated wait time of five to seven years.
- A home has a younger resident in their mid-40s, who was sent to hospital due to intoxication and suicidal ideation. The resident was previously involved in an incident where the individual had slapped the head of another resident who was over 80 years of age, for which a Code White (a code for violent behaviour) was declared and police were notified.
- A home was scheduled to provide respite care (that is, short-term caregiver relief) for an autistic resident, about 20 years of age, for two weeks. However, the home had to send the resident back to the primary caregiver after a couple of days as a staff member was severely assaulted. The home indicated that staff were not trained to care for someone with moderate to severe autism (see **Section 4.6.3** for further discussion on autistic residents).

Homes indicated that they are not equipped to manage the aggressive behaviours of younger residents because education and training for staff at long-term care homes are geared toward providing care for seniors with dementia. Because staff have less training about mental illness, drug addiction or autism, they are not as proficient in caring for younger residents with these conditions. For example, individuals suffering from these conditions could have different behavioural triggers than those with dementia, which staff might not be able to identify and address due to lack of training and experience. Staff also lacks the skills to interact with these residents.

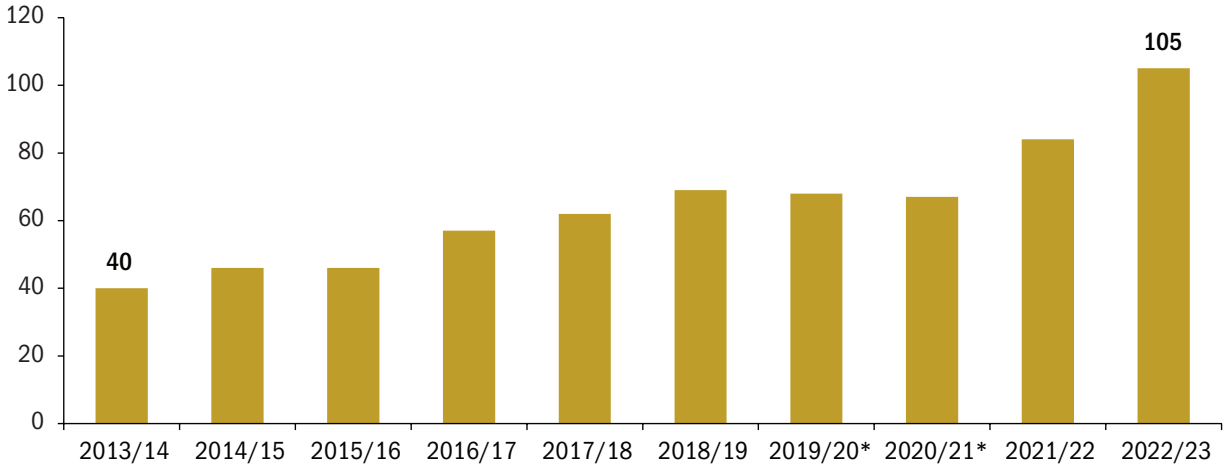
We also noted that homes have limited external resources to help them manage behavioural issues among younger residents, especially those with mental illness or addictions. The Behavioural Supports Ontario (BSO) initiative supports long-term care homes (refer to **Section 4.4.3**), but focuses on older adults. Many homes are also linked to psychogeriatric or senior mental health resources, which generally do not accept referrals for residents under the age of 65. While psychiatric hospitals are able to accept younger residents, obtaining timely access is a challenge due to strict eligibility or admission criteria.

4.6.3 Long-Term Care Staff Lacked Knowledge and Skills to Care for Autistic Residents

In analyzing the changes in resident profiles in Ontario's long-term care homes over time, we noted that the number of autistic residents has increased by approximately 162% over the last decade, from 40

Figure 19: Number of Autistic Residents in Long-Term Care Homes, 2013/14–2022/23

Source of data: Ministry of Long-Term Care



* Data for 2019/20 and 2020/21 may be incomplete because data submissions to the Continuing Care Reporting System were postponed during the COVID-19 pandemic.

in 2013/14 to 105 in 2022/23 (**Figure 19**). While these residents remain a minority within the total population of long-term care homes, no other physical or mental characteristics have had such a significant increase among residents over the same period.

This increasing trend aligns with findings from the 2019 Canadian Health Survey on Children and Youth, which indicated that approximately one in every 50 Canadian children and adolescents is autistic and that the rate has continued to rise over time. While autistic individuals are mostly cared for by their parents during their childhood and throughout adolescence, external support and care are needed for some individuals as their parents age or die. Hence, some younger autistic people end up living in long-term care if they require 24/7 care.

While there is a wide spectrum in the type and severity of symptoms, many autistic individuals have communication problems, difficulty with social interactions, a tendency to repeat specific patterns of behaviour and a restricted range of activities and interests. Many also have co-occurring health conditions, such as sleep disorders and other mental health issues. Hence, caring and planning activities for autistic residents can be challenging.

Homes we visited acknowledged that they do not have enough trained staff to properly care for autistic residents, who are small in overall numbers but high in specific needs. For example, one home indicated that with only one recreational staff person to plan and assist with activities for approximately 32 residents, it would not be able to provide more customized, one-to-one activities to fully attend to the unique needs of an autistic resident. The home indicated that a group home would be a better option for these individuals because, as noted in **Section 4.6.1**, group homes are designed to help individuals with complex health-care needs in a more intimate setting compared to a long-term care facility.

RECOMMENDATION 8

To help ensure that the needs of the younger residents in long-term care homes are met, we recommend that the Ministry of Long-Term Care, in collaboration with Ontario Health:

- identify and connect long-term care homes with community programs and external resources to provide additional support for younger residents who have social and recreational needs or have mental health and addiction issues;
- work with homes to identify additional training that long-term care staff need to enhance their knowledge and skills in caring for residents with mental illness, addictions and developmental disabilities (for example, autism), and support homes in obtaining the training; and
- engage homes to identify and assess if more suitable living options are available, or should be developed, for certain groups of younger residents, and work with other partner ministries, as applicable, to develop a plan to implement these options.

MINISTRY RESPONSE

The Ministry of Long-Term Care (Ministry) acknowledges the Auditor General's recommendation to identify and connect long-term care homes with community programs and external resources; work with homes to identify additional training to enhance staff knowledge and skills in caring for residents with mental illness, addictions and developmental disabilities; and engage homes to identify and assess if more suitable living options are available for certain groups of younger residents.

The Ministry has launched many initiatives to address the complex needs of long-term care residents, including the Local Priorities Fund and High Intensity Needs Fund that aim to meet the care requirements of high-needs residents.

The Ministry will continue to work with Ontario Health and other partners to improve long-term care staff capacity to respond to the diverse needs of residents, including younger residents with responsive behaviours and those on the autism spectrum, and will collaborate with the Ministry of Health and Ministry of Children, Community and Social Services to identify, assess and implement more options that improve access to alternative care and community activities and supports for younger Ontarians when they are admitted to a long-term care home.

ONTARIO HEALTH RESPONSE

Ontario Health acknowledges the Auditor General's recommendation. Ontario Health works with the Ministry, long-term care homes, and system partners to support the provision of high-quality, safe care to all long-term care home residents, including those who are younger, have special social and recreational needs, or mental health and addictions issues. We are committed to working with the Ministry and system partners, including Ontario Health Teams, to identify ways to better meet the needs of younger residents and the staff who care for them in long-term care homes. Ontario Health's recommendations for a tactical plan will be developed by March 31, 2025.

4.7 Implementation of Legislation That Increased the Flow of Hospital Patients to Long-Term Care Was Not Transparent to the Public and Not Adequately Monitored

Long-term care homes admit residents from the community and also admit hospital patients when they are identified for alternate level of care (ALC). An ALC patient is someone occupying a hospital bed who does not require the intensity of services provided in the hospital care setting and who can be discharged in the opinion of the attending clinician. A long-term care home, rehabilitation facility or the patient's own residence are examples of preferred discharge destinations for ALC patients.

On September 21, 2022, the *More Beds, Better Care Act, 2022* came into full effect. To facilitate the flow of ALC patients from hospitals to long-term care homes, the new legislation authorized the placement

co-ordinator of Home and Community Care Support Services to take certain actions without the patient's consent, after reasonable efforts have been made to engage the patient (or the substitute decision-maker) to obtain consent. Examples of these actions include determining the patient's eligibility for long-term care, selecting homes for the patient within defined geographic parameters, and providing assessments and information about the patient to selected homes. For these patients, when a bed in one of the selected homes becomes available, they have 24 hours to accept the offer or risk being charged $400 per day to remain in the hospital (as stated in Regulation 965 under the *Public Hospitals Act*).

4.7.1 Transparency Was Lacking in the Implementation of New Legislation

In 2022/23, almost 12,500 ALC patients were admitted to long-term care, with 7,357 of these admissions occurring after the full implementation of the *More Beds, Better Care Act, 2022* on September 21, 2022 (**Figure 20**).

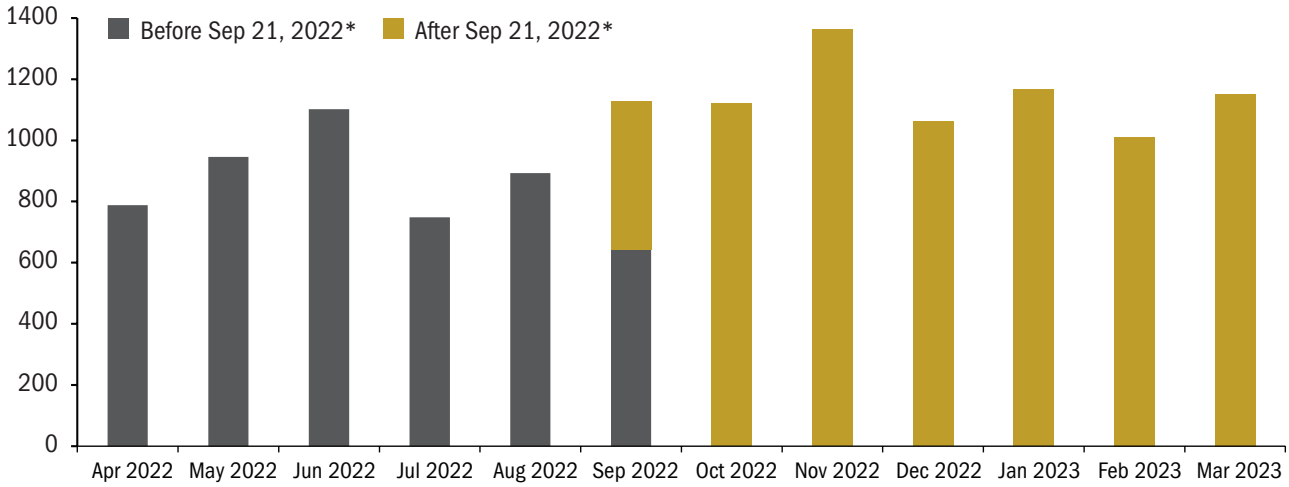
Our analysis of the placement of these 7,357 ALC residents between September 21, 2022 (effective date of the *More Beds, Better Care Act, 2022*) and March 31, 2023, noted the following:

- The new legislation resulted in 99 ALC patients being placed in homes that were not selected by the patients but by placement co-ordinators without the patient's consent.
- The other 7,258 ALC patients were placed into one of the patient-selected homes, with about 40% being placed in their first-choice home. However, the remaining approximately 60% were placed in a lower-ranked patient-selected home, which was comparable to the 58% observed in the six-month period prior to the new legislation's implementation. As of June 2023, less than 1% of these individuals had subsequently been transferred to a higher-ranked patient-selected home, with the rest remaining on the wait list for the opportunity to transfer if desired.

We found that the Ministry of Long-Term Care (Ministry) has not disclosed any of the above information to the public. The Ministry also does not know how many ALC patients (if any) were charged the $400 daily hospital fee for declining a long-term care bed offer since the implementation of the *More Beds, Better Care Act, 2022*; the information is neither collected by the Ministry nor by its partners, including the Ministry of Health and Ontario Health.

Figure 20: Number of Alternate Level of Care (ALC) Patients Transferred to Long-Term Care Homes, 2022/23

Source of data: Home and Community Care Support Services



* September 21, 2022 was the effective date of the *More Beds, Better Care Act, 2022* to facilitate the flow of ALC patients from hospitals to long-term care homes.

The *More Beds, Better Care Act, 2022*, which is intended to help free up hospital beds by increasing the flow of ALC patients to long-term care, has come under scrutiny from the public and some health-care advocates due to the actions that can be taken without consent. Stakeholders have also raised concerns over the impact that the new legislation has on the capacity of ethnocultural homes, as well as the ability of other long-term care homes to meet the respective ethnic, religious and linguistic needs of ALC patients. The Ministry's examination of long-term care placement data confirmed that the number of applicants admitted to cultural homes from the community has been declining over the years as various legislative changes were made to give patients waiting in hospitals the highest priority for admission into long-term care, with the implementation of the *More Beds, Better Care Act, 2022* in September 2022 further exacerbating the issue (refer to **Section 4.5.1** regarding the demand for culturally specific homes).

4.7.2 Outcomes of ALC Patients in Long-Term Care Homes Were Not Monitored to Assess Whether Needs Were Met

When the *More Beds, Better Care Act, 2022* was proposed, the Province indicated that the new legislation was intended to provide ALC patients with the care they need and a better quality of life in a more appropriate setting ("providing the right care in the right place"), while freeing up hospital beds for those who need them. However, the Ministry has not monitored the care outcomes of ALC patients after their admission to long-term care homes to determine if these patients are doing well after being discharged from hospitals. Existing clinical datasets are aggregated and outcomes cannot be readily separated between ALC patients and residents from the community.

Through our review and comparison of data on residents' health conditions, we noted that ALC patients transferred to long-term care homes are frailer, with higher health instability, compared to average long-term care residents. Our review of data on ALC patients noted that almost 80% of these patients were assessed at Score 2 or above on the Changes in Health, End-Stage Disease and Signs and Symptoms (CHESS) scale, which is designed to predict mortality associated with frailty and to measure instability in health (see **Figure 21**). Based on our observation and discussion with staff at the long-term care homes we visited, while some homes receive ALC patients who are similar to their residents from the community, others receive ALC patients that are frailer or with more complex needs, which creates care and resource challenges for the homes.

Although homes are responsible for providing quality care to residents, the Ministry can play a greater oversight role by monitoring, at the provincial level, the care outcomes of ALC patients after their transition into long-term care homes. Trends and findings identified from the analysis would help inform the Ministry's future decision-making and improvements to policies and processes. For example, the Ministry could obtain a better understanding of the following:

- whether ALC patients (especially those who went to homes outside of their preferred list or to homes selected by the placement co-ordinator without the patient's previous consent) have worse health outcomes (for example, higher hospital readmission rates); and
- whether long-term care staff require more training or have the capacity to care for the higher proportion of residents who were ALC patients from hospitals, given the homes' current staffing levels.

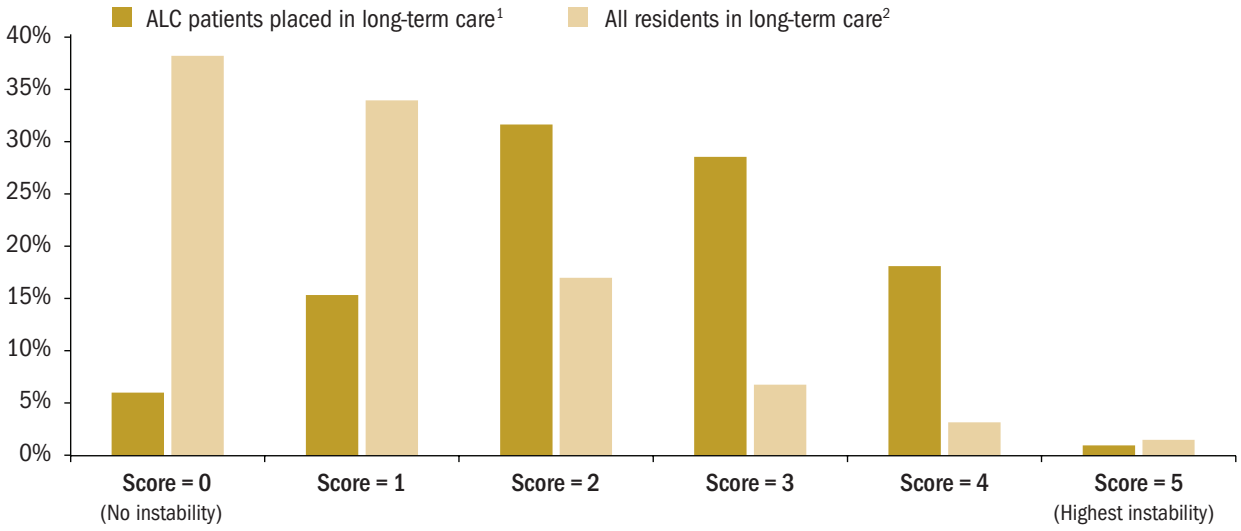
RECOMMENDATION 9

To help ensure alternate level of care (ALC) patients entering long-term care homes are receiving the care they need and that the public is well informed, we recommend that the Ministry of Long-Term Care, in collaboration with Home and Community Care Support Services:

- improve transparency around the use of the *More Beds, Better Care Act, 2022*, by providing the public with more information on the

Figure 21: Health Stability Scores for Alternate Level of Care (ALC) Patients Compared to All Residents in Long-Term Care Homes in Ontario

Sources of data: Home and Community Care Support Services (HCCSS) and Canadian Institute for Health Information (CIHI)



Note: Health stability is scored on the Changes in Health, End-Stage Disease and Signs and Symptoms (CHESS) scale. The scale ranges from 0 to 5, with higher scores representing an increased risk of mortality, more intense service needs, and increased health instability.

1. Data for ALC patients is sourced from HCCSS and reflects the CHESS scores of ALC patients placed in long-term care in 2022/23, based on their most recent assessment before placement.
2. Data for all residents in long-term care homes is sourced from CIHI and reflects the CHESS scores of all residents—including residents from the community and ALC patients from hospitals—assessed in 2022/23.

transfers of ALC patients (for example, the number and frequency of transfers, use of the authority under the new legislation, and impacts of ALC transfers on hospitals, long-term care homes and the community);

- collect data related to care outcomes of ALC patients admitted to long-term care homes and work with homes to analyze the data and identify potential improvements for future admission processes; and
- work with homes to determine if long-term care staff require additional training to meet the needs of ALC patients, and support homes in obtaining the training.

MINISTRY RESPONSE

The Ministry of Long-Term Care (Ministry) acknowledges the Auditor General's recommendation to improve transparency around the use of the *More Beds, Better Care Act, 2022*, collect data related to care outcomes of ALC patients admitted to long-term care homes, and work with homes with respect to staff training to meet the needs of ALC patients.

In collaboration with Home and Community Care Support Services (HCCSS) and the Ministry of Health, the Ministry will explore opportunities for potential improvements in the placement process through data collection and transparency to support all applicants, including ALC patients transitioning into long-term care and their families or caregivers.

The Ministry is working with long-term care homes, Ontario Health, HCCSS and the Canadian Institute for Health Information (CIHI) to collect and analyze data that allows for standardized evaluation and identification of potential improvements. The data includes information about long-term care residents who potentially could have been cared for at home, as well as residents' preferences, needs and strengths. Some of this

information about residents is available online, including on CIHI's website on the Ministry's Long-Term Care Home Finder webpage.

To support training needs of staff, the Ministry funds the Centres for Learning, Research and Innovation to educate and train current and future long-term care staff in areas including cultural. The Ministry is also exploring opportunities to establish a Long-Term Care Quality Centre that could provide additional support by identifying and sharing best practices for homes that have identified the need for training to better meet the needs of ALC patients.

The *Fixing Long-Term Care Act, 2021* (Act) and Ontario Regulation 246/22 (Regulation) require every home to have a plan of care in place for every resident living in the home. These plans are unique for each resident and focus upon the resident's individual needs and preferences. Care plans are developed for every resident whether they have previously resided in the community or transferred to the long-term care home from hospital. In addition, the Act sets requirements for staff training that can help to meet the needs of all residents, including those who were previously ALC patients—for example, to address infection prevention and control, pain management, fall prevention and management, skin and wound care and palliative care. The Ministry will work with and support homes with staff who require training to meet the needs of ALC patients.

4.8 Funding Changes Are Required to Meet Residents' Current Needs and Improve Responsiveness

As discussed in **Section 2.3**, the Province provides funding to long-term care homes through the Level-of-Care funding model and additional direct funding targeted at specific program objectives. Our review noted various deficiencies in the funding methodology and the process requires improvement.

4.8.1 Funding Method Lacked Up-to-Date Information to Meet Residents' Current Care Needs

We found that the largest portion of funding for long-term care homes, the Level-of-Care per diem, is based on out-of-date information, and therefore does not reflect current resident care needs.

The basic Level-of-Care funding for beds in long-term care homes includes funding in multiple categories, or envelopes. The largest of these categories is the Nursing and Personal Care envelope, which accounts for more than half of the Level-of-Care funding that the Ministry of Long-Term Care (Ministry) provides to each home (see **Figure 22**). A home's Nursing and Personal Care envelope is adjusted every year based on the condition of the home's residents. Funding is increased for homes where residents show higher levels of acuity (more severe conditions), and reduced for lower levels of acuity, in order to align funding with care needs.

The adjustment factor—called the Case Mix Index—is based on resident acuity data collected from homes and is intended to represent the average resource intensity needed to care for the residents of a home for a given year. However, we noted that the information the Ministry uses to calculate the Case Mix Index is based on resident acuity data collected by homes two years prior, which does not necessarily reflect the current needs of residents since health conditions can change significantly over that time period. Moreover, with residents spending an average of two to three years in a home, it means that the Ministry could be paying homes based on the health status of residents who are no longer at the home.

In comparing the Case Mix Index that was used to adjust funding between 2021/22 and 2023/24, we noted that the index can fluctuate significantly for some homes, with an increase of up to 18% for one home and an increase of 5% or more in over 40 homes over the two-year time gap. Decreases in the Case Mix Index are capped at 5% per year, as the Ministry

Figure 22: Base Level-of-Care Per Diem Funding Envelopes, April 1, 2023

Source of data: Ministry of Long-Term Care

Funding Category or Envelope	Coverage	Per Diem Rate ($ per resident, per day)
Nursing and Personal Care[1]	• Direct-care staff • Supplies and equipment to provide care	105.96
Program and Support Services	• Program staff • Equipment related to programs • Therapies provided to residents	12.48
Nutritional Support[2]	• Raw food • Nutritional supplements	12.07
Other Accommodations[3]	• Housekeeping services • Building and property operations and maintenance • Dietary services • Laundry and linen • General and administrative services	57.65
Total		**188.16**

Note: The per diem amounts do not include each home's allocation of an additional amount, called the global per diem. Long-term care homes can use the surplus funds within each envelope to balance expenditures across envelopes, as needed. Some restrictions apply (for example, homes cannot reallocate surplus funds from any envelope to the Other Accommodations envelope).

1. The per diem for each home is adjusted by the Case Mix Index, which represents the average acuity of the home's residents in a given year. Only a portion of the per diem ($103.80 per resident, per day) is subject to the adjustment.
2. Excludes costs related to other food programs and the cost of food preparation.
3. Includes $0.37 for Quality Attainment Premium funding, which is subject to full recovery if homes have not met the accreditation requirements.

has imposed a "stability floor" to minimize the impact and prevent homes from being financially penalized excessively in any one year. Based on the current Level-of-Care per diems (see **Figure 22**), a 1% difference in the Case Mix Index is equivalent to a $1.04 difference in funding per resident, per day. For a 100-bed home, an 18% increase in the Case Mix Index translates to an increase of about $680,000 in annual Level-of-Care funding. The fluctuations we observed illustrate the need to use more current information to determine funding for individual homes.

In addition to not reflecting the current care needs of residents, stakeholders have expressed concerns that the existing funding model could inadvertently provide disincentives for homes to improve resident care and outcomes. To illustrate, if a home implements effective programs or practices that improve residents' quality of services and life, the residents' acuity may decrease accordingly. This means that the home's Case Mix Index would also drop, which in turn would reduce funding from the Ministry. The unintended consequence is that the home may obtain less funding as a result of improving care to its residents. In order to maintain or increase funding, homes would not have an incentive to improve resident care and outcomes. We noted from our visits to homes and from stakeholder interviews that some homes have hired consultants to help them optimize their Case Mix Index in order to maximize their funding.

We note that these concerns—the lack of timeliness and the operation of the CMI as a disincentive—were also identified in the 2020 Staffing Study carried out by the Ministry. The Ministry is evaluating its funding model and expects a technical advisory group to propose recommendations by late 2023 for its consideration.

4.8.2 Long-Term Care Homes Faced Barriers in Navigating and Accessing Funding Initiatives

Aside from Level-of-Care funding (see **Section 4.8.1**), the Ministry provides additional funding to long-term care homes through a broad range of funding initiatives directed at specific issues and expenses of homes. The Ministry's direct funding initiatives have increased by more than 400% over the past five years, rising from $0.4 billion in 2018/19 to $1.8 billion in 2022/23, excluding funding related to the COVID-19 pandemic (see **Figure 23**). However, navigating through and accessing these initiatives is difficult and administratively burdensome for homes, which could impede uptake and hence reduce the effectiveness, or defeat the purpose, of these initiatives.

Funding Information was Hard to Navigate

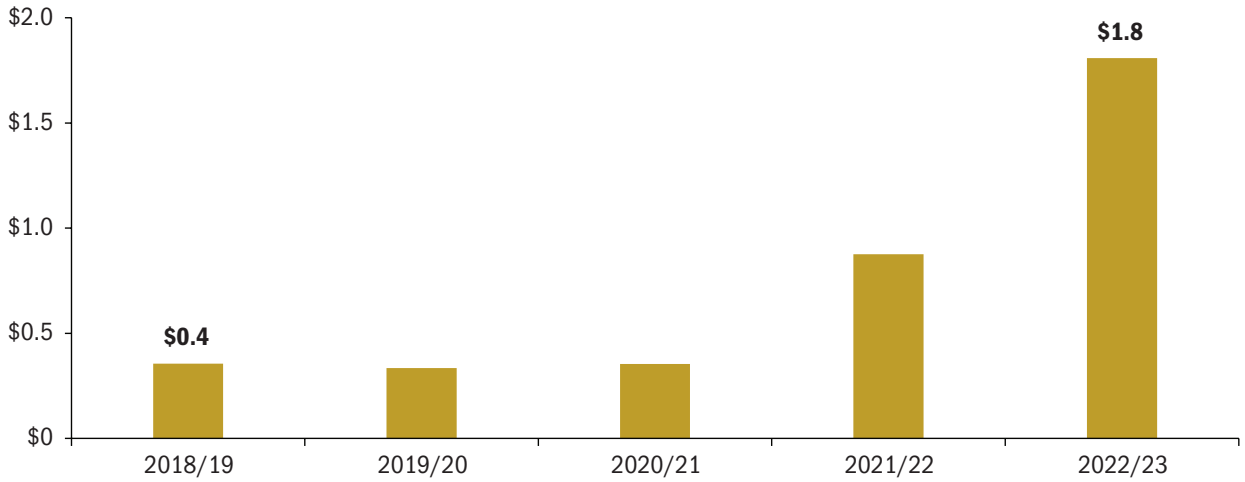
The Ministry currently has over 40 direct funding initiatives. We found that there is neither comprehensive funding information nor a single authoritative listing of funding initiatives available to long-term care homes. Although these initiatives are communicated to homes at their inception and funding documentation can be found on the Ministry's long-term care homes portal (ltchomes.net), relevant information is embedded in a large number of other announcements, correspondence and technical documents, which complicates access. Some homes we visited indicated that the large number of initiatives and the lack of centralized, organized information makes it difficult to navigate through the information, and also difficult to determine whether specific initiatives are still in effect.

Fund Administration was Complex

Some of the over 40 direct funding initiatives from the Ministry are claims-based or require an application for funding. For most of the initiatives though, the Ministry allocates funds to homes without requiring an application. However, to use the allocated funds, homes must first determine whether they meet the eligibility requirements for each funding initiative, and then must maintain the required documentation and identify the reporting requirements specific to each initiative in their annual filings with the Ministry. If a home does not meet all of the requirements, the Ministry will claw back the funding after

Figure 23: Provincial Funding Provided for Long-Term Care Through Direct Funding Initiatives, 2018/19–2022/23 ($ billion)

Source of data: Ministry of Long-Term Care



Note: The figure includes initiatives funded by Ministry of Long-Term Care, except those related to COVID-19 pandemic from 2019/20 to 2022/23.

reconciliation and settlement, which will be years later (see **Section 4.8.3**).

Given that each funding initiative has its own eligibility criteria, timeline, documentation and reporting requirements, homes must invest considerable time and effort to access these funds. We heard from long-term care homes as well as stakeholder groups about the complexity of this funding system and the administrative burden it imposes, with smaller homes being affected the most as they do not have the same amount of administrative resources as the larger or chain-operated homes.

Funding Initiatives Had Limitations and Uptake Was Unknown

We found that the Ministry has not consistently analyzed the uptake of its funding initiatives to determine which homes have benefited from initiatives, which ones have not, and why. Such analysis is necessary to help the Ministry determine whether the initiatives have met their intended purposes (providing homes in need with additional funding) and what are the barriers, if any, that impede homes from taking advantage of the Ministry's initiatives. The Ministry advised that one impediment in carrying out such an analysis is the delay in the reconciliation and settlement process with long-term care homes (see **Section 4.8.3**).

Through our interviews with homes and examination of initiative policies or documentation, we observed potential design limitations in certain funding initiatives that have impeded homes from benefitting from the funds. For example:

- The **High Intensity Needs Fund** is a claims-based program designed to provide additional funding for residents with acute or intensive care needs. We examined Ministry records for the fund and found that, for the five years from April 2018 to March 2023, the Ministry turned down 24% of the amounts claimed by homes. For over half of the claims that were turned down, the reason was that homes did not fill out the forms correctly. This was confirmed in our discussions with homes, which indicated that their funding requests were rejected for not having the form filled out correctly, though the criteria applied by the Ministry appeared to be inconsistent (for example, a form could be filled out in the same way, but get rejected or approved on separate occasions).
- The **Resident Health and Well-Being Program** provides funding to homes to enhance resident access to social support services. At the time of the announcement, only three months remained in 2022/23. A home that did not have existing staff for this function would need to hire the person within three months (that is, before year-end), as otherwise the amount would be clawed back by the Ministry. The short turnaround time had limited the ability of homes to use the fund for its first year.
- The **Nurse Practitioner Initiative** was introduced to provide additional funds for homes to hire nurse practitioners. The initiative required homes to hire first and then apply for funding. We heard from stakeholders that homes did not want to incur the financial risk of hiring staff when funding to pay for the staff was uncertain. We note that the Ministry added additional flexibility for homes for this initiative in its second year.
- The **Local Priorities Fund** provides funding to certain homes for the costs of specialized staff, equipment and services needed to support individuals requiring specialized care. A home informed us that, although its application for funding to purchase equipment was approved, it could not use the full approved amount because equipment could not be obtained within the short time frame permitted by the funding policy.

Since 2020/21, the Ministry has increased its funding in long-term care to support homes in improving their quality of care, with the largest amount invested in staffing-related initiatives. Timely analysis of the utilization of funding initiatives is important for the Ministry to assess whether the funds are effectively

addressing the staffing issues in individual homes and across the sector (refer to **Section 4.1** and **Section 4.2** for staffing issues).

4.8.3 The Ministry Was Almost Five Years Behind in Settling Finances with Homes

Through Ontario Health, the Ministry advances funds to homes based on estimates. To determine the actual amount of funding for which a home is eligible, the home must submit to the Ministry an audited annual report that provides detailed information on its actual revenue and expenditures for the year. The Ministry undertakes a reconciliation of this information and then either asks the home to pay back any overpayment or provides additional funding to the home in the case of underpayment. Timely settlement would help homes manage their cash flow, especially in cases where the home is owed money.

However, we found that the Ministry was significantly behind in reconciling and settling with long-term care homes. As of July 2023, the Ministry had only fully completed reconciliations up to calendar year 2018. This has resulted in a delayed recovery of approximately $30 million from homes due to overpayment and a delayed payout of about $3 million to homes due to underfunding. The Ministry advised that it has hired four additional staff to address the backlog and intends to complete all reconciliations up to 2021 by March 2024. As of early October 2023, the Ministry indicated that it had completed almost all reconciliations for the 2019 calendar year, but those from 2020 onwards were yet to be done.

RECOMMENDATION 10

To help ensure that funding aligns with resident care needs and is accessible to long-term care homes, we recommend that the Ministry of Long-Term Care:

- complete its evaluation of the Level-of-Care funding model, with participation from homes, and implement changes to ensure that funding is based on current resident care needs and provides incentives to improve residents' condition;
- analyze the uptake of various direct funding streams, consult with homes to determine why certain homes are not taking advantage of these funding programs, and identify ways to make the programs more accessible to all homes in need; and
- clear the backlog of annual reconciliations and settlements.

MINISTRY RESPONSE

The Ministry of Long-Term Care (Ministry) acknowledges the Auditor General's recommendation to complete its evaluation of the Level-of-Care funding model, analyze the uptake of various direct funding streams, and clear the backlog of annual reconciliations and settlements.

The Ministry is continuously monitoring the operating funding model and exploring opportunities to improve how the model contributes to improving the quality of resident care. The Ministry is holding consultations with a technical advisory group comprising long-term care homes and other sector stakeholders to review operating funding, and will put forward recommendations for consideration to ensure current resident care needs are being met. Additionally, the advisory group will develop recommendations related to funding streams such as the High Intensity Needs Fund. This work will inform program changes intended to ensure that programs are accessible to those who need it.

The Ministry continues to make significant investments of up to $4.9 billion in staffing and specialized supports to complement the ongoing investments in the Level-of-Care funding model. In addition, the Ministry is exploring, in conjunction with the Canadian Institute for Health Information (CIHI), the potential implementation of the new interRAI Long-Term Care Facility (LTCF) instrument in Ontario long-term care homes. The new interRAI (LTCF) is expected to reduce the

administrative burden and improve the collection of resident care data. The Ministry will work with partners to explore opportunities to ensure funding is based on more recent resident care data and intends to undertake a review of its staffing funding lines to streamline and clarify them. Consideration will also be given to appropriate funding flexibility to support the hiring of more staff into the long-term care sector.

The Ministry is also making significant progress in expediting the annual reconciliation process to clear the backlog, and is committed to enhancing the timeliness of this work going forward.

4.9 Accountability Framework Was Not Clear to Ensure Effective Oversight of Long-Term Care Homes

The Ministry of Long-Term Care (Ministry) and Ontario Health have shared funding and accountability authorities for long-term care under the *Connecting Care Act, 2019*. The accountability framework is outlined in the accountability agreement between the Ministry and Ontario Health, under which Ontario Health has the general obligation to manage the long-term care system and home performance, provide and reconcile funding, and implement provincial priorities. However, we found that the actual authorities of Ontario Health in relation to the long-term care sector are limited, and the oversight of long-term care homes' performance could be enhanced.

4.9.1 Not All Key Indicators Had Targets

Ontario Health signs service accountability agreements with long-term care homes, as required under the *Connecting Care Act, 2019*. The accountability agreements hold homes accountable for operational, performance and funding expectations. However, we found that these agreements do not include targets for most of the indicators.

The service accountability agreements identify nine indicators, which are grouped into three categories (**Figure 24**). Targets, however, are only set for performance indicators that measure the home's financial

Figure 24: Long-Term Care Home Key Indicators

Source of data: Ontario Health

Category	Indicator	Type of Indicator	Target
Organizational Health and Financial	Debt service coverage ratio	Performance	1
	Total margin	Performance	0
Co-ordination and Access	Percent resident days—Long stay	Explanatory	n/a*
	Wait time from determining eligibility by Home and Community Care Support Services to receiving response from long-term care home	Monitoring	n/a*
	Long-term care home refusal rate	Explanatory	n/a*
Quality and Resident Safety	Percentage of residents who fell in the last 30 days	Monitoring	n/a*
	Percentage of residents whose pressure ulcers worsened	Monitoring	n/a*
	Percentage of residents on antipsychotics without a diagnosis of psychosis	Monitoring	n/a*
	Percentage of residents in daily physical restraints	Monitoring	n/a*

* No targets have been set for these indicators.

health. The agreement describes the remaining indicators as monitoring or explanatory in nature, hence no targets have been set. These monitoring or explanatory indicators include measures of the home's performance in relation to quality of care and resident safety.

We noted that Ontario Health publicly reports on several measures of long-term care home performance (refer to **Section 4.5.3**). An additional list of priority indicators is also recommended to long-term care homes for incorporation into the homes' quality improvement plans. However, the absence of targets for key indicators limits Ontario Health's ability to effectively monitor and hold homes accountable for their performance in critical areas, such as care quality and resident safety.

RECOMMENDATION 11

To help ensure that long-term care homes are meeting operational, performance and funding expectations, we recommend that Ontario Health:

- update the indicators in its service accountability agreements with long-term care homes to include performance targets—especially in the areas of quality of care and resident safety; and
- monitor long-term care home performance against targets, with timely follow-up of homes that fail to meet the targets or whose performance has consistently declined.

ONTARIO HEALTH RESPONSE

Ontario Health acknowledges the Auditor General's recommendation. Ontario Health will review and establish performance targets and corridors for appropriate and relevant quality and safety indicators as part of the next Long-Term Care Service Accountability Agreement refresh cycle, planned for implementation on April 1, 2025. Ontario Health will also introduce by April 1, 2025, a mechanism to identify and monitor long-term care homes with performance outside the established corridors.

4.9.2 Key Players' Actual Responsibilities Did Not Match Their Defined Roles in Accountability Agreement

Ontario Health Had Limited Authority for Funding

The Ministry and Ontario Health have shared funding and accountability authorities for long-term care under the *Connecting Care Act, 2019*. The accountability framework is outlined in the accountability agreement between the Ministry and Ontario Health, under which Ontario Health has the general obligation to provide and reconcile funding. While Ontario Health is technically the primary source of funding for long-term care homes, most decision-making and administration for both Level-of-Care and special initiative funding are performed by the Ministry.

The Ministry informs Ontario Health of the amount to advance to homes, and performs reconciliations to validate home spending and determine settlement amounts (that is, the amount to recover from homes for overpayment, and vice versa), as described in **Section 4.8.3**. For the few funding programs that Ontario Health is responsible for administering directly (for example, the Local Priorities Fund and Behavioural Supports Ontario), Ontario Health would maintain the service accountability agreements with applicable homes, but funding decisions are ultimately subject to the Ministry's approval. With little authority and involvement in the funding process, Ontario Health is not in a position to hold homes accountable for meeting funding expectations.

Performance Goals Were Limited for Ontario Health

The *Connecting Care Act, 2019* requires that the accountability agreement between the Ministry of Long-Term Care and Ontario Health include performance goals and objectives for Ontario Health, as well as standards and targets to measure the agency's performance. Our examination of the current accountability agreement found that it has only one performance

indicator, which is "Wait time for long-term care home placement." While Ontario Health contributes to the overall system performance on wait time, long-term care home assessment and placement is an activity primarily performed by Home and Community Care Support Services. The accountability agreement does not have any other performance indicators for Ontario Health.

RECOMMENDATION 12

To help ensure that oversight accountabilities are clearly defined and executed, we recommend that the Ministry of Long-Term Care work with Ontario Health to:

- review and update the accountability agreement between the two parties to ensure that key oversight accountabilities (for example, funding and performance monitoring) are clearly defined and that the framework is supported by authorities and processes; and
- establish performance goals, objectives and targets to measure Ontario Health's performance in fulfilling its accountabilities defined in the agreement.

MINISTRY RESPONSE

The Ministry of Long-Term Care (Ministry) acknowledges the Auditor General's recommendation to review and update the accountability agreement, and to establish performance goals, objectives and targets to measure Ontario Health's performance.

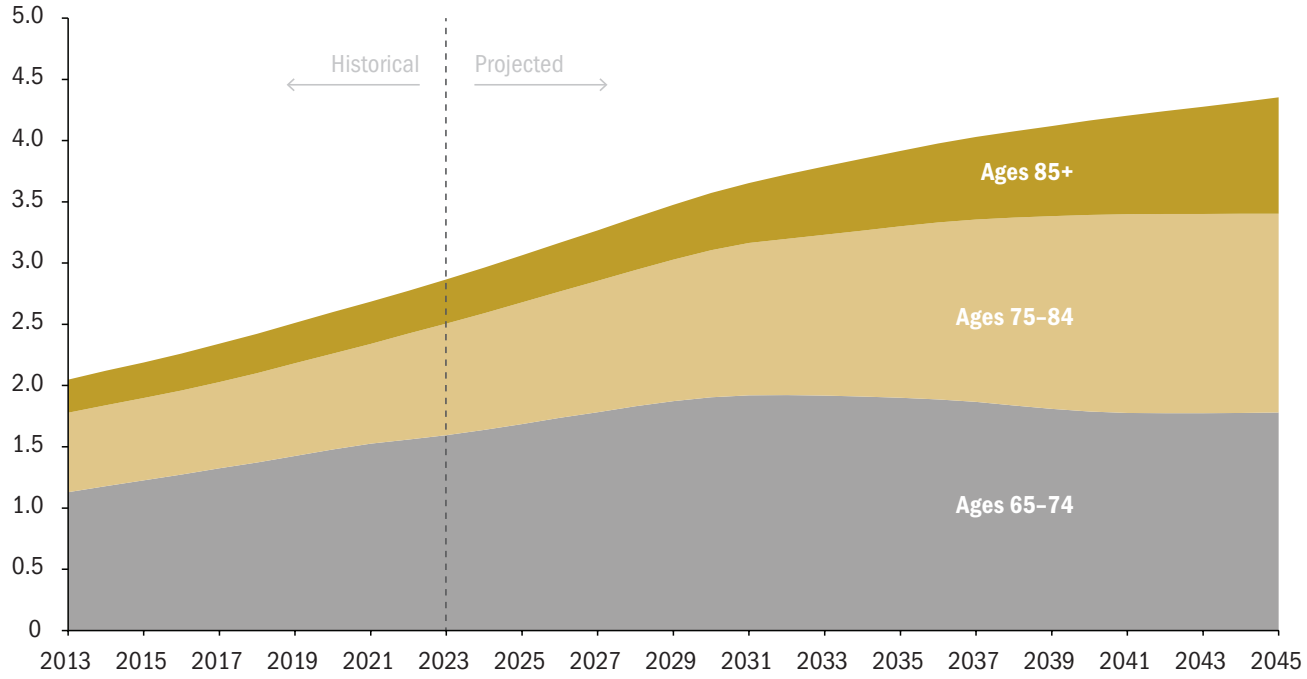
The Ministry has established a strong collaborative relationship with Ontario Health, which is critical to addressing the long-standing and systemic challenges facing the long-term care sector so that every resident can experience the best possible quality of life, supported by safe, high-quality care. The Ministry is committed to further strengthen that partnership. Specifically, the Ministry and Ontario Health have initiated the process to refresh the Ministry of Long-Term Care–Ontario Health Accountability Agreement to reflect evolving and maturing roles of both parties and to ensure responsibilities and accountabilities are clearly defined. As part of this work, the Ministry is working with Ontario Health to review and update the performance indicators used to measure and monitor Ontario Health's performance.

ONTARIO HEALTH RESPONSE

Ontario Health acknowledges the Auditor General's recommendation. Ontario Health is working with the Ministry on a review and update of the Ministry of Long-Term Care–Ontario Health Accountability Agreement to include clearer definition of accountabilities that are supported by authorities and processes. Indicators and targets for measuring Ontario Health's performance in fulfilling its accountabilities outlined in the Accountability Agreement will be part of the review and update process. The 2024–27 Accountability Agreement is targeted for completion by March 31, 2024.

Appendix 1: Age Distribution of Seniors in Ontario, 2013–2045 (million)

Sources of data: Statistics Canada and Ministry of Finance



Appendix 2: Audit Criteria

Prepared by the Office of the Auditor General of Ontario

1. Long-term care homes have stable and adequate staffing, an appropriate mix of resources and well-established programs to ensure that residents are safe and have high-quality care and services that meet their needs.
2. Long-term care homes have effective hiring and training processes to ensure that management and staff are competent, with the right qualifications and training to address the needs of residents.
3. Residents of different long-term care homes are subject to equitable levels of care and services, regardless of the size, location and type of home (for-profit, not-for-profit, or municipal).
4. Long-term care homes have adequate procedures and systems in place to ensure that medications are stored and disposed safely, administered as prescribed and accurately accounted for.
5. Funding methods adequately address the different needs among long-term care homes and residents and respond to changes in needs on a timely basis. Also, processes are in place to validate the eligibility of home expenditures.
6. Meaningful performance measures and analytics are established to monitor home activities and identify areas for continuous improvement. Results are publicly reported and timely corrective actions are taken when issues are identified.

Appendix 3: Long-Term Care Homes We Visited

Prepared by the Office of the Auditor General of Ontario

Type	Name	Size[1]	City/Town
For-profit	Muskoka Shores Care Community	Large	Gravenhurst
	Cheltenham Care Community	Large	North York
	Roberta Place	Medium	Barrie
	Park Lane Terrace	Medium	Paris
	Port Perry Place	Medium	Port Perry
	Creedan Valley Care Community	Small	Creemore
	King City Lodge Nursing Home	Small	King City
Not-for-profit	Kensington Gardens	Large	Toronto
	West Park Long Term Care Centre	Large	Toronto
	Providence Manor	Large	Kingston
	Ukrainian Canadian Care Centre[2]	Medium	Etobicoke
	Villa Colombo Seniors Centre	Medium	Vaughan
	Yee Hong Centre – Scarborough McNicoll[2]	Medium	Scarborough
Municipal	Seven Oaks	Large	Scarborough
	The John M. Parrot Centre	Large	Napanee
	Tall Pines Long Term Care Centre	Medium	Brampton
	Elgin Manor	Small	St. Thomas
First Nations	Iroquois Lodge Nursing Home[2]	Small	Ohsweken

1. Small home is 96 beds or fewer; medium home is more than 96 but fewer than 161 beds; large home is 161 beds or more.
2. Home caters to residents of a specific culture.

Ministry of Natural Resources and Forestry

Management of Aggregate Resources

1.0 Summary

From highways and subway tunnels to hospitals, schools and houses, aggregates—such as sand, gravel, stone and rock—are essential for building much of Ontario's infrastructure. These natural materials are extracted from the earth's surface, with loose aggregates dug out from pits, and solid bedrock materials blasted from quarries.

The extraction of aggregates can fundamentally transform landscapes, temporarily or permanently altering features such as woodlands, wetlands and farmland. The ongoing operation of a pit or quarry, as well as the accompanying heavy-duty truck traffic, can also have a number of negative impacts—particularly when close to communities—including noise, vibration (from blasting) and air pollution (such as dust and particulate matter).

The Ministry of Natural Resources and Forestry (Ministry) is responsible for administering the *Aggregate Resources Act* (Act), which was enacted in 1990. Those wishing to extract aggregates must obtain either a licence (to extract on private land) or a permit (to extract on Crown land) from the Ministry. Approval holders must inspect their operations and self-report on their compliance to the Ministry annually, and must pay an annual extraction fee on a per-tonne basis. Approval holders must also fully rehabilitate their sites once they have finished extraction. The Ministry has delegated a number of responsibilities to The Ontario Aggregate Resources Corporation (TOARC), including collecting production reports and extraction fees from aggregate operators, and rehabilitating legacy pits and quarries that operated before the Act came into effect and were abandoned.

Our audit found that the Ministry is falling short in balancing its competing roles of facilitating the extraction of aggregate resources and minimizing the impacts of aggregate operations, particularly through its role in regulating the industry to ensure approval holders comply with all necessary requirements. The Ministry has made recent progress to streamline and expedite the approvals process, but we found that this improvement has come at a cost to its inspection, enforcement and oversight activities.

The following are some of our most significant observations:

Inspections

- **The Ministry had a significant shortage of experienced aggregate inspectors, with challenges in recruitment and retention.** Ministry inspections are key to ensuring that aggregate operators are meeting their approved operating conditions, rehabilitating their sites as required, and properly self-reporting any non-compliance issues. Despite the important role aggregate inspectors serve as the Ministry's "eyes on the ground," we found that there was a lack of

experienced staff. We determined that, as of May 31, 2023, there was a total of 34 designated aggregate inspectors Ministry-wide, with an average of two aggregate inspectors per district. Seven districts each had a single designated inspector, and two districts had none. A further 19 staff were being trained to be designated inspectors as of November 2023. Furthermore, we found that the inspectors lacked experience. As of May 31, 2023, almost half (41%) of the 34 designated aggregate inspectors had held their designation for less than one year. We heard from environmental, community and resident groups that they have difficulty trying to contact inspectors when they have concerns; similarly, aggregate operators raised concerns about the level of technical knowledge held by inexperienced inspectors when they come on site.

- **The limited number of inspectors has contributed to declining and low inspection rates.** We found that inspection rates decreased by 64% between 2018 and 2022. While some decrease can be attributed to paused activity in 2020 and 2021 during the COVID-19 pandemic, the trend began prior to 2020 and continued in 2022, despite there being no stay-at-home restrictions that year. The four district offices we reviewed in depth had inspected only 35% of the licensed or permitted sites in our sample within the previous five years. Further, based on our analysis of 2022 inspection data, we found that three of the four offices had each inspected less than 5% of operations in their jurisdiction in that year. The Ministry's failure to conduct inspections on a regular basis, or at all, increases the risk that negative social and environmental impacts from non-compliance issues at aggregate sites go unreported and undetected. As well, it signals to both the regulated community and concerned stakeholders that there are few consequences associated with non-compliance.

Non-Compliance and Enforcement

- **Non-compliance within the aggregate industry remains high.** Over the past five years, the percentage of inspected sites deemed satisfactory by Ministry inspectors has remained low, fluctuating between 36% and 52%. During this period, inspectors filed 1,750 inspection reports that identified operational non-compliances, such as extracting below the approved depth or failing to conduct progressive rehabilitation. As well, TOARC reports certain violations under the Act to the Ministry, including operators' failures to submit annual production reports, pay required annual fees, or comply with extraction limits. At the end of each calendar year, TOARC reports the number of these violations that remained outstanding. The number reported by TOARC increased 74% from 206 in 2018 to 359 in 2022; across the five years, there were 1,654 violations.
- **Despite the high rate of non-compliance, the Ministry rarely pursued charges.** When inspectors identify non-compliance issues they have a range of options, such as education and outreach, to encourage voluntary compliance or issuing a warning. Alternatively, they can take additional steps such as referring a case to the Ministry's Enforcement Branch to investigate and potentially issue a charge. Between 2018 and 2022, inspectors made 26 referrals, representing less than 1% of the over 3,400 violations identified during this time. While not all instances of non-compliance warrant enforcement action, Ministry policy states that charges should be pursued when operators significantly exceed their allowable extraction tonnage. Yet, we noted three companies that exceeded their allowable extraction volume by over 1,000%, but were not referred to the Enforcement Branch, and so were not investigated or charged. We also found that over the past five years, the Ministry issued only two fines, for a combined total of $1,230, for unpaid fees. This represented 0.4% of the total fees outstanding in December 2022.

- **The Ministry did not enforce self-reporting requirements.** Every year, aggregate approval holders must inspect their operations to assess whether they comply with operating and progressive rehabilitation requirements, and submit a compliance assessment report to the Ministry by September 30. The penalty for failing to do so is an immediate and automatic deemed suspension of their operations. However, we found that these reports were often not submitted on time, and that the Ministry did not enforce the suspension for operators that failed to submit reports on time or at all. We reviewed records from four Ministry offices and found that, as of May 2023, 25% of all 1,030 operators within the offices' jurisdictions had not submitted a 2022 report more than seven months after the due date. Apart from sending a letter notifying non-compliant operators that they were suspended, none of the offices did anything more to enforce the suspension. We found 11 out of a sample of 80 sites continued to produce aggregate in 2021 despite never having submitted a self-assessment report for 2020, which should have resulted in an automatic suspension.
- **Fees to extract aggregates are likely too low to cover the costs needed to effectively administer the program.** The Ministry has a goal of achieving full cost recovery for its aggregate program. However, in 2019, the Ministry estimated that the annual extraction fees paid by operators would result in $7.96 million in annual revenue, covering approximately 80% of the program's costs at that time. The Ministry restructured the program in 2020, but as of 2023, it still could not determine its current program costs. Stakeholders have expressed concerns about the Ministry's lack of capacity to enforce compliance, with some industry members stating that the Ministry's limited enforcement efforts contribute to a lack of public trust and opposition to aggregates projects. This concern is significant enough that organizations representing both aggregate operators and municipalities (a key consumer of aggregates) have expressed support for higher aggregate fees to pay for increased enforcement.

Final Rehabilitation

- **The Ministry did not have processes in place to ensure that sites are promptly rehabilitated, and returned to productive use, after extraction is complete.** Under the Act, aggregate pits and quarries must be rehabilitated after extraction has ceased. While many aggregate operators properly rehabilitate their sites, we found 1,524 sites that have sat dormant (without reporting any aggregate extraction) for at least 10 years. These sites represent more than 25,000 hectares of land, approximately the size of Brampton, Ontario. There may be valid reasons why a site sits dormant for multiple years, other than the fact that the pit or quarry has been fully extracted. However, for sites that have sat dormant for many years, there is a risk that those sites have, in fact, finished extraction and operators are avoiding rehabilitation efforts. Allowing sites to remain dormant for long periods without final rehabilitation violates the notion that aggregate extraction is an interim use of land, one of the key tenets of aggregate management in the Provincial Policy Statement.

Supply and Demand for Aggregates

- **The Ministry has not provided the public with complete and accurate information on the supply and demand for aggregates.** Absent such information, many stakeholders have concluded, based on the limited available data, that there is an oversupply of aggregates already approved for extraction. This contributes to opposition to proposals for new or expanded pits and quarries. To assist with its understanding of supply and demand, the Ministry has commissioned several studies over the years. The most recent study from 2016 estimated that the Greater Golden Horseshoe region had reserves of 3,337 million tonnes

of unextracted aggregates in licensed pits and quarries, and annual demand of 111 million tonnes. However, the consultant who conducted the study cautioned against viewing the estimates as a realistic indication of supply, noting that the data was based on limited and outdated information. In January 2023, the Ministry commissioned an updated supply and demand study, which uses a voluntary and anonymous survey of industry members for information on their supply of aggregates. However, there is no mechanism to verify the anonymous data, nor a plan to corroborate it through field verification, which could leave the Ministry with potentially inaccurate data. Accurate data is important to inform Ministry decisions on managing the province's aggregate resources, as well as to foster more informed discussions and potentially reduce conflict among stakeholders.

Recycled Aggregate

- **Low fees for extracting virgin material provide little incentive to use recycled aggregate.** Recycled aggregate can, if of sufficient quality, be used in place of virgin aggregate. Its use can reduce the need for new or expanded pits and quarries and the associated environmental and social impacts of extracting virgin aggregate. Charging fees to extract virgin aggregate can increase its cost, and so help make recycled aggregate more cost-effective by comparison. While Ontario charges fees only for extracting virgin aggregate, and not for producing recycled aggregate, we found that the fees were too low to provide a meaningful financial incentive to use recycled aggregate instead. By contrast, the United Kingdom (UK) has a much higher extraction fee, equivalent to about $3.20 per tonne for 2023, approximately 14 times higher than what Ontario currently collects ($0.23 per tonne). The explicit objectives of the UK fee are to address the environmental costs associated with quarry operations, cut demand for virgin aggregate, and encourage the use of alternative materials where possible. While numerous factors may contribute to the UK's higher recycling rates, it is noteworthy that the use of recycled aggregate in the UK (roughly 25% of total aggregate use) is more than triple Ontario's estimated 7%.

Databases

- **Outdated information systems made it difficult for Ministry staff to execute their duties and for applicants to track their submissions.** We found the Ministry used paper records, five different information systems, and Excel spreadsheets to deliver various aspects of the aggregate resources program. The outdated databases and lack of digital records made it challenging for Ministry staff to execute their duties. For example, the 30-year-old system that staff used to issue approvals cannot track the progress of applications for licences, permits, or approval amendments. A separate database used by staff at the district level to record inspection reports did not record or track the use of other compliance tools, such as warnings or rehabilitation orders, or the status of compliance. The Ministry did not have a centralized, integrated database that contained all information about each aggregate pit and quarry, including approval documents and compliance and enforcement data.

This report contains 18 recommendations, with 31 action items, to address our audit findings.

Overall Conclusion

Our audit found that the Ministry did not have effective systems and processes in place to ensure compliance with the *Aggregate Resources Act* and aggregate-related

regulations, policies and approvals, nor to oversee aggregate development and operations in a manner that minimizes adverse impacts on the environment.

The limited number of experienced inspectors who play a front-line compliance role, and the infrequency with which aggregate operations are inspected, raise significant concerns that non-permissible activities will remain unchecked—perhaps for years on end. The intention of the self-compliance approach is to encourage operators to proactively self-identify, disclose and rectify any issues of non-compliance. The success of this approach rests upon the premise that operators who fail to self-disclose issues of non-compliance (that are subsequently identified through complaints or Ministry inspections) will be more harshly penalized than those that do. Through our audit, however, we have found that this was not the case.

We also found that the Ministry was not ensuring that land from which aggregates are fully extracted is rehabilitated effectively and in a timely manner. The number of sites that have remained dormant and unrehabilitated for more than 10 years, and in some cases for over two decades, challenges the notion within the Provincial Policy Statement that aggregate extraction is an interim use of land. This has also given rise to public concerns that more than enough aggregate sites have already been approved, and there is no need to issue more approvals for extraction. Also feeding into these concerns, the Ministry did not have reliable data about supply and demand, further compounding perceptions of an oversupply. Finally, we found that the Ministry was missing opportunities to increase the use of recycled aggregate, which can be an effective way to reduce the need for new or expanded pits and quarries and limit impacts on the environment.

OVERALL MINISTRY RESPONSE

The Ministry of Natural Resources and Forestry (Ministry) thanks the Auditor General for this report and its recommendations. The Ministry plays an important role in balancing the environmental impacts with the economic development opportunities created by resource extraction and is committed to working collaboratively with First Nations and Indigenous communities, municipalities, the public and the aggregate industry to ensure that systems are in place to manage and regulate these activities.

The findings of this report align with the path the Ministry is on to modernize and improve aggregate resource management in Ontario. The Ministry made legislative and regulatory changes under the *Aggregate Resources Act* and established four new Aggregate Resources of Ontario Provincial Standards between 2019 and 2022. Approval functions were centralized in 2020, with additional staffing capacity added in 2022, to ensure consistent and efficient delivery of aggregate licensing and permitting functions. The observations and recommendations contained in this audit align with actions under way to renew the Ministry's compliance function and to increase field presence.

2.0 Background

2.1 Overview of Aggregates in Ontario

Aggregates is a broad term for the group of natural materials—sand, gravel, clay, stone and rock—that are extracted from the earth's surface. They are excavated from either a pit or a quarry, depending on their type: loose aggregates (such as sand and gravel) are dug out from pits; solid bedrock materials (such as granite and limestone) are removed from quarries through blasting (see **Appendix 1** for a glossary).

Aggregates are a core material of many construction products. For example, limestone is used to make cement, which is a key ingredient in concrete. Sand and gravel are also used to make concrete as well as asphalt pavement (see **Figure 1** for information on aggregate types and uses). Aggregates are essential for the construction of almost everything from major public

Figure 1: Types of Aggregates and Their Common Uses

Prepared by the Office of the Auditor General of Ontario

Type of Aggregates	Description	Common Uses
Extracted from pits		
Sand	Hard, naturally occurring granular rock material that is finer than gravel and coarser than dust.	To make concrete, asphalt pavement, mortar, plaster and glass.
Gravel	Small, naturally occurring stones and pebbles, or a mixture of sand and small stones.	Directly in driveways, walkways and decorative landscaping, and to make concrete and asphalt pavement.
Clay/Shale	Fine-grained, naturally occurring earthy material.	To make bricks and ceramics; also an ingredient in cement.
Extracted from quarries		
Bedrock	Naturally occurring deposits of hard, solid rock (such as granite, limestone and sandstone).	May be used, as slabs or blocks, for landscaping projects, home countertops and monumental buildings.
		More commonly used to create crushed stone, which is used to make concrete and asphalt pavement and generally any kind of base for construction, including building foundations, roads and driveways.

infrastructure projects, such as hospitals, schools, highways and subway tunnels, to smaller projects, such as roads, sidewalks, sewer pipes and homes. **Figure 2** provides examples of the amount of aggregates needed for various types of construction projects.

Ontario's growing population and the corresponding growth in new housing and infrastructure has resulted in high demand for aggregates, especially in the Greater Golden Horseshoe region around Toronto. To meet the high demand, Ontario produces the largest volume of aggregates of any Canadian province or territory. The most common types of aggregates produced in Ontario are sand, gravel and crushed stone. In total, 172 million tonnes of aggregates were extracted in Ontario in 2022. Aggregate extraction has increased, on average, by 3.2 million tonnes (2%) per year over the past 10 years (see **Figure 3** for aggregate extraction volumes from 2013 to 2022).

The most recent provincial estimate on the breakdown of how aggregates are used is from a 2016 consultant's report prepared for the Ministry of Natural Resources and Forestry. This report estimated that the majority (79%) of extracted aggregates from 2010 to 2014 was used for construction (such as for roads, homes and buildings). Another 19% was used for non-construction purposes (such as sand for glass and road ice control). The remaining 2% was exported to other provinces or countries as raw aggregates (see **Figure 4** for a breakdown).

2.1.1 Where Are Aggregates Extracted in Ontario?

The location of aggregate extraction is determined by two main factors. First, aggregates are only found where nature has deposited them. While Ontario is generally rich in aggregate resources, the types and quantity of available aggregates varies considerably around the province, depending on the geology and rock formation of the particular area. For example, southern Ontario's geology includes large areas of limestone, formed hundreds of millions of years ago, but the quality of bedrock for aggregate purposes varies by location. Thousands of years ago, retreating

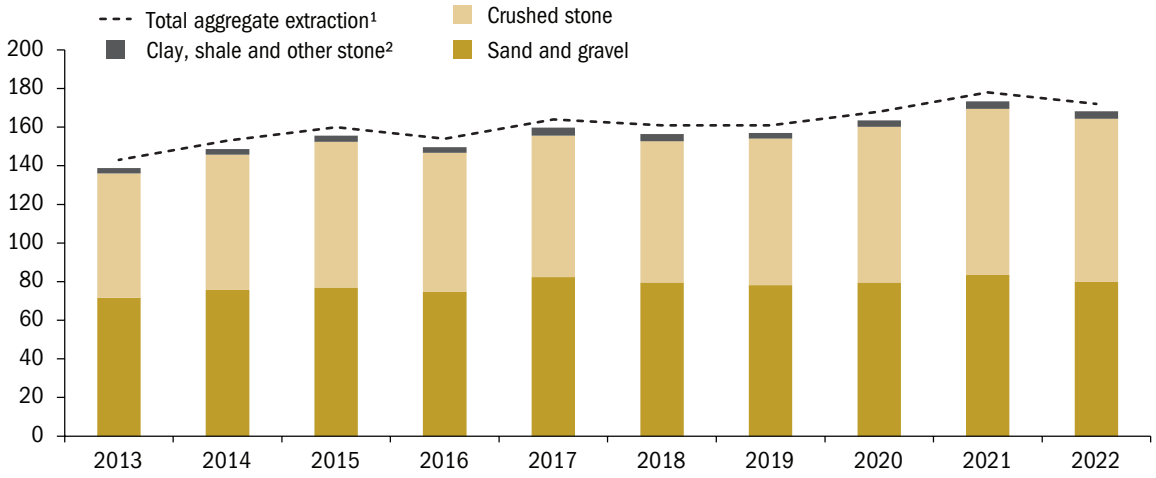
Figure 2: Examples of the Amount of Aggregates Needed for Various Construction Projects

Source of data: The Ontario Aggregate Resources Corporation; Ontario Stone, Sand & Gravel Association

Type of Project	Approximate Amount of Aggregates Required	
	Tonnes	Truckloads
Average-sized brick house	250	12
Average-sized school	13,000	650
Average-sized hospital	94,000	3,760
One kilometre of a four-lane highway	36,000	1,760
One kilometre of a subway tunnel	91,200	4,560

Figure 3: Total Aggregate Extraction[1] Volumes in Ontario, 2013–2022 (million tonnes)

Source of data: The Ontario Aggregate Resources Corporation



1. Total aggregate extraction includes all aggregates extracted in Ontario pursuant to either an aggregate licence (on private land in designated areas) or an aggregate permit (on Crown land), as well as the small volume (2.5% of total aggregates) that is extracted either on private land in undesignated areas or in forest pits on Crown land, both of which do not require a licence or permit (see **Section 2.2.1**).
2. Other stone includes slabs or blocks of rock/stone (such as granite, limestone, flagstone or marble) for uses such as ornamental surfacing of buildings, landscaping or countertops.

glaciers left behind abundant deposits of sand and gravel across many parts of this region.

Second, the location of aggregate extraction is dictated by where the aggregate product is needed. Aggregates are heavy and therefore expensive to transport long distances; they also contribute to greater pollution the farther they are transported given the dust, noise and vehicle emissions that come from trucking. As a result, the vast majority (90%) of all aggregates extracted in Ontario between 2013 and 2022 came from southern Ontario, close to where population growth and development pressures are greatest. See **Appendix 2** and **Appendix 3** for maps showing the locations and prevalence of extraction operations across Ontario.

2.1.2 Environmental and Social Impacts of Extracting Aggregates

The digging, blasting, processing and transporting of aggregate materials can cause a number of environmental and social impacts.

Aggregate extraction can fundamentally—and irreversibly—transform the landscape, which can affect important natural features on or near extraction sites. For example, aggregate operations can temporarily or

Figure 4: Estimated Breakdown of End Uses of Raw Aggregates in Ontario, 2010–2014

Source of data: Supply and Demand Study of Aggregate Resources Supplying the Greater Golden Horseshoe (2016)

End Use	% of Total Use
Construction projects	**79**
New roads and highways	31
New homes, condominiums and apartments	14
Non-residential buildings	12
Road and other construction repair	12
Other new infrastructure	10
Non-construction purposes (such as sand for road ice control, abrasive cleaners and glass products)	**19**
Export to other provinces or countries as raw aggregates	**2**
Total	**100**

permanently alter or destroy woodlands, grasslands, wetlands or farmland, which each serve important functions, such as providing wildlife habitat, drainage to prevent flooding, or productive soil in which to grow food. Further, while aggregate extraction itself is not a direct threat to water quality, it may pose a risk to local groundwater resources by exposing new pathways for pollutants (such as fuel used onsite) to flow into the groundwater. Aggregate extraction below the natural water line, which typically involves pumping out large volumes of water, may also have localized impacts on groundwater levels and flow patterns.

Although all aggregate sites are required by law to be rehabilitated (both progressively during operation while extraction continues elsewhere on the site, and fully after extraction is complete), some aspects of the landscape may be permanently altered. So, while certain natural features can be restored (such as recreating some wildlife habitat through planting), other features cannot. For example, aggregate extraction often results in a large depression that creates a new pond or lake, which can permanently alter the way water drains and refills the groundwater reserves.

In addition to the environmental impacts caused by the establishment of a pit or quarry, their ongoing operations have other impacts. The majority of extraction in the province occurs in southern Ontario, often near populated areas. Local residents of communities in proximity to aggregate pits and quarries frequently express strong concerns about noise and vibrations from extraction operations (especially from blasting) and the accompanying heavy-duty truck traffic, and about increased air pollution (such as dust and particulate matter) from both onsite operations and trucking. Siting pits and quarries farther from communities can reduce the impact of site operations on neighbouring residents, but can increase pollution and greenhouse gas emissions, as well as costs, when aggregate materials are transported greater distances to reach those communities.

Although the Province considers aggregate extraction an interim use of land, an aggregate site may remain open for decades. In some cases, sites have been operating for over a century. Because aggregate operations and their impacts can be so long-lasting, few people want to live near one. As a result, applications for new or expanded pits and quarries are often highly controversial.

2.2 Regulation and Oversight of Aggregate Resources

The Ministry of Natural Resources and Forestry (Ministry) is responsible for regulating aggregate development in Ontario (see **Appendix 4** for an organizational chart of the divisions and branches involved). The Ministry's oversight of aggregates is guided by the *Aggregate Resources Act* (Act) and the general regulation (O. Reg. 244/97) under that Act.

The purposes of the Act are to:

- provide for the management of Ontario's aggregate resources to meet local, regional and provincial demand;
- regulate aggregate operations on both Crown and private land;
- minimize the adverse environmental impacts of aggregate operations; and
- require the rehabilitation of land from which aggregates have been excavated.

In essence, the Act sets out a dual role for the Ministry to support and facilitate aggregate extraction on the one hand, while also regulating the industry so as to minimize the negative impacts of that extraction to the extent possible.

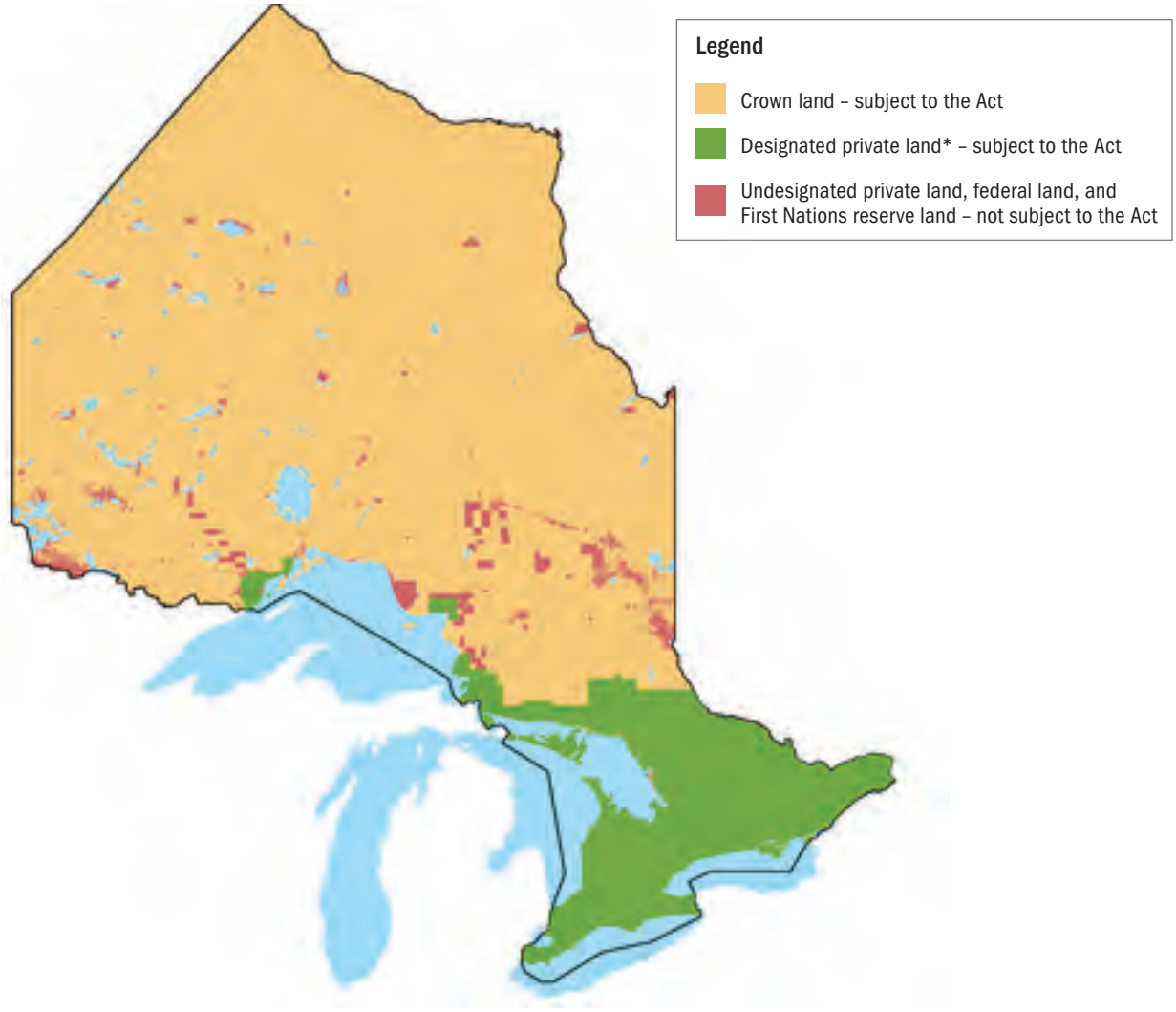
Aggregate development in Ontario is also guided by other provincial laws and land-use plans (see **Appendix 5**). Most notably, according to the Provincial Policy Statement, aggregate extraction has primacy over other land uses, aggregates must be made available as close to market as possible, and demand for these resources does not have to be demonstrated. Similar to the *Aggregate Resources Act*, the Provincial Policy Statement also states that extraction should be conducted in a manner that minimizes negative impacts, and that sites must be rehabilitated in order to mitigate negative impacts and allow for future land uses.

2.2.1 Approvals for Extracting Aggregates

Subject to a few exceptions, anyone wishing to extract aggregates from land subject to the Act must obtain an approval from the Ministry. As seen in **Figure 5**, the Act applies to all provincial public (Crown) land and most private land except for a few small areas (mostly in Northern Ontario) that have not been designated; the

Figure 5: Provincial Area Subject to the *Aggregate Resources Act*

Source: Ministry of Natural Resources and Forestry



* Areas of the province identified under the *Aggregate Resources Act* regulation in which a licence is required to excavate aggregates from private land.

Act also does not apply to either federal or First Nations reserve land. In general, to extract on public land, applicants must obtain an aggregate *permit*; to extract on private land, applicants must obtain an aggregate *licence*. See **Figure 6** for a description of the approval types and the exceptions.

From 2012 to 2022, the Ministry issued an average of 40 new approvals per year, for a total of 261 new licences and 178 new permits issued over this period. By tonnage, 93% of aggregate extracted from 2012 to 2022 was on private land pursuant to a licence, with 4% extracted on Crown land pursuant to a permit; less than 3% was extracted pursuant to one of the exceptions (**Figure 7**). As approvals can remain valid indefinitely (unless revoked or surrendered), at the end of 2022, there were 6,015 valid approvals (3,573 licences and 2,442 permits) authorizing aggregate extraction in Ontario.

To obtain an approval for a new licence or permit, applicants must follow a prescribed process, as set out in **Appendix 6**. In general, this process begins with the applicant submitting a draft site plan and several technical reports to the Ministry (see **Appendix 7**); then, notifying and consulting with the public and relevant ministries, municipalities, conservation authorities, agencies and Indigenous communities; and, finally, attempting to address all comments and objections received.

Ministry staff then review all information in the application, as well as external comments submitted. The Ministry may also provide its own comments on applications. As part of the review process, Ministry staff also confirm that the applicant has fulfilled its obligations to ensure that the siting of the proposed operation complies with municipal zoning and provincial land-use plans (see **Appendix 5**). As well, staff may identify other approvals that may be required by the Ministry of the Environment, Conservation and Parks (see **Appendix 8**), based on the information provided in the application.

Upon completing their review, Ministry staff either recommend that the Minister issue or refuse the licence application, or, where there are unresolved issues, the Ministry may refer the licence application to the Ontario Land Tribunal for a decision. For permits, a director in the Regional Operations Division has delegated authority to issue or refuse the application.

If an approval holder wishes to later amend its site plan or approval document, the process varies depending on the type and complexity of the change sought (see **Appendix 9**).

Figure 6: Types of Approvals for Extracting Aggregates

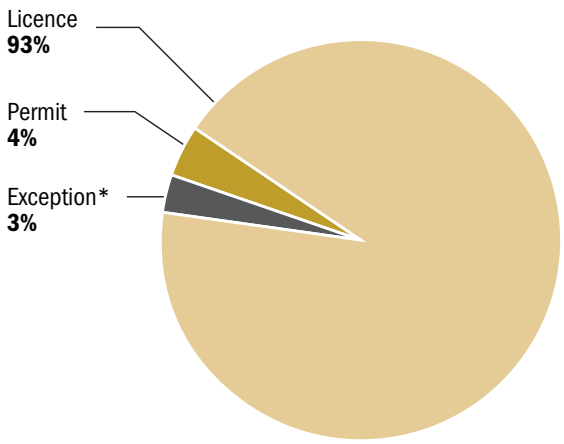
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Location	Approval Type	Exceptions (subject to alternative types of approval)*
Crown land	**Aggregate Permit**	• Pits used for forest operations are regulated under the *Crown Forest Sustainability Act, 1994*.
Private land	**Aggregate Licence** • **Class A** authorizes the removal of more than 20,000 tonnes annually • **Class B** authorizes the removal of 20,000 tonnes or less annually	• Municipalities and the Ministry of Transportation may obtain a wayside permit instead of a licence for short-term (< 18 months) aggregate removal on private land for the sole use of road construction or maintenance. However, wayside permits are rarely used. • As of January 2022, farm businesses may excavate up to 3,000 cubic metres from a pit (depending on the type of aggregate) and individuals may excavate up to 300 cubic metres from a pit for personal onsite use without a licence if they register for permit-by-rule. Registrants must meet all pre-conditions (e.g., minimum distance from a well or water body) and follow all operating rules set out in the regulation. As of June 2023, four individuals had registered under the permit-by-rule exception.

* By tonnage, 2.5% of total extracted aggregate from 2013 to 2022 was extracted pursuant to one of the exceptions.

Figure 7: Breakdown of Aggregate Extraction by Approval Type, 2012–2022

Source of data: The Ontario Aggregate Resources Corporation



* Subject to alternative types of approval, such as a wayside permit or permit-by-rule.

2.2.2 Self-Inspection: Compliance Assessment Reports

All approval holders are required to inspect their operations annually to assess whether they comply with all operating and progressive rehabilitation requirements, and to document this assessment in a compliance assessment report. The report format is a simple checklist that lists all applicable operating and rehabilitation requirements that must be inspected and reported on, by answering yes or no to each item. For example, the form asks whether site entrances and exits are clearly marked and whether fencing has been installed to limit public access to the site. Approval holders must submit the report to the Ministry by September 30 each year.

If a self-report indicates an issue of non-compliance, the approval holder must immediately stop the contravention (if operational) and remedy the situation within 90 days. Under the Act, an approval is deemed to be automatically suspended if the report is not submitted on time, or if it discloses a contravention that is not remedied within 90 days of report submission. The suspended approval is deemed reinstated once the required report has been submitted, or the contravention has been remedied. If the contravention remains unaddressed, the Ministry may eventually revoke the licence or permit.

2.2.3 Ministry Inspection and Enforcement

Ministry inspections of aggregate operations are conducted by staff, called integrated resource management technical specialists (IRMs), who are spread across the Ministry's 36 offices (in 18 districts). Each IRM can work across several program areas (such as lands and waters, fish and wildlife, and forestry) in addition to aggregates. For an IRM to perform onsite aggregate inspections, they must be specifically designated under the Act to serve as an inspector by a district manager. During an aggregate inspection, inspectors are to assess compliance with all operating and progressive rehabilitation requirements as set out in the Act, the regulation, the approval holders' site plans, and any licence or permit conditions.

According to the Ministry, aggregate sites are to be randomly inspected, in accordance with the Ministry's risk-based compliance inspection model. Sites may receive higher priority for inspection if, for example, the site is newly approved, the licensee or permittee has failed a previous inspection, or complaints have been received.

Inspectors have several options to resolve non-compliance issues (see **Appendix 10**). They may begin with education and outreach to encourage voluntary compliance. Depending on various factors, including the type and seriousness of the violation and history of non-compliance, they may take additional steps, such as issue a warning or an order for compliance. Alternatively, inspectors may refer the case to conservation officers at the Ministry's Enforcement Branch to investigate (that is, collect evidence of a violation) and potentially issue a charge. In more serious cases, the Ministry can also revoke a licence.

2.2.4 Final Rehabilitation and Surrendering Approvals

Once an approval holder has ceased its extraction operations and deemed the site to be fully rehabilitated,

it submits a request to the Ministry to surrender its approval. The Ministry may accept the surrender only after the site has been inspected and the Ministry inspector is satisfied that the site has, in fact, undergone final rehabilitation, and all fees (and royalties as applicable) have been paid (see **Section 2.2.5**). Once the Ministry accepts the surrender, the approval holder no longer has any obligations for the property under the Act.

Typically, final rehabilitation consists of grading (levelling) the landscape, replacing top soil, and revegetating the land to return it to its former condition, or to a condition that is similar to surrounding land uses. While there is a range of rehabilitation strategies, sites where aggregates have been extracted below the water table are typically converted into ponds and lakes. As of 2023, there were 971 active pits and quarries that were approved to extract below the water table, representing 18% of all active sites in the province. A wider range of options exists for operations above the water table, as these can be naturalized for habitat or converted for agricultural, recreational, residential or commercial use.

2.2.5 Fees and Royalties

As required by the Act and regulation, both licence and permit holders must pay an annual extraction fee on a per-tonne basis, or an annual minimum fee, whichever is greater. Permit holders must also pay royalties for the use of Crown-owned resources. Each year, the Ministry adjusts the fees and royalties to account for inflation and publicly posts the adjusted amounts by January 1 (see **Figure 8** for 2022 and 2023 fee and royalty rates). Using 2023 rates, **Figure 9** illustrates the fees and royalties that would apply to the aggregates used in different construction projects.

The Ministry does not collect or disburse the fees itself, but has delegated this responsibility, and others, to The Ontario Aggregate Resources Corporation (see **Section 2.3**).

2.3 The Ontario Aggregate Resources Corporation

The Ontario Aggregate Resources Corporation (TOARC) is a private corporation created in 1997 to act as the trustee of the Aggregate Resources Trust, a trust established under the *Aggregate Resources Act* to hold and disburse aggregate fees and royalties. A Memorandum of Understanding between TOARC and the Ministry sets out the parties' respective roles and processes. TOARC's key responsibilities are outlined below.

2.3.1 Collecting Fees, Royalties and Production Reports

By January 31 of each year, aggregate operators must submit production reports to TOARC showing both the quantity and type of aggregates they extracted the previous year. Based on this information, TOARC invoices approval holders for the amounts owing, and approval holders must pay their invoices by March 15 of that year. TOARC sends a report to the Ministry every April

Figure 8: Annual Fees and Royalty Rates, 2022 and 2023

Source of data: Ministry of Natural Resources and Forestry

	2022	2023
Fee		
Class A licences and aggregate permits authorized to remove more than 20,000 tonnes annually	21.3 cents/tonne or $741, whichever is greater	22.7 cents/tonne or $789, whichever is greater
Class B licences and aggregate permits authorized to remove 20,000 tonnes or less annually	21.3 cents/tonne or $370, whichever is greater	22.7 cents/tonne or $394, whichever is greater
Royalty (for use of Crown-owned resources)		
Aggregate permits only	53.9 cents/tonne	57.4 cents/tonne

Figure 9: Examples of Aggregate Fee and Royalty Costs Generated by Typical Construction Projects*, 2023

Prepared by the Office of the Auditor General of Ontario

	Fee ($0.227/tonne)	Royalty ($0.574/tonne)
Brick house (250 tonnes)	56.75	143.50
Subway tunnel, 1 km in length (91,200 tonnes)	20,702.40	52,348.80

* Aggregate fees and royalties are paid by aggregate operators based on their total annual extraction volumes; these examples illustrate the fees and royalties that would be generated by the amount of aggregates needed for two typical construction projects.

of all outstanding production reports and fees that were due for the previous year, and then subsequently sends updated monthly reports.

Since 2000, TOARC has conducted audits of selected approval holders' reported extraction tonnage to confirm that operators are accurately reporting their extraction tonnage and paying fees and royalties based on the tonnes of aggregate extracted. As of December 2022, TOARC had audited 1,334 approval holders, holding a total of 3,598 licences and permits. The audits have resulted in the collection of an additional $1.8 million in net aggregate fees.

2.3.2 Distributing Fees

TOARC distributes the collected fees and royalties among the Province and the municipal and regional governments with pits or quarries within their boundaries, in accordance with the formula set out in the regulation. Fee revenues are distributed as follows:

- 61% to the local municipality in which a pit or quarry is located;
- 15% to the county or regional municipality in which the site is located;
- 21% to the Province (paid into the Consolidated Revenue Fund); and
- 3% to a fund for rehabilitating legacy sites (**Section 2.3.3**) and related research.

Royalties, which are paid by permit holders only, are paid to the Province for the use of Crown-owned aggregate. In 2022, $39.6 million was collected in fees and royalties, of which $28.4 million was disbursed to local and regional municipal governments, and $10.1 million was disbursed to the Province (see **Figure 10**).

2.3.3 Rehabilitating Legacy Sites

TOARC rehabilitates legacy sites through its Management of Abandoned Aggregate Properties (MAAP) program, a program that was originally run by the Ministry. Legacy sites are abandoned pits and quarries that operated before the Act came into effect in 1990, and that were left unrehabilitated. Once a site is added to TOARC's work plan, it surveys the site, designs a rehabilitation plan, and then publicly tenders the rehabilitation work to contractors. TOARC visits the site for the next two to five years to monitor the effectiveness of the rehabilitation. These legacy sites are typically small, as the aggregate was often extracted only to construct nearby roads. An average of $1 million per year has been directed to the MAAP program over the past five years from the annual fees paid by operators.

According to TOARC's database, there are 8,237 legacy sites across Ontario, but as of October 2023, TOARC has closed the files for 6,578 of these sites because they are no longer candidates for rehabilitation through the MAAP program. Files are closed for various reasons, including that the site has been rehabilitated, the site has re-naturalized, or the current landowner has declined rehabilitation (see **Figure 11** for the reasons for file closure). For details on TOARC's rehabilitation work see **Section 4.5.3**.

2.3.4 Rehabilitating Sites with Revoked Approvals

Prior to 1997, security deposits were collected from pit and quarry operators to guarantee funding for post-extraction rehabilitation. In 1997, however, the

Figure 10: Distribution of Fees and Royalties, 2018–2022 ($ million)

Source of data: The Ontario Aggregate Resources Corporation

Disbursement	2018	2019	2020	2021	2022
Local municipalities	9.4	19.4	20.0	21.4	22.8
Counties and regional municipalities	2.4	4.8	5.0	5.3	5.6
Province (from licence fees)	5.5	6.7	7.0	7.5	7.9
Province (from royalties and permit fees)	1.7	1.8	1.7	1.9	2.2
Abandoned Pits and Quarries Rehabilitation Fund for the Management of Abandoned Aggregate Properties program	0.8	1.0	1.0	1.1	1.1
Total	**19.8**	**33.7**	**34.7**	**37.2**	**39.6**

Figure 11: Reasons for File Closures in the Management of Abandoned Aggregate Properties (MAAP) Database, as of October 2023

Source of data: The Ontario Aggregate Resources Corporation

Reason File Closed	# of Files
Site rehabilitated	
Site rehabilitated by MAAP program and the Ministry	643
Site rehabilitated by owner	796
Site no longer requires rehabilitation	
Site developed	766
Site naturalized	2,650
No historical extraction on site[1]	396
Other	
Site now licensed	355
Site situated on Crown land[2]	268
Landowner declined rehabilitation[3]	704
Total files closed	**6,578**

1. Either no land disturbances could be found on site, or it was determined the site disturbance was not a result of aggregate extraction, or the extracted aggregates were not used off site.
2. These sites have been closed because The Ontario Aggregate Resources Corporation does not currently have explicit responsibility for them (see **Section 4.5.3**).
3. These files are not formally closed and could be reopened in the future if landowner changes their mind or if land changes ownership.

Province eliminated security deposits, and operators who had already paid securities received partial refunds based on a formula established by the Ministry. The remaining balance of approximately $10.6 million was transferred to TOARC when it was established.

Through investments, TOARC has increased this amount to $16 million in 2022. TOARC uses these monies to both pay for its operational expenses and rehabilitate sites with revoked approvals where rehabilitation is still required. Since 1997, TOARC has rehabilitated 18 formerly licensed sites and 10 formerly permitted sites using these monies.

3.0 Audit Objective and Scope

Our audit objective was to assess whether the Ministry of Natural Resources and Forestry (Ministry) had effective systems and processes to:

- regulate aggregate development and operations on Crown and private land in a manner that minimizes adverse impacts on the environment;
- ensure compliance with the *Aggregate Resources Act*, and regulations, policies, permits and licences related to aggregate operations;
- ensure the land from which aggregates have been excavated is effectively rehabilitated; and
- measure and publicly report on the state of Ontario's aggregate resources and the delivery of the Province's aggregate resource program.

In planning for our work, we identified the audit criteria we would use to address our audit objective. These criteria were established based on a review of applicable legislation, policies and procedures, internal and external studies, and best practices. Senior

management reviewed and agreed with the suitability of our objectives and associated criteria as listed in **Appendix 11**.

Our audit scope focused on the Ministry's oversight, licensing and permitting of aggregate extraction operations on both Crown and designated private land. Aspects of aggregate operations that are regulated by other ministries (such as air emissions, which are regulated by the Ministry of the Environment, Conservation and Parks, and workplace safety, which is regulated by the Ministry of Labour, Immigration, Training and Skills Development) were not part of the scope of this audit.

We conducted our audit between January 2023 and August 2023. We obtained written representation from Ministry management that, effective November 21, 2023, they had provided us with all the information they were aware of that could significantly affect the findings or the conclusion of this report.

Our audit work was conducted primarily at the Ministry's office in Peterborough. We also obtained compliance information from the Ministry district offices in Aurora, Bancroft, Guelph and Thunder Bay. We selected Aurora because of its proximity to the Greater Golden Horseshoe region, an area with significant development and high aggregate demand; Bancroft as it has a mix of permits and licences; Guelph because of the high number of licences and volume of aggregate produced within its jurisdiction; and Thunder Bay as a northern office.

As part of our audit work, we:

- interviewed Ministry staff responsible for approvals, inspections and enforcement to understand their practices to issue approvals and inspect and enforce compliance with the *Aggregate Resources Act*, regulation and other requirements;
- reviewed Ministry documents, including a sample of new and amended aggregate approvals, to assess the timeliness and completeness of the Ministry's review and approval processes;
- analyzed data on production reporting and outstanding fee payments to determine non-compliance trends;
- reviewed a sample of inspection reports and compliance assessment reports from the four Ministry offices to determine timeliness of submission, completeness and Ministry verification practices;
- reviewed Ministry-wide enforcement data to analyze enforcement trends; and
- attended inspections (planned, follow-up, and surrender) to observe how Ministry inspections are conducted.

We also met with external stakeholders, including those representing:

- The Ontario Aggregates Resources Corporation;
- the Ministry of Transportation and the Ministry of the Environment, Conservation and Parks;
- industry, including representatives of the Ontario Stone, Sand & Gravel Association, as well as individual operators and consultants; and
- other relevant stakeholder groups, such as Gravel Watch Ontario, Environmental Defence, Reform Gravel Mining Coalition, the Canadian Environmental Law Association, the Toronto and Area Road Builders Association, and the Top Aggregate Producing Municipalities in Ontario.

We conducted our work and reported on the results of our examination in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada. This included obtaining a reasonable level of assurance.

The Office of the Auditor General of Ontario applies Canadian Standards on Quality Management and, as a result, maintains a comprehensive system of quality management that includes documented policies and procedures with respect to compliance with rules of professional conduct, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario, which are founded on fundamental principles

of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

4.0 Detailed Audit Observations

4.1 Ministry Inspections

4.1.1 Ministry Lacked Experienced Inspectors

Ministry inspections are a key mechanism for ensuring that aggregate approval holders comply with all operating and progressive rehabilitation requirements. Despite the important role inspectors play as the Ministry's "eyes on the ground," we found that there was a significant shortage of experienced individuals performing this function.

Each of the Ministry's 18 district offices is responsible for filling its own staffing needs. We determined that, as of May 31, 2023, a total of 34 integrated resource management technical specialists (IRMs) had been designated as aggregate inspectors Ministry-wide, up from 22 designated inspectors in 2022. Further, an additional 19 IRMs had been hired and/or were being trained to be designated aggregate inspectors as of November 2023. Despite the increased staffing, some district offices continued to experience vacancies and staff turnover. As of May 31, 2023, the Ministry had an average of two designated aggregate inspectors per district. Seven districts each had a single designated inspector, and two districts had none. Furthermore, only 16 inspectors conducted field inspections in 2022, with a single inspector responsible for 27% of all inspections conducted that year.

Moreover, we found that the inspectors lacked experience, having been in their positions for only a short time. As of May 2023, almost half (41%) of the 34 designated aggregate inspectors had held their designation for less than one year.

This lack of experience limits staff's ability to respond to public complaints in a thorough and informed manner and to address potential issues of non-compliance. Aggregate inspections entail checking a variety of technical operational and safety requirements, which requires training and expertise. For example, inspectors must check that operators are not extracting below the allowable depth, that blasting activities are being properly monitored, and that land is being progressively rehabilitated according to the site plan.

We heard from stakeholders, such as environmental, community and resident groups, that not only did they have difficulties identifying which inspectors to contact about their concerns, they also felt that inspectors were slow to respond, and were not fully informed. Two large aggregate operators also told us they felt the inspectors who inspected their operations were inexperienced. The industry association has also raised concerns with the Ministry about inspectors' technical and safety knowledge that seemed to show inadequate training.

To understand the Ministry's challenges in attracting and retaining aggregate inspectors, we spoke with 16 Ministry staff who currently hold, formerly held, or supervise this position. We learned that the aggregate inspector role can be more demanding and challenging than other similar positions in several ways. First, compliance work can require inspectors to interact with the public and operators in a difficult conflict-resolution capacity. Several Ministry staff told us the work is highly stressful for an entry-level position, and there are more attractive options to work in less stressful positions at the same pay grade. Second, several inspectors told us they did not feel sufficiently experienced, and lacked training and mentorship for their inspection role.

In speaking with aggregate inspectors we learned that, in contrast to other program areas within the Ministry (such as fish and wildlife), the aggregate program does not have a regional contact who can support inexperienced staff if they have questions. This role existed before, but was lost when the Ministry reorganized in spring 2020. Before then, all approvals for aggregate pits and quarries were handled by district offices across the three regions, alongside inspection activities. In April 2020, the Ministry centralized all aggregate licence and permit approvals into an integrated Aggregates Section under the Divisional Delivery Branch; staff in district offices are

no longer responsible for reviewing applications (see **Appendix 4**). Many staff members who had previously worked as aggregate inspectors moved into the Aggregates Section to focus solely on processing applications. These employees already had experience with the approvals process (which was within their responsibilities when they worked in district offices) and their new positions provided better financial compensation. The Ministry centralized the approvals process to improve efficiency, decrease wait times and provide consistency; however, this restructuring resulted in a significant loss of inspection expertise in the field.

In April 2023, the Ministry launched a new formalized training program that requires inspectors to participate in onsite training. As part of this, the Ministry adopted a mentorship approach with a goal of improving the knowledge and capacity of inspection staff. However, the lack of experienced mentors in the district offices could make this goal difficult to achieve.

RECOMMENDATION 1

To provide proper inspection coverage for aggregate pits and quarries, and ensure compliance with the *Aggregate Resources Act*, we recommend that the Ministry of Natural Resources and Forestry:

- develop and implement processes to address the challenges identified in recruiting, training, and retaining staff serving as aggregate inspectors, and
- provide on-the-ground training and mentorship in district offices.

MINISTRY RESPONSE

The Ministry of Natural Resources and Forestry (Ministry) acknowledges the challenges in recruiting, and retaining trained staff, and that these challenges are not unique to the aggregate program.

In early 2021, the Ministry launched an internal review of the Regional Operations Division organizational structure. Outcomes of the review included adjusting the structure of the division to improve client service and build flexibility into delivery approaches, and creation of the integrated resource management technical specialist positions. The Ministry has invested in significant and ongoing recruitment efforts to fill vacancies in these positions across the province.

The Ministry recognizes there is more work to be done to ensure the attraction, recruitment, training and retention of these critical positions that deliver the aggregates and other resource management programs. Several initiatives are already under way, including compliance training initiatives, outreach to students and new professionals, exit interviews and development of recruitment tools and streamlined processes.

The Ministry will continue to develop and provide training as well as promote mentoring of integrated resource management technical specialists, to ensure staff have the required knowledge to perform their duties.

4.1.2 Ministry Inspected Aggregate Operations Infrequently

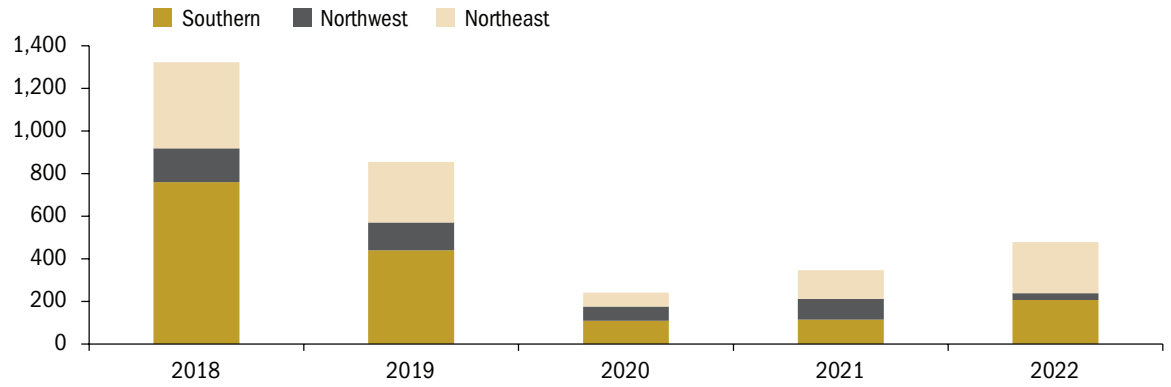
We found that the number of inspections across the province was low, and has decreased over the past five years.

Aggregate approvals can contain various conditions intended to minimize impacts on neighbours (such as noise, dust and vibrations) and to protect the environment (such as water resources and species at risk). Regular and thorough inspections help to ensure compliance with these conditions, as well as maintain a level playing field across the industry, and increase community support for operations. Without regular inspections, the Ministry cannot verify that aggregate pits and quarries are complying with their operating conditions. This leads to complaints from the public and an overall negative perception of the industry.

We reviewed the Ministry's inspections data between 2018 and 2022, and found that inspection rates decreased by 64%, from 1,322 inspections in 2018 to 479 in 2022 (see **Figure 12**). Some of this decrease, particularly in 2020 and 2021, can be attributed

Figure 12: Number of Aggregate Inspections Per Year, By Ministry Region, 2018–2022

Prepared by the Office of the Auditor General of Ontario



to a pause in activity due to lockdowns during the COVID-19 pandemic. However, the decreasing trend began prior to the pandemic and continued through 2022, despite there being no stay-at-home order during that year's inspection season. Our audit found that the primary reason for the decrease was a shortage of Ministry inspectors (see **Section 4.1.1**).

We reviewed the inspection records from the past five years for 80 licensed or permitted sites that we randomly selected from four Ministry offices across the province, with 20 sites selected from each. As shown in **Figure 13**, only 35% of the sites had been inspected within the previous five years. Recognizing that the most recent five-year period is an anomaly on account of the pandemic, we also analyzed the inspection data from just 2022 (when inspection activity should have returned to normal). Based on this analysis, we found that the Aurora office had inspected 22% of operations within its jurisdiction in 2022, while the other three offices had each inspected less than 5% of operations that year (see **Figure 14**).

In the absence of regular inspections, the Ministry cannot verify that pit and quarry operators are meeting all of their operating conditions, rehabilitating their sites as required, and properly self-reporting any non-compliance issues. Indeed, we found the lack of inspections was frequently raised as a concern. Community groups and neighbours of aggregate operations complained to us of dust, noise and vibration impacts going unchecked by the Ministry. Members of the aggregate industry also expressed concerns about how the lack of inspections of poorly run aggregate operations hurts the image of the entire industry.

Figure 13: Percentage of Sites Inspected within the Past Five Years (2018–2022)*

Prepared by the Office of the Auditor General of Ontario

Ministry Office	# of sites in sample	# of sites inspected in 2018–2022	% of sites inspected in 2018–2022
Aurora	20	8	40
Bancroft	20	3	15
Guelph	20	6	30
Thunder Bay	20	11	55
Total	**80**	**28**	**35**

* Based on a sample of 20 randomly selected sites (including licensed and permitted sites) from each of four Ministry offices from four different districts.

Figure 14: Percentage of Aggregate Sites Inspected, by Ministry Office, 2022

Prepared by the Office of the Auditor General of Ontario

Ministry Office*	% of operations inspected in 2022
Aurora	22
Bancroft	1
Guelph	4
Thunder Bay	2

* The four Ministry offices were selected to represent a range of geographic areas and levels of aggregate activity and demand, on both private and Crown land.

4.1.3 Ministry Did Not Properly Plan its Annual Inspections

Inspection planning is an important process for identifying aggregate pits and quarries that are a high priority for inspection and for determining inspection schedules. However, we found that Ministry offices were not properly planning their annual inspections, which increases the risk that non-compliance issues go undetected and unresolved.

Each aggregate inspector's workload consists of both planned and unplanned inspections. Unplanned inspections (generally conducted in response to complaints) make up a small percentage of the workload. Between 2012 and 2023, the Ministry conducted 438 unplanned inspections, representing 4% of all inspections. This leaves the bulk of inspectors' time for planned inspections. Since aggregate extraction is a seasonal activity, generally running from spring to fall, Ministry inspections are conducted during the same period. Precise timing depends on the weather and area of the province (for example, aggregate extraction may begin in April in southern Ontario, but in June in Northern Ontario), but each district has a reasonably predictable season for inspections, and is responsible for developing its own annual plan for carrying them out.

The Ministry provides a prioritization matrix to help inspectors identify which sites are a higher priority for inspection. For example, the Ministry considers newly approved sites to be a high priority for inspection so that it can set a baseline of compliance. Operators with a history of non-compliance or operations with major site plan amendments are also considered high priorities for inspection. Prioritizing sites for annual inspections is especially important when staffing resources are limited.

We requested the inspection plans for the Aurora, Bancroft, Guelph and Thunder Bay offices. As of July 2023, only Aurora and Thunder Bay were able to provide us with documented plans. Aurora indicated eight planned inspections for the 2023 season and Thunder Bay indicated 38 planned inspections. We were advised that the other offices did not have inspection plans for various reasons, including not having the staff capacity to conduct planned inspections or staff lacking experience or training.

RECOMMENDATION 2

To maximize inspection resources for higher-priority aggregate pits and quarries, and better ensure compliance with the *Aggregate Resources Act*, we recommend that the Ministry of Natural Resources and Forestry require every district office to develop an inspection plan before the start of each inspection season that sets out a sufficient number of planned inspections according to priority level, and to follow the plan when conducting inspections for that season.

MINISTRY RESPONSE

The Ministry of Natural Resources and Forestry (Ministry) acknowledges the Auditor General's recommendation and recognizes the importance of a strategic approach to guiding inspection effort and assessing compliance outcomes. Through its Compliance Renewal Initiative, the Ministry is reviewing its approach to annual compliance planning and reporting for multiple programs, including aggregates. This includes consideration of a clear process and criteria to identify the number of inspections needed in each district based on priorities, defined accountabilities for completing inspections, and modern tools to document inspection effort and track results. Implementation is planned to begin in 2024/25.

4.1.4 Inspection Reports Often Incomplete or of Poor Quality

Ministry inspectors must complete a report every time they inspect an aggregate pit or quarry. Our review of these inspection reports from 2012 to 2022 reveals that many of them are incomplete or of poor quality.

Inspection reports are divided into six sections, and a final section for additional notes. Each of the

six sections contain items for an inspector to review (see **Figure 15**). For each item being reviewed, there is a checkbox for the inspector to indicate whether the operations are compliant, non-compliant, not applicable or not inspected for that particular item.

We requested inspection reports for all planned inspections conducted between 2012 and 2022 for 80 randomly selected aggregate operations across four offices (20 operations from each). Three of the four offices were unable to provide us with inspection reports for all of the selected sites (see **Figure 16**). Of the inspection reports we received, we found a number of issues with the quality and completeness of the reports. We found that, overall:

- 39% of the reports did not provide evidence that all key items had been inspected. While not every item on the list would need to be inspected during every inspection, our Office identified several key items that one would expect to be inspected in all cases (such as boundary markers and gates), but which were not consistently marked as inspected. We note that the digital inspection form has a default setting of "not inspected" for each item. As such, it is not possible for our Office, Ministry staff reviewing the reports, or any member of the public that requests a report, to be able to verify that all key items have indeed been inspected.

Figure 15: Items Listed for Inspection on an Aggregate Inspection Template*

Prepared by the Office of the Auditor General of Ontario

Section	Items to be Inspected
General	• Identification signs, gates, entrance/exit.
Operational	• Berms, setbacks, stockpile location, excavation face heights, trees within five metres of extraction face, extraction depth, buildings, stripping, progressive rehabilitation, inert fill, undercutting of excavation face, global positioning system corners, boundary demarcation.
Equipment	• Asphalt plant, concrete plant, portable crusher, permanent crusher, wash plant, screening plant.
Environmental	• Pumping and discharging of water, ditching, Permit to Take Water, Environmental Compliance Approval for noise, discharges and wastes, scrap, dust, fuel storage, *Endangered Species Act* agreement or permit. • Setbacks for Provincially Significant Wetlands, woodlands, or Areas of Natural and Scientific Interest.
Recycling	• Asphalt (reclaimed asphalt paving), concrete, glass, bricks, slag, asphalt shingles.
Monitoring reports	• Water monitoring, noise monitoring, blast monitoring, adaptive management plan.
Other/notes	• Any other item deemed necessary to achieve compliance. A space for recording general comments.

* Not all items are applicable to all aggregate operations.

Figure 16: Issues Identified by our Office in a Sample* of Ministry Inspection Reports, 2012–2022

Prepared by the Office of the Auditor General of Ontario

	Ministry Office				
Issue	**Aurora**	**Bancroft**	**Guelph**	**Thunder Bay**	**Overall**
% of sites for which reports could not be provided to our Office	0	55	10	25	**23**
Of reports provided:					
% missing key items	40	64	50	17	**39**
% with no notes	27	0	8	25	**20**
% with no photographs (where corrective action was required)	65	67	42	37	**50**

* Our sample included 80 randomly selected sites, including 20 from each of four Ministry offices from four different districts.

- 20% of the reports had no notes attached, making the purpose or outcome of the inspection difficult to determine. Without notes, it is also difficult to understand why certain elements of an operation were not inspected.
- 50% of inspection reports that required corrective actions did not include photographs, as required by Ministry procedures. Taking photos of an inspected site is important for recording the state of an operation at the time and for proving conditions of non-compliance. Without photos, it is also difficult to track progress over time, especially if the inspector changes between inspections. In the absence of photos, a subsequent inspector would have difficulty confirming any non-compliance and determining whether conditions have worsened or improved.

In addition, we found that for one office, 45% of the inspection reports provided an overall assessment that the site was "in compliance," even though they showed some of the individual items as being non-compliant and noted remedial actions that were required.

RECOMMENDATION 3

So that the Ministry of Natural Resources and Forestry has accurate and reliable inspection records to inform compliance activities and program improvements, we recommend that the Ministry develop and implement processes to ensure that inspection records are filled out consistently, completely, and properly.

MINISTRY RESPONSE

The Ministry of Natural Resources and Forestry (Ministry) agrees with the recommendation and acknowledges the importance of ensuring operational staff are continually learning and collaborating so that aggregate inspections and compliance efforts across all districts are undertaken consistently and completely and are properly documented. The Ministry will review training materials and update as needed to ensure staff are equipped to conduct inspections and complete inspection records properly.

4.2 Enforcement of Non-Compliance

4.2.1 High Rates of Non-Compliance at Aggregate Sites

We found that the aggregate sector has a high rate of non-compliance, considerably higher than other Ministry program areas.

Up until 2017/18, the Ministry tracked the annual compliance rate of its various program areas. In 2018, the Ministry published its last Performance Measures Annual Report covering the period from April 1, 2017, to March 31, 2018. That report indicated that, based on 1,693 inspections conducted in 2017/18, the compliance rate for aggregate pits and quarries was 38%, similar to the rate from the three previous years. In comparison, the Ministry found that this compliance rate was considerably lower than the compliance rate achieved by other Ministry program areas, including forestry (91%) and petroleum exploration, extraction and production (67%).

The Ministry stopped tracking overall annual compliance rates for program areas in 2018, as it ceased to be a Ministry priority. In the absence of Ministry tracking and reporting, we compiled data from all inspections conducted on aggregate pits and quarries across the Ministry from 2018 to 2022. Using this data, we calculated the compliance rate (the percentage of inspected sites that were deemed satisfactory by the Ministry) over these five years, and found that it has remained low, fluctuating between 36% and 52%. Over the five-year period, inspectors filed 1,750 inspection reports identifying non-compliances.

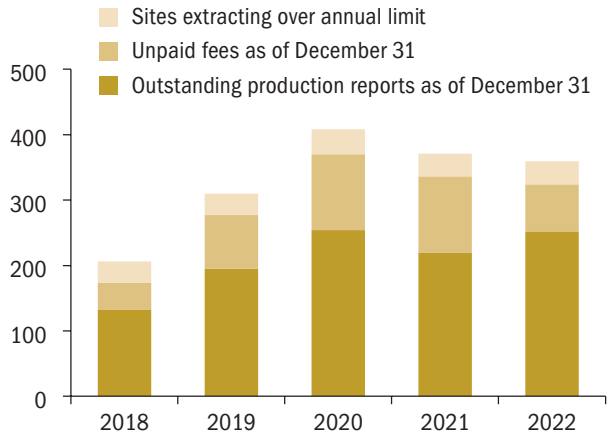
In addition to violations identified through inspections, violations of the Act may also be identified by TOARC. All approval holders are required to submit production reports to TOARC by January 31 each year, and to pay fees by March 15 based on the volumes reported or the set minimum fee, whichever is higher. A failure by an approval holder to provide a production report (which is required even if no aggregate was produced), to pay annual fees, or to comply with the annual extraction limits set out in its approval, are all violations under the Act. TOARC is responsible for providing the Ministry with reports on operators'

compliance with these requirements, but the Ministry is responsible for enforcement.

As outlined in **Section 2.3.1**, TOARC provides the Ministry with a monthly report of operators that have either outstanding production reports or annual fees. TOARC also reports annually to the Ministry on operators that report extraction volumes that exceed their authorized amounts. TOARC reported that there were 206 instances of these three types of non-compliance remaining at the end of 2018; in 2022, this number increased 74% to 359 (see **Figure 17**). Between 2018 and 2022, TOARC reported a total of 1,654 of these types of violations.

Figure 17: Number of Cases of Non-Compliance Reported to the Ministry of Natural Resources and Forestry by The Ontario Aggregate Resources Corporation, 2018–2022

Source of data: The Ontario Aggregate Resources Corporation



4.2.2 Ministry Rarely Pursued Charges Despite High Rates of Non-Compliance

Despite the high rates of non-compliance repeatedly identified by Ministry inspectors and reported by TOARC (see **Section 4.2.1**), we found that inspectors rarely made use of a key compliance tool: referrals to the Enforcement Branch to pursue charges and, ultimately, fines. For minor offences, charges can be in the form of a ticket up to $750. For more serious offences, charges can be in the form of a court summons, which can result in a prosecution and fines of up to $1,000,000. While not all violations merit action by the Enforcement Branch, and many violations may be best addressed through measures like education, the lack of a reasonable threat of enforcement could encourage non-compliance. Indeed, the continuing high rate of non-compliance among aggregate operators suggests that they may not fear any repercussions for failing to comply with the Act, regulation and other requirements. A lack of enforcement not only undermines the Act's purpose "to control and regulate aggregate operations," it also increases the risk of negative impacts on nearby communities and the environment.

Although the Ministry has a variety of compliance tools available (see **Appendix 10**), we specifically examined referrals the Ministry's aggregate inspectors made to the Enforcement Branch to pursue charges as a key tool to encourage and enforce compliance. Inspectors from across all district offices made a total of 26 referrals to the Enforcement Branch from 2018 to 2022. These referrals, averaging five per year, represent less than 1% of the 3,404 violations identified at aggregate pits and quarries by either the Ministry's inspection reports (1,750) or TOARC reports (1,654) during this time period.

Although, as noted above, not all instances of non-compliance necessarily require enforcement action, the Ministry's internal policy explicitly states that the Ministry should pursue charges (which can lead to fines) if an operator significantly exceeds its allowable extraction tonnage. However, we examined the 2018–2022 records as reported by TOARC to the Ministry and found that three companies had exceeded their annual extraction limit by over 1,000%, with one up to 1,800%. We found that, in all three cases, the Ministry had not made an enforcement referral, and therefore the Ministry did not investigate or charge these companies for these violations.

As discussed in **Section 4.1.1**, external stakeholders have expressed concern about the Ministry's lack of capacity to enforce compliance. Although the Ministry's Enforcement Branch includes 209 field conservation officers (after successfully filling 25 new positions in 2022), the district offices responsible for inspecting aggregate pits and quarries have high staff turnover rates and unfilled inspector positions. Therefore, the

Enforcement Branch's ability to enforce requirements at aggregate sites is constrained, in part, by the capacity for district offices to identify and refer cases of non-compliance.

4.2.3 Enforcement Tools and Practices Too Weak to Deter Violations

We found that the Ministry's enforcement tools and practices can be ineffective at compelling aggregate operators to comply with the Act, and provide little incentive to fix violations.

For example, the Ministry has acknowledged in internal documents that it has a particular challenge in collecting unpaid aggregate fees and that its existing enforcement tools are not always the most effective to address overdue accounts. We analyzed TOARC data on unpaid aggregate fees from 2018 to 2022, and found that, as of December 31, 2022, 432 sites had not paid their annual aggregate fee, as required by the Act, for at least one of the last five years; of these, 41 had not paid their annual aggregate fees for all five years. We also analyzed the fines issued over the past five years for overdue fees and found that the Ministry issued only two fines for this offence, for a combined total of $1,230 in fines. The total fines levied represent just 0.4% of the $327,676 unpaid aggregate fees that TOARC calculated as remaining outstanding as of December 31, 2022. The total amount of unpaid fees is even higher; there were 649 production reports due in the past five years that remained outstanding at the end of 2022, meaning that TOARC could not calculate the fees owed by these operators.

Not only does the Ministry rarely pursue charges as a means to collect unpaid fees, the Ministry also does not charge interest on overdue aggregate fees, although the Act gives it the legislative authority to do so. Charging interest on unpaid fees is a commonly used mechanism across financial fields to encourage prompt payment of fees, and is used by the Ministry itself for overdue Crown timber charges.

Further, TOARC also audits operators' record keeping and reporting, and provides copies of its audit assessment to the Ministry. We found, however, that the Ministry did not have a procedure to systematically follow up on deficiencies identified in TOARC's assessments. TOARC has raised concerns that the Ministry does not follow up with operators, especially those who do not comply with the Act by keeping proper and detailed records. A lack of Ministry oversight and enforcement of proper record-keeping and reporting creates a risk that operators may be underreporting their extraction rates and therefore underpaying their fees.

In 2022, the Ministry introduced tickets as a more efficient means to fine violators of the Act, without resorting to resource-intensive court prosecutions. While it is too soon to evaluate its effectiveness, we noted that the maximum ticket fine is relatively low, and so provides only a small penalty for failing to comply with the annual fee requirements. A ticket for failing to pay the annual aggregate fee (which is a minimum of $394) carries a $300 fine, and operating without a licence or permit carries a $750 fine. By comparison, the maximum fine for traveling on GO Transit without paying a $3.70 fare is $200, which is over 50 times the cost of complying with the fare rules.

Administrative monetary penalties are another type of enforcement tool that can be used to discourage non-compliance and, like tickets, do not involve a resource-intensive court prosecution. For example, the Ministry issues administrative monetary penalties for violations by the forestry sector of the *Crown Forest Sustainability Act, 1994*, but does not use them for violations of the *Aggregate Resources Act*. Unlike the low maximum fine limit for tickets, the Ministry can issue much higher fines through the administrative monetary penalties for forestry violations. For example, whereas a ticket for operating without an aggregate licence or permit has a fine of $750, the administrative penalty for harvesting timber without a licence is either $15,000 or five times the value of forest resources harvested, whichever is greater. Also, unlike tickets, the fines imposed through an administrative monetary penalty cannot be appealed in court, which can make them a more efficient compliance tool. As noted in **Section 4.2.1**, the Ministry has found that the compliance rate for its forestry program has been much higher than for its aggregate program.

4.2.4 Ministry Does Not Enforce Payment of All Fines

When regulators impose substantial fines for non-compliance, it not only penalizes illegal activity, it also communicates to the regulated industry that non-compliance will not be tolerated, which can help deter future non-compliance. However, these benefits are lost if payments are not actually enforced. We found cases of unpaid fines for violations at aggregate pits and quarries, and noted that the Ministry did not have a mechanism to enforce the payment of fines.

Fines issued for violations of the Act, a provincial statute, are collected along with all other provincial offences, and not by the Ministry. Since 2002, Ontario municipalities have been responsible for collecting fines levied for provincial offences. In 2011, the Ontario Association of Police Services Boards (Association) noted that municipalities were not prepared or resourced to collect unpaid fines and that the amount of unpaid fines had grown considerably. The Association did report success, however, in collecting parking ticket and red-light camera fines, as well as Highway 407 tolls and fees. This success was due to the fact that the Ministry of Transportation has a process for municipalities to report these unpaid fines to it so that it can deny validation of a vehicle licence plate. The Association also reported some success when the Ministry of Transportation suspends driver's licences, which it does for other violations such as speeding. By contrast, the Ministry of Natural Resources and Forestry does not have a mechanism by which municipalities can report unpaid fines to it so that the Ministry can suspend or deny aggregate permits and licences.

We analyzed data provided by the Ministry of the Attorney General on defaulted fines for aggregate pits and quarries. The data included $217,940 in fines issued under the Act that were in default as of December 2022, and were issued as far back as 1991. The data also indicated that $81,000 is owed by three businesses that each hold an active aggregate licence or permit; these fines were issued between 2011 and 2013.

RECOMMENDATION 4

So that compliance with the *Aggregate Resources Act* is effectively encouraged and enforced, we recommend the Ministry of Natural Resources and Forestry:

- centrally track annual compliance data based on the results of Ministry inspections and the reports from The Ontario Aggregate Resources Corporation;
- review the Ministry's processes and practices for district office staff to make referrals to the Enforcement Branch and, based on the outcome of the review, implement any changes to its compliance and enforcement policies and practices;
- charge interest for overdue annual fees and royalties;
- review and adopt additional enforcement tools needed to address non-compliance; and
- determine options to further improve fine payments to municipalities.

MINISTRY RESPONSE

The Ministry of Natural Resources and Forestry (Ministry) acknowledges that centralized tracking of compliance data would help support efforts to achieve compliance with the *Aggregates Resources Act*. The Ministry has initiated a review of the internal systems being used to track existing aggregate compliance and enforcement activities and outcomes.

The Ministry will undertake a review of *Aggregates Resources Act* compliance tools and processes and explore opportunities for enhancement. Guidance to staff on the enforcement referral process will be developed to further support decision-making related to non-compliance.

The Ministry acknowledges the recommendation to charge interest on overdue fees and royalties and, with government direction, will work with The Ontario Aggregate Resources Corporation to explore potential options.

The Ministry will explore options to further influence fine payments to municipalities.

4.3 Self-Inspection and Self-Reporting by Operators

4.3.1. Ministry Not Enforcing Compliance Assessment Report Requirements

Ministry staff advised our Office that the self-compliance approach (see **Section 2.2.2**) is intended to encourage operators to proactively self-identify, disclose and rectify any issues of non-compliance. The Ministry seeks to encourage operators to self-disclose non-compliance on the basis that they will be rewarded through leniency by the Ministry, whereas operators who fail to self-disclose issues that are later found through complaints or Ministry inspections will, in theory, be more harshly penalized. However, we found that the Ministry did not have processes in place to ensure that this approach is meeting its intended goal of encouraging operators to properly self-report.

We found that the Ministry did not have a centralized database or standardized mechanism in place to track late or improperly completed reports. The Ministry encourages approval holders to submit their reports through the centralized online Natural Resources Information Portal; however, the reports can also be submitted to Ministry offices via email, fax, or by dropping off or mailing a hard copy. As such, we found that each office has developed its own internal processes for receiving and tracking these reports. While staff in some offices we visited have developed very detailed databases that effectively track which reports they have received and the content of the self-reported information, other offices use basic spreadsheets with varying levels of functionality.

We reviewed records from 2022 at four Ministry offices and found that these reports were not consistently received on time. (We focused exclusively on reports from 2022 because three of the four offices were unable to confirm receipt of all reports submitted in 2020 and 2021 due to staffing and technology challenges during the COVID-19 pandemic.) Overall, as of May 2023, we found that 25% of all 1,030 operators within the four offices' jurisdictions had not submitted a 2022 report more than seven months after the due date (September 30, 2022). The Bancroft office was missing 46% of the required reports, while the Guelph, Thunder Bay and Aurora offices were missing 32%, 3% and 2%, respectively.

We also reviewed all reports received by the Ministry over the past three years from 20 randomly selected active operations from four Ministry offices to assess their completeness. We found that 15% of the reports were incomplete or of poor quality. For example, some reports had sections that were left blank. Others appeared to be exact copies of reports submitted from previous years, while others did not include the sketches required when remedial actions were identified or rehabilitation was conducted.

Furthermore, the compliance assessment report does not require operators to confirm that they have filed their annual production report with TOARC and paid their annual fees. As noted in **Section 4.2.1**, there are high rates of non-compliance with these requirements and the Ministry relies on TOARC to identify those operators that are not compliant. Including this requirement in the compliance assessment report could serve as a further incentive to submit reports and pay fees in a timely fashion.

Finally, we found the Ministry did not enforce suspensions for operators that did not submit reports on time or at all. In reviewing the procedures that Ministry staff used to address late or incomplete reports, we found inconsistencies among the four offices. In particular, the offices differed as to when they would send letters to operators with outstanding reports to notify them that they are suspended. For the 2022 reporting year, one office started sending letters as early as October 14, two weeks after the reports were due. Two other offices started in February and May 2023—four and seven months, respectively, after they were due.

The Act stipulates that a failure to submit a report by the due date will result in an immediate and automatic deemed suspension to operate. However, none of these four offices did anything more to enforce the suspension beyond sending a letter, such as conducting a site visit to confirm operations were halted. Furthermore, we found that deemed suspensions were not documented in the Ministry's central databases. This raises a risk that sites that hold licences deemed

to have been suspended continue to operate. In our review of 80 sites from four district offices, we found 11 sites continued to produce aggregate in 2021 despite never having submitted a self-assessment report for 2020, which should have resulted in an automatic suspension.

RECOMMENDATION 5

So that annual compliance assessment reports serve as an effective tool for ensuring compliance with the *Aggregate Resources Act*, we recommend that the Ministry of Natural Resources and Forestry implement and standardize processes across all districts to:

- consistently track when compliance assessment reports are received;
- review compliance assessment reports in a timely and thorough manner to identify reports that are late, incomplete or improperly completed; and
- enforce suspensions of operators who do not comply with the reporting requirements, and reflect that status in internal Ministry systems.

MINISTRY RESPONSE

The Ministry of Natural Resources and Forestry (Ministry) acknowledges the recommendation and agrees that a consistent, standardized approach to the delivery of the aggregate program across all regions and districts is important.

The Ministry will explore options to track the submission rates and quality of annual compliance assessment reports and leverage existing Ministry systems to collect and track information submitted by the regulated community.

The Ministry will consider training opportunities that will further educate staff on the appropriate compliance options for aggregate licensees and permittees who fail to submit, or improperly complete a compliance assessment report.

The Ministry will review existing procedures with respect to automatic suspensions of licensees and permittees who fail to submit an annual compliance assessment report and explore options to improve Ministry follow-up and internal tracking.

4.4 Fees to Extract Aggregates Likely Too Low to Cover Program Costs

The Ministry has a goal of achieving full cost recovery for its aggregate program. In other words, the Ministry aims to recover the full cost of all services it provides for the aggregate program—including reviewing approvals and inspecting and enforcing compliance—from aggregate-related fees. However, we found that the Ministry's fee structure for extracting aggregates was likely not enough to cover the costs of administering the existing program, let alone to cover additional costs needed to effectively deliver the mandate of the Act.

In 2014, the Ministry began a process to update its fee structure to try to achieve full cost recovery for the future delivery of the program. The Ministry determined it would need to assess the program capacity required to effectively and efficiently deliver the mandate of the Act. Following stakeholder consultations, the Ministry brought in a new fee structure in 2019 that would increase revenue and index all fees going forward to account for inflation.

At that time, the Ministry estimated these changes would result in $7.96 million in annual revenue for the Province. It also estimated that the Province would receive approximately $100,000 per year in additional application and related fees. By contrast, using 2015/16 fiscal data, the Ministry estimated that the Province spent approximately $9.91 million each year on activities related to managing aggregate resources, excluding the aggregate-related costs of other ministries. The increased revenue would therefore cover only about 80% of its program costs. The Ministry acknowledged that, while the annual fee increase would not achieve full cost recovery, it would be a step toward that goal.

Moreover, the Ministry also recognized that the expenses associated with delivering the aggregate program would increase after implementing other policy changes proposed at the time. Three years later,

however, the Ministry was unable to provide our Office with the annual cost of delivering its program.

As noted in **Section 4.1** and **Section 4.2**, many stakeholders, including from the aggregate industry, have expressed concerns about the Ministry's lack of capacity to inspect and enforce compliance. Some industry members have stated that the Ministry's limited enforcement has contributed to a lack of public trust and opposition to aggregate pits and quarries. This concern is significant enough for organizations representing both operators and municipalities, a key consumer of aggregates, to call for higher aggregate fees to pay for increased enforcement. In 2012, the Ontario Stone, Sand & Gravel Association and the Top Aggregate Producing Municipalities of Ontario formed a committee to advocate for increased Ministry enforcement paid for by higher aggregate fees, among other issues. In 2021, despite the 2019 increase in fees, both groups reiterated their continued support to the Ministry for this approach.

In addition to these concerns that aggregate fees are too low to support the Ministry's inspection and enforcement activities, the fees may also be too low to support other program goals, including to conserve aggregate resources and encourage aggregate recycling, as set out in the Provincial Policy Statement (see **Section 4.7.2**).

RECOMMENDATION 6

To effectively deliver the mandate of the *Aggregate Resources Act*, we recommend that the Ministry of Natural Resources and Forestry:

- assess the Province's full cost of operating its current aggregate program, as well as the additional resources necessary to adequately enforce aggregate policies; and
- explore options to recover the full program costs, including those related to enhanced enforcement.

MINISTRY RESPONSE

The Ministry of Natural Resources and Forestry (Ministry) acknowledges this recommendation and recognizes the importance of having sufficient resources to implement the aggregate program. The Ministry will assess the full program costs and consider options to recover those costs in future modernization of the aggregate program.

4.5 Final Rehabilitation

4.5.1 Ministry Did Not Have Processes to Ensure Aggregate Sites are Promptly Rehabilitated After Extraction is Complete

Ontario's Provincial Policy Statement states that, "to recognize the interim nature of extraction," aggregate pits and quarries must be rehabilitated to allow for future land uses. However, we found that the Ministry did not have mechanisms in place to ensure that aggregate extraction is, in practice, a temporary land use and that sites are promptly returned to productive use after extraction is fully completed.

While final rehabilitation is required under the Act once extraction is complete, it is up to the approval holder to determine when extraction is finished. As such, there is no clear time frame for the Ministry to begin enforcing the requirement for an approval holder to undertake final rehabilitation of the site.

Furthermore, there is some incentive for an approval holder to retain its aggregate licence or permit, even if it is no longer actively extracting aggregate, rather than complete rehabilitation and surrender its approval. Rehabilitation can entail considerable costs, depending on the particular property and the site plan requirements. For example, in 2022, The Ontario Aggregates Resources Corporation (TOARC) spent an average of $37,549 per hectare to rehabilitate sites to the baseline requirements of regrading and revegetating. By contrast, the annual fee to maintain a permit or licence for a dormant aggregate site is less than $800.

While many aggregate operators properly rehabilitate their sites and promptly return the land to productive use after extraction is complete, we found numerous sites across the province that have not been surrendered, even though extraction was no longer taking place on them. We analyzed extraction

data provided by TOARC and found that 1,524 sites reported zero aggregate extraction in at least the past 10 years (see **Figure 18**). Of these, 257 sites reported zero aggregate extraction for at least the past 25 years (since 1998). The sites that have sat dormant for at least 10 years represent more than 25,000 hectares of land, approximately the size of Brampton, Ontario.

There may be valid reasons why a site sits dormant for multiple years, other than the fact that the pit or quarry has been fully extracted. A site may sit dormant because it does not have the specific type or quality of aggregate in demand by the local market at a point in time (and shipping heavy aggregates to farther markets can be prohibitive), but may still have reserves of other aggregates that can potentially be used for future projects. However, for sites that have sat dormant for many years, there is a risk that those sites have, in fact, finished extraction and are avoiding rehabilitation efforts. Allowing sites to remain dormant for long periods without final rehabilitation violates the notion that aggregate extraction is an interim land use, one of the key tenets of aggregate management in the Provincial Policy Statement.

RECOMMENDATION 7

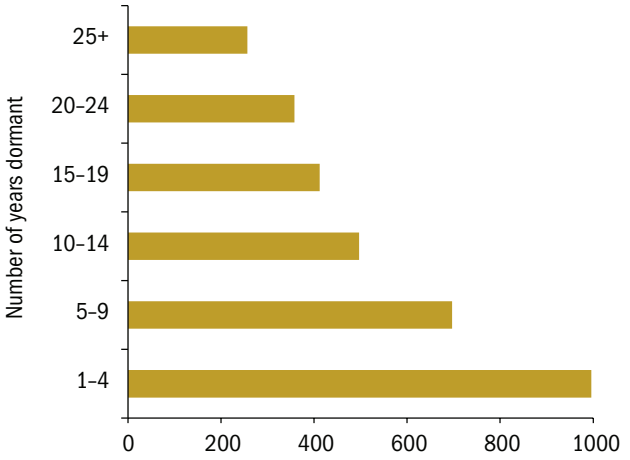
To give credence to the Provincial Policy Statement's recognition that aggregate extraction is an interim land use, and to ensure that disturbed land is returned to productive use in a timely manner that accommodates subsequent land uses, we recommend that the Ministry of Natural Resources and Forestry develop and implement a strategy to assess sites that have been dormant for more than 10 years and ensure that sites that have completed extraction are rehabilitated and surrendered.

MINISTRY RESPONSE

The Ministry of Natural Resources and Forestry (Ministry) agrees with this recommendation and is currently undertaking an analysis of rehabilitation and dormant aggregate sites in Ontario. The Ministry notes that progressive and final rehabilitation are legal requirements of any approval pursuant to the *Aggregate Resources Act*. Between 2013 and 2022, roughly 8,000 hectares have been rehabilitated and surrendered. Depletion rates of individual aggregate operations will vary based on market conditions, proximity to larger population centres and demand for certain aggregate products.

Figure 18: Number of Dormant Aggregate Sites

Source of data: The Ontario Aggregate Resources Corporation



4.5.2 Ministry Does Not Require Long-Term Monitoring to Ensure Final Rehabilitation of Aggregate Sites Is Successful

Once the Ministry accepts the surrender of an aggregate licence or permit, the approval holder no longer has any obligations under the Act for that property. However, in some cases, it cannot be immediately determined whether measures to rehabilitate the land have been fully effective. As such, long-term monitoring is considered a best practice to ensure that rehabilitation has been successful. However, we found that the Ministry does not require approval holders to monitor their rehabilitation measures over a longer term before it approves surrender requests.

As discussed in **Section 2.2.4**, an approval holder may apply to surrender its licence or permit after it deems a site's rehabilitation to be complete. Complete rehabilitation means the site has been regraded and the soil has been replaced and revegetated, so that the land is restored to its former condition, or to a

condition that is similar to surrounding land uses. For sites where below-the-water-table extraction has occurred, complete rehabilitation typically involves creating a lake or pond, and revegetating the surrounding area. If rehabilitation meets the specifications stated in the Act, the regulation and the approval holder's site plan, an aggregate inspector may accept the surrender request.

There are a number of examples across Ontario of former aggregate pits and quarries that have been successfully rehabilitated back to a former land use or to a new productive use. For example, after the completion of extraction on a gravel pit in Fonthill, new techniques used during progressive and final rehabilitation led to the successful growth of specialty crops, including peaches, cherries and pears, on the site. In another example, a former gravel pit in Hamilton was rehabilitated to become part of the horticultural rock garden collection at the Royal Botanical Gardens. During our audit, we visited several successfully rehabilitated sites, including a former gravel pit near Cambridge that has been converted into an aquaculture operation that raises rainbow trout. However, rehabilitation measures require both time and money, and not all operators exercise the same level of care and diligence in these efforts.

As such, long-term site monitoring is important to fully assess the effectiveness of rehabilitation. For example, monitoring species population numbers may be needed to assess whether wildlife habitat is being re-established; monitoring soil productivity levels may be needed to assess whether a former agricultural site is being effectively returned to farmland. Long-term monitoring can also detect any unintended impacts that become apparent only later—for example, if revegetation efforts do not succeed, or if regrading results in unwanted changes in water drainage patterns.

TOARC, which is responsible for rehabilitating legacy pits and quarries in Ontario (see **Section 4.5.3**), monitors and revisits the sites that it rehabilitates for another two to five years (depending on the site and landowner access) to check on soil development and ensure that the site remains vegetated and rehabilitation has been successful.

In 2008, TOARC, which is also responsible for providing education and training on rehabilitation to interested parties, released best practice guidelines for rehabilitating aggregate pits and quarries. These best practices indicated that monitoring and reporting should be included as part of all rehabilitation plans, even if it is not required by law. Similarly, the Ministry's 2010 State of the Aggregate Resource in Ontario report identified long-term monitoring of rehabilitated sites as a best practice. Despite this guidance, long-term monitoring is not required in Ontario. As part of regulatory changes made in 2020, however, the Ministry may require that applicants seeking to extract aggregate within a prime agricultural area continue monitoring after final rehabilitation has been completed. While this is a positive step, it is too recent to evaluate whether it is being effectively implemented.

RECOMMENDATION 8

To help ensure that final rehabilitation measures at aggregate pits and quarries have been effective, we recommend that the Ministry of Natural Resources and Forestry develop and implement procedures for confirming, at the time of surrender of approvals, that final rehabilitation measures have been successful and have not resulted in any unintended consequences.

MINISTRY RESPONSE

The Ministry of Natural Resources and Forestry (Ministry) acknowledges the importance of ensuring the successful and effective rehabilitation of pits and quarries. The Ministry will review current policy and procedures with respect to the inspection and decision on the surrender of an aggregate site. The Ministry will consider measures to improve how staff determine that final rehabilitation has been completed in accordance with the licensee or permittee's site plan.

4.5.3 TOARC Progressing with Rehabilitation of Legacy Sites on Private Land, but Ministry Not Ensuring Crown Land Legacy Sites Are Rehabilitated

After almost 30 years of the Ministry's and TOARC's work rehabilitating legacy sites, most high-priority legacy sites on private land have been rehabilitated (with the exception of sites where TOARC was not permitted access). By comparison, we found that the Ministry was not ensuring that legacy sites on Crown land have been, or are being, rehabilitated. This does not instil public confidence that the Ministry is effectively fulfilling its role in managing Crown land, which is meant to be used and accessed by all Ontarians.

From 1990—when the Act came into effect—until 1997, the Ministry was responsible for rehabilitating legacy sites. The Ministry created an inventory of sites, and developed a rating system to prioritize sites for rehabilitation, considering public access and safety, environmental risks, size and visibility. For example, high-priority sites might contain unstable slopes, deep water, vertical cliffs and easy public access, while low-priority sites might have more gradual slopes and less public access. In 1997, the Management of Abandoned Aggregate Properties program was created, with TOARC taking over responsibility for rehabilitating legacy sites (see **Section 2.3.3**).

Since the program's creation, 643 legacy sites on over 905 hectares of private land have been rehabilitated. This includes 25 high-priority, 508 medium-priority and 72 low-priority sites, and 20 with no priority rating. As of October 2023, 1,659 files remained open in TOARC's database. This included 22 high-priority, 1,161 medium-priority and 374 low-priority sites, and 102 sites categorized as unknown priority. Despite their priority status, TOARC has stated that it is unable to conduct rehabilitation work on the remaining 22 high-priority sites because the current private landowners refuse to grant TOARC access to the sites.

The Act assigns TOARC responsibility for rehabilitating legacy pits and quarries, but it does not explicitly state that legacy sites on both private and Crown land are included. To date, TOARC has only rehabilitated legacy sites on private land.

In 2018, the regulation under the Act, which sets out how to distribute aggregate fees, was changed to allow a portion of the annual aggregate fees for permittees (for extraction on Crown land) to be put toward the program. Previously, only a portion of the annual aggregate fees for licensees (for extraction on private land) were contributed to this program. However, the Ministry never directed TOARC to expand its efforts, and the Ministry has made no final decision to formally add legacy sites on Crown land to TOARC's rehabilitation responsibilities.

Under the *Public Lands Act*, the Ministry is responsible for managing public, or Crown, land. However, the Ministry has limited records of where legacy sites on Crown land are and has made no attempt to categorize the risk these sites pose to public safety. As noted above, TOARC has an extensive database, which includes some limited information on legacy sites located on Crown land (acquired through both its own work and historical information provided by the Ministry). We were advised by the Ministry that because 30 years have passed since the *Aggregate Resources Act* came into effect, it has assumed that many sites have naturalized and that district offices had previously addressed any safety risks in their areas.

RECOMMENDATION 9

So that risks associated with legacy aggregate sites on Crown land are addressed, we recommend that the Ministry of Natural Resources and Forestry work with The Ontario Aggregate Resources Corporation to:

- update and clarify responsibility for rehabilitating legacy sites on Crown land; and
- identify and assess legacy sites on Crown land, including the level of risk to public safety, and undertake the rehabilitation of any high-risk sites where feasible.

MINISTRY RESPONSE

The Ministry of Natural Resources and Forestry acknowledges the recommendation and, with government direction, will work with The Ontario Aggregate Resources Corporation to clarify roles and responsibilities with respect to identifying and rehabilitating any potentially high-risk abandoned aggregate sites on Crown land.

4.6 Supply and Demand for Aggregates

4.6.1 Ministry Not Verifying Accuracy of Supply Data

We found issues with the quality of the underlying data that is used in studies commissioned by the Ministry to estimate the supply of aggregates in Ontario. We also found that the Ministry did not have a process to verify the accuracy of this data. Having an accurate understanding of the availability of aggregate reserves (unextracted supply), as well as demand and consumption trends for such resources, at the local and regional level is important so that the Ontario government can make informed decisions about how it manages its aggregate resources.

The Act states that the Ministry may, in administering the Act, initiate various studies relating to the supply and demand for aggregates. To assist with gathering this important information, the Ministry previously commissioned five supply and demand studies for aggregates, with the most recent study completed in 2016. The 2016 study focused on the Greater Golden Horseshoe region. Comparing both supply and demand in a particular region, as opposed to the entire province, is important because aggregates are generally sought out as close as possible to where they are needed, which minimizes the impacts of transporting heavy aggregates long distances. The study focused on the Greater Golden Horseshoe region because it has the greatest need for aggregates in the province.

The 2016 study estimated that the region would consume 111 million tonnes of aggregates per year over the next 20 years. It also estimated that the region had reserves of 3,337 million tonnes (545 million tonnes in licensed quarries and 2,792 million tonnes in licensed pits). The estimates in the study appeared to suggest that total available reserves were more than sufficient to meet future demand for the next two decades (2,220 million tonnes).

However, the consultant who conducted the study cautioned against viewing these high-level estimates as a realistic indication of available supply. The consultant noted a high degree of uncertainty with the supply data because of limitations with the information used to estimate the quantity, quality and type of below-ground aggregate resources.

The 2016 study used site plans (which outline the allowable extraction areas and depths of licensed pits and quarries), aerial photos from 2002 (the most recent available at the time), digital elevation data and basic geological information to roughly estimate the amounts and types of aggregate reserves. However, aggregate operators did not participate in the study, which limited the study's ability to fill data gaps with specific site assessments of the types and quality of available reserves at operators' sites. The study also did not involve any field verification (such as taking samples of open site sections or from boreholes drilled in unextracted areas) to evaluate the type and quality of the unextracted aggregate reserves.

The consultant therefore recommended that, in addition to updating estimates with newer information as it becomes available, field verification should be conducted to improve data quality. In January 2023, the Ministry commissioned an updated supply and demand study for the Greater Golden Horseshoe region, to be completed by December 2023. The contract includes plans to use more up-to-date aerial photos and to survey industry members on the different types, amounts and quality of aggregates in their individual reserves. In contrast to the previous study, the Ministry has proactively sought to gain industry support for this study, which has the potential to improve the information it collects about aggregate reserves.

However, we noted that the industry survey was voluntary and, with a goal of providing confidentiality to aggregate operators, anonymous. A voluntary,

anonymous survey with no mechanism to verify the data creates a high risk of incomplete and inaccurate reporting. Instead, there are other ways to obtain higher-quality data while still addressing industry's confidentiality concerns. For example, the Ministry already requires aggregate approval holders to provide TOARC with confidential data on aggregate extraction, which is audited by TOARC and publicly reported at the municipal level, rather than by site. However, the Ministry does not require industry to similarly report data on the unextracted reserves remaining on aggregate sites. Moreover, the contract for the 2023 study also did not include field verification for quality control.

4.6.2 Lack of Publicly Available Supply and Demand Information Contributes to Public Concern

We found that the Ministry was not providing the public and stakeholders with information to create a detailed and accurate picture of aggregate supply and demand. Ontario's Provincial Policy Statement is clear that there is no requirement that demand for more aggregate resources be shown before making more supply available. However, absent information on supply and demand, many stakeholders have concluded that there is an oversupply of aggregates already approved for extraction. This contributes to frequent opposition to proposals for new or expanded pits and quarries. By publishing more detailed and accurate information about aggregate supply and demand, the Ministry could help foster more informed discussions and potentially reduce conflict among industry, community groups, municipalities and other stakeholders.

As discussed in **Section 4.6.1**, the Ministry's most recent (2016) supply and demand study appeared to suggest that available supply in the Greater Golden Horseshoe region (3,337 million tonnes) was more than adequate to meet demand for the next two decades (2,220 million tonnes). However, the study also estimated that only 1,470 million tonnes (44%) of the total reserves were high-quality, but the Ministry did not publish this information online. Ministry staff deemed the full report to be long and very technical, so the Ministry ultimately published only a summary of the report, which did not include an estimate or description of high-quality reserves.

Detailed information about the type and quality of aggregates that are available relative to those in demand is important context. Aggregate materials come in different sizes, shapes and chemical compositions. Different end uses require different types and qualities of aggregate. For example, high-rise developments and highway construction typically only use high-quality concrete and asphalt pavement, which can reduce future maintenance and repair costs. Lower-quality aggregates can be used as base (below the surface) material for roads, and even lower-quality material can be used to backfill holes.

In the absence of detailed supply and demand information, stakeholders turn to other forms of available information. For example, publicly available data on annual extraction tonnage shows that approval holders typically extract less than their maximum allowable annual tonnage limits. This information may be seen to indicate that approved aggregate supply exceeds demand. However, the maximum-allowable annual tonnage is included in a licence or permit to mitigate the impacts of aggregate operations, particularly by limiting local truck traffic; it does not indicate the amount of aggregates available at a site.

In 2022, a coalition of environmental organizations (comprising Environmental Defence, the Council of Canadians, Water Watchers and the Wilderness Committee) called for a moratorium on the approval of new aggregate sites in Ontario, arguing that the Ministry had already approved the extraction of 13 times more aggregate than is actually removed each year and, therefore, that no more pits or quarries are needed. Several municipalities, including those with the highest volume of aggregate extraction in Ontario within their borders (for example, Caledon, Halton Hills and Milton) have also expressed support for a moratorium. The coalition dismisses industry's claim that there is a shortage of high-quality aggregate reserves, pointing to a lack of publicly released data to support it.

RECOMMENDATION 10

To improve public trust, better inform government decision-making, and support more informed discussions with and among stakeholders, we recommend that the Ministry of Natural Resources and Forestry:

- implement processes to obtain accurate and complete data, including on the amounts, types and quality of available supply of aggregates;
- establish a regular interval for updating supply and demand data; and
- regularly publish all non-confidential aggregate supply and demand data online, including information on estimated amounts, types and quality of supply.

MINISTRY RESPONSE

The Ministry of Natural Resources and Forestry (Ministry) agrees with this recommendation. Going forward, the Ministry will retain leading industry engineering consultants, working with the Ministry and industry to implement modern technologies to provide more accurate and complete data on supply. Estimates for the upcoming study have been made using the best available satellite imagery and LiDAR data (laser-derived elevation data) to create reserve estimates for several hundred sites in the Greater Golden Horseshoe. The upcoming supply and demand study is augmented by quality surveys of over 100 individual operations and expands on existing information and data gathered from earlier comprehensive studies.

The Ministry also acknowledges the importance of undertaking regular review of the availability of aggregate resources to meet market demand.

Related to current market demand for aggregate, each aggregate licence and permit is required to report annual production so annual demand is well documented and understood.

The Ministry does undertake supply and demand updates on a regular basis and will continue to do so. In recent years, studies reviewing supply of aggregate and related issues have been published in 2009 and 2016, with another to be completed in 2023. The 2023 study will include a more detailed assessment of aggregate availability on a geographic basis.

The Ministry strives to make all non-confidential information publicly available. The Ministry will generally make all non-proprietary information, including on estimated amounts, types and quality of available supply, available on its website or upon request.

4.7 Recycled Aggregate

Recycled aggregate includes crushed concrete and asphalt pavement that is processed and reused in other building projects. Aggregate recycling can occur within pits and quarries, which are regulated by the Ministry. Recycling can also occur in separate aggregate recycling facilities, which are outside the Ministry's jurisdiction.

Recycled aggregate can, if of sufficient quality, be used in place of virgin aggregate. Its use can reduce the need for new or expanded pits and quarries, and the associated environmental and social impacts of extracting virgin aggregate. Recycling aggregates also diverts construction waste from landfill. However, recycling aggregates within a pit or quarry may also extend the life of an aggregate site, and may result in impacts on neighbours and the environment.

Ontario's Provincial Policy Statement states that aggregate resources must be conserved, including through aggregate recycling, where feasible. While the Ministry does not have the power to increase the use of recycled aggregate in Ontario on its own, it has the lead role in managing the province's aggregates. Accordingly, the Ministry developed a policy in 2007 in which it committed to "encourage the reduction, reuse and recycling of aggregate materials in all facets of its partnerships" with the industry, ministries and others.

4.7.1 Ministry Lacked Accurate Estimates for Recycled Aggregate Use

The Ministry's most recent estimate is that 13 million tonnes of recycled aggregate is used annually, which is equivalent to 7% of Ontario's total aggregate use. However, the Ministry's estimate is for the year 2006, almost two decades ago. The lack of recent data limits the Ministry's ability to assess trends on recycled aggregate supply and use, and its ability to make informed aggregate management decisions.

The consultant that provided the 2006 estimate to the Ministry warned that Ontario lacked a methodology or system to effectively track the use of recycled materials. The consultant recommended an approach for the government that included developing guidelines on how and what materials to track, creating an online database for public agencies (such as municipal governments) to input information on their recycled aggregate use, and reporting annually to promote the benefits of aggregate recycling.

In 2018, the Ministry developed a plan to survey aggregate operators to gather data on recycled aggregate imported and exported from their sites. However, that work did not proceed after a change in government in 2018.

In April 2021, the Ministry started to require approval holders with new aggregate recycling operations to report on the amount of recycled material leaving their sites. However, this reporting requirement excludes the vast majority of sites where aggregate recycling actually occurs. The requirement does not apply to sites that were approved to recycle aggregates before April 2021, or to sites where aggregates are recycled external to a pit or quarry. As a result, only 1,000 tonnes of recycled material were reported in 2022. This reported value is 0.01% of the Ministry's 2006 (most recent) estimate of annual recycled aggregate use in Ontario.

At the time of our audit, the Ministry was commissioning a supply and demand study update (see **Section 4.6**). However, the contract for this study did not include work to update data on recycled aggregate as a source of supply. This omission reflects the Ministry's focus on meeting Ontario's aggregate demand through approvals of new pits and quarries, rather than through alternatives such as recycling.

RECOMMENDATION 11

To make informed decisions regarding recycled aggregate, we recommend that the Ministry of Natural Resources and Forestry work with other relevant ministries to:

- implement a system to track major sources of recycled aggregate supply and use in Ontario; and
- regularly report publicly on summarized results.

MINISTRY RESPONSE

The Ministry of Natural Resources and Forestry (Ministry) acknowledges the recommendation and will share it with the other ministries that are involved in the usage of recycled aggregate off a licensed aggregate pit or quarry. It is important to note that recycling of aggregate does not need approval under the *Aggregate Resources Act* to occur outside of a pit or quarry (e.g., sites with municipal approval to recycle).

The Ministry will explore the feasibility of tracking recycled aggregate on pits or quarries. However, requiring operators to undertake reporting of recycled material at each site would result in additional regulatory burden to the industry, and would only report on a portion of aggregate recycling that occurs in Ontario.

4.7.2 Low Fees for Extracting Virgin Material Provide Little Incentive to Use Recycled Aggregate

In some jurisdictions, governments charge fees for the extraction of virgin aggregate but not for the production of recycled aggregate, which can help make the use of recycled aggregate more cost-effective by comparison. While Ontario does charge fees only on virgin aggregate extraction, we found that the fees were not

high enough to provide a significant financial incentive to use recycled aggregate instead.

Multiple factors influence the cost of recycled aggregate, and therefore its economic competitiveness compared to virgin aggregate. For example, purchasing recycled aggregate from a source close to where it will be used can reduce transportation costs compared to trucking virgin aggregate from a distant pit or quarry. Conversely, rigorous processes to remove contaminants and ensure quality control can render recycled aggregate more expensive than virgin materials.

A 2022 study commissioned by the Toronto and Area Road Builders Association analyzed the potential benefits of using recycled aggregate in infrastructure projects. The study estimated that the cost to deliver virgin "Granular A" aggregate to make roads and parking lots in four sites in the Greater Toronto Area would be $22–$24 per tonne. It also estimated that recycled aggregate could potentially be $8 per tonne cheaper (that is, cost $14–$16 per tonne) if transportation costs could be reduced by sourcing these materials closer to the project rather than using virgin material from pits or quarries farther away. Although the avoidance of paying aggregate fees could be considered another benefit of using recycled aggregate, the study's authors did not even mention this potential benefit. Ontario's aggregate fees comprised only about 1%–3% of the estimated purchase cost of virgin aggregate in the study.

The United Kingdom (UK), by contrast, has a much higher extraction fee to encourage the use of recycled, rather than virgin, aggregate. The 2023 UK fee for virgin aggregate is equivalent to about $3.20 per tonne, approximately 14 times higher than what Ontario collected for extracting virgin aggregate in 2023 ($0.23 per tonne). The explicit objectives of the UK fee are to address the environmental costs associated with quarry operations, cut demand for virgin aggregate, and encourage the use of alternative materials where possible. While a number of factors may contribute to the UK's higher recycling rates, it is noteworthy that the use of recycled aggregate in the UK (making up roughly 25% of total aggregate use) is more than three times higher than Ontario's estimated 7%.

4.7.3 Ministry Has Made Little Progress in Addressing Barriers to Recycled Aggregate

Despite Ministry commitments to encourage the use of recycled aggregate, we found that the Ministry had made little progress addressing the barriers preventing a greater uptake of recycled aggregate among consumers.

There are several barriers that limit the use of recycled aggregate, including technical ones. For example, virgin aggregate is typically preferred for high-performance applications, such as rut-resistant asphalt, because it provides greater assurance that high-quality standards will be met. There are also concerns that recycled aggregate can be contaminated with foreign materials, which can affect the safety and performance of the recycled aggregate. For example, metal rebar and other demolition waste can be mixed in with the crushed concrete.

Another barrier is resistance by some users of aggregate that stems from a lack of information or education. Several studies have highlighted a need for more education and promotion in this area. For example, in 2009, a Ministry consultant found little support for the use of recycled aggregate by municipalities and recommended continuing education on the benefits of recycled aggregate. In 2018, the Toronto and Area Road Builders Association commissioned a survey of 25 municipalities and found that municipal policies often prohibit or severely limit the use of recycled aggregate in construction projects. The survey found that performance and reliability were the municipalities' main considerations. The Association concluded that there is an opportunity to encourage municipalities to realize the benefits of using more recycled aggregate. The Association suggested that municipalities can learn from each other and the Ministry of Transportation, which uses recycled aggregate for highways.

A further barrier relates to concerns raised by some stakeholders about the process of recycling aggregates within pits and quarries. A lack of data that evaluates the risks of recycling within aggregate sites, and an absence of best practices to address any such risks, contributes to these concerns.

Despite past commitments to encourage aggregate recycling and provide education, the Ministry has made very little progress. In 2007, the Ministry committed to "encourage the reduction, reuse, and recycling of aggregate materials in all facets of its partnerships with the public, the aggregate industry and other key ministries." In 2014, the Ministry reaffirmed that education and information are the strongest tools to increase the acceptance and use of recycled aggregate materials. However, in 2019, the Ministry's internal review of its aggregate recycling policy noted that "no guidance documents or other records [from the Ministry were] found that would indicate any initiative by the ministry to educate stakeholders or to promote the benefits of recycling aggregates."

In May 2023, during the course of our audit, the Ministry established a multi-stakeholder working group to share information on recycled aggregate. As part of its role, the group is to help identify barriers and inform the development of best practices and policies to support access to, and the use of, recycled aggregate in Ontario. The group plans to meet four times over six months; it first met in June 2023 and identified issues to discuss at the three future meetings. Although these meetings are an important first step, further action will be required to remove barriers identified by the working group.

RECOMMENDATION 12

To support the increased use of recycled aggregate and responsible recycling processes, we recommend that the Ministry of Natural Resources and Forestry work with stakeholders to develop and implement a plan to reduce educational, informational and financial barriers and establish best practices for the production and use of recycled aggregate.

MINISTRY RESPONSE

The Ministry of Natural Resources and Forestry (Ministry) acknowledges this recommendation and is working with the Ministry of Transportation, the Ministry of the Environment Conservation and Parks, and the Ministry of Municipal Affairs and Housing to explore barriers to recycled aggregate usage in Ontario. Based on the outcome of this, the Ministry will work with other relevant ministries and stakeholders to develop a plan to reduce barriers and establish best practices.

4.8 Approvals for Aggregate Licences and Permits

4.8.1 Late or Absent External Technical Reviews Mean Some Important Factors May Not Be Considered

An important part of the application process is the external review of the application and associated technical reports by other agencies with specialized expertise to assess and comment on the potential impacts of the proposed new pit or quarry. Many agencies (such as the local municipality, conservation authority and partner ministries) are sent the application, and their comments can provide valuable input for the Ministry. In particular, the Ministry relies on the expertise of the Ministry of the Environment, Conservation and Parks (Environment Ministry) on protecting species at risk, and the expertise of the Ministry of Agriculture, Food and Rural Affairs (Agriculture Ministry) on conserving agricultural land. We reviewed a sample of applications and found, however, that these expert reviews were not done consistently. Without a consistent approach, important factors included in the technical reports, such as protecting species at risk and preserving agricultural land, may not be reviewed and commented upon by the appropriate agencies for all approvals.

The external review process begins with applicants sending their application, including the relevant technical reports (see **Appendix 7**), to all applicable

agencies for review and comment. Any agency that wishes to comment on the application must do so within the prescribed 60-day consultation time frame. The applicant must then work to address these comments, including revising the application and site plan. Comments that are not submitted within the prescribed time frame do not have to be addressed by the applicant (unless the application is ultimately forwarded to the Ontario Land Tribunal, which has discretion to consider comments made outside the formal comment period). The applicant then submits a final information package to the Ministry that indicates how it has attempted to address all comments received.

We reviewed a sample of 15 final information packages from applications that were approved in 2022, and examined whether the Environment Ministry (Species at Risk Branch) and the Agriculture Ministry (Policy Division) reviewed and provided comments within the prescribed consultation period. We found, however, that these expert reviews were not done consistently, and important factors were not properly considered or addressed in some approvals.

Species at Risk Considerations

We found that in four (or 27%) of the 15 information packages, the Environment Ministry did not respond at all to the applicant's request to review the application for concerns about species at risk, such as endangered or threatened species. In another six (or 40%) packages, the Environment Ministry responded to the request after the 60-day consultation deadline. In these six cases, the Environment Ministry responded an average of 184 days (six months) after the consultation deadline, ranging from 26 to 455 days late.

In addition to the request for the Environment Ministry's review through the aggregate application process, every site that identifies habitat of threatened or endangered species also triggers a review by the Environment Ministry under the *Endangered Species Act, 2007* to ensure that proposed operations do not harm the species or their habitat. While operations will therefore still be reviewed by the Environment Ministry through the *Endangered Species Act, 2007* process, many concerns about species at risk can be addressed by modifying the site plan conditions during the aggregate application process. When comments are not provided on the application, or are provided long after the legislated deadline and well into the period in which applicants are making changes to address the feedback received, the opportunity to improve a proposed application and site plan based on expert input is more likely to be missed.

Agricultural Considerations

Similarly, applicants must circulate their aggregate application to the Agriculture Ministry where the applicant has either submitted an Agricultural Impact Assessment report, or has proposed aggregate operations on prime agricultural land (having the highest quality and capability for agriculture) and does not intend to restore the land to the previous soil quality. We reviewed all five final information packages from 2022 that were sent to the Agriculture Ministry for comment. We found that in two (or 40%) of the five packages, the Agriculture Ministry did not respond to the request for comments at all, and in one (20%) of the packages, the Agriculture Ministry commented 123 days (four months) after the consultation period ended.

Unlike the review of species at risk, which is triggered for all applications that identify habitat of threatened or endangered species, the only time an applicant must attempt to address agricultural comments is if they are raised during the consultation period. Therefore, if the Agriculture Ministry misses the consultation deadline or does not respond to application review requests, applications for operations that will degrade agricultural land may be approved without any conditions to minimize impacts.

RECOMMENDATION 13

So that important expert input from other agencies is incorporated into aggregate licences and permits to mitigate the negative impacts from proposed new aggregate pits and quarries, we recommend that the Ministry of Natural Resources and Forestry work with the Ministry of the Environment,

Conservation and Parks; the Ministry of Agriculture, Food, and Rural Affairs; and any other commenting agencies to ensure a full review of aggregate licence and permit applications within the prescribed timelines.

MINISTRY RESPONSE

The Ministry of Natural Resources and Forestry (Ministry) agrees that expert input from reviewing agencies is an important input to the development of a new aggregate authorization. Earlier this year, the Ministry engaged with staff from both the Ministry of the Environment, Conservation and Parks and the Ministry of Agriculture, Food and Rural Affairs to explain the aggregate approval process in detail and outline the importance of commenting within the required timelines. The Ministry is committed to exploring further opportunities with these ministries, as well as any other commenting agencies who express an interest in better understanding how to participate in the approvals process, to ensure a full review of aggregate licence and permit applications within prescribed timelines.

4.8.2 Cumulative Impacts Not Taken into Consideration in Approvals

Some areas in Ontario—such as the Townships of North Dumfries and Puslinch and the Town of Caledon—are naturally rich in aggregate deposits and therefore have multiple licensed pits and quarries in close proximity. For example, we visited an area in Cambridge during our audit that had 11 pits located within 2.8 kilometres of one another. The siting of multiple pits and quarries together can have cumulative (or combined) negative impacts on surrounding communities, local roads, and ecosystems (such as a loss of local natural areas) beyond the individual impacts of any one site alone. We found, however, that the Ministry does not have guidelines or processes for staff to consider the cumulative impact of multiple nearby aggregate operations when issuing approvals for new aggregate licences or permits.

British Columbia, by contrast, takes cumulative effects into consideration before approving new aggregate pits and quarries. British Columbia has a framework on cumulative impacts that provincial staff use to assess each new project across the natural resource sector—including aggregate operations—in the context of its combined or additive environmental, social and economic effects.

While the Ministry has not developed a provincial framework for assessing the cumulative impacts of aggregate operations, it has worked on developing two site-specific guidelines:

- In 2010, the Ministry collaborated with the Grand River Conservation Authority and the Ontario Stone, Sand & Gravel Association to develop best practice guidelines for addressing cumulative effects of new below-water aggregate operations in priority areas within the Grand River watershed. However, these guidelines are geographically limited to the cumulative effects of aggregate operations on water quality and quantity in this particular area. Moreover, as they are only best practices and not required as part of the approval considerations, Ministry staff do not take them into consideration when issuing aggregate approvals in this watershed.
- In December 2022, the Ministry formed a working group to develop a framework on cumulative impacts that Ministry staff can use to assess applications for new aggregate pits and quarries on the Saugeen Peninsula (also known as the Bruce Peninsula). As part of this, the Ministry has been working with the Saugeen Ojibway Nation to determine whether aggregate operations are having a cumulative adverse impact on traditional values and treaty rights. At the time of our audit, the Ministry was working on an internal draft report on the status of black bears on the peninsula and how they are affected by various development activities, including aggregates. The Ministry told our Office that this report will inform future discussions on how to consider the cumulative impacts of aggregate development on black bear populations.

A provincial cumulative impacts framework could provide guidance and processes for Ministry staff to consider the additive impacts of an additional aggregate operation within an area (beyond the regular consideration of impacts on an individual site basis) when issuing a licence or permit. Such a framework could provide the Ministry with a fair and defensible approach for working with applicants to incorporate, as needed, more stringent conditions or restrictions in site plans and licences or permits—such as lower daily maximum tonnages to limit truck traffic, reduced extraction depths, or increased dust control or noise mitigation measures—to address the cumulative impacts imposed by a new or expanding operation on the environment and neighbours in an already heavily burdened area.

RECOMMENDATION 14

To minimize the cumulative impacts of aggregate pits and quarries on the environment and nearby communities, we recommend that the Ministry of Natural Resources and Forestry develop a framework to incorporate consideration of cumulative impacts of aggregate operations when making decisions on new or amended approvals.

MINISTRY RESPONSE

The Ministry of Natural Resources and Forestry (Ministry) acknowledges the recommendation and will continue exploring approaches, including the development of a framework, to consider cumulative impacts in decision-making.

The Ministry will continue its work to understand the cumulative impacts of aggregate extraction activities on Aboriginal and Treaty rights in the review of permit and licence applications.

The Ministry also acknowledges that land-use planning conducted by municipalities is an effective way to address the cumulative impacts of various development activities, including aggregates, on the environment and nearby communities and First Nations. The Ministry will continue to encourage interested parties to participate in municipal planning processes to guide where aggregate resource development may be permitted to occur.

As part of the application process under the *Aggregate Resources Act*, there are technical reports, prepared by qualified professionals, that must support an application. These reports look at potential impacts to the environment and the community. These include planning and land-use considerations, haulage routes and truck traffic, a cultural heritage report, noise assessment, natural environment impact assessment and a hydrogeological report, which includes an impact assessment when the potential for impacts exist.

The Ministry has made regulatory changes under the *Aggregate Resources Act* to strengthen environmental protections through enhanced studies and source water protection, and require additional reporting for site rehabilitation, which help assess cumulative impacts.

4.8.3 Better Ministry Oversight of Self-Filed Amendments Needed

In September 2020, Ontario Regulation 244/97 under the Act was amended to allow applicants to amend their site plans or licences without Ministry approval for six different types of lower-risk changes (such as changing the type of fencing or updating contact information following the transfer of an approval to a new holder) provided that certain eligibility criteria are met and specified conditions are followed. The self-filed amendment process provides an opportunity to increase efficiencies and reduce administrative burdens for both industry and Ministry approvals staff. However, we identified gaps in the Ministry's oversight, which needs to be improved before the self-filed amendment process is further expanded.

Self-filed amendments can be submitted via a designated Ministry email address or the Natural Resources Information Portal. They do not require Ministerial approval, as long as the change is within the list of permitted activities. We found that self-filed amendments

submitted to the Ministry were only periodically monitored by Ministry staff and were not consistently reviewed to ensure they met the permitted list of changes set out in the regulation. We reviewed all self-filed amendments submitted to the Ministry in 2022, and found that 35 (or 48%) of the 73 submissions were not permissible. For example, impermissible self-filed amendments that were submitted included changes to the setback distance (the distance extraction will occur from the licence boundary), alterations to the rehabilitation plan, and a request for a licence surrender. Each of these proposed amendments were not permissible for the self-filed process, and should have undergone staff review and approval. According to the Ministry, it does not take any steps to verify self-filed amendments, and instead relies on the attestations of applicants that their submissions comply with the regulation. As such, the Ministry has neither confirmed whether operators implemented any of their self-filed changes, nor taken steps to prevent them from doing so.

Additionally, we found that another three (or 4%) of the 74 submissions did not contain required information—a completed self-filed amendment form and an updated site plan. This means that Ministry staff were unable to conclude whether the proposed activity qualified as a self-filed amendment. The Ministry internally identified that self-filed amendments should be reviewed to prevent impermissible activities from being submitted as self-filed amendments. However, the Ministry had not yet implemented any such process, and told us it believes the attestation process is sufficient.

The Ministry initiated the self-filed amendments approach in September 2020 in an effort to improve the efficiency of its approvals program. Prior to the regulatory amendment, the Ministry had 292 amendment applications waiting to be processed in June 2020. However, an internal Ministry review in 2022 found that the initial list of six allowable types of self-filed amendments did not yield significant efficiencies. Ministry staff therefore recommended that additional lower-risk activities be added to the regulation to reduce burden on staff and improve efficiencies for operators. In August 2023, the Ministry changed O. Reg. 244/97 to expand the list of self-filed amendments to include the following five additional site plan changes: import materials for recycling where processing facilities have already been approved; change the location of entrances and exits; add, remove or change the location of above-ground fuel storage tanks; allow portable processing equipment on site; and allow portable concrete or asphalt plants on site for public road authority projects.

RECOMMENDATION 15

To ensure compliance with Ontario Regulation 244/97 under the *Aggregate Resources Act*, we recommend that the Ministry of Natural Resources and Forestry create and implement a system to review all submitted self-filed amendments to ensure the proposed activities are permissible.

MINISTRY RESPONSE

The Ministry of Natural Resources and Forestry (Ministry) acknowledges the recommendation and will explore options to develop and implement a process to audit the submissions and quality of amendments without approvals (self-filed amendments) submitted by the regulated community.

To ensure a consistent approach across all districts with respect to the receipt of amendment without approval submissions, the Ministry will continue to develop and provide training to ensure staff have the required knowledge to perform their duties and initiate appropriate compliance actions and follow up on aggregate licensees and permittees who submit an ineligible or improperly completed amendment without approval form.

4.9 Information Systems and Policies

4.9.1 Ministry's Outdated Information Systems Make It Difficult for Staff to Execute Duties and for Applicants to Track Submissions

The Ministry uses paper records, five different information systems (see **Figure 19**) and Excel spreadsheets to deliver different aspects of the aggregate resources program. The databases are limited in their ability to share information, which makes it challenging for Ministry staff to execute their duties.

The existing Aggregate Licence and Permit System (ALPS), which contains basic information about individual sites, lacks the ability to track the progress of applications for new licences or permits, amendments, transfers and surrenders. The system is more than 30 years old and does not offer the functionality that the current approvals program requires. Because of the limitations of ALPS, Ministry approvals staff currently rely on four different non-integrated spreadsheets to track the progress of applications.

The Aggregate Site Inspection Application (ASIA) database, which has been in use since 2012, is primarily used by staff at the district level to record inspection reports. It also includes digital site plans. However, it does not record or track the use of other compliance

Figure 19: Ministry of Natural Resources and Forestry Aggregate-Related Information Systems

Prepared by the Office of the Auditor General of Ontario

Information System	Details
Aggregate Licence and Permit System (ALPS) Implemented in 1992	• Internal database used by Ministry to manage approved licences and permits. Includes: · contact information of approval holders; · site locations; and · some compliance activities (e.g., suspended and revoked sites). • Ministry can perform queries internally for information on existing and historical sites.
Aggregate Site Inspection Application (ASIA) Implemented in 2012	• Internal database used by site inspectors in district offices to store compliance and inspection records for aggregate operations. Ministry staff use it to: · generate inspection reports; · generate province-wide inspection summary reports; and · store digital site plans. • Ministry can filter/prioritize sites for inspection based on risk categories (e.g., extraction depth, berms and setbacks).
Natural Resources Information Portal (NRIP) Implemented in 2021	• Publicly accessible online application system. • Aggregate operators use it to submit compliance assessment reports. The goal is to eventually allow them to: · submit a new approval application or amend an existing approval; and · monitor the status of their submission. • Ministry uses Excel spreadsheets to track applications internally, but is working to move this function, and all other functions, to NRIP for internal use.
NICHE Records Management System	• Used by the Enforcement Branch to manage cases of non-compliance referred to it by documenting: · occurrences of non-compliance; · progress of investigations; and · outcomes of prosecutions.
Pits and Quarries Online	• Publicly accessible online tool that provides information on licensed and permitted pits and quarries, including: · licensee/permittee name; · location; · type of operation (i.e., pit or quarry); and · maximum allowable annual tonnage.

tools, such as warnings or rehabilitation orders, or the status of compliance.

Furthermore, these databases are not integrated. In fact, the Ministry does not have any centralized database that contains all information about each aggregate pit and quarry, including site plan and approval documentation, as well as compliance and enforcement data. Until recently, aggregate approvals (and all supporting documentation such as site plans) were paper-based and stored at district offices. As of September 2023, the information relating to 26% of active licences and permits has been scanned and digitized. This means, for example, that when approvals staff review applications for an amendment, they must request paper records from district offices and search shared folders for digitized documents, including email correspondence. They must also review ASIA to see an applicant's most recent site plan.

In January 2021, the Ministry made a commitment to issue all approvals, including those for aggregates, through the Natural Resources Information Portal (NRIP), a publicly accessible online application system that was implemented that year. The Ministry started integrating elements of the aggregate approvals process into NRIP in 2021. At the time of our audit, however, aggregate approval holders were able to use NRIP only to submit their annual compliance assessment reports. The Ministry plans to integrate other aggregate program functions, including the information contained in both ALPS and ASIA, into NRIP and aims to complete the integration by 2026/27.

Ideally, Ministry staff and applicants would be able to log into NRIP and view application details and transaction history, and applicants would also be able to submit the documentation required for each approval. Currently, applicants submit the required documentation by email and the only notification they receive is an automatic reply that the documents have been received, with no information provided on next steps or timelines.

RECOMMENDATION 16

To deliver the services of its aggregate program more efficiently, we recommend that the Ministry of Natural Resources and Forestry integrate all existing approval information, as well as compliance information, into the Natural Resources Information Portal in a timely manner.

MINISTRY RESPONSE

The Ministry of Natural Resources and Forestry agrees and is prioritizing the integration of aggregate approval and compliance information in future development of the Natural Resources Information Portal.

4.9.2 Out-of-date Policies Cause Confusion and Delays in the Approvals Process

The Ministry's out-of-date policies and procedures manual has contributed to delays in issuing aggregate approvals, and has left stakeholders confused about the applicable rules.

The Ministry's Aggregate Resources Policies and Procedures Manual (manual), which is posted on the Ministry's website, provides guidance to Ministry staff on how the Act is to be implemented. As well, aggregate operators, members of the public, and other stakeholders rely on this manual—along with information on the Ministry's website—to understand the regulatory framework.

Despite its importance, however, the manual has not been updated as a whole in almost 20 years. In most cases, individual policies and procedures date back to 2006 and do not include the recent regulatory changes made in September 2020, April 2021, and January 2022. Significantly, some of these changes, such as allowing applicants to self-file some types of amendments, are not included in the manual.

Internally, the Ministry has identified that the manual is one of the most important resources applicants use during the application process, but that it

is currently failing to meet applicants' needs because it lacks clear and up-to-date information. This outdated information increases the amount of time that aggregate specialists—the Ministry staff that process approvals—spend addressing applicants' questions during the approvals process. The Ministry is currently updating the manual with an expected completion date of 2025, although the Ministry has noted that this timeline may change as Ministry priorities evolve.

RECOMMENDATION 17

To provide clearer guidance to staff about how to implement the *Aggregate Resources Act*, and to applicants about their obligations during the application process, we recommend that the Ministry of Natural Resources and Forestry update all sections of the Aggregate Resources Policies and Procedures Manual by 2025, and release updated sections as completed.

MINISTRY RESPONSE

The Ministry of Natural Resources and Forestry (Ministry) agrees with this recommendation and has identified a number of priority policies to be updated in a phased approach. The first batch of these policies will be released in the near future for public and industry comment and review before finalizing. Other policies have been identified by the Ministry for update in subsequent stages of the manual update. Updated policies will be released once the consultation process is completed. Given the number of policies requiring revision due to program and legislative change, the review and update of the Policies and Procedures Manual may extend beyond March 2025.

4.10 Ministry Lacked Performance Measurement Framework for Aggregate Program

We found that the Ministry had not developed a performance measurement framework for its aggregate program. These frameworks outline processes to collect, analyze and report on a program's performance and whether it is achieving its intended outcomes. Without such a framework, decision-makers and the public cannot determine how effectively the Ministry is managing aggregate resources.

The Treasury Board Secretariat has provided guidance to all ministries emphasizing the importance of developing key performance indicators and targets to track performance, report on progress and drive continuous improvement. For over a decade, the Secretariat has encouraged ministries to develop performance measurement frameworks.

It is a best practice to establish and collect information on performance measures that show whether current actions are working and targets are being met. For Ontario's aggregate resources program, such measures would help inform what corrective actions need to be taken to deliver the program in an efficient and effective manner, while at the same time minimizing the impact of aggregate operations on the environment and nearby communities.

Our audit found that, since the 2019/20 fiscal year, the Ministry has had one key performance indicator that pertains to a service standard of determining, within 20 calendar days of receipt, whether application requirements have been met for aggregate licence applications. Apart from this one key performance indicator, the Ministry had not established a performance measurement framework or any other performance indicators to measure outcomes of the aggregate program as they relate to the purposes of the Act. These could include indicators that measure the effectiveness of the Ministry's regulation of aggregate operations (such as overall compliance rates), the rehabilitation status of excavated land, and the frequency of adverse impacts on the environment.

RECOMMENDATION 18

To assess the effectiveness of its aggregate program at achieving intended objectives, improve public transparency about the impacts of aggregate

operations on the environment and nearby communities, and to drive continuous improvement, we recommend that the Ministry of Natural Resources and Forestry:

- develop a performance measurement framework for its aggregate program, including meaningful, measurable, and outcome-based performance indicators with targets and timelines; and
- regularly report to the public on the status of these performance indicators and targets.

MINISTRY RESPONSE

The Ministry of Natural Resources and Forestry (Ministry) agrees that a performance measurement framework would be helpful to assess and report on the effectiveness of the aggregate program. As a first step, the Ministry is committed to updating our policies and procedures and the information management systems that will improve how we collect and evaluate aggregate program data. As progress is made to implement **Recommendations 16** and **17**, the Ministry will explore opportunities to develop performance measures that include targets, timelines and a mechanism to provide status reports to the public.

Appendix 1: Glossary

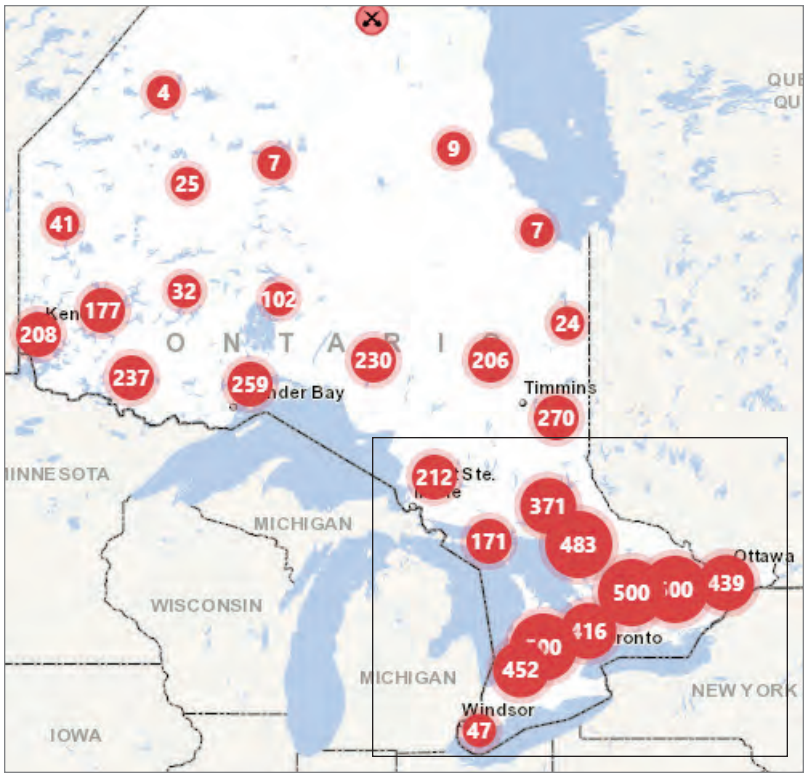
Prepared by the Office of the Auditor General of Ontario

Aggregates	Gravel, sand, limestone, granite, or other rock that is excavated with the purpose of building things such as roads, highways, schools and hospitals, as well as making other products such as toothpaste and glass.
Aggregate approvals	The umbrella term for aggregate licences and aggregate permits.
Aggregate licence	An approval for a pit or quarry issued under the *Aggregate Resources Act* allowing for the excavation of aggregates on privately owned property. Licences are broken out into either Class A (for removal of more than 20,000 tonnes of aggregates annually) or Class B (for removal of 20,000 tonnes or less of aggregates annually).
Aggregate permit	An approval for a pit or quarry issued under the *Aggregate Resources Act* allowing for the excavation of aggregates that are Crown property, on land where the surface rights are Crown property, or from land under water.
Aggregate Licence and Permit System	A Ministry database that contains information relating to the management of aggregate extraction, and is used for issuing licences and permits across the province.
Compliance assessment report	An annual report that aggregate operators must submit to the Ministry that assesses their compliance with the *Aggregate Resources Act*, regulation, their site plan and the conditions of their approval.
Cement	Product made by heating various aggregates, such as limestone, shale, clay and crushed rock, at extremely high temperatures and then grinding the resulting substance to a fine powder. When mixed with water, it creates a paste, which is the primary ingredient to make concrete.
Concrete	Product made by combining aggregates (usually sand and gravel or crushed stone) with a paste made from water and cement. When the cement/water mixture hardens, it binds the aggregates into a rock-like mass. Concrete is the most widely used building material in the world.
Dormant site	A pit or quarry that is still subject to a valid licence or permit under the *Aggregate Resources Act* (i.e., the approval has not been revoked or surrendered), but where extraction is no longer occurring.
Legacy site	A pit or quarry where operations stopped before the *Aggregate Resources Act*, which requires a licence or permit, came into effect. These sites were abandoned and left unrehabilitated.
Pit	A location where loose aggregates such as sand or gravel are being or have been excavated. Excavation from pits occurs through digging.
Production report	An annual report that aggregate operators must submit to The Ontario Aggregate Resources Corporation that sets out the quantity and type of aggregate extracted and removed from a site in each month during the previous year. Approval holders that received their approval after April 1, 2021, must also report the amount of recycled aggregate removed.
Progressive rehabilitation	The rehabilitation of disturbed land in phases as extraction continues elsewhere within a site. Progressive rehabilitation is required by the Act, and the phases and order in which they are to be completed must be set out in the site plan. Licence or permit conditions may also outline further requirements.
Quarry	A location where solid aggregates such as limestone or granite are being or have been excavated. Quarries are located at the surface of the land (rather than underground) and are rarely deeper than 30 metres. Excavation from quarries occurs through blasting.
Recycled aggregate	Used cement, concrete or asphalt, or construction or demolition waste, debris or by-products, that has been reclaimed and processed for reuse in other building projects, in place of virgin aggregates. Recycled aggregates are used to make various new construction materials, such as asphalt and concrete for roads and sidewalks.

Rehabilitation	Treatment of land from which aggregates have been excavated so that the use or condition of the land is restored to its pre-excavation condition or use, or to a condition compatible with the use of adjacent land.
Reserves	In-ground aggregate resources that can be readily accessed.
Revoked licence or permit	An approval that has been rescinded by the Minister of Natural Resources and Forestry. Under the *Aggregate Resources Act* the Minister may revoke an approval for various reasons, including: a contravention by the approval holder of the Act, regulation, site plan or condition; or the insolvency of the approval holder.
Royalty	A payment made to the Crown in recognition of the extraction of aggregates owned by the Crown. Under the *Aggregate Resources Act*, the minimum royalty is set at 50 cents/tonne, and increased annually to account for inflation. The Minister of Natural Resources and Forestry may set a higher rate or may allow exemptions.
Site plan	A legally binding document that contains the applicant's contact information, geographic information for the site, maps, and details relating to: • existing site features; • site operations; • rehabilitation plans; and • cross sections of the site. The Ministry of Natural Resources and Forestry has established standards that outline all required information.
Surrendered licence or permit	An approval that has been voluntarily relinquished by an approval holder. The Minister of Natural Resources and Forestry may accept the surrender if satisfied that the approval holder has paid all required annual fees, and has completed final rehabilitation of the site.
The Ontario Aggregate Resources Corporation	A corporation that performs several duties on behalf of the Ministry of Natural Resources and Forestry as outlined in an indenture between itself and the Ministry, including collecting and disbursing aggregate fees, rehabilitating legacy pits and quarries, and collecting and reporting extraction statistics.

Appendix 2: Location and Number of Pits and Quarries in Ontario

Source: Ministry of Natural Resources and Forestry

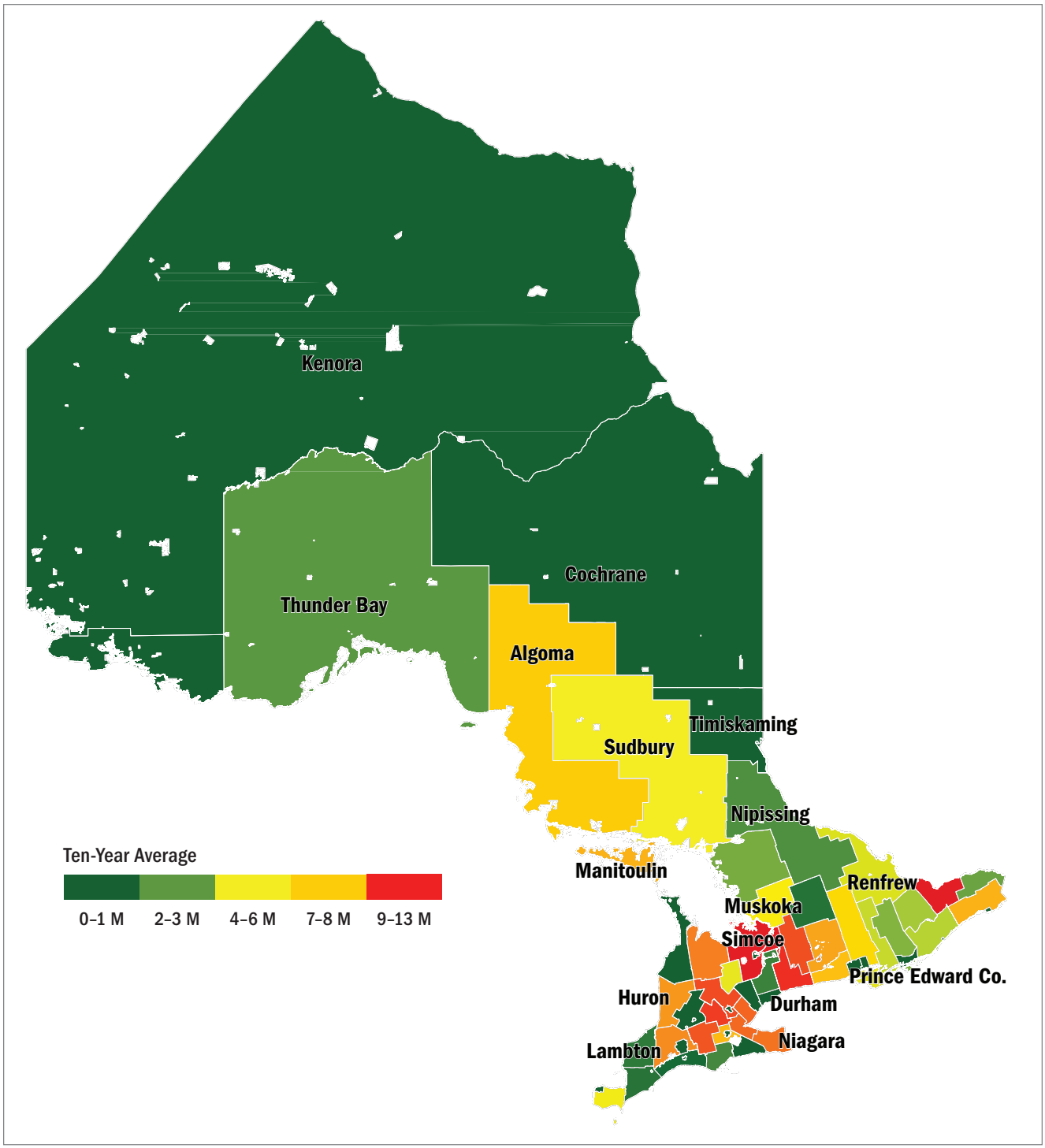


Southern Ontario



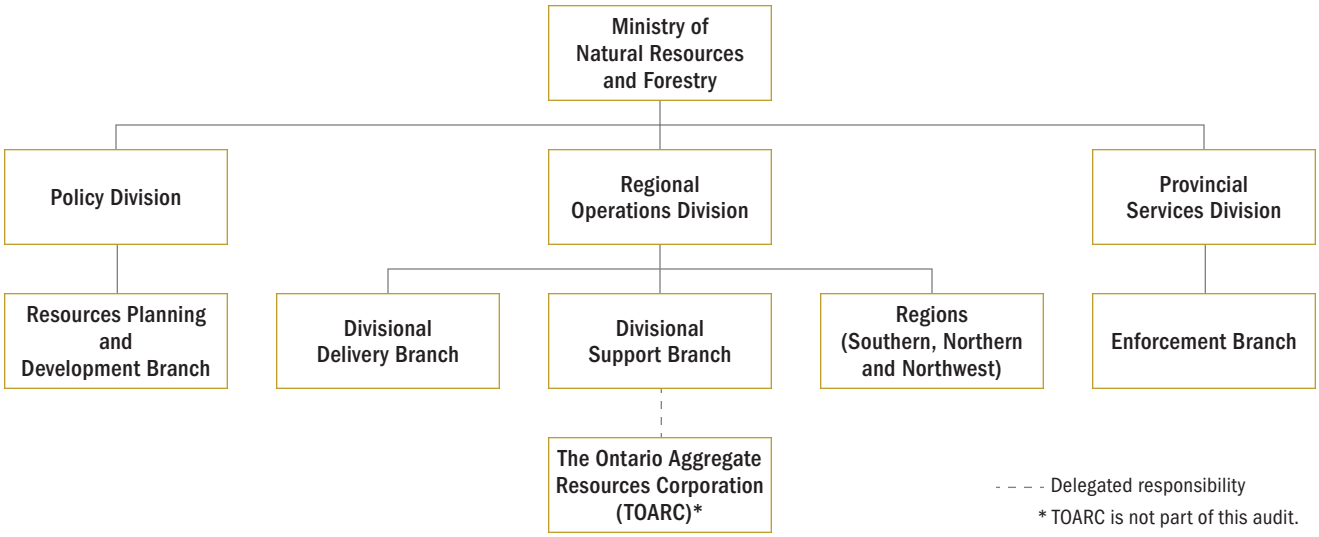
Appendix 3: Ten-Year Average of Annual Extraction by Licensed Operators, by Upper Tier Municipality, 2013-2022 (millions of tonnes)

Source of data: The Ontario Aggregate Resources Corporation



Appendix 4: Entities Involved in the Oversight of Aggregate Resources

Prepared by the Office of the Auditor General of Ontario



Policy Division	Develops policies, programs, regulations and legislation to manage Ontario's natural resources, including aggregates.
Resources Planning and Development Branch	Resources Development Section provides policy analysis, advice, and interpretation related to aggregates management.
Regional Operations Division	Implements policies and delivers programs related to natural resources, including aggregates, across Ontario.
Divisional Delivery Branch	Aggregates Section reviews and approves new aggregate licences and permits, and authorizes changes to existing approvals and surrenders of approvals.
Divisional Support Branch	Provides support for other branches, including data collection, digital services and program co-ordination.
Regions	District offices across the three regions inspect and oversee compliance at licensed and permitted sites, and refer cases of non-compliance to the Enforcement Branch, as necessary.
Provincial Services Division	Oversees a range of province-wide services, including: aviation, forest fire and emergency services; fish and wildlife services; and enforcement.
Enforcement Branch	Investigates cases of non-compliance and pursues charges and convictions.
The Ontario Aggregate Resources Corporation	• Acts as trustee of the Aggregate Resources Trust. • Rehabilitates legacy aggregate sites and unrehabilitated sites where the approval has been revoked. • Collects and disburses aggregate fees and royalties. • Collects and publishes statistics on aggregate extraction. • Conducts research and education on aggregates.

Appendix 5: Laws and Land-Use Plans that Provide Additional Direction* for Siting Aggregate Operations

Prepared by the Office of the Auditor General of Ontario

***Planning Act* (Provincial Policy Statement, 2020)**
To establish a legislative framework for provincial land-use planning, with which all municipalities and other approval authorities must comply. The Provincial Policy Statement provides specific policy direction on matters related to land-use planning and development, including the siting of aggregate pits and quarries.

States that aggregate resources are to be:

- identified and protected for long-term use;
- made available as close to market as possible, and that a demonstration of need for aggregates (including any type of supply/demand analysis) shall not be required, regardless of the availability of other local aggregate resources;
- extracted in a manner that minimizes social, economic and environmental impacts; and
- conserved, including through aggregate recycling, where feasible.

Requires progressive and final rehabilitation in order to recognize the interim nature of extraction, allow for subsequent land uses, and mitigate negative impacts.

***Greenbelt Act, 2005* (Greenbelt Plan, 2017)**
To permanently protect land around the Greater Golden Horseshoe, including to protect against the loss and fragmentation of agricultural land, and give permanent protection to the natural heritage and water resources that sustain ecological and human health.

- Prohibits new aggregate pits and quarries in significant wetlands, significant woodlands, or in the habitat of endangered or threatened species, in the Greenbelt's Natural Heritage System (with exceptions). Sets out enhanced final rehabilitation requirements for pre-existing aggregate operations.
- Sets out a maximum allowable disturbed area limit for new aggregate operations in the Greenbelt's Protected Countryside, and requires pre-existing operations to rehabilitate any disturbed area that exceeds this limit.
- Sets out additional criteria for applications for new aggregate operations in the Greenbelt (e.g., requires applicants to demonstrate how the connectivity between key natural heritage features and key hydrologic features will be maintained).

***Niagara Escarpment Planning and Development Act* (Niagara Escarpment Plan, 2017)**
To provide for the maintenance of the Niagara Escarpment and land in its vicinity as a continuous natural environment, and to ensure only such development occurs as is compatible with that natural environment.

- Prohibits aggregate pits and quarries in 76% of the area covered by the Niagara Escarpment Plan.
- In the two areas where pits and quarries are allowed—the Escarpment Rural Area (23%) and the Mineral Resource Extraction Area (1%)—requires an additional development permit and plan amendment (for operations extracting more than 20,000 tonnes annually) from the Niagara Escarpment Commission.

***Oak Ridges Moraine Conservation Act, 2001* (Oak Ridges Moraine Conservation Plan, 2017)**
To protect the ecological and hydrological integrity of the Oak Ridges Moraine Area.

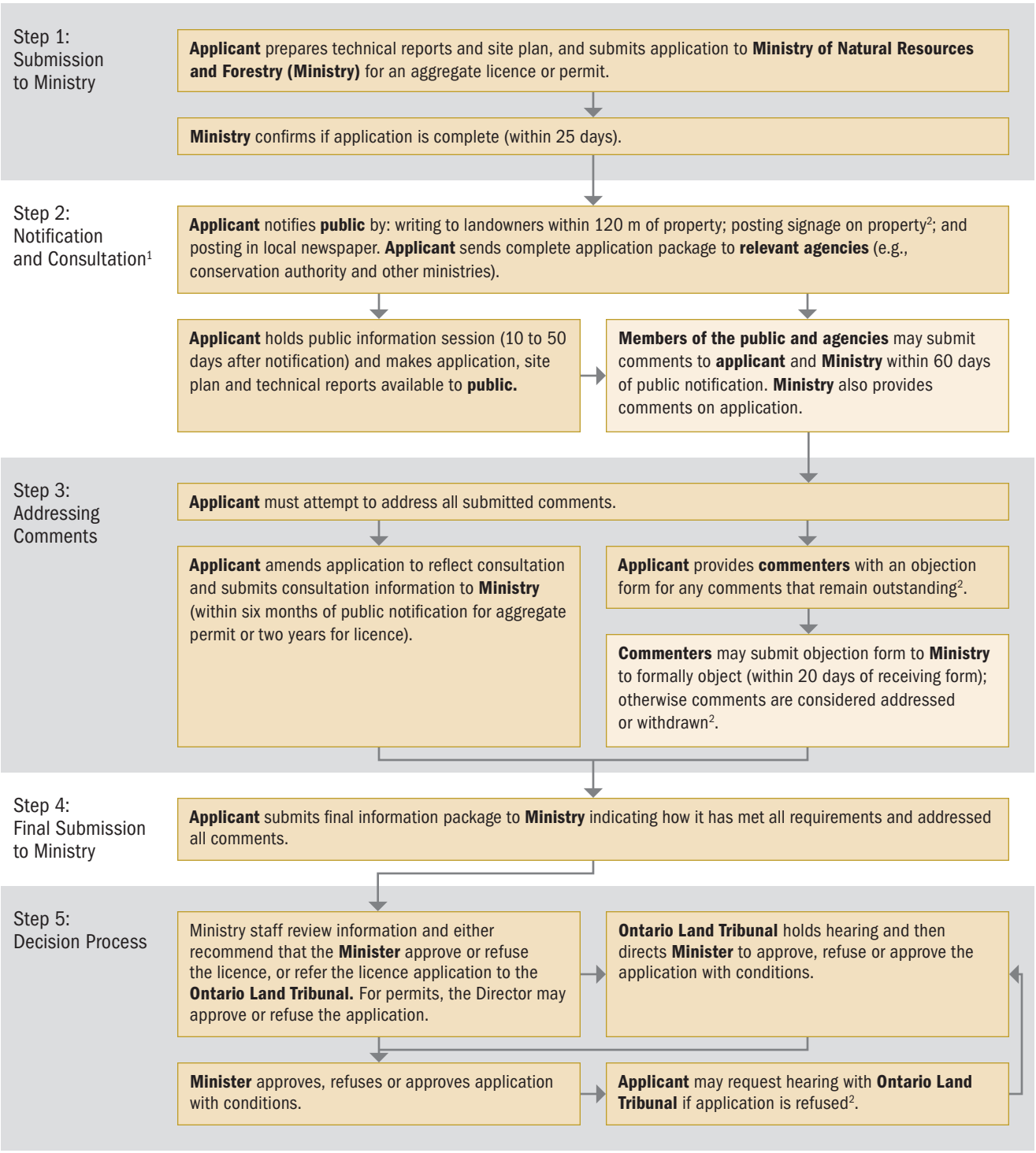
- Prohibits new aggregate pits and quarries in 46% of the area covered by the Oak Ridges Moraine Conservation Plan (Natural Core Areas and Settlement Areas).
- Allows aggregate extraction in 24% of the area (the Natural Linkage Areas), but not below the water table.
- Allows aggregate extraction below the water table in the remaining 30% of the area (Countryside Areas).
- Sets out strict rehabilitation requirements for the allowed aggregate operations.

***Places to Grow Act, 2005* (A Place to Grow: Growth Plan for the Greater Golden Horseshoe, 2020)**
To support the development of complete communities with access to transit, employment, and a variety of housing.
• Establishes policies restricting the location of new and expanded aggregate operations, and policies affecting the rehabilitation of aggregate sites within the Greater Golden Horseshoe.
Provincial Parks and Conservation Reserves Act, 2006
To permanently protect a system of provincial parks and conservation reserves.
• Prohibits aggregate extraction in any provincial park or conservation reserve.

* Prohibitions and restrictions in legislation (and supporting land-use plans) that limit the siting of aggregate operations are implemented through the adoption of municipal official plans.

Appendix 6: Process to Obtain a New Aggregate Licence or Permit

Prepared by the Office of the Auditor General of Ontario



1. As licences and permits are prescribed instruments under the *Environmental Bill of Rights, 1993*, the Ministry is also required to conduct a separate consultation process pursuant to that law.
2. These steps apply to aggregate licences only (not to aggregate permits).

Appendix 7: Site Plan and Technical Report Requirements for Applications for New or Amended Aggregate Approvals

Prepared by the Office of the Auditor General of Ontario, based on the requirements set out in the Ministry of Natural Resources and Forestry's Aggregate Resources of Ontario Standards

Applications for New Approvals

Site plan: Gives background information about existing site features prior to extraction, operational information about the proposed site, and information about how a site is to be extracted (such as phasing, depth and types of equipment). It is the primary instrument used for administering the *Aggregate Resources Act*. Must include:

- mitigation measures to be taken, where potential impacts have been identified;
- monitoring programs to be followed, where recommended by technical reports or to address concerns raised;
- areas to be avoided and protected;
- map of the proposed location; and
- proposed progressive and final rehabilitation plans.

Summary statement: Depending on the application type, the summary statement may include background and operational information, rehabilitation plans, and hauling routes to/from the site.

Technical reports and information: Gives technical and operational information to help assess the environmental and social impacts on the proposed site area. Depending on the proposed application, may require technical reports on the following:

- maximum predicted water table;
- natural environment (including impacts on habitat of endangered or threatened species);
- cultural heritage;
- agricultural impact assessment;
- water report (for extraction below the water table);
- noise assessment; and/or
- blast design.

Applications for Prescribed Significant Amendments to Approvals (see Appendix 9)

Technical reports and information: Gives technical information to help assess the environmental and social impacts of the proposed significant amendment.

- Applicants seeking to lower the depth of extraction below the water table must submit:
  - a water assessment;
  - a natural environment assessment;
  - planning and land use considerations; and
  - source water considerations.
- Applicants seeking to expand into an adjacent road allowance must submit:
  - a water assessment (if extracting below the water table);
  - a natural environment assessment;
  - a cultural heritage assessment;
  - an agricultural assessment;
  - planning and land-use considerations; and
  - source water considerations.

Appendix 8: Ministry of the Environment, Conservation and Parks Approvals that May be Required for Aggregate Operations

Prepared by the Office of the Auditor General of Ontario

Endangered Species Act, 2007
To identify and protect species at risk (e.g., endangered and threatened species) and their habitats, and promote the recovery of species that are at risk.
• Aggregate operators must meet conditions to mitigate the impacts of pits and quarries on endangered and threatened species (e.g., prepare and implement a mitigation plan; prepare and provide an annual report on the operation's effects on identified species at risk).
• For certain endangered species (named in regulation under the Act), the Environment Ministry may require a permit if an aggregate project or activity is expected to have an impact on the species or its habitat.
Environmental Protection Act
To provide for the protection and conservation of the natural environment.
• Aggregate operators must obtain an Environmental Compliance Approval for any air and noise emissions.
• Establishes guidelines for excess soil brought into aggregate operations.
Ontario Water Resources Act
To provide for the conservation, protection and management of Ontario's waters and for their efficient and sustainable use.
• Aggregate operators wishing to take or remove more than 50,000 litres of water per day (e.g., to pump water out of a quarry) must obtain a Permit to Take Water.
• Aggregate operators must obtain an Environmental Compliance Approval if discharging any wastewater back into the environment.

Appendix 9: Types of Aggregate Approval Amendments

Prepared by the Office of the Auditor General of Ontario

Type of Amendment	Description	Examples	Amendment Process
Prescribed significant amendments	Two specific types of major changes as set out in the *Aggregate Resources Act*.	• Lowering the extraction from above to below the water table. • Expanding a licence boundary into an adjacent road allowance.	• Applicants must follow the same application process as for new approvals (see **Appendix 6**). • Applicants must submit additional technical reports (see **Appendix 7**).
Other significant amendments	Major changes to a site plan or approval document that would significantly alter the operation or rehabilitation of a site, other than the two prescribed significant amendments.	• A change in maximum annual tonnage. • A significant change to the progressive or final rehabilitation plans. • A change that will increase potential negative impacts to natural heritage features.	• Approval from the Ministry is required. • Applicants must first notify and consult with other ministries, agencies and municipalities that have a direct interest in the proposed change. Must also notify neighbouring landowners if they are potentially affected by the proposed change. • Technical reports may need to be submitted to support proposed changes.
Non-significant amendments	Changes to a site plan or approval document that would not significantly alter the operation or rehabilitation of the site.	• Changes to location of gates and fencing. • Changes to final slopes or grading during rehabilitation.	• Ministry approval is required. • Notification and consultation procedures are not required (however, the Ministry may require notification and consultation if it determines the change is significant).
Self-filed amendments	Small or routine types of changes to a site plan only (as set out in the regulation).	• Updating the name and contact information of an approval holder following the transfer of an approval. • Changing the type of fencing.	• Does not require review or approval by the Ministry, provided specific conditions are met (e.g., annual fees are up to date). • Approval holder must provide a copy of the amended site plan to the Ministry.

Appendix 10: Compliance and Enforcement Options

Source of data: Ministry of Natural Resources and Forestry's Aggregate Compliance Handbook

	Description/Features	Issued By	Best Used For
Warning	• More informal process; can be written or verbal	Aggregate inspector	• Very minor infractions (e.g., minor over-tonnage) • First-time offence
Inspection report	• Issued after a site inspection • Lists non-compliance issues identified by inspector, with remedial action dates	Aggregate inspector	• Minor violations • No immediate need to cease activities
Rehabilitation order	• Outlines specific rehabilitation work to be done within specified time frame	Aggregate inspector	• Where progressive or final rehabilitation has not been performed in accordance with site plan
Inspector's order for compliance	• Written direction ordering an operator to rectify a violation within specified time frame, or to stop extraction from an illegal site and require rehabilitation	Aggregate inspector	• Illegal operations • Moderate violations, or violations that have not been rectified following a warning or inspection report
Notice of suspension	• Requires operator to stop operations, effective immediately • Creates strong incentive to correct a violation	Aggregate inspector	• Any serious violation where there is an immediate need to stop the activity or obtain compliance on site
Charge	• Charges for minor offences can be in the form of a ticket with a fine of up to $750 • Charges for more significant offences can result in a court prosecution and, if found guilty, a fine of up to $1,000,000 plus $100,000 for each day the offence occurs or continues • Court prosecutions can also result in a court order to rectify a violation	Conservation officer	• Illegal operations • When there has been non-compliance with previous notices or orders • Serious violations that warrant "an overall message to the industry"
Notice of revocation	• Order that revokes a licence or permit • Provides a final resolution	Minister (licences) or District manager (permits)	• When pit or quarry has been abandoned or owner/operator declares bankruptcy • Violations where past charges and enforcement tools have had no effect • When rehabilitation is not the primary concern

Appendix 11: Audit Criteria

Prepared by the Office of the Auditor General of Ontario

1. The Ministry of Natural Resources and Forestry (Ministry) reviews applications for new and amended aggregate approvals and makes approval decisions in an efficient and effective manner and in accordance with the requirements and purposes of the *Aggregate Resources Act*, regulation, standards and policies.
2. The Ministry's operating requirements are sufficient to minimize the local impacts of aggregate operations on surrounding communities and the environment.
3. The Ministry has effective inspection and enforcement processes in place to ensure compliance by aggregate operators with the *Aggregate Resources Act*, and relevant regulations, policies, permits and licences.
4. The Ministry has timely, complete and accurate information about Ontario's aggregate resources to inform decision-making related to managing aggregate resources sustainably. The Ministry publicly reports on such information.
5. The Ministry has processes to ensure that The Ontario Aggregate Resources Corporation complies with, and performs, all responsibilities in an effective and efficient manner as outlined in the Act, the regulation, the Indenture Agreement and its Memorandum of Understanding.
6. Through its own operations and oversight of The Ontario Aggregate Resources Corporation, the Ministry ensures that land from which aggregates have been excavated is effectively restored to its former use or condition, or is changed to another use or condition that is or will be compatible with the use of adjacent land.
7. The Ministry encourages the environmentally and socially responsible production and use of recycled aggregate.
8. The Ministry establishes meaningful performance targets related to the delivery and effectiveness of its aggregate resource program, and measures and publicly reports on progress toward targets.

Ministry of Tourism, Culture and Sport

Metropolitan Toronto Convention Centre and Ottawa Convention Centre

1.0 Summary

A convention centre is a space designed to hold large-scale events such as conferences, trade shows, consumer shows, corporate events, as well as food and beverage events like banquets or wedding receptions. A typical convention centre is made up of exhibition halls, meeting rooms and ballrooms, and may also offer amenities like hotels, restaurants and on-site parking.

While convention centres can be owned and operated by private entities, many belong to and/or are operated by municipal and provincial governments. In Ontario, there are two provincial convention centres—the Metropolitan (or Metro) Toronto Convention Centre (MTCC), in Toronto, and the Ottawa Convention Centre (OCC, or Shaw Centre), in Ottawa. They operate as individual Crown agencies overseen by the Ministry of Tourism, Culture and Sport (Ministry). Both centres are located in the downtown area of their respective cities, giving convention delegates easy access to transportation, hotel accommodations, restaurants, tourist attractions and other amenities.

Governments usually operate convention centres for the purpose of stimulating economic activity in their regions, creating employment opportunities, spurring economic growth and generating tax revenue. Events held at MTCC and OCC attract delegates from across Canada, the United States and around the world. During their visit, these delegates have an economic impact on the region by spending on transportation, accommodation, dining and entertainment, and by visiting tourist attractions. Delegates who come from farthest away tend to have the greatest economic impact because they tend to stay longer and spend more money.

Excluding the two years of the COVID-19 pandemic, over the past decade the two centres combined to generate, on average, an estimated $600 million in economic impact per year. Their combined average annual operating profits totalled about $20 million. Client satisfaction surveys from the past 10 years showed that almost all respondents rated their overall experience at MTCC and OCC positively. This included event planners as well as exhibitors.

Our audit found that the two centres were focusing on attracting events that made profit rather than attracting events that promoted and developed tourism in their regions. For its part, the Ministry did not properly oversee the centres to ensure they were operating in a way that best achieved their mandate. A strategic focus on promoting and developing tourism is likely to generate more economic impact for the province.

We also noted that, in the aftermath of the COVID-19 pandemic, the two centres were finding it difficult to bring back events; future bookings for conventions were down by about 50% from their pre-pandemic levels. The Ministry had asked the government in 2022 and 2023 to fund incentives to help attract large-scale convention centre events to Ontario. However, the government did not approve the funding, citing other priorities. In contrast, provincial

governments in British Columbia and Quebec have chosen to finance such incentives to help their convention centres in their post-pandemic recovery.

Ministry of Tourism, Culture and Sport

These were some of our observations related to the Ministry:

- **Ministry oversight of provincial convention centres did not ensure that the centres were operating in full alignment with their legislative mandate.** Legislation mandates each centre operate "in a manner that will promote and develop tourism and industry in Ontario." Being profitable is not mentioned in the legislated mandates. However, we found that often it was an event's profitability, not its role in promoting or developing tourism (to generate economic impact), that both centres largely focused on when determining how much to bid to win the opportunity to host an event. In 2016, a Ministry consultant who reviewed the provincial convention centres' mandate advised the Ministry that, if the centres focused on events that were commercially successful (profitable), they could end up generating less economic impact for Ontario. Despite this, the Ministry did not take any steps to ensure that economic impact was being maximized by the centres.
- **Millions of dollars in potential economic impact have been lost while the centres focused on their individual profitability.** We found that, since 2018, the centres had collectively lost the opportunity to host 97 events (78 at OCC and 19 at MTCC) because the centres had set their bid prices too high to host events, aiming to achieve greater profitability.
  - For MTCC's 19 lost events, eight coincided with the two fiscal years in which COVID-19 pandemic lockdowns occurred, which made it harder to find replacement events over the same time period. Of the remaining 11 events which occurred either before or after the pandemic lockdowns, MTCC was unable to book replacement events for four of them. These four events were estimated by Destination Toronto (a destination marketing organization that focuses on promoting tourism in Toronto who managed the bidding for these events on behalf of MTCC) to have had an economic impact of approximately $27 million.
  - Of the 78 events that OCC lost, 29 coincided with the two fiscal years when the pandemic lockdowns occurred, so we removed them from our analysis. We found that for 15 of the remaining 49 events, OCC was unable to book any other event. According to OCC, these 15 events had the potential to generate an estimated economic impact of about $25 million.

  Overall, therefore, MTCC and OCC missed the opportunity to generate an estimated $52 million in additional economic impact for the province.

Provincial Convention Centres

We found that, generally, both MTCC and OCC effectively managed their operations and facilities, satisfied the expectations of their clients and maintained economic efficiency. MTCC consistently received positive feedback from its clients, with 95% of survey respondents between 2013/14 and 2022/23 rating their experience positively. Meanwhile, OCC's client satisfaction ratings from 2013/14 to 2022/23 were also very good, with event planners giving, on average, a score between 4.5 and 5 each year out of 5 on client satisfaction surveys.

Nevertheless, we noted that both centres faced challenges in attracting large-scale events.

Metro Toronto Convention Centre

- **MTCC no longer had enough contiguous space to host the largest conventions and trade shows that could come to Toronto.** Among a sample of comparable North American convention centres, MTCC ranked 18 out of 21 in terms of the size of its contiguous rentable space (space that is adjoining, with no obstructions or

gaps). According to one estimate, it did not have enough space to host 27% of conventions and trade shows that could come to Toronto. This lack of contiguous space has resulted in 20 international conventions that were formerly held at MTCC relocating to other convention centres. These international events, which together had approximately generated an estimated $490 million in economic impact for Ontario, have effectively outgrown MTCC.

- **MTCC was sometimes not selected as a venue because of a lack of available hotel rooms in downtown Toronto.** A lack of available and/or affordable hotel rooms in downtown Toronto has resulted in MTCC losing bids to host events. We identified 23 such instances for events that were bid on, but lost, between 2017 and 2019. These events were estimated as being able to generate approximately $344 million in economic impact for the province. We noted that some municipal and state governments in the United States have taken proactive measures to build hotels or incentivize them to be built near convention centres.
- **The Ministry's decision on a redevelopment plan proposed by MTCC remained outstanding.** As a result of the relative lack of contiguous space and nearby availability of hotel rooms, in 2019, MTCC proposed plans to redevelop the centre, which included expanding the size of available event space to capture more of the large-scale convention market as well as building 2,500 to 3,000 hotel rooms connected to the facility. Leadership at MTCC presented preliminary redevelopment plans to the Ministry in 2019 and provided an update in 2021 and, at the time of our audit, had not received any direction regarding the possibility of redeveloping the centre at the existing location.

Ottawa Convention Centre

- **A lack of direct flights to Ottawa resulted in OCC losing bids to host international conventions.** We found seven instances where OCC was unsuccessful in its bid to host an event to be held between 2022 and 2026 because of the relative scarcity of direct flights to Ottawa. It is estimated that these events would have brought nearly $25 million in economic impact to the province. According to a 2020 survey of event planners (completed prior to the COVID-19 pandemic), about 40% of planners rated flight access to Ottawa as "average or poor." The planners ranked Ottawa 25 out of 40 North American cities for flight access, behind cities such as Pittsburgh, Portland and Phoenix. We found that as of August 2023, flights in and out of Ottawa were still down by about 27% from their pre-pandemic levels, with international flights down by 53%.
- **Ottawa's decline in activity in its downtown core has reduced the city's appeal to event organizers.** Event planners we spoke to informed us that when evaluating an event destination, one important criterion was the vibrancy of the destination, a measure which includes a city's restaurants, attractions, cultural offerings and its "walkability" in relation to the convention centre. According to information from the Canadian Chamber of Commerce, an association that advocates for the needs of businesses, as of June 2023, foot traffic to Ottawa's downtown (where OCC is located) was still nearly 34% below its pre-pandemic, January 2020 level. By comparison, other tracked Canadian municipalities were down about 9%, on average.

This report contains 10 recommendations, with 28 action items, to address our audit findings.

Overall Conclusion

Our audit concluded that the Metro Toronto Convention Centre (MTCC) and Ottawa Convention Centre (OCC) were not operating in a manner to best achieve their legislative mandates. The two centres were making operational decisions that favoured their own

financial interests rather than the promotion and development of tourism (which generates economic impact) for the province. Further, the Ministry of Tourism, Culture and Sport (Ministry) did not properly oversee the two centres to ensure they were directly pursuing their legislative mandates.

We also concluded that while the Ministry supported the provincial convention centres with over $40 million during the COVID-19 pandemic to maintain their operations, the provincial convention centres have not been adequately supported in their recovery from the COVID-19 pandemic. As of June 2023, future bookings for conventions at both convention centres had declined by nearly 50% compared to their pre-pandemic levels. Despite this downturn, and in contrast to some other Canadian jurisdictions, the government of Ontario did not approve the Ministry's proposed incentive program aimed at attracting large-scale events, including conventions.

We concluded that, generally, the Ministry had not provided clear direction to the provincial convention centres as to how to address other recent challenges impacting their ability to maintain themselves as international-class convention centres. MTCC faced challenges related to its aging facility. Particularly, its layout and the size of its exhibit and meeting spaces were not meeting the needs of large-scale events. As well, securing enough hotel rooms for event attendees was a problem. MTCC had proposed redevelopment of the centre to the Ministry, and was awaiting a response. OCC was impacted by a significant decline in direct international flights to Ottawa, down by about 53% from pre-pandemic levels. While governments in other jurisdictions were actively working with airlines to increase flight frequency, the Ministry was not providing support in this regard.

We concluded that, generally, both MTCC and OCC effectively managed their operations and facilities, satisfied the expectations of their clients and maintained economic efficiency. MTCC consistently received positive feedback from its clients, with 95% of survey respondents between 2013/14 and 2022/23 rating their experience positively. Meanwhile, OCC's client satisfaction ratings from 2013/14 to 2022/23 were also very good, with event planners giving, on average, a score between 4.5 and 5 out of 5 on client satisfaction surveys each year.

Finally, we concluded that the Ministry required MTCC and OCC to track and measure performance indicators and the centres publicly reported on those. While MTCC and OCC reported on numerous performance metrics and generally achieved their performance targets, we noted that MTCC's economic impact target was relatively less ambitious than its revenue growth target and OCC did not start setting a target for the economic impact generated by the centre until 2018/19.

OVERALL MINISTRY RESPONSE

The Ministry of Tourism, Culture and Sport (Ministry) appreciates the work of the Office of the Auditor General of Ontario and welcomes the recommendations to help build on the success of our convention centres, and the economic impact they provide for Ontario.

The government is focused on rebuilding the economy and creating good jobs for Ontarians. The Metro Toronto Convention Centre and the Ottawa Convention Centre are agencies of our ministry and important economic generators for the cities of Toronto and Ottawa. When people attend events at convention centres they directly and indirectly support jobs and surrounding businesses, such as hotels and restaurants.

The Auditor General's recommendations provide useful feedback to help the Ministry and our convention centres work together to create even greater benefits for the province. We will work with these recommendations and explore opportunities to help our convention centres attract more and larger events, while maximizing the economic impact generated for the province.

OVERALL METRO TORONTO CONVENTION CENTRE RESPONSE

We wish to express our sincere gratitude to the Office of the Auditor General of Ontario for providing us with the opportunity to review this report.

We acknowledge and embrace the recommendations made in your report, particularly those pertaining to the capital improvement process, the resolution of our marshalling yard requirement, and improving event-delegate and staff safety, such as through the concept of a convention district. These recommendations resonate with our mission, and we are fully committed to their effective implementation. We are also aware that certain recommendations are directed towards the Ministry of Tourism, Culture and Sport (Ministry), and we recognize their potential indirect impact on our operations. To ensure a seamless and successful implementation, we are eager to collaborate closely with the Ministry and other relevant stakeholders, including working with Ottawa Convention Centre (OCC), Destination Toronto and Ottawa Tourism to perform an analysis of convention centre incentive-based programs across North America.

Collaboration and open communication with the Ministry is pivotal in ensuring that our strategies are well-aligned with its vision and goals. We are committed to working closely with the Ministry because that facilitates a unified approach that benefits not only MTCC and OCC but also the larger community by driving economic and cultural growth. Your recommendations are essential steps in this direction, and we look forward to their implementation.

OVERALL OTTAWA CONVENTION CENTRE RESPONSE

The Ottawa Convention Centre is pleased with the overall content of this report and we thank the Office of the Auditor General of Ontario for its time and work. It has shed light on the challenge of providing economic impact while maintaining a state-of-the-art building and meeting a debt repayment obligation.

Delivering economic impact to the city of Ottawa and the province of Ontario is the Ottawa Convention Centre (OCC)'s objective. We know that when the centre is full of national and international conventions our hotel partners, local retailers, restaurants and other ancillary businesses benefit from new money brought to our destination.

As a for-profit operating entity with an obligation to repay a $1 million debt in perpetuity to the Ontario Financing Authority (OFA) as well as an obligation to maintain a world-class convention centre through ongoing upgrades, replacement and enhancement to capital assets, it is difficult for the centre to deliver solely on economic impact and still fulfill its financial obligations each year. We fully support the recommendation that the Ministry work with OCC's management and the OFA to determine if any changes are needed to OCC's annual $1 million payment, including whether funding could be prioritized for capital repairs when necessary.

Management appreciates that the Office of the Auditor General of Ontario made data-driven assessments of the OCC's operations and sales and marketing initiatives. It is important to note that while details in this report on our lost business due to high costs are accurate, some of these costs can be outside of our direct control, such as the cost of lodging and air travel for event attendees.

We are pleased the audit recognizes the International Association of Convention Centres' APEX Best Convention Centre in the World Award in 2020 and our high and consistent customer service scores. Management was recognized as good operators of the business and adhering to proper business practices.

2.0 Background

2.1 The Purpose of Convention Centres

A convention centre is a space designed to hold large-scale events (often involving thousands of people) such as conferences, trade shows, consumer shows, corporate events, as well as food and beverage events like banquets or wedding receptions. A typical convention

centre is comprised of exhibition halls, meeting rooms and ballrooms, and may also offer amenities like hotels, restaurants and on-site parking.

Convention centre events typically generate two types of financial impact: profits for the venue and economic impact for the local economy. Privately owned convention centres are run for the purpose of generating profits for the owners. Governments, however, usually develop and operate convention centres for the purpose of stimulating economic activity in their respective regions, creating employment opportunities, spurring economic growth and generating tax revenue. Convention centres in Ontario play a significant role in attracting delegates from across Canada, the United States and around the world. These delegates contribute to the local economy by spending on transportation, accommodation, dining and entertainment and by visiting tourist attractions. This cash infusion to the local economy is known as economic impact.

2.1.1 Calculating the Revenue and Economic Impact of Convention Centre Events

Revenue refers to funds received by the convention centre, through what the client spends on items such as venue rent, food and beverage purchase, Internet access and security. On the other hand, economic impact is a measure of the dollar impact of an event on its local and regional economy overall, not just spending at the centre. This impact includes direct spending by event delegates in the broader community, such as spending on hotels, restaurants, transportation (such as flights and taxis), retail shops, entertainment and tourist attractions. The event would also indirectly contribute to economic impact as a result of the increased demand for goods and services. For instance, as a result of convention attendance, local hotels and restaurants may hire more staff, purchase additional supplies or order more food, thus stimulating economic impact in these sectors and their related supply chains. Lastly, salaries and wages paid to those who work in industries that benefit from direct delegate spending go on to spend their wages in their communities, creating additional economic impact for the region. The total amount of all of this spending is known as economic impact.

Convention centres use specialized tools to calculate the economic impact of the events they host in Ontario. In the 1980s, the Ministry of Tourism, Culture and Sport developed the Tourism Regional Economic Impact Model (TREIM), a specialized analytical tool and methodology to assess and quantify the economic impact of tourism-related activities, including those held at convention centres. A web version of TREIM was made available in 2005 so that tourism stakeholders (including convention centres) could calculate the economic impact that would come from hosting a prospective event. TREIM is widely used in the tourism sector of Ontario.

The current version of TREIM relies on data from various sources to analyze and calculate the economic impact of tourism in Ontario. For example, it includes information from Statistics Canada's 2011 Census and National Household Survey, providing details on employment, income, population and housing across the region. Subsequent to 2011, additional census surveys have been conducted by Statistics Canada that are not reflected in TREIM. Other provinces (such as Nova Scotia) use the same sources of national tourism data (such as those compiled by Statistics Canada) that TREIM does when calculating the economic impact of tourism in their regions.

2.1.2 Economic Impact of Large-Scale International Events

In general, events that bring the greatest number of delegates who travel the farthest distance can create the most economic impact. These delegates are more likely to spend on transportation, accommodations, dining, entertainment and visiting tourist attractions than local delegates. The furthest-travelling delegates are also more likely to bring their family and extend their stay at the event destination beyond its conclusion. In 2019, Statistics Canada found that international convention delegates spent an average of $1,528 per person per visit, compared to $758 spent by Canadian convention delegates from outside of Ontario

Figure 1: Direct Spending in Ontario Generated per Convention Delegate per Visit in 2019

Source of data: Statistics Canada

	Origin of Delegate		
Average Spending ($)	**Ontario**	**Canada**	**International**
Transportation	110	279	515
Accommodation	119	311	687
Food and beverage	82	139	229
Recreation/entertainment	18	17	25
Retail/other	20	12	72
Total	**349**	**758**	**1,528**

Note: Data is for 2019, the most recent year of review. The total economic impact generated by visitors is greater than their direct spending, as economic impact also includes all the indirect impacts that this spending generates, such as the number of jobs supported, including full-time, part-time, seasonal and temporary employment, which then generates wages and salaries. Direct spending also does not capture all the federal, provincial and municipal taxes generated.

and only $349 by convention delegates within Ontario. **Figure 1** provides details of direct spending in Ontario generated per convention delegate, per visit, in 2019.

Also, international and national convention delegates bring new money into the province. Convention delegates who already live here are likely to spend their money on other activities in the province, in the absence of a convention event, so the impact from local delegates amounts to "recycled spending"—taking spending from one sector of the provincial economy and giving it to another. Large government-owned, operated and/or controlled convention centres generally target delegates who come from outside their province so that genuinely new spending underpins the economic impact of the events they hold.

Figure 2 depicts the general relationship of event types and delegate origin location with their respective economic impact potential, including whether new or recycled spending is generated. For instance, in general, international conventions draw a larger number of international delegates to the host destination when compared to events focused on food and beverage, such as banquets, which tend to draw local visitors. This is one reason why international conventions generate significant economic impact for the host destination.

Large-scale conventions are usually held by the biggest Canadian, American and international professional and trade associations and organizations. As these events have the potential to make significant contributions to the local economy of the host, there is significant competition among convention centres around the world to host such events. For example, a large-scale convention for an international medical research association, held in Toronto in 2016, was attended by about 5,600 delegates who generated $1.1 million in revenue for the Metro Toronto Convention Centre and added an estimated $18 million in economic impact to the provincial economy.

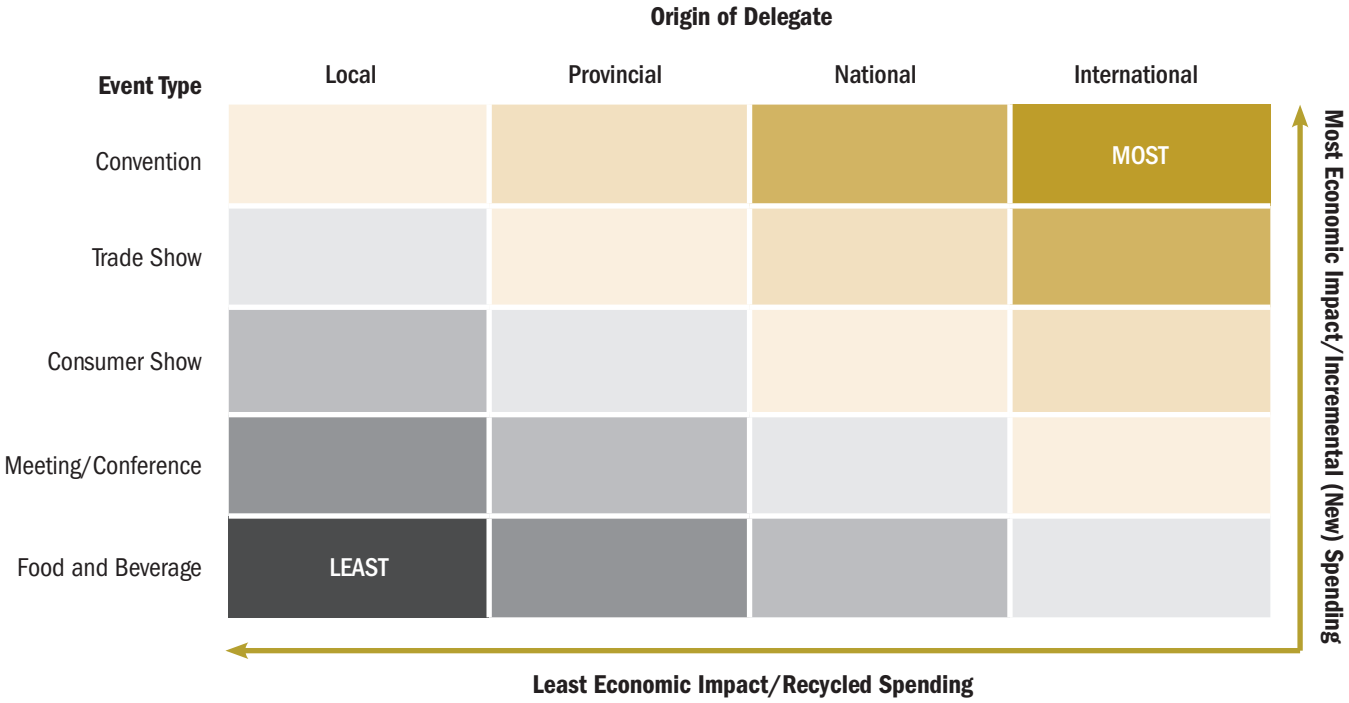
2.1.3 Event Planners

In order to secure bids to host an event, a convention centre must often "impress" event planners. Event planners have the responsibility for researching, recommending and contracting future convention sites (and associated hotel rooms) for the organizations who hire them. Event planners play a vital role in the venue selection process, assessing a centre's ability to deliver large-scale events based on what are called the internal and external characteristics of the convention centre.

Internal characteristics include the venue's size and layout, including the amount of contiguous exhibit hall space (space that is adjoining, with no obstructions or gaps) that is available, the food and beverage offerings of the venue as well as the amenities and services provided by the convention centre, like the audio/visual technologies available. External characteristics are features of the location, for example, the neighbourhood or the downtown of the city and the infrastructure

Figure 2: Type of Event and Origin of Delegate, in Relation to Economic Impact

Prepared by the Office of the Auditor General of Ontario



surrounding it. Important external characteristics for event planners to determine are the ease of access to an international airport, regularity of flight service, access to large roads and transit networks. Equally important is the supply and availability of hotel accommodations at various price points and the safety and vibrancy of the surrounding area (including availability of dining options and tourist attractions).

These same criteria are also often used by the industry to classify convention centres into three tiers, indicating their suitability for hosting types of events. Detailed descriptions of each tier can be found in **Appendix 1**.

The event planners we interviewed as part of this audit (see **Section 3.0** for more details) told us that the size of a centre's contiguous exhibit hall, as well as the size and number of meeting rooms, were the most critical factors when selecting a destination for a convention. The availability of accommodations at various price points nearby and the availability of direct flights were also identified as important factors.

The logistics of organizing a large-scale international convention that will attract thousands of delegates from around the world can be very complex. As a result, event planners assess and book the venue and accommodations three to five years in advance of a planned event and, for some of the largest conventions, eight or more years in advance. Once a venue is selected, it is crucial for the convention centre to host the event exceptionally well, given the competitive context for event planning. Conventions often rotate between major cities, based on an organization's bylaws, and a client may become a repeat customer based on good experience at a particular destination and venue. For instance, a major technology company held its annual conference at MTCC in 2004, returning in 2012 and 2016. A negative customer service experience is one reason why a convention centre may lose the opportunity to host the event again.

2.2 Provincially Operated Convention Centres

Provincial and municipal governments across Canada own, operate and/or control many convention centres. Some of the prominent ones are listed in **Appendix 2**. The Province of Ontario operates (through separate Crown agencies) two convention centres: the Metropolitan Toronto Convention Centre (MTCC), a Tier 1 venue in Toronto, and the Ottawa Convention Centre (OCC), a Tier 2 venue in Ottawa. The Ministry of Tourism, Culture and Sport (Ministry) has oversight responsibilities for both Crown agencies. **Figure 3** provides venue profiles of these two centres.

2.2.1 Metropolitan Toronto Convention Centre

MTCC is the only Tier 1 convention centre in Ontario and the largest Tier 1 convention centre in Canada. See **Appendix 3** for a comparison of rental space at MTCC to select government owned and/or operated convention centres in Canada (including the two other Tier 1 convention centres, the Montréal Convention Centre and the Vancouver Convention Centre).

MTCC opened in 1984 (North Building at 255 Front Street West) and expanded in 1997 (South Building at 222 Bremner Boulevard). Together, the buildings provide over 550,000 square feet of rentable space, including over 440,000 square feet of exhibit space, 77 meeting rooms and one multi-purpose ballroom. MTCC also has a 1,232 seat multi-purpose theatre.

MTCC does not own the North Building, its parking lot or the land on which it is located. These are leased from Oxford Properties for a nominal fee of $1 per year for a 99-year term that expires in 2083. The South Building is owned by MTCC and its land is leased from the City of Toronto for a nominal fee of $1 per year that also expires in 2083.

MTCC has hosted on average about 500 events per year and estimated that it has contributed on average about $493 million to the provincial economy each year between 2013/14 and 2022/23, excluding 2020/21 and 2021/22, which were impacted by COVID-19 public health restrictions.

Its legislation, the *Metropolitan Toronto Convention Centre Corporation Act* (MTCC Act), sets out MTCC's mandate as follows: "to operate, maintain and manage an international class convention centre facility in the City of Toronto in a manner that will promote and develop tourism and industry in Ontario."

MTCC is governed by its Board of Directors (MTCC Board), consisting of a minimum of seven and a

Figure 3: Venue Profiles for Metro Toronto Convention Centre (MTCC) and Ottawa Convention Centre (OCC)

Source of data: Metro Toronto Convention Centre and Ottawa Convention Centre

	MTCC	OCC
Available Rental Space[1] (square feet)		
Exhibit space	440,877	55,741
Meeting space	110,992	45,915
Ballroom space	28,000	19,032
Total space available for rent	579,869	192,000[2]
Overall building size	2,200,000	404,224
Largest exhibit hall	259,325	55,741
Maximum number of exhibit halls[3]	8	3
Maximum number of meeting rooms[3]	77	28
Theatres (seats)	1 (1,232)	0 (0)

1. Excludes space not available for rent, such as retail stores, restaurants and/or coffee shops, if any.
2. In addition to exhibition, meeting and ballroom space, OCC has over 70,000 square feet of additional space it rents out to clients for pre-function activities.
3. Refers to the number of separate areas available for rent. These rooms can be used for multiple purposes, such as exhibits, meetings, and food and beverage rooms.

maximum of 13 members, no more than 10 of whom are appointed by the Lieutenant-Governor-in-Council (provincial appointees) and three who are appointed by the City of Toronto (municipal appointees). As of August 31, 2023, there were 11 members (three of whom were municipal appointees) and two vacancies (provincial). **Appendix 4** provides an overview of MTCC's Board membership and composition as of August 31, 2023.

A chief executive officer appointed by the MTCC Board is responsible for the management of MTCC, which as of August 31, 2023, employed approximately 331 full-time and 427 part-time and casual staff. The centre is a unionized workplace. At the time of our audit, 601 of the centre's 758 employees were represented by a union. **Appendix 5** provides an overview of MTCC's organization structure.

2.2.2 MTCC's Financial Obligation to the Government of Ontario

MTCC's South Building opened in 1997, its construction financed by a $145-million loan from the Ontario Financing Authority (OFA), a lending agency of the Province of Ontario. Between 1997 and 2003, MTCC made partial interest payments totalling $17.5 million towards its loan obligations. Then, in 2003, the OFA released MTCC from the original loan obligation in exchange for annual payments of at least $2.5 million in perpetuity to the Minister of Finance. In addition to the minimum payment, MTCC is required to remit "any surplus cash not required for the running of the MTCC business." As of March 31, 2023, MTCC has paid a total of $109.5 million to the Minister of Finance; on average, approximately $5.2 million has been remitted per year since 2003.

2.2.3 Ottawa Convention Centre

Ottawa Convention Centre, formerly known as the Ottawa Congress Centre, opened in 1983. For redevelopment, it was demolished in 2008, rebuilt- and re-opened in 2011 on the same site. Since 2011, OCC has hosted about 4,860 events. The facility has 192,000 square feet of space across four levels, with 23 multi-purpose event rooms, an executive boardroom, a ballroom and a multi-purpose hall which can accommodate up to 6,260 people when utilizing all available space at OCC.

OCC is one of several government-owned and/or operated Tier 2 venues in Canada; some other prominent government owned and/or operated centres that are generally considered Tier 2 venues are in Edmonton, Calgary, Halifax, Quebec City and Winnipeg. The Enercare Centre in Toronto is also generally considered a Tier 2 venue. See **Appendix 3** for a comparison of rental space in these and Tier 1 venues in Canada.

OCC does not own the land where it operates. OCC leases the land it is on from Cadillac Fairview for a nominal fee of $1 per year for 80 years. The term expires in 2091. OCC has hosted on average about 460 events per year and estimated that it has contributed on average about $110 million to the provincial economy each year between 2013/14 and 2022/23, excluding 2020/21 and 2021/22, which were impacted by COVID-19 public health restrictions.

Its legislation, the *Ottawa Convention Centre Corporation Act* (OCC Act), sets out OCC's mandate as follows: "to operate, maintain and manage an international class convention centre facility in the City of Ottawa in a manner that will promote and develop tourism and industry in Ontario."

OCC is governed by its Board of Directors (OCC Board) consisting of a minimum of seven and maximum of 12 members, no more than nine of whom are appointed by the Lieutenant-Governor-in-Council (provincial appointees) and three of whom are appointed by the City of Ottawa (municipal appointees). As of August 31, 2023, there were 11 members on the OCC Board, eight of whom were provincial appointees and three of whom were municipal appointees, with one vacancy (provincial). **Appendix 6** provides an overview of OCC's Board membership and composition as of August 31, 2023.

A chief executive officer, appointed by the OCC Board, is responsible for the management of OCC, which as of August 31, 2023, employed approximately

18 full-time staff across sales, marketing, finance and management positions plus an additional 12 staff in security. In addition, OCC outsourced most of its food and beverage services to Aramark, a service organization known for event support and management. Aramark employed 230 staff including waiters, cooks, chefs and others to support events and services held at OCC. **Appendix 7** provides an overview of OCC's organizational structure.

2.2.4 OCC's Financial Obligation to the Government of Ontario

Ottawa Convention Centre was built (completed in 2011) to replace the facility known as the Ottawa Congress Centre. The new facility nearly tripled the floor space from 67,000 square feet to 192,000 square feet. The construction was funded by all three levels of government (federal government $50 million, provincial government $60.4 million and the City of Ottawa $40 million) as well as through a $40 million, 25-year loan obtained by OCC through the OFA in 2011.

In 2012, OCC made an interest payment of about $1.9 million towards its loan obligation. Soon after, due to OCC's weak financial position, it requested that payments be suspended for five years. The OFA agreed to suspend repayment on the loan for a five-year period. Then, in February 2018, a Ministry-hired consultant reviewed OCC's operations and raised concerns regarding the centre's liquidity and cash flow position. The consultant advocated for the loan to be forgiven and replaced with performance payments. The payments would have been determined based on cash flow available after operational and capital expenditures, and would have been deferred for a period of 10 years (until 2027/28) until OCC's financial situation improved. The OFA informed us they reviewed the consultant's report issued to the Ministry of Tourism, Culture and Sport, but that the OFA was not required to accept its recommendation. The OFA indicated they relied on their own analysis when making the recommendation to the Minister of Finance that OCC be released from the original loan payment schedule in favour of an annual payment in perpetuity.

In May 2018, the OFA released OCC from the original loan repayment schedule. The condition for release was that OCC make an annual payment of $1 million in perpetuity to the OFA along with any additional surplus cash not required for running its business. The perpetual annual payment of $1 million to the OFA is guaranteed by the Ministry. As of March 31, 2023, OCC has made five payments of $1 million, for a total of $5 million since 2018. The payment made to OFA is promptly forwarded to the Province as per the Release and Settlement Agreement.

2.3 Role and Responsibility of the Ministry of Tourism, Culture and Sport

The Ministry is not involved in the day-to-day operations of the convention centres. Its responsibilities are mainly to provide administrative oversight, focused on providing direction and guidance to the convention centres regarding their operations and performance as well as to ensure that they adhere to their legislative mandates, government policies, directives and administrative agreements. The Ministry's key responsibilities for the two centres include:

- outlining, through government mandate letters, the high-level expectations, key commitments and performance priorities of each agency;
- ensuring that government directives are followed;
- reviewing and approving each agency's annual business plan;
- recommending to Treasury Board/Management Board of Cabinet (TB/MBC) each agency's provincial funding allocation;
- reporting and responding to TB/MBC on agency performance and compliance with applicable government policies and directives;
- reviewing, approving and tabling in the Legislature each agency's annual report;
- when appropriate or necessary, taking action or directing an agency to take corrective action with respect to its administration or operations; and

- outlining the accountability framework and roles and responsibilities for the agency and Ministry in an administrative Memorandum of Understanding.

The Ministry is also responsible for seeking approval from TB/MBC for certain changes to MTCC and OCC, including but not limited to changes in governance structure, accountability framework, mandate and legislation/constituting instruments.

In addition, the Ministry runs the Capital Repair and Rehabilitation (R&R) program, a $25-million annual program that provides infrastructure funding to 12 agencies and attractions overseen by the Ministry, including MTCC and OCC. The program provides funding for the renewal, expansion and modernization of capital assets and funding.

Program funding is distributed to agencies based on an assessment of their requests against core eligibility criteria (which consider the asset repair's impact on health and safety, asset integrity, code compliance and legislation, as well as the criticality of the asset for the business).

2.3.1 Government Assistance to MTCC and OCC Related to COVID-19 Public Health Restrictions

The COVID-19 pandemic and related public health restrictions created financial challenges for both MTCC and OCC. Both agencies were only able to hold a limited number of events, which greatly impacted their ability to generate revenue. To address this, the Province of Ontario provided emergency financial assistance to MTCC and OCC through a Transfer Payment Agreement of $31.2 million and $12 million respectively. **Figure 4** provides an overview of the COVID-19 government assistance provided to the two convention centres.

The centres used the transfer payment funding to cover eligible operating expenses, which included salaries and other employment benefits, administrative costs, utilities, interest payments, insurance costs, non-discretionary legal fees, human resources (e.g., severance pay) and professional dues such as audit fees for the annual financial statement audits. Discretionary spending such as performance pay, cash incentives, investments and capital purchases were ineligible.

2.4 Local Incentive Fund for Large-Scale Conventions

To attract large-scale conventions that have a substantial economic impact, local hotels and the city's destination marketing organization may collaboratively contribute funds to subsidize costs such as rent fees for events hosted at MTCC and OCC. This financial incentive aims to entice event planners to select Toronto (at MTCC only) and Ottawa (including at OCC) as their preferred venue over competing destinations.

In Toronto, this incentive is funded by MTCC, Destination Toronto and 21 participating downtown hotels. Destination Toronto is a destination marketing organization that promotes tourism in Toronto. Destination Toronto also handles the bidding process for certain conventions in Ontario that require co-ordination between many parties, such as the convention centre and multiple hotels. It is funded by a Municipal Accommodation Tax, which is an additional fee that municipalities can levy on short-term accommodations such as hotels. Similarly, in Ottawa, incentives for OCC are funded by OCC and Ottawa Tourism (Ottawa's

Figure 4: COVID-19-Related Government Assistance to Convention Centres ($ million)

Source of data: Ministry of Tourism, Culture and Sport

Venue	2020/21	2021/22	2022/23	Total
Metro Toronto Convention Centre	13.6	17.6	0.0	**31.2**
Ottawa Convention Centre*	4.5	5.3	2.2	**12**

* Also received $400,000 in 2020/21 from the Ministry of Tourism, Culture and Sport (Ministry) Emergency Stabilization Capital Funding, a one-time capital funding program available to agencies of the Ministry to support COVID-19-related capital upgrades (e.g., sanitization stations, plexiglass shields).

destination marketing organization that is also funded by a Municipal Accommodation Tax).

To qualify for the incentive program, conventions must meet the definition of "city-wide," large-scale conventions. In Toronto, for events that would use MTCC as the host venue, the event must be an international convention that attracts a minimum of 1,500 delegates and occupies a minimum of two hotels. In Ottawa, the event must be held at a venue in Ottawa (which could be OCC) and require the use of at least three hotels to accommodate delegates, with a minimum of 500 hotel rooms on the peak event night.

3.0 Audit Objective and Scope

Our audit objective was to assess whether the Ministry of Tourism, Culture and Sport has effective processes and systems in place to oversee, monitor and report on the provincial convention centres on a timely basis, to ensure that they meet key legislative and policy requirements, as well as best practices for the operation of world-class convention centres.

In addition, the objective of our audit was also to assess whether Metropolitan Toronto Convention Centre and Ottawa Convention Centre each had effective processes and systems in place to:

- meet key legislative and policy requirements, and best practices for the operation of world-class convention centres that can host international events; and
- measure, evaluate, and publicly report on the centre's effectiveness.

In planning for our work, we identified the audit criteria (see **Appendix 8**) we used to address our audit objective. These criteria were established based on a review of applicable legislation, policies and procedures as well as best practices. Senior management at the Ministry of Tourism, Culture and Sport (Ministry), Metropolitan Toronto Convention Centre (MTCC) and Ottawa Convention Centre (OCC) reviewed and agreed with the suitability of our objective and related criteria.

We conducted our audit between January 2023 and August 2023. We obtained written representation from the Ministry, MTCC and OCC that, effective November 21, 2023, they had provided us with all the information they were aware of that could significantly affect the findings or the conclusions of this report.

Our audit work was conducted at MTCC, OCC, the Ministry's Agency Relations and Accountability Division (ARAD) and the Ministry's Tourism and Culture Division (TCD).

Our audit work at the ARAD included an analysis of policies and procedures, as well as discussion with staff responsible for overseeing whether the convention centres met their legislated mandates, achieved performance targets and complied with applicable government directives, Ministry policies and guidelines. We also assessed the Ministry's asset management processes and procedures, long-term capital planning and its role in assisting convention centres to attract convention events to the province.

Our audit work at TCD involved discussions with staff responsible for strategic planning for the tourism sector, including the convention centres, and a review and sample testing of the results of the Ministry's past convention incentive programs.

Our audit work at MTCC and OCC included an analysis of policies and procedures, as well as discussions with senior management and staff who were responsible for managing overall operations and measuring and reporting on the performance of the organizations. Data analysis and sample testing was performed to determine whether the convention centres complied with applicable requirements and best practices, and to identify trends related to the convention centre's efficiency, effectiveness and compliance.

As part of our audit, we researched other jurisdictions to identify best practices in convention centre management. We spoke with the British Columbia Ministry of Tourism Arts, Culture and Sport, BC Pavilion Corporation (who operate Vancouver Convention Centre) and Events East Group (who operate the Halifax Convention Centre) to better understand how they oversaw and operated convention centres in their regions. In addition, we met with senior representatives of the convention and business travel industry

and stakeholder groups in Ontario and Canada, such as the Canadian Association of Exposition Management, Convention Centres Canada, Destination Canada, Destination Toronto, the Greater Toronto Hotel Association, Meetings Mean Business, Ontario Tourism Education Corporation, the Ottawa Board of Trade, the Ottawa-Gatineau Hotel Association, Ottawa Tourism, the Toronto Region Board of Trade and the Tourism Industry Association of Ontario, to obtain their perspectives on issues related to operating convention centres, including operational best practices and their views on MTCC's and/or OCC's operations. We also met with representatives from Air Canada, the Ottawa International Airport Authority and Porter Airlines to learn about the challenges and opportunities Toronto and Ottawa might encounter in organizing events that require air transportation.

On November 16, 2023, the Ontario government introduced Bill 151, *Improving Real Estate Management Act, 2023* (Real Estate Act), for first reading in the Legislature. Second reading was carried on November 21, 2023. If the Real Estate Act is passed, it will prohibit both MTCC and OCC from acquiring or disposing of a freehold interest in real estate property without approval from the Minister of Infrastructure. As such, the Real Estate Act could impact some of our findings and recommendations (such as the potential redevelopment of MTCC, discussed in **Section 4.3.4** and the potential acquisition of a marshalling yard by MTCC, discussed in **Section 4.3.5.**) We will consider the impact of this legislation on our recommendations when we perform our follow-up audit on this report.

We also met with 10 event planners for some of the top conventions in the world to learn about their preferences and how they assess a destination city and a convention centre's ability to handle large-scale events, prior to selecting an event host.

We also reviewed the relevant audit reports issued by the Province of Ontario's Internal Audit Division in determining the scope and extent of our audit work.

We conducted our work and reported on the results of our examination in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada. This included obtaining a reasonable level of assurance.

The Office of the Auditor General of Ontario applies Canadian Standards on Quality Management and, as a result, maintains a comprehensive system of quality management that includes documented policies and procedures with respect to compliance with rules of professional conduct, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

4.0 Audit Observations

4.1 Bookings for Conventions Down Almost 50% Since the Pandemic

Event planners typically select and reserve their venues several years in advance of the planned event. We conducted an analysis of the number of reservations at Metro Toronto Convention Centre (MTCC) and Ottawa Convention Centre (OCC) for future conventions by comparing the number of definitive reservations booked for all conventions before and after the COVID-19 pandemic, that is, at June 2019 and June 2023. Bookings for upcoming conventions were down by 43 events (or 44%) for MTCC while OCC had a decrease of 69 bookings (or 50%). Overall, for the two convention centres, reservations for future conventions were down by 112 events, an average of 47%.

From April 1, 2019 to March 31, 2020, the fiscal year prior to the onset of the pandemic in Ontario, the two convention centres held a total of 902 events, which added an estimated $632 million to Ontario's economy. In the most recent fiscal year (2022/23), the centres hosted about 300 fewer events. According to the two centres, these events generated an estimated economic impact of about $498 million, a decline of $134 million

from the estimated $632 million generated in the year prior to the pandemic. The amount of economic impact generated by MTCC was estimated to have declined by about $87 million (or 18%) while OCC's economic impact declined by an estimated $47 million (or 32%).

4.1.1 The Ministry Has No Strategy to Help the Convention Centre Industry Recover

The Ministry of Tourism, Culture and Sport (Ministry) has not created a strategy to support the recovery and growth of the Province's convention centres. This is particularly concerning in our post-COVID-19 context, where convention centres are not generating the same revenue and economic impact as they did prior to the pandemic. Business and convention delegates have a significant impact on the local economy because they often spend more money during their trips by bringing their families and visiting other parts of the province, which can include spending time at more premium restaurants and attractions. Convention attendees boost local businesses and create job opportunities.

We found that between 2021 and 2023, the provincial governments in British Columbia and Quebec published specific plans aimed at directly helping their convention centres recover events lost during the pandemic. For example, British Columbia's 2022–2024 Strategic Framework for Tourism noted a key priority was to "rebuild confidence and drive bookings in BC's business events and conferences industry."

As noted in our Office's 2023 report on tourism support programs, the Ministry currently does not have a strategic plan for tourism. A convention centre strategy could be developed as part of an overall strategic plan for tourism or as a standalone document.

4.1.2 Elsewhere and in the Past, Incentive Funds Have Been Used to Increase Convention Centre Attendance and Achieve Economic Impact

We found that the provincial governments of British Columbia and Quebec, two jurisdictions competing with Ontario for conventions, allocated $8 million and $15 million respectively (in 2022/23) for incentives to help their centres attract conventions. At the time of our audit, the Ontario government was not allocating any funds for such incentives.

In the past in Ontario, incentive funding has been used to attract conventions. In 2003, Ontario's then Ministry of Tourism and Recreation initiated a program (the Convention Development Fund) to help convention centres recover from a decline in event bookings caused by the severe acute respiratory syndrome (SARS) pandemic. The Ministry began paying for incentives to attract large-scale events to convention centres in Ontario, including MTCC and OCC. Through the 2008 financial crisis and beyond, the Ministry continued to fund and operate these incentive programs. From 2003 to 2013, the Ministry spent over $10 million, of which $2.8 million was spent directly on attracting 17 conventions to MTCC and 12 conventions to OCC. These 29 conventions drew approximately 136,000 delegates and, between 2012 and 2018, were estimated to have added about $179 million to Ontario's economy.

For instance, $212,000 of government funding was used to help attract a large-scale financial sector convention held at MTCC in 2017. It was estimated this event added about $13.6 million to Ontario's economy. Another $50,000 was spent on securing a convention for international educators held at OCC in 2015, which was estimated to add about $3.3 million to the economy. According to the Ministry's own analysis, for every dollar it spent in incentive funding, $60 of economic impact was generated for the province, of which $10.50 was directed to provincial tax revenues.

In 2021, the Tourism Economic Recovery Ministerial Task Force—a task force set up to make recommendations to the Ministry to support the economic recovery of the tourism industry in Ontario after the COVID-19 pandemic—recommended that the provincial government introduce a support fund for conventions and business events which would provide incentives for event holders to host events at Ontario convention centres (such as through discounted or free hotel rooms and/or event rental space).

To act on this recommendation, in 2022 the Ministry asked the government for funding of $45 million to restart its contributions to the Convention Development Fund, but the government did not approve the request. The Ministry again requested funding of $50 million in 2023, which was also not approved.

We reviewed the government's assessment of the Ministry submissions and found that funding for the incentives was not granted because the government's priority at that time was addressing the capital repair backlog at agencies and attractions accountable to the Ministry (such as those that participate in the Ministry's Capital Repair and Rehabilitation Program, which is discussed in **Section 2.3**). Treasury Board Secretariat staff responsible for assessing the Ministry's annual submissions confirmed to us that the government was focused at the time on capital repair needs over the creation of new tourism incentives.

RECOMMENDATION 1

To support the Metro Toronto Convention Centre (MTCC) and Ottawa Convention Centre (OCC) in their post-pandemic recovery and in growing the economic impact potential for the two centres, we recommend that the Ministry of Tourism, Culture and Sport (Ministry):

- perform an analysis of convention centre incentive-based programs across North America, with input from MTCC, OCC, Destination Toronto and Ottawa Tourism;
- based on the above analysis, determine if an incentive program should be implemented in the province;
- work with MTCC and OCC (and other tourism stakeholders as deemed appropriate) to determine any other initiatives that should be implemented; and
- prepare and submit a funding proposal to the government based on the initiatives identified.

MINISTRY RESPONSE

The Ministry accepts this recommendation and will review the efforts of other jurisdictions and needs of the industry. The Ministry will consider opportunities to assist industry partners with attracting and hosting international business events.

The Ministry will perform an analysis and based on the analysis will determine if convention centre incentive-based programs should be implemented in Ontario and will work with MTCC, OCC, Destination Toronto and Ottawa Tourism to explore next steps on this or any other initiatives that should be implemented. Any associated opportunities and initiatives will be developed and submitted as a funding proposal to the government, where appropriate.

4.2 Ministry Did Not Ensure the Provincial Convention Centres Operated to Maximize Economic Impact

We found that the Ministry did not ensure that the centres were operating so as to best achieve their legislative mandate. According to the *Metropolitan Toronto Convention Centre Corporation Act* and the *Ottawa Convention Centre Corporation Act*, each centre is to operate, maintain and manage a world-class convention centre "in a manner that will promote and develop tourism and industry in Ontario." The legislated mandate does not refer to generating revenue or profit, yet decision-making at each centre was largely based on the pursuit of profit for the individual venue instead of maximizing economic impact.

As discussed in **Section 4.2.2** to **Section 4.2.4,** this focus had consequences for the way each centre put together its event-booking strategy, executive performance pay and performance targets.

4.2.1 Economic Impact Is the Legislated Mandate of Convention Centres

We found that, in 2016, the Ministry hired a consultant to review MTCC's legislated mandate (OCC's legislated mandate is nearly identical to MTCC's). The consultant concluded from its review that the primary mandate of the centre is to generate economic impact for Ontario.

Figure 5: Mandates of Select Government-Owned Convention Centres

Prepared by the Office of the Auditor General of Ontario

Convention Centre	Mandate
Vancouver	To generate economic and community benefits for British Columbia through the management and marketing of the province's premier convention and exhibition facility.
Halifax	To attract and host national and international events that drive economic and community benefits for Nova Scotia.
Calgary Telus	To manage, market and operate the Calgary Telus Convention Centre in an efficient and market-competitive manner in order to maximize overall economic impacts to the City of Calgary while maintaining financial performance within an acceptable range.
Edmonton	To increase the economic impact of the visitor-based economy in Edmonton.
Québec City	To attract major conventions and events with an international calibre convention centre and exceptional service, positioning Québec City and area as the premiere destination for business events and driving economic activity.*
Vancouver Island	To manage and operate the centre consistent with the goals of the City and operated in the public interest, to create positive economic impact, stimulate growth for the City and provide for the cultural enrichment of the community.
Winnipeg	Together we collaborate and innovate with partners and guests to create outstanding, experiential events that contribute to the economic prosperity of our City and Province.*

* Mission statement.

This is consistent with the primary objective of other government-operated convention centres in Canada. See **Figure 5**, showing the mandate statements of a sample of other Canadian convention centres**.**

The consultant also noted that the centres' commercial objectives might be at odds with the achievement of economic impact, something we discuss in **Sections 4.2.2** to **4.2.4.**

4.2.2 Centres Aimed to Be Profitable Rather than Maximize Economic Impact

Our audit found that, while the legislated mandate of each convention centre does not state that the centre should be profitable, each centre's board of directors had established a goal for its centre to be profitable. In 1984, MTCC's Board of Directors established a goal "to operate on a cost recovery commercial (profitable) basis over the long term." In 2012, OCC's Board of Directors adopted a similar goal to be profitable. While no records from 1984 could be found to indicate why the MTCC's Board made that decision, OCC's management told us that the centre must be profitable to ensure it has the money to make the annual payment of $1 million to the government (as explained in **Section 2.2.4**). As discussed in **Section 2.2.2,** MTCC is also required to remit at minimum $2.5 million annually to the Minister of Finance. (Historically, the centre has exceeded this amount, by contributing on average more than $5 million annually since 2003.)

We asked the Ministry about the centres' legislated mandate and whether the convention centres should focus on generating economic impact or being profitable. The Ministry said that each centre should follow its act, and deferred our question to the centres.

The centres told us that being profitable was an important part of their mandate. We noted that management's performance pay eligibility criteria at both centres was tied to the revenues and profits generated and was not related at all to the economic impact of the events hosted.

Similarly, we noted that while both centres generally achieved their performance targets, the targets focused less on the economic impact generated by the centres than on revenue. For example, from April 1, 2015 to March 31, 2020, MTCC's revenue-growth target increased by about 40%, whereas its economic impact growth target increased by 3.5%. We noted that, while OCC has had a revenue target as of reopening in 2011, the centre did not establish an economic impact target until 2018/19.

4.2.3 Events With the Highest Revenue Did Not Always Generate the Highest Economic Impact

We analyzed events held at MTCC from April 2013 to March 2023. We found that those events that were estimated to have contributed the most economic impact to the provincial economy were not necessarily the most profitable ones. For example, of the 10 events that generated the most revenue for MTCC between 2013/14 and 2022/23, only four were also in the top 10 when ranked by their estimated economic impact. In fact, four of the high-revenue generating events ranked 20 or lower when it came to the size of their estimated economic impact.

For instance, the event that generated the fourth-highest revenue for MTCC between 2013/14 and 2022/23 ranked 20 in terms of its relative economic impact compared with all events hosted by MTCC during that period. Revenue generated for a convention centre is therefore not directly correlated with economic impact generated for the province. This is because not all convention centre delegates generate the same economic impact. As discussed in **Section 2.1.2**, delegates from outside of Canada tend to spend more than local delegates, even if their international events have lower attendance (and therefore generate less revenue) than local events; they are likely to generate more economic impact for this reason. **Figure 6** illustrates how the top 10 revenue-generating events hosted from April 2013 to March 2023 ranked in terms of the economic impact they generated for the province. As discussed in **Section 4.4.1**, OCC estimates the economic impact for its events on an aggregate basis, which prevented us from conducting a similar analysis for its events.

Figure 6: Top 10 Events by Revenue Held at Metro Toronto Convention Centre, April 2013–March 2023 and Their Economic Impact

Source of data: Metro Toronto Convention Centre

Event	Year	Revenue Ranking	Economic Impact Ranking	Revenue ($ million)	Estimated Economic Impact ($ million)
A	2017	1	1	**5.1**	**83.7**
B	2017	2	6	**5.0**	**29.5**
C	2016	3	4	**4.7**	**40.4**
D	2018	4	20	**3.4**	**14.2**
E	2018	5	27	**2.7**	**9.7**
F	2017	6	17	**2.5**	**15.0**
G	2019	7	16	**1.8**	**16.0**
H	2018	8	2	**1.7**	**56.7**
I	2017	9	31	**1.6**	**8.4**
J	2018	10	22	**1.6**	**13.4**

4.2.4 Centres' Pricing Strategy Led Them to Forego Millions of Dollars in Economic Impact

We found that both centres' focus on profits resulted in them not hosting available events that would have brought economic impact to the province. When we asked MTCC to provide the most common reasons for rejecting an event, MTCC told us that one of the most common reasons was that the event did not generate enough revenue or profits for the centre.

As explained in **Section 2.4,** Destination Toronto handles the bidding process for many large-scale conventions in the City of Toronto. Their records showed that between January 1, 2017 and December 31, 2019 MTCC chose not to bid on 12 national and international events, largely due to financial considerations for the centre. Destination Toronto estimated that those 12 events had the potential to generate about $63 million in economic impact.

We found that MTCC lost an additional 19 national and international conventions to be held between 2018 and 2026 because the price of its bid to host the event was too high, and therefore not as competitive as other cities' bids. Destination Toronto estimated that these 19 events had the potential to generate about $159 million in economic impact for the province. Of these 19 events, eight coincided with the two fiscal years where the COVID-19 pandemic lockdowns occurred. However, for four of the remaining 11 events that occurred either before or after the pandemic lockdowns, we discovered that MTCC was unable to book replacement events. The four lost events would have generated an estimated economic impact of approximately $27 million.

Similarly, we found that with OCC there were 78 known instances when a bid for a convention to be hosted between 2018 and 2025 was lost because, according to the event planners, OCC's bid price was too high. The estimated economic impact of these events was about $142 million. Of these 78 events, 29 coincided with the two fiscal years where COVID-19 pandemic lockdowns occurred. Outside of the pandemic, for the time frames of 15 of the remaining 49 events, OCC was not able to book any other event. According to OCC, these 15 events would have generated an estimated economic impact of about $25 million.

For the two convention centres, that means there was a total estimated loss of $52 million in economic impact since 2018 in relation to 19 of the 60 (32%) of the lost events, even when we removed from consideration events to be held during 2020/21 and 2021/22.

RECOMMENDATION 2

To align the strategy of the Metro Toronto Convention Centre (MTCC) and the Ottawa Convention Centre (OCC) with the primary legislated objective of the centres, we recommend that the Ministry of Tourism, Culture and Sport (Ministry):

- consult with MTCC and OCC as to the primary objective of both centres, including to what degree it is expected that they focus on maximizing the economic impact they generate for the province;
- work with the boards of directors of MTCC and OCC to align event bidding and booking strategies and executive performance pay structures with the convention centres' full mandate, based on the above clarification; and
- require MTCC and OCC to establish economic impact targets on an annual basis that are based on each centre's updated event bidding and booking strategy.

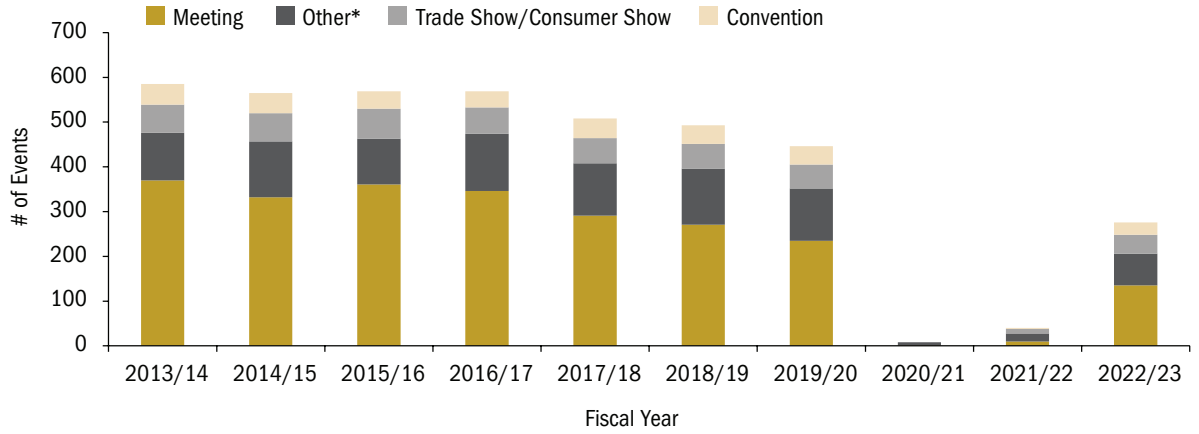
MINISTRY RESPONSE

The Ministry accepts this recommendation and will consult with MTCC and OCC on the primary objective of both centres and how to interpret their mandates as well as the development and implementation of economic impact targets.

Following consultation and through the Minister's annual letter of direction to each agency and as part of approval of each agency's annual business plan, the Ministry will require each agency to specify economic impact targets while accounting for bidding and booking strategies and self-sustainability. The Ministry will also work with the centres' boards of directors to ensure that event bidding, booking strategies and executive performance pay structures align with the centres' mandates.

Figure 7: Events Held at Metro Toronto Convention Centre, April 2013–March 2023

Source of data: Metro Toronto Convention Centre



* Other includes exams, food and beverage events, special events like weddings, sporting events, film and television shoots, religious celebrations, dance productions, concerts, graduations and theatre events.

4.3 MTCC: Performance and Challenges

4.3.1 MTCC's Financial and Operational Performance

From fiscal years 2013/14 to 2022/23, MTCC held approximately 4,000 events. Client satisfaction surveys from the past 10 years show that 95% of survey respondents, which includes event planners and exhibitors, rated their overall experience with MTCC's services as "excellent," "very good" or "good."

Due to the COVID-19 pandemic and associated public health restrictions, only a few events were held at MTCC in 2020/21 and in 2021/22. In the seven fiscal years prior to the COVID-19 pandemic (April 1, 2013 to March 31, 2020), MTCC averaged a 55% occupancy rate for its rental space (70% is generally considered full capacity by industry standards). Refer to **Figure 7** for the number of events by type held at MTCC from April 2013 to March 2023.

MTCC generates revenue through various sources, including event space rental, food and beverage sales, parking, commissions (such as from a partner vendor for audio-visual services used during events) and communication services (such as charging for the use of wireless Internet). In the past decade, its revenue breakdown has been approximately:

- 39% from food and beverage sales;
- 25% from space rental;
- 17% from parking;
- 13% from commissions and communication services; and
- 6% from other sources (such as rental fees from tenants).

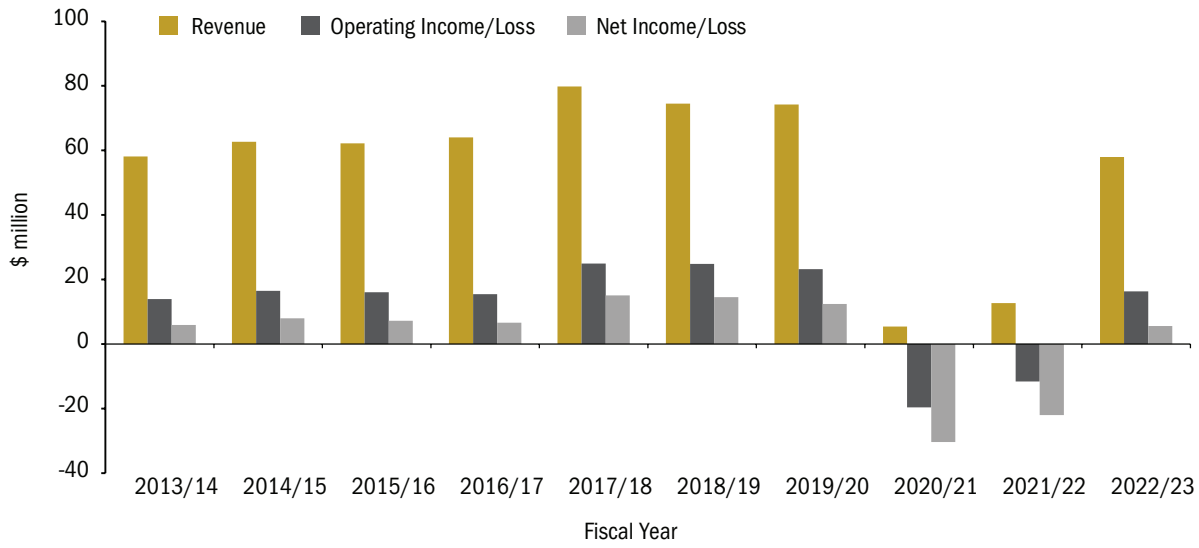
For a detailed overview of MTCC's revenue, operating income and net income from 2013/14 to 2022/23, refer to **Figure 8**. For a comparison of its financial performance to other government-operated Tier 1 venues in Canada, see **Appendix 9**.

MTCC estimates that it has contributed on average about $493 million to the provincial economy each year between 2013/14 and 2022/23, excluding 2020/21 and 2021/22, which were impacted by COVID-19 public health restrictions. In 2019/20, MTCC held 446 events, which contributed approximately $480 million to the Ontario economy. Refer to **Figure 9** for the annual economic impact generated by MTCC from 2013/14 to 2022/23, which is calculated by MTCC using the Ministry's Tourism Regional Economic Impact Model (TREIM) tool (explained further in **Section 2.1.1**).

The event planners we spoke to emphasized that the current location of the MTCC is exceptionally vibrant, making it one of the top reasons why they chose MTCC to host their events. MTCC's downtown Toronto

Figure 8: Revenue, Operating and Net Income and Loss Generated by Metro Toronto Convention Centre, April 2013–March 2023

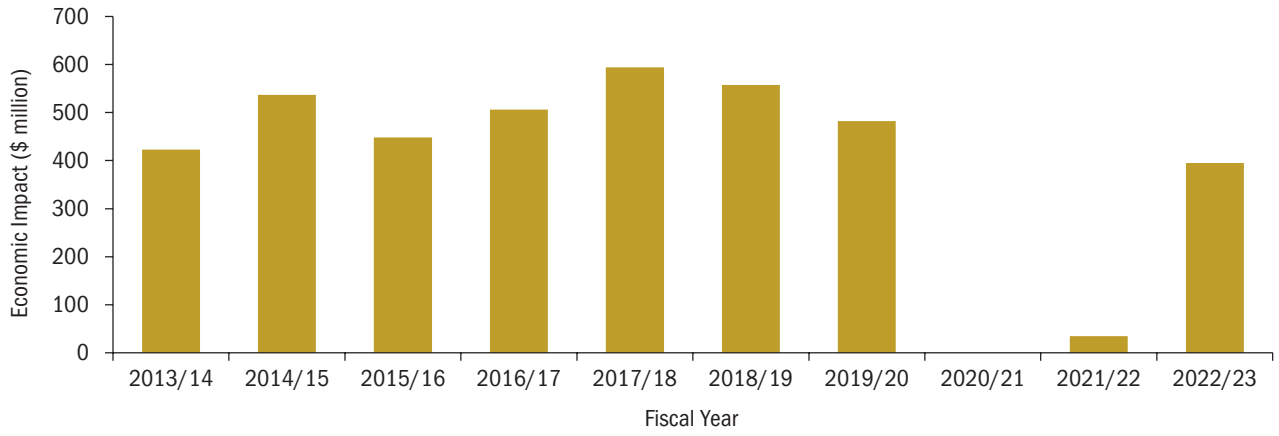
Source of data: Metro Toronto Convention Centre



Note: Due to the COVID-19 pandemic public health restrictions, there was a significant drop in revenue in 2020/21 and 2021/22 (and to lesser extent in 2022/23). Financial assistance of $31.2 million was provided by the Ministry of Tourism, Culture and Sport, as discussed in **Section 2.3.1**, and is not included in the operating and net income and loss calculations so as to reflect the convention centre's independent performance. Depreciation costs are included in the calculation for net income/loss. Annual payments to the Ontario Financing Authority are not shown here.

Figure 9: Annual Estimated Economic Impact Generated by Metro Toronto Convention Centre, April 2013–March 2023

Source of data: Metro Toronto Convention Centre



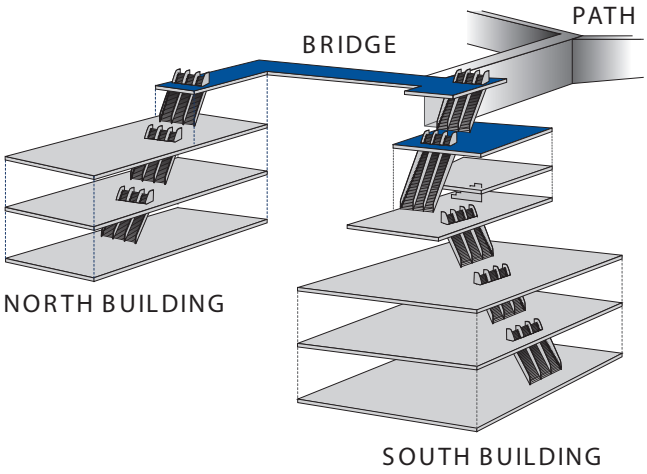
Note: Estimate obtained by inputting event-specific details into the Tourism Regional Economic Impact Model (TREIM) developed and maintained by the Ministry of Tourism, Culture and Sport. The TREIM is explained in **Section 2.1.1.** Due to the COVID-19 pandemic and public health restrictions, there was a significant drop in economic impact in 2020/21 and 2021/22.

location, in close proximity to tourist attractions, restaurants and hotels, was a key reason they preferred it. Furthermore, its location next to Union Station and the Union Pearson (UP) Express provided convenient access to Toronto's Pearson International Airport.

Despite this, MTCC faces other challenges that have limited its ability to win event bids. In **Section 4.3.2** and **Section 4.3.3** we lay out these challenges. **Section 4.3.4** presents the solution MTCC has come up with to address these challenges.

Figure 10: Metro Toronto Convention Centre Layout

Source: Metro Toronto Convention Centre



4.3.2 MTCC Was Too Small to Accommodate over 25% of the Available Convention and Trade Show Market

MTCC has over 440,000 square feet of exhibit space, however this space is not contiguous. Contiguous space are areas that are physically connected or adjacent to each other without any obstructions or gaps, allowing for easy flow and movement of people and equipment. MTCC is comprised of one 182,000-square-foot hall (North Building) and a separate 259,000-square-foot contiguous exhibit hall (South Building) which are connected by a 250-foot bridge across Toronto's Union Station railway tracts. MTCC's layout is shown in **Figure 10**.

Because of its layout, MTCC is effectively comprised of two medium-sized buildings, with the South Building being utilized to host conventions while the North Building is utilized mostly for other events. According to a 2019 survey conducted by a third-party consultant for MTCC, almost 90% of event planners surveyed said they strongly preferred venues with one large building/contiguous space. This is because conventions held in contiguous, as opposed to separated, spaces are easier to set up and manage. About 60% of the planners surveyed also said that in the next two to five years they expected their events to require even more space. Most of the event planners we met with confirmed their events were growing in size and will require more contiguous space in the future.

We found that in terms of its contiguous space, MTCC ranked low, or 18 out of 21 among a sample of comparable Tier 1 convention centres in North America. Further, many convention centres have expanded in the past 26 years, since MTCC was last expanded (1997), so MTCC has fallen in the size rankings. **Figure 11** and **Appendix 10** compare the largest contiguous exhibit hall at MTCC to some of its North American competitors.

A consultant was hired by MTCC in 2019 to evaluate the facility's ability to meet the needs of the industry. The consultant found that MTCC was unable to accommodate about 27% of the convention and trade show market that could be held in Toronto. When we reviewed the attendance records of the 129 large-scale conventions held at MTCC over the past 10 years, excluding the two years of the pandemic, we found that, on average, MTCC annually hosted only a few events where attendance exceeded 10,000 people. The events with more than 10,000 people attending required the use of both the North and South buildings. We noted that in order to accommodate this number of delegates, the events generally had to split their exhibitions across multiple floors or employed a set-up with a number of small booths and tables, such as for a job fair, which allowed for more people to attend. Attendance at the remaining 107 events averaged about 3,300 delegates.

Twenty International Conventions Have Outgrown MTCC and Left for Other Venues

MTCC hosts a wide variety of events such as conferences, consumer shows and exhibitions. As explained in **Section 2.1.2**, conventions with international delegates add the most economic impact to the province. When we analyzed the economic impact created by the 4,059 events held at MTCC over the past 10 years, we found that, as of August 2023, 45 of the top 50 events that contributed most to the provincial economy were large-scale conventions; of these, 43 (or 96%) were international events (largely attended by delegates from outside Canada).

Figure 11: Largest Contiguous Halls in Select North American Convention Centres, as of August 2023

Prepared by the Office of the Auditor General of Ontario

Venue	Location	Year Built	Year Last Expanded	Largest Contiguous Hall (square feet)
Georgia World Congress Center	Atlanta, GA	1976	2002	1,120,428
Ernest N. Morial Convention Center	New Orleans, LA	1986	2006[1]	1,026,627
Dallas Convention Center	Dallas, TX	1957	2011[2]	726,526
Indiana Convention Center	Indianapolis, IN	1972	2011[1]	566,600
George R. Brown Convention Center	Houston, TX	1987	2014	547,350
Pennsylvania Convention Center	Philadelphia, PA	1993	2011	528,000
San Diego Convention Center	San Diego, CA	1989	2001	525,701
Henry B. Gonzalez Convention Center	San Antonio, TX	1968	2016	513,944
Walter E. Washington Convention Center	Washington, DC	2003	2013	473,000
Music City Center	Nashville, TN	2013	n/a	353,143
Metro Toronto Convention Centre	Toronto, ON	1984	1997	259,325

1. At the time of our audit, convention centre was undergoing redevelopment and/or expansion.
2. At the time of our audit, was approved for redevelopment.

By analyzing historical bookings, and from discussions with MTCC's sales staff, we discovered that in the past 22 years (2001/02 to 2022/23), MTCC lost 20 international conventions because the conventions had outgrown the centre. The last time these 20 events were held at MTCC, they had an average attendance of about 11,700 delegates and an estimated total economic impact of about $490 million.

Additionally, these conventions are held periodically, meaning that they could have been hosted at MTCC multiple times in the future had they not outgrown the centre. **Figure 12** lists the 20 international conventions that were lost, their attendance and rank by estimated economic impact they had previously generated for the provincial economy. To take one example, a large medical association from the US held its annual convention at MTCC in 2015. This convention was attended by approximately 18,000 delegates, with 86% being international attendees. This convention was estimated as contributing about $40 million to Ontario's economy. After being held at MTCC in 2015, this annual convention moved to MTCC's competitor convention centres in Atlanta, San Francisco (twice), New York (twice), San Diego and New Orleans, all of which offered greater contiguous space. We obtained the Request for Proposal for this event (as scheduled for 2025) and noted that the event now needs a minimum of 260,000 square feet of contiguous space in an exhibit hall, slightly more than the 259,000 square feet of contiguous space MTCC can offer.

Similarly, a well-known American organization dedicated to promoting sustainability and environmentally friendly practices within the construction and building industry held its annual convention at MTCC in 2011, bringing 22,000 delegates and contributing an estimated $44 million to Ontario's economy. Since then, the event has moved to MTCC's competitor convention centres in San Francisco (twice), Philadelphia, New Orleans, Washington, D.C. (twice), Los Angeles, Boston, Chicago, Atlanta and San Diego, all of which provide more contiguous space. MTCC appears to no longer be part of the regular destination rotation for this event. We obtained the Request for Proposal for this event (as scheduled for 2019) and noted that the

Figure 12: Twenty International Events No Longer Held at Metro Toronto Convention Centre, Ranked by Economic Impact

Source of data: Metro Toronto Convention Centre

Event Category	Year	Approximate Attendance	MTCC Event Revenue ($ million)	Economic Impact ($ million)
Environmental and Infrastructure	2011	22,000	1.63	44
Healthcare and Medical	2015	18,000	1.03	40
Healthcare and Medical	2001	17,500	0.52	35
Healthcare and Medical	2008	16,000	1.02	32
Biotechnology and Research	2002	15,700	1.07	31
Finance and Professional Organizations	2023*	8,000	4.26	29
Finance and Professional Organizations	2019	14,500	0.99	29
Biotechnology and Research	2007	14,000	0.59	28
Finance and Professional Organizations	2001	12,580	0.72	25
Environmental and Infrastructure	2007	12,000	0.52	24
Environmental and Infrastructure	2007	12,000	0.56	24
Healthcare and Medical	2010	12,000	1.30	24
Environmental and Infrastructure	2003	9,500	0.33	19
Environmental and Infrastructure	2010	9,000	0.74	18
Environmental and Infrastructure	2016	6,000	1.10	18
Finance and Professional Organizations	2014	8,700	0.70	17
Healthcare and Medical	2008	8,000	0.92	16
Biotechnology and Research	2002	7,200	0.46	14
Healthcare and Medical	2001	6,000	0.70	12
Healthcare and Medical	2009	4,500	0.30	9
Total		**233,180**	**19.46**	**488**

* Metro Toronto Convention Centre and Destination Toronto expect that this event will outgrow MTCC's current size by 2029.

event now needs a minimum of 500,000 square feet of contiguous space in an exhibit hall—much more room than MTCC's maximum contiguous rentable space of 259,000 square feet.

Layout of the Meeting Space Prevented MTCC From Hosting Some Events

Besides the exhibit space, we observed that some clients stopped hosting meetings at MTCC because it did not have the meeting space they required. MTCC has about 110,000 square feet of meeting space that can be broken into 77 meeting rooms. One professional organization held an event at MTCC in 2009, bringing in 6,000 delegates and an estimated $12 million in economic impact for the economy, and another science organization held an event in 2004, bringing 5,000 delegates and generating an estimated $10 million in economic impact. Destination Toronto confirmed to us that both of these events have now moved to convention centres with a more practical meeting space configuration.

Overall, the consultant hired by MTCC had noted an industry trend that in order to compete effectively for larger conventions, convention centres must increasingly offer a combination of large contiguous exhibit space capable of accommodating conventions, trade

shows, information booths and displays, along with large meeting spaces (and number of rooms) suitable for hosting keynote addresses and breakout sessions. For example, the Vancouver Convention Centre offers more flexible interior space than MTCC, with its lobby and pre-function areas being able to accommodate small gatherings, networking and informal meetings. This design also fosters networking opportunities for event attendees.

We spoke to some of the event planners in charge of planning large-scale conventions and most reiterated there was a growing demand for larger exhibit space and additional meeting rooms due to the increasing attendance (delegates and exhibitors) at their events. They voiced concerns about the MTCC's layout, particularly that the North Building and South Building were divided by a long bridge, which resulted in time-consuming walks between buildings that disrupted the flow of an event. Furthermore, from their perspective, there was a shortage of meeting rooms and pre-function areas at MTCC.

4.3.3 MTCC Lost 23 Conventions Due to Hotel-Related Issues, Which Could Have Generated an Estimated $344 Million in Economic Impact

Toronto is among the top five largest metropolitan areas in North America (per 2015 Census Data). Data analysis performed by a consultant hired by MTCC in 2019 found that, in terms of the number of hotel rooms surrounding a convention centre, Toronto ranked 15 of 20 comparable cities in Canada and the US, behind a number of smaller cities such as Seattle and Indianapolis.

Further, according to data from Destination Toronto, MTCC lost bids to host 23 conventions due to hotel-related issues for bids submitted from 2017 to 2019. These events could have generated an estimated $344 million in economic impact for the province. **Figure 13** provides an overview of conventions lost due to hotel issues.

Research and surveys in 2019 and 2020 that were conducted for MTCC came to the same conclusion. For example, to reserve 2,500 hotel rooms for an event in Toronto, an event planner may have to co-ordinate with up to 12 different hotels. This puts MTCC at a competitive disadvantage compared to cities such as Atlanta, San Diego and San Francisco, where 2,500 rooms can be reserved at just three or four hotels.

We analyzed six instances where business was lost as a direct result of too many hotels being required to secure the hotel block. In these instances, where the required hotel block was anywhere from 1,800 to 3,000 rooms, we found that at least eight hotels were needed in order to secure these blocks, and in some instances up to 12 hotels. On average, each hotel was able to block off only 236 rooms. This issue occurred at different times in a year; the lost events were scheduled between months of April and October from April 2019 to April 2023.

In a separate example, MTCC had to refuse business from an American medical association convention planned for 2026. It was to involve 2,000 attendees, many from outside the province. This event had to be

Figure 13: Bids for Large-Scale Conventions Lost Due to Hotel-Related Issues, 2017–2019

Source of Data: Destination Toronto

Reason for Lost Business	Total # of Delegates	# of Events	Estimated Economic Impact ($ million)
Hotel rates too high	11,350	5	32
Too many hotels required to secure block	42,700	9	129
Hotel unwilling to accept room rate proposed by event organizer	9,300	4	23
Number of rooms requested was unavailable	35,000	5	160
Total	**98,350**	**23**	**344**

rejected by MTCC as hotel room blocks could not be secured to satisfy the event's requirements. As part of the event bid, the association requested 1,055 rooms to be blocked off on the peak night, when organizers expected the greatest number of delegates.

In two other separate instances provided to us by Destination Toronto, conventions were lost as a direct result of hotel-supply issues. One event was due to be held in 2023 and required 2,400 rooms on a peak night, while the other was scheduled for 2025 and required 2,270 rooms. Due to the number of hotels needed to co-ordinate and accommodate these bookings, both event planners decided to locate their conventions in other cities.

Some Governments Support Construction of Hotels Near Convention Centres

We found that some municipal and state governments in the United States have taken measures to help build or incentivize the building of hotels near convention centres, to make it easier to accommodate bookings for large-scale events. For example:

- In Chicago, Illinois, around $560 million US of state and municipal funding was used in 1998 and 2013 to construct two hotels prioritizing convention delegates at the McCormick Palace convention centre.
- In 2015, the state of Utah introduced a convention centre development incentive to incentivize the construction of new hotels near the Salt Palace Convention Center in Salt Lake City. In 2019, a developer executed an agreement with the state and municipal governments in Utah to build a hotel in this location. Incentives that are part of the program include a $75 million US tax rebate incentive through property tax benefits, land conveyance, and sales tax rebates.
- Texas has granted tax incentives to hotels that expand room capacity near convention districts since 2002.
- Colorado's Economic Development Commission supported five projects from 2012 to 2015, including a private resort with a convention centre in Aurora, Colorado, featuring 1,501 hotel rooms which opened in 2019.

We noted that currently, the Ministry does not offer any similar incentives to encourage hotels to be built near convention centres.

4.3.4 Ministry Has Not Acted on MTCC's Redevelopment Plans

In February 2018, MTCC's management initiated research into the potential redevelopment of the centre to attract more large-scale international conventions. MTCC informed us that, since then, along with the landlord for the North building (Oxford Properties), it has spent over $2 million to conduct market research and industry analysis to assess future demand.

Leadership at MTCC told us they believed, based on the analysis of the consultant they hired, the economic impact generated by out-of-town delegates of the centre was likely to decline about 7% annually (or $27 million annually) from about $402 million on average at the time of the consultant's work to $375 million annually going forward as a result of MTCC not being able to book as many large-scale, international events.

According to the consultant hired by MTCC, the centre could recapture lost market share and target larger-scale international events by increasing its total and contiguous exhibit space, as well as adding additional meeting and ballroom space. MTCC management told us it believes that some of the events that MTCC lost (discussed in **Section 4.3.2** and identified in **Figure 12**) have the potential to return, with a redeveloped facility. MTCC's redevelopment plans also include building 2,500 to 3,000 new hotel rooms connected to the facility that would be managed by MTCC to ensure room blocks and rates were prioritized for the conventions they held.

The aforementioned research and analysis was shared with the Ministry in 2019, with more details being provided in 2021, and MTCC asked for Ministry direction and funding to pursue further work on the potential redevelopment. MTCC informed us it has

also shared information on a desired redevelopment with other provincial government officials as well as with the City of Toronto, who is the landlord of MTCC's South Building.

According to MTCC, the Ministry had not provided any direction on the redevelopment of MTCC's facility. The Ministry informed us that MTCC was still exploring options for redevelopment and the Ministry would review any items that MTCC brought forward in the future pertaining to redevelopment. As MTCC's prior report to the Ministry did ask for further direction and funding to pursue additional work on a potential redevelopment of the centre, it is important that both parties determine together what the next steps are.

We noted that most of the research and information submitted to the Ministry in relation to MTCC's potential redevelopment was gathered prior to the COVID-19 pandemic and therefore needed to be updated (such as to account for the change in future reservations that MTCC was experiencing in the aftermath of the pandemic, as discussed in **Section 4.1**).

RECOMMENDATION 3

To ensure that Metro Toronto Convention Centre (MTCC) is best positioned to attract international conventions and generate economic impact for the province in the future, we recommend that the Ministry of Tourism, Culture and Sport (Ministry):

- work with MTCC to identify what information it requires from it to be able to make a decision on the potential redevelopment of its centre;
- provide direction to MTCC as to when it plans to make a decision on the redevelopment of its centre;
- independently assess the long-term impact of the size and layout of MTCC's exhibit and meeting space and Toronto's hotel availability on MTCC's ability to win and attract large-scale conventions;
- conduct research on other jurisdictions to determine best practices for incentivizing new hotels to be built near convention centres as well as how to manage hotel bookings to secure rooms for delegates; and
- based on this independent analysis, perform a cost/benefit analysis to decide to what extent (if any) MTCC should be redeveloped, particularly in terms of the size and layout of the total centre, the total amount of contiguous exhibit hall, meeting space, ballroom size and hotel space controlled by the convention centre, as well as if any other incentives for building new hotels near convention centres are necessary.

MINISTRY RESPONSE

The Ministry accepts the recommendation and will work with Metro Toronto Convention Centre (MTCC) and other partners to advance information gathering and independent analysis on the redevelopment proposal to support decision-making over the upcoming business planning cycle (2024/25–2026/27). The Ministry will keep MTCC informed of when a government decision with respect to redevelopment is anticipated to be made, and will also engage with MTCC on any required agency decision-making to support redevelopment. The Ministry will assess hotel capacity near MTCC and best practices from other jurisdictions for incentivizing new hotels and managing hotel bookings near convention centres.

RECOMMENDATION 4

To ensure that Metro Toronto Convention Centre (MTCC) has a strategy to effectively attract and win bids for events in both the short-term and the long-term, we recommend that MTCC:

- prepare and execute a short-term event bidding and attraction strategy (to cover the time period until the Ministry of Tourism, Culture and Sport (Ministry) makes a redevelopment decision for the centre) and share this with the Ministry; and
- prepare and execute a long-term event bidding and attraction strategy based on the Ministry's redevelopment decision (as described in

Recommendation 3) and share this with the Ministry.

METRO TORONTO CONVENTION CENTRE RESPONSE

We value the recommendation to ensure that the Metro Toronto Convention Centre (MTCC) is well-equipped with a strategic approach to attract and secure event bids effectively, both in the short and long term. We are committed to taking a proactive approach to address this recommendation and we will prepare and execute an event-bidding and attraction strategy that covers the period until the Ministry makes a redevelopment decision for the centre and share this with the Ministry. The success of our convention centre is closely tied to our ability to remain competitive and adaptable, and we appreciate the guidance provided.

Moreover, we are dedicated to working closely with our Ministry to provide the necessary information for their decision-making process regarding potential redevelopment of MTCC. This collaboration will ensure that the Ministry has all the required data to make informed choices. Once a redevelopment decision is made, we will prepare and execute a long-term event bidding and attraction strategy that aligns with the Ministry's decision and share this with the Ministry.

4.3.5 MTCC Has Aging Assets and a Capital Repair Backlog of About $17 Million

Keeping facilities in a state of good repair is crucial to impressing convention delegates and event planners. We noted that as of June 30, 2023, MTCC had estimated a backlog of about $17 million in capital repairs.

Our audit found that some of the items that required repair and upgrading were critical to the centre's operations. For example, 17 escalators, which typically last about 25 years, had reached the end of their useful life in 2022. One escalator was installed in 1984 and reached its end of useful life in 2009. In total, replacing the escalators would cost $6.5 million. Furthermore, fire alarm systems that should have been replaced in 2018 due to obsolete parts remained in use. The cost to upgrade these systems was $2.5 million.

We asked MTCC how it planned to address the repair backlog, and found it did not have a timetable in place to address it. MTCC leadership said they were awaiting government direction on possible redevelopment of the facility (see **Section 4.3.4**) and it would not make sense to invest money in the existing facility if it was going to be redeveloped**.** They also said their priority was to save enough funds to secure a marshalling yard.

Marshalling Yard Purchase Could Divert Funds From Addressing the Capital Repair Backlog

A marshalling yard is where convention exhibitors receive and organize their freight and transportation vehicles that bring exhibits and event materials to and from the centre. At the time of our audit, MTCC did not have a permanent marshalling yard. Furthermore, in the past 13 years, MTCC has had to relocate its marshalling yard twice.

In 2011, the centre's lease at 24 Bathurst Street was not renewed. MTCC went on to lease land at 100/120 Cherry Street, until that lease was terminated in 2020. At that time, the City of Toronto reclaimed the land for the purposes of development. So, in November 2020, MTCC relocated to a vacant parcel of land on Horner Avenue that is owned by the Province.

MTCC has asked to acquire the land at Horner Avenue for use as its permanent marshalling yard. The Government of Ontario's Realty Directive does not allow the transfer of the land at a nominal amount and the Government of Ontario's Tangible Capital Assets Policy (TCAP) states that such a transfer must happen at fair market value, unless an exemption is approved by Treasury Board/Management Board of Cabinet (TB/MBC).

In June 2021, when the transaction for MTCC to gain access to the land at Horner Avenue was being negotiated, the land was valued at about $12 million and its lease would have been $700,000 per year. Due to significant impacts on MTCC's operations as a result of the COVID-19 pandemic and public heath

restrictions, MTCC was permitted to continue to lease the property for $1 per year for a five-year term.

That term will end in 2026, and in order to avoid another relocation, MTCC is still seeking to purchase the land. The Ministry informed us that the site could only be purchased at fair market value unless an exemption was sought by MTCC and approved by TB/MBC. In 2023, MTCC estimated the value of this parcel of land at around $18 million.

MTCC has been saving about $500,000 per month to be able to purchase the Horner Avenue land. MTCC estimated that, based on the current value of the land, it would take about three years in total to save the necessary funds to purchase the land. This is money that could be spent on critical capital repairs.

RECOMMENDATION 5

To ensure that critical infrastructure is secured for Metro Toronto Convention Centre (MTCC) business operations and that all necessary repairs are performed at the convention centre in a timely manner, we recommend that MTCC:

- submit its capital repair plan to the Ministry of Tourism, Culture and Sport (Ministry); and
- provide periodic updates to the Ministry on progress in clearing the repair backlog.

METRO TORONTO CONVENTION CENTRE RESPONSE

We appreciate the recommendation to enhance the critical infrastructure and promptly address necessary repairs at the Metro Toronto Convention Centre. We take this recommendation seriously and are committed to ensuring the highest level of functionality to our business operations.

To address this recommendation, we will continue to present our self-funded capital plan, which will include our plan to address our capital repair backlog, as an integral part of our yearly business plan. This approach ensures that our capital repair plan is aligned with our operational priorities and financial resources. Furthermore, we are dedicated to enhancing our process for quarterly updating for the Ministry on the progress of addressing the repair backlog.

RECOMMENDATION 6

To ensure that Metro Toronto Convention Centre (MTCC) can continue to host conventions without requiring it to raise significant funds to purchase its current marshalling yard, we recommend that the Ministry of Tourism, Culture and Sport (Ministry) provide guidance to MTCC regarding different options for securing a marshalling yard for the long-term, including on the possibility of a long-term lease.

MINISTRY RESPONSE

The Ministry accepts the recommendation and will work with MTCC and others, as required, to provide guidance and direction on possible options for the long-term securing of a marshalling yard.

4.3.6 Security Incidents Up 72% at MTCC Since 2016/17

Our review of security incident logs from 2016/17 to 2022/23 revealed a significant increase in incidents. There was a 72% rise in the overall number of incidents during this seven-year period, from 186 to 319 incidents.

A breakdown of security incidents by type can be found in **Figure 14**, which shows a substantial increase in "unwelcome guest interactions" (up by over 200 such incidents a year in 2022/23 compared to 2016/17). Unwelcome guest interactions are situations where individuals entered the MTCC premises unauthorized. "Event thefts" also increased slightly (from nine events in 2022/23 compared to seven in 2016/17), which relates to thefts that occurred during events on MTCC premises. MTCC told us that, as a result of the increase in total security incidents, it has added security staff members as well as increased patrols of the venue. It has also started stationing staff in specific areas of the venue to deter further security incidents from occurring.

Figure 14: Incidence of Security Events at Metro Toronto Convention Centre from April 2016 to March 2023

Source of data: Metro Toronto Convention Centre

Type of Incident	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Change (%)
Unwelcome guest interactions	24	21	9	128	84	130	231	863
Event thefts	7	7	4	33	4	2	9	29
Damage to property	40	44	24	97	4	4	44	10
Break and enters	0	2	0	6	0	0	2	-
Other	115	76	80	245	7	8	33	(71)
Total	**186**	**150**	**117**	**509**	**99**	**144**	**319**	**72**

As MTCC can only control access and activity in its building (and not those of adjoining buildings or nearby public and private property), MTCC indicated it was working with the City of Toronto and the Toronto Police Service to address encampments and aggressive behaviour from people experiencing homelessness. The event planners we spoke to emphasized that the safety and security of their delegates was of paramount importance. They carefully considered the safety of destinations when making their event location choices. Naturally, they did not want to host events at destinations or centres where delegates might feel unsafe. Even a small number of security incidents can therefore damage the reputation of a convention centre and impact its ability to attract events.

We reviewed about 470 event surveys from April 2018 to March 2023 to check whether security incidents were having an impact on event planners' perceptions of MTCC. During this time period, we found there were nine formal complaints about the safety of the centre, including three break-ins and thefts; four intruder incidents; and two complaints about interactions with people experiencing homelessness.

Continued Security Incidents Can Lead to Loss of Events

Our research showed that repeated security incidents at conventions centres elsewhere have resulted in those centres' loss of major event clients. One example is when a large technology company relocated its convention away from San Francisco, citing security concerns.

In some jurisdictions, such as San Diego, Los Angeles and Philadelphia, governments have addressed safety and security concerns by designating the area surrounding a convention centre as a "convention district."

In convention districts, rules that prohibit loitering are typically enforced through regular patrols to ensure the safety and comfort of convention attendees. For example, in San Diego, California, the Downtown San Diego Partnership's Clean and Safe Program was designed to provide maintenance, enhance safety, tackle unhoused care and invest in the beautification of the area. This included ensuring that garbage bins were emptied and sidewalks were clean and involved "safety ambassadors" who enhanced security by visiting businesses, providing directions and even walking delegates to their accommodations. This program is funded through public and private funding.

RECOMMENDATION 7

To ensure a high-level of safety for delegates and staff, we recommend that Metro Toronto Convention Centre (MTCC):

- review practices in other jurisdictions such as San Diego, Los Angeles and Philadelphia, where the concept of a "convention district" has been adopted, to address the increasing number

of security incidents, including addressing unwelcome guest interactions; and

- work with the Ministry of Tourism, Culture and Sport (Ministry), the City of Toronto and local law enforcement agencies to develop and implement a plan to address the rise in security incidents, based on the results of the above review.

METRO TORONTO CONVENTION CENTRE RESPONSE

We appreciate the recommendation to prioritize the safety of delegates and staff at the Metro Toronto Convention Centre. Safety is of paramount importance, and we are committed to maintaining a secure environment for all those who visit and work at our facility.

In response to this recommendation, we will proactively review practices and strategies implemented in other jurisdictions that have successfully adopted the concept of a convention district, particularly in addressing unwelcome guest interactions. We understand that examining such models can offer valuable insights into enhancing security and safety within our own context.

Furthermore, we are dedicated to working with the Ministry, the City of Toronto, local law enforcement and other stakeholders to develop and implement a comprehensive plan that addresses the increasing security incidents, incorporating practices from the above review. This collaborative approach will allow us to draw on the expertise and resources of various stakeholders to create an effective and sustainable security strategy.

4.4 OCC: Performance and Challenges

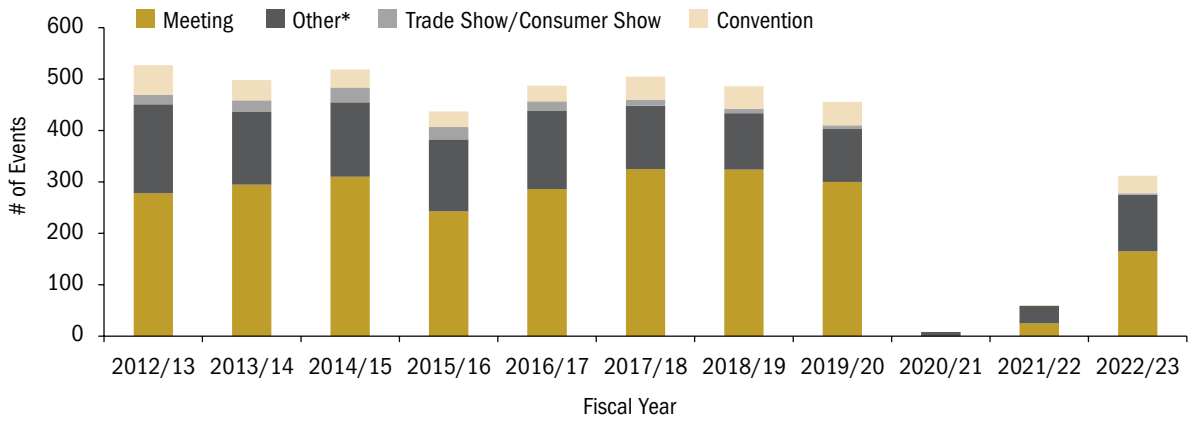
4.4.1 OCC's Financial and Operational Performance

Between fiscal years 2013/14 and 2022/23, OCC held approximately 3,800 events. Refer to **Figure 15** for a breakdown of events by type during this period. Due to the COVID-19 pandemic and public health restrictions, only a few events were held in 2020/21 and in 2021/22. In the seven fiscal years prior to the COVID-19 pandemic, OCC was averaging an occupancy rate of 42% for its rentable space (70% is considered full capacity by industry standards).

OCC generates revenue through various sources including food and beverage sales, event space rental, commissions (such as from a partner vendor for audio-visual services used during events) and communication services (such as charging for the use of wireless

Figure 15: Events Held at Ottawa Convention Centre, April 2013–March 2023

Source of data: Ottawa Convention Centre



* Includes exams, food and beverage events, special events like weddings, sporting events, film and TV shoots, religious celebrations, dance productions, concerts and graduations, and theatre events.

internet). Unlike MTCC, the current lease between OCC and the landlord at the time of our audit did not include the parking lot and associated revenues. Over the past decade, OCC's revenue breakdown has been, approximately:

- 60% from food and beverage;
- 26% from space rental;
- 10% from commissions and communication services; and
- 4% from other sources.

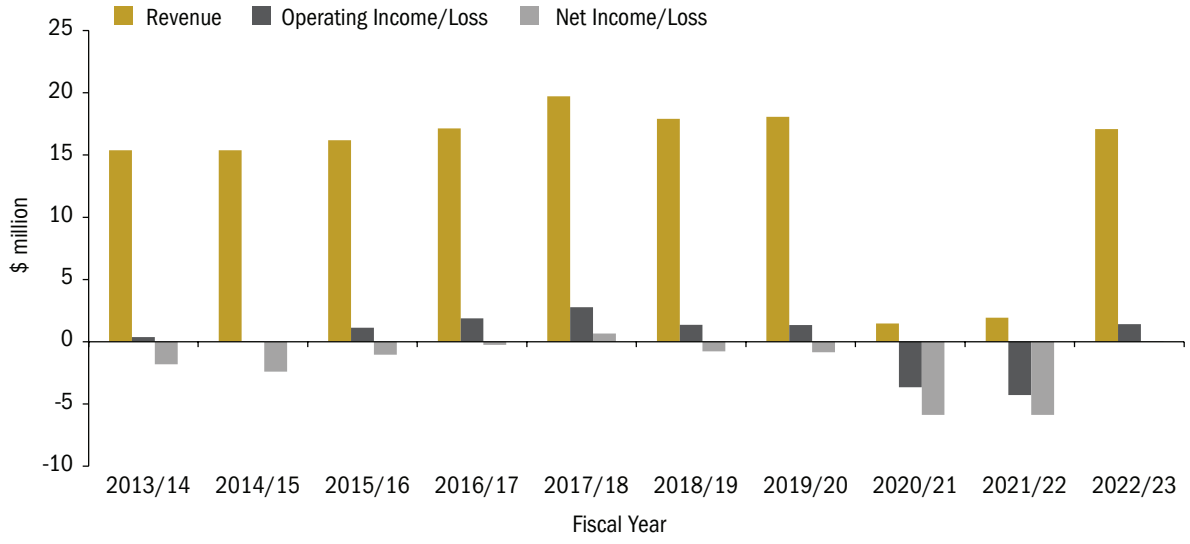
During this time frame, OCC's revenue was relatively stagnant, with the centre generating an average operating income of about $1.29 million per year. OCC has been unable to generate net profits (after amortization and depreciation expenses) from its operations since redevelopment in 2011/12, other than $650,000 in 2017/18 and about $40,000 in 2022/23. For a detailed overview of OCC's revenue, operating income and net income from 2013/14 to 2022/23, refer to **Figure 16**. For a comparison of OCC's financial performance to other government-operated Tier 2 venues in Canada, see **Appendix 9**.

In 2019/20, OCC held 456 events that generated an estimated economic impact of $150 million (or about $330,000 per event) for Ontario. In the past 10 years, excluding the two pandemic years, OCC estimates that it generated an average economic impact of about $110 million per year for the province. Refer to **Figure 17** for an estimate of the annual economic impact generated by OCC from 2013/14 to 2022/23, which it calculated using the Ministry's Tourism Regional Economic Impact Model (TREIM) tool (explained in **Section 2.1.1**) with a modified approach. Given its limited staff, OCC calculates the economic impact generated during the year by inputting the estimated average spending for delegates and exhibitors into the TREIM model, as OCC has informed us that it does not have resources to collect and input detailed spending data for each individual event. The average spending per attendee and delegate was calculated by a third-party consultant, in 2013, and is adjusted to account for the cumulative consumer price index change since 2012.

Our audit found that OCC's service was rated highly by its clients. In 2020, OCC was recognized for its

Figure 16: Revenue, Operating and Net Income and Loss Generated by Ottawa Convention Centre,April 2013–March 2023

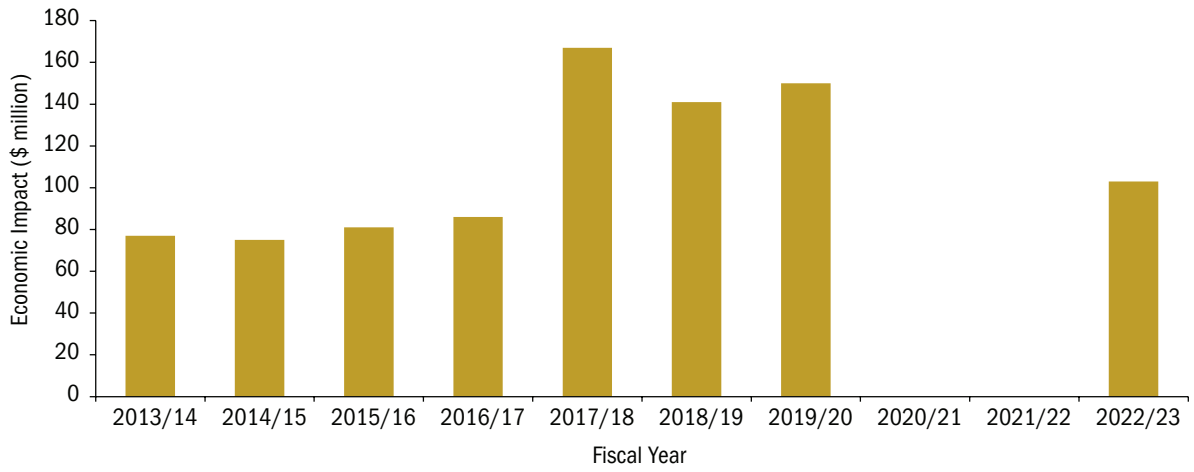
Source of data: Ottawa Convention Centre



Note: Due to the COVID-19 pandemic public health restrictions, there was a significant drop in revenue in 2020/21 and 2021/22 (and to lesser extent in 2022/23). Financial assistance of $12 million was provided by the Ministry of Tourism, Culture and Sport, as discussed in **Section 2.3.1**, and is not included in the operating and net income and loss calculations so as to reflect the convention centre's independent performance. Depreciation costs are included in the calculation for net income/loss. Annual payments to the Ontario Financing Authority are not shown here.

Figure 17: Annual Estimated Economic Impact Generated by the Ottawa Convention Centre, April 2013–March 2023

Source of data: Ottawa Convention Centre



Note: Estimate obtained using the Tourism Regional Economic Impact Model (TREIM) developed and maintained by the Ministry of Tourism, Culture and Sport. Ottawa Convention Centre informed us that given its limited staff and the time-consuming nature of this exercise, it used a modified approach to calculate of the economic impact, which is described in **Section 2.1.1.** Due to the COVID-19 pandemic public health restrictions, there was a significant drop in economic impact in 2020/21 and 2021/22.

service by the International Association of Convention Centres (AIPC), an association for professional convention and exhibition centre managers, and was awarded the title of the best convention centre in the world. Our review of client satisfaction surveys from 2013/14 to 2022/23 found that OCC's client satisfaction rating (as evaluated by surveys of event planners) ranged from an average of 4.5 to 5 out of 5 each year.

Although client satisfaction has been high, OCC has struggled to be profitable. We found that, unlike MTCC, OCC did not have as many diversified revenue streams to lower its rent prices while remaining profitable. For example, OCC did not operate a parking lot, so it was unable to generate parking revenue, which accounted for about 17% of MTCC's $533-million revenue in the past 10 years (excluding 2020/21 and 2021/22).

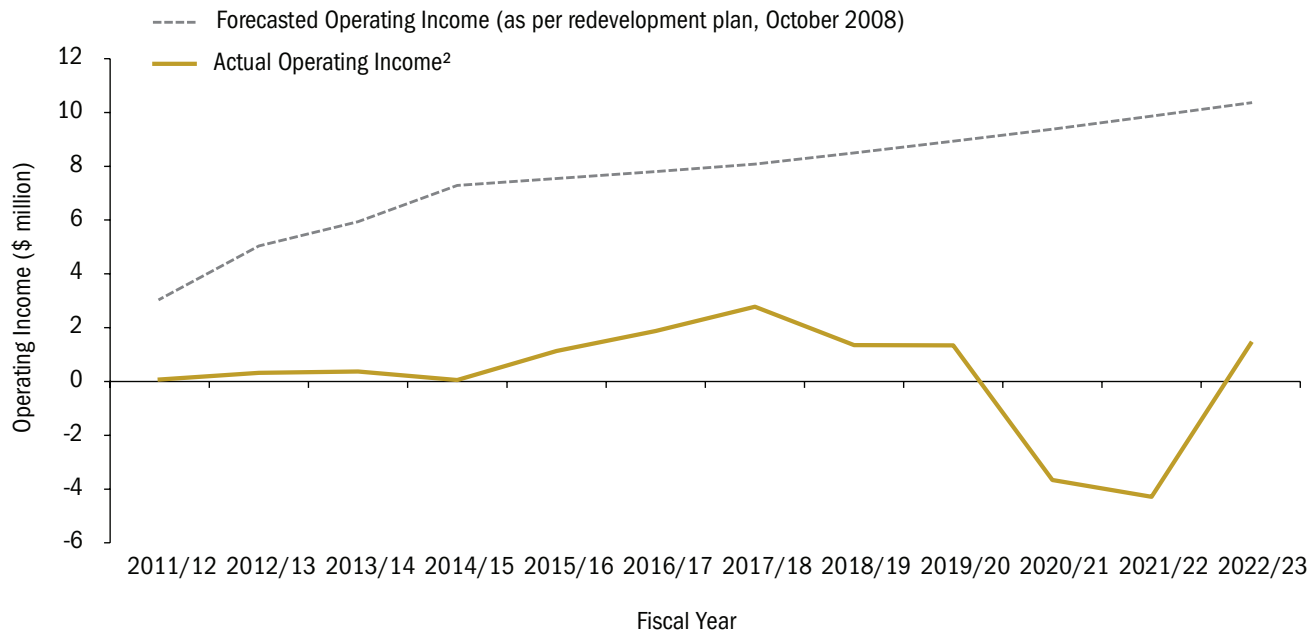
Projections for OCC's Redevelopment Were Overly Optimistic

Our audit found that the projections developed for OCC's redevelopment, completed in 2011 (discussed in **Section 2.2.3**), were overly optimistic about the forecasted revenues and operating income that the centre would generate. For example, redevelopment documents for OCC showed that the centre was supposed to receive $2 million in support payments annually from tourism industry entities benefiting from the redevelopment of the facility. These revenues would have contributed to either the capital expenses or ongoing operating costs at OCC for a 25-year period. However, OCC senior management informed us that they were never able to successfully negotiate the $2 million annual payment from the tourism sector.

Further, projected food and beverage revenue fell short of forecasts. We compared OCC's food and beverage revenue for 2017/18, its best performance year so far, to the projections made for the same year in the redevelopment plan. OCC was forecasted to make $15.9 million in food and beverage revenue, yet only made $12.3 million. Similarly, OCC was forecasted to make $9.2 million in rent revenue that year but only made $5.2 million. Overall, excluding the two years of the pandemic, since opening in 2011, OCC has had a shortfall of about $62 million in actual operating income compared to what was forecasted from the redevelopment plan. Between 2011/12 and 2022/23, (excluding 2020/21 and 2021/22, in order to assess the time period when impacts of the COVID-19 pandemic were non-existent or minimal), OCC earned only about 15% (or $10.7 million) of the $72.5 million

Figure 18: Actual and Forecasted Operating Income[1] for Ottawa Convention Centre, April 2011–March 2023 ($ million)

Prepared by the Office of the Auditor General of Ontario



1. Subsidies and financial assistance provided by governments such as those during the COVID-19 pandemic are not included in the operating income/loss calculations to reflect the convention centre's independent performance. Depreciation costs are also not included in the calculation of operating income. Any annual payments, such as those made by Ottawa Convention Centre (OCC) to the Ontario Financing Authority, are also not shown here.
2. Calculated using OCC's financial statements.

in operating income forecasted at that time. See **Figure 18** for actual and forecasted operating income for OCC from 2011/12 to 2022/23.

4.4.2 OCC Had Not Completed Necessary Capital Repairs

Our audit found that as of July 31, 2023, OCC had a backlog of capital repairs totalling about $15.8 million. We found that some of the outstanding repairs were considered critical to operations. For example, OCC's kitchen ovens, installed in 2011, have reached the end of their useful lives. OCC's IT network is at risk due to aging cables, degraded performance and considerable difficulty in troubleshooting and sourcing replacements. A failure in the network could disrupt technology throughout the building. In February 2023, OCC estimated the cost of these repairs to be $1.1 million and $1 million, respectively.

As discussed in **Section 4.4.1**, OCC achieved only about 15% of the annual operating income projections in the redevelopment plan. OCC told us it would like to complete the repair work as soon as possible, but did not have the money. Through the Capital Repair and Rehabilitation funding program (R&R Program), the Ministry offers financial support for 12 agencies and attractions it oversees to address critical capital repairs. Since 2019, OCC has applied to the R&R Program every year, asking in total for $11.8 million. It was approved for $5.5 million (over the period 2019–2023). However, as noted above, by July 31, 2023, OCC's short-term backlog (over the next three years) grew to about $15.8 million, with over $5 million in critical repairs remaining outstanding.

The $1-million payment OCC makes to the Ontario Financing Authority (OFA) annually could be used toward necessary capital repairs. As mentioned in **Section 2.2.4**, while the consultant hired by the Ministry to review OCC's operations advocated for the loan between OCC and the OFA in relation to OCC's

redevelopment be forgiven and replaced with performance payments (based on cash flow available after operational and capital expenditures), they also advised that performance payments be deferred for a period of 10 years (until 2027/28) if OCC's actual performance remained unsustainable, as forecasted. The OFA informed us they reviewed the consultant's report issued to the Ministry of Tourism, Culture and Sport, but that OFA was not required to accept its recommendation. OFA indicated they relied on their own analysis when making the recommendation to the Minister of Finance that OCC be released from the original loan payment schedule in favour of an annual payment in perpetuity.

OCC's current operating environment (including the 50% decrease in future bookings identified in **Section 4.1** and reduced flight availability to the region post-COVID-19 pandemic identified in **Section 4.4.3**) make it worth reconsidering this recommendation.

RECOMMENDATION 8

To ensure that Ottawa Convention Centre's (OCC's) state of repair does not impact customer experience and result in the loss of future revenue and economic impact, we recommend that the Ministry of Tourism, Culture and Sport (Ministry):

- work with OCC to complete assessments of its critical repair needs and ensure that they are addressed in a timely manner; and
- work with the Ontario Financing Authority and OCC's management to determine any changes needed to OCC's annual payment to the Province, including whether funding could be prioritized for capital repairs when necessary.

MINISTRY RESPONSE

The Ministry appreciates the recommendation and has OCC scheduled to receive an updated condition assessment in Spring 2024. Updated condition data will support OCC in modernizing its asset management practices and collect much-needed data on the state of infrastructure.

The Ministry will continue to engage OCC as part of its asset management working group to support asset management planning and help to prioritize its most critical needs so that they can be addressed in a timely manner.

The Ministry will work with OCC and other partners as required to determine if funding can be prioritized for capital repairs when necessary.

4.4.3 Price and Availability of Flights to Ottawa a Barrier to Attracting Conventions to Ottawa

Ottawa's flight availability has worsened since the COVID-19 pandemic. Compared with Toronto, Ottawa has fewer non-stop flights and the flights are more expensive generally. This hurts OCC's ability to attract events as, not surprisingly, event planners prefer cities with frequent and economically priced direct air service.

According to a 2020 survey of North American event planners (completed prior to the COVID-19 pandemic), about 40% of planners rated flight access to Ottawa as "average or poor." These planners ranked Ottawa 25 out of 40 cities for flight access, behind cities such as Pittsburgh, Portland and Phoenix. The event planners we interviewed told us that availability of direct flights and cost of the air fare were major criteria to evaluate potential event destinations.

By analyzing data provided to us by the Ottawa International Airport Authority, we found that as of August 2023, flights in and out of Ottawa were still down by about 27% from the pre-pandemic levels. Specifically, from March 2020 to August 2023, domestic flights in and out of Ottawa decreased by 18% while international flights decreased by 53%. Representatives from Porter Airlines told us that, although the market for leisure travel was recovering, the business travel market had not recovered as quickly. Similarly, representatives from Air Canada told us that while the market for leisure travel has recovered, the business travel market has not recovered to the pre-pandemic levels.

In addition, Canada's 2023 federal budget proposed further reducing expenses on travel by roughly 15% (of

2022/23 levels) going forward. Federal government travel is a key driver of demand for travel in the Ottawa region. According to estimates from Public Works and Government Services Canada, in 2019, nearly 300,000 passengers travelling through Ottawa Airport were federal public servants travelling for government business. In 2022, that number was down nearly 63% to about 110,000. With fewer travellers, airlines operated fewer flights in and out of Ottawa. In turn, the limited flight access made it harder for OCC to attract and retain convention business.

Data from the Ottawa International Airport Authority showed that, as of July 2023, Ottawa had 524 weekly flight departures with approximately 58,000 available passenger seats. This volume was significantly less than other comparable North American cities, as well as less than Toronto and Montréal, which had about 4,000 and 1,900 weekly departures, respectively, and approximately 600,000 and 300,000 available passenger seats. In **Figure 19** we compare air service to these North American cities.

Cost of Flying to Ottawa From International Destinations Was Generally Higher Than Toronto

Our audit found that, besides there being a relatively small number of flights to Ottawa, the cost of flights from international destinations was generally higher than flights to Toronto, for example. We researched the cost of airfare to Ottawa and Toronto from six major cities: three in Europe (London, Paris and Frankfurt) and three in North America (San Francisco, Los Angeles and Chicago) for dates in October 2023. On average, airfare to Ottawa ($937) was 20% more expensive than to Toronto ($778). Because it is usually necessary to take a connecting flight, the average air travel time from these six cities to Ottawa (650 minutes) was 248 minutes (about four hours) longer than to Toronto (402 minutes).

Representatives we interviewed from Air Canada told us that international direct flights to Ottawa were more challenging economically as Ottawa was a smaller local market compared to Toronto or Montréal. In addition, Ottawa was not a major hub for Air Canada and therefore lacks the connectivity to feed international flights. Representatives we interviewed from Porter Airlines told us that Ottawa's geographic proximity to two major hubs (Montréal and Toronto) factored in to decisions that airlines made about network connectivity. It was more economical for airlines to offer short connecting flights between these two hubs and Ottawa.

Figure 19: Weekly Flight Departures and Passenger Seats from Select North American Cities as of July 2023

Prepared by the Office of the Auditor General of Ontario

City	# of Weekly Flight Departures	# of Weekly Passenger Seats
Washington, DC	5,037	629,573
Toronto, ON	3,964	593,070
Philadelphia, PA	2,646	365,648
Nashville, TN	2,041	292,813
San Diego, CA	1,938	309,359
Montréal, QC	1,889	297,671
Calgary, AB	1,716	246,073
New Orleans, LA	1,001	156, 651
Indianapolis, IN	966	127,997
Edmonton, AB	714	95,408
Ottawa, ON	524	57,738

Lack of Direct Flights to Ottawa Contributed to OCC Losing Bids to Host Seven International Conventions Between 2022 and 2026

We analyzed the convention bids lost by OCC for events to be held between 2022 and 2026. We found that in seven instances the reason given for OCC losing the winning bid was "lack of direct flights." For instance, OCC lost the following bids:

- The 2022 annual convention for an international medical science society, with an estimated attendance of 300 delegates. The convention was held in Dublin, Ireland. It would have generated an estimated $100,000 in revenues for OCC and an estimated economic impact of over $800,000.
- The 2024 annual convention for an international medical society, with an estimated attendance of about 3,200 delegates, was lost to the Montréal Convention Centre. This would have brought in an estimated $350,000 in revenue for OCC and an estimated $8.8 million in economic impact to the economy.
- The 2026 annual convention for an international science society, with an estimated attendance of 3,000 delegates, will be held in Calgary instead of Ottawa. The convention would have brought an estimated $575,000 in revenue for OCC and an estimated $8.1 million in economic impact.

In total, it is estimated that these seven events would have brought in over 9,000 attendees and nearly $1.5 million in revenue. All seven of these bids were for international convention events, events which bring the greatest economic impact per delegate (see **Section 2.1.2**). OCC estimated that these events would have brought nearly $25 million in economic impact to the province.

In other cases, a lack of direct flights can affect rates of attendance. For example, an event planner for an event held at OCC in 2022 told OCC that many potential attendees chose not to come to their event because there were no direct flight options to Ottawa. In 2022, when OCC held this athletics/dance event, it had lower attendance than expected (it had been contracted for 350 attendees, however only 300 attendees were present for the event), OCC estimated that approximately $135,000 in economic impact was lost as a result of lower attendance, which resulted in the event planner contracting less space with OCC for future events.

We noted that several Canadian provincial and American state governments were able to establish and expand direct flight routes to their smaller Tier 2 cities, similar to Ottawa, by providing financial support. For instance:

- Manitoba allocated $4.8 million in 2022/23 to enhance direct flight connections to Winnipeg from international cities like Atlanta.
- Nova Scotia invested $19.3 million in May 2022 to attract new routes to Halifax and Sydney.
- Saskatchewan plans to spend up to $2.2 million in 2023/24 to support direct flights between Saskatoon and Minneapolis.
- Ohio has invested $10 million US annually since 2020 to establish flight services connecting cities like Akron, Columbus, Cleveland and Cincinnati to regional and international destinations.

4.4.4 Downtown Ottawa Has Experienced a Notable Decline in Activity, Reducing the City's Appeal to Event Organizers

Event planners we spoke to informed us that when evaluating an event destination, one of their important criteria was the vibrancy of the destination, including its restaurants, attractions, cultural offerings and their "walkability" in relation to the convention centre. Delegates may then be able to have a dynamic and stimulating experience while attending conferences and conventions. A city's overall appeal to delegates is an important decision factor as it helps to build attendance, which is important to the event planner and their organization.

Ottawa has always been considered a Tier 2 destination due to its smaller population, lack of direct air access and other factors. (See **Appendix 1** for the categories of convention centre venues and supporting city infrastructure.) Unfortunately, changes to where people work in Ottawa since the COVID-19 pandemic have had a lasting impact on the character of the

downtown area, decreasing its vibrancy and making it less attractive to prospective clients.

A July 2023 report published by CBRE Group, a global commercial real estate services and investment firm, found that office building vacancy in downtown Ottawa increased from about 6% in the first quarter of 2020 (before the declaration of the COVID-19 pandemic) to 15% by the end of the second quarter of 2023. The federal government is the largest commercial tenant in Ottawa and the largest employer in the city, with over 120,000 employees. It announced in June 2023 plans to sell or transfer several of its office buildings in downtown Ottawa, as a result of the hybrid work model that has emerged after of the pandemic.

Vacancies have resulted in a noticeable decline in foot traffic, regular customers and the overall activity in the downtown area, which has impacted local businesses. In March 2023, the Canadian Chamber of Commerce, an association that advocates for the needs of businesses to the government, published a report on Canada's urban centres. This report assessed the mobility trends and the impacts on business as a result of the COVID-19 pandemic, comparing January 2023 trends to January 2020. While overall mobility in Ottawa was down 20% compared to January 2020, the downtown core remained as much as 45% below the pre-pandemic levels. According to the mobility dashboard prepared by the Canadian Chamber of Commerce, as of June 2023, foot traffic in Ottawa's downtown (where OCC is located) was still nearly 34% below January 2020 levels. The same dashboard identified the national average foot traffic, by contrast, was about 9% below January 2020 levels across all other Canadian municipalities tracked by the dashboard.

RECOMMENDATION 9

To support the ability of the Ottawa Convention Centre (OCC) to attract events and generate economic impact for the province, we recommend that the Ministry of Tourism, Culture and Sport (Ministry):

- review practices in other jurisdictions where support is provided to attract new direct flight routes, such as in Manitoba, Nova Scotia, Saskatchewan and Ohio;
- work with OCC to assess its future bookings and opportunities for larger conventions;
- conduct a cost/benefit analysis to assess the jurisdictions to where air service would be beneficial for attracting more events at OCC; and
- develop and execute a strategic plan to address the findings of the cost/benefit analysis.

MINISTRY RESPONSE

The Ministry accepts the recommendation and recognizes that a jurisdictional scan on flight routes and travel may help to inform an assessment of OCC's ability to host larger events.

The Ministry will work with OCC on conducting the recommended assessment and provide direction to OCC based on findings to articulate a proposed strategy and plan in a future business planning process for the booking of large conventions informed by the cost/benefit analysis.

RECOMMENDATION 10

To assist in improving the vibrancy of downtown Ottawa and increase the likelihood that the Ottawa Convention Centre (OCC) is selected to host events, we recommend that OCC:

- engage with local stakeholders (including the City of Ottawa, Ottawa Tourism and the Ottawa Board of Trade) to understand any initiatives they can participate in to help improve the vibrancy of downtown Ottawa;
- participate in such initiatives that align with its mandate and for which OCC has the necessary

human and financial resources available to devote to them; and

- identify to the Ministry of Tourism, Culture and Sport (Ministry) initiatives they could participate in that would improve the vibrancy of downtown Ottawa for their consideration.

OTTAWA CONVENTION CENTRE RESPONSE

The Ottawa Convention Centre (OCC) agrees with this recommendation. OCC will engage with local stakeholders (including the City of Ottawa, Ottawa Tourism and Ottawa Board of Trade) to understand the initiatives they can participate in to help improve the vibrancy of downtown Ottawa.

OCC is currently in the process of developing its strategic plan for the next three years. As part of this process, consideration will be given to resources, both human and financial, that can be devoted to participate in initiatives that will improve the vibrancy of downtown Ottawa and align with our mandate.

OCC will work with the City of Ottawa, Ottawa Tourism, Ottawa Board of Trade and other stakeholders to identify initiatives the Ministry would benefit from participating in, particularly ways the Ministry can participate in attracting business events that would directly benefit the downtown core and its surrounding areas.

Appendix 1: Categories of Convention Centre Venues and Supporting City Infrastructure

Prepared by the Office of the Auditor General of Ontario

Convention Centre (Venue)	City (Infrastructure)	Example
Tier 1		
• Largest convention centres that could serve large events like national and international conventions • Expansive exhibit halls, numerous meeting rooms and large ballrooms, capable of accommodating a large audience • Advanced technology available (e.g., audio and visual equipment and services) • Supplementary amenities like in-house catering, retail spaces and hotels	• Urban areas with a large and dense concentration of population, advanced infrastructure and many amenities • Well-connected transportation network reaching major airports and highways • Extensive selection of dining, hotels, entertainment options	• Metro Toronto Convention Centre • Vancouver Convention Centre
Tier 2		
• Convention centres of smaller capacity with diversity of amenities; more affordable than their Tier 1 counterparts and could serve medium-sized events like regional conferences and exhibitions • Medium-sized venues that offer a reduced number of amenities and smaller area than Tier 1 centres • Multiple meeting rooms, some exhibit spaces and standard catering options • Situated in mid-sized cities or suburban regions; host medium-sized events such as regional conferences, business meetings and smaller-scale trade shows	• Mid-sized urban regions with numerous comparable attributes to Tier 1 cities, but on a smaller scale • Many restaurants, attractions and some hotel choices	• Ottawa Convention Centre • Calgary (Telus) Convention Centre
Tier 3		
• May feature a small convention centre or community centre; attractive destinations for events, such as niche conferences or local trade shows • Smallest in size, with restricted amount of exhibit space and a small number of available meeting rooms • Cater to local events such as community fairs, small business expos or training workshops	• Small cities, towns or rural regions with a restricted range of amenities and infrastructure • Limited transportation and hotel choices	• Vancouver Island Conference Centre • Prince George Conference and Civic Centre

Appendix 2: Major Convention Centres Owned and/or Operated by Municipal and Provincial Governments in Canada

Prepared by the Office of the Auditor General of Ontario

Convention Centre	Owner	Location
Municipally owned and/or operated		
Calgary (Telus) Convention Centre	City of Calgary	Calgary, Alberta
Chatham-Kent John D. Bradley Convention Centre	Municipality of Chatham-Kent	Chatham, Ontario
Edmonton Convention Centre	City of Edmonton	Edmonton, Alberta
Enercare Centre	City of Toronto	Toronto, Ontario
Regina Exhibition Association Limited (REAL) District	City of Regina	Regina, Saskatchewan
Fredericton Convention Centre	City of Fredericton	Fredericton, New Brunswick
Penticton Trade and Convention Centre	City of Penticton	Penticton, British Columbia
Prince George Conference and Civic Centre	City of Prince George	Prince George, British Columbia
Winnipeg Convention Centre	City of Winnipeg	Winnipeg, Manitoba
London Convention Centre (RBC Place London)	City of London	London, Ontario
St. John's Convention Centre	City of St. John's	St. John's, Newfoundland and Labrador
Saskatoon's Arts and Convention Centre (TCU Place)	City of Saskatoon	Saskatoon, Saskatchewan
Vancouver Island Conference Centre	City of Nanaimo	Nanaimo, British Columbia
Victoria Conference Centre	City of Victoria	Victoria, British Columbia
Whistler Conference Centre	Resort Municipality of Whistler	Whistler, British Columbia
Provincially owned and/or operated		
Halifax Convention Centre*	Province of Nova Scotia	Halifax, Nova Scotia
Gatineau Convention Centre (Palais des congrès de Gatineau)	Province of Québec	Gatineau, Québec
Metro Toronto Convention Centre	Province of Ontario	Toronto, Ontario
Montréal Convention Centre (Palais des congrès de Montréal)	Province of Québec	Montréal, Québec
Québec City Convention Centre (Centre des congrès de Québec)	Province of Québec	Québec City, Québec
Ottawa Convention Centre	Province of Ontario	Ottawa, Ontario
Vancouver Convention Centre	Province of British Columbia (BC Pavilion Corporation)	Vancouver, British Columbia

* Since re-opening in January 2018, the Province of Nova Scotia has been operating the Halifax Convention Centre in partnership with the Halifax Regional Municipality.

Appendix 3: Rentable Space at Tier 1 and Select Tier 2 Canadian Convention Centres[1]

Source of data: Convention Centres Canada

	Tier 1 Venue			Tier 2 Venue						
	Metro Toronto Convention Centre (MTCC)	Montréal Convention Centre	Vancouver Convention Centre	Ottawa Convention Centre (OCC)	Calgary (Telus) Convention Centre	Edmonton Convention Centre	Halifax Convention Centre	Québec City Convention Centre	Toronto Enercare and Beanfield[2]	Winnipeg Convention Centre
Year opened	1984	1983	1987	1983	1974	1983	1985	1996	1997	1975
Year expanded	1997	2002	2009	2011	2000	2006	2018	2013	2009	2016
Exhibit/Meeting/Ballroom Space (square feet)										
Total exhibit space	**440,877**	199,052	311,500	55,741	47,047	105,000	37,400	75,000	**506,563**	131,056
Total meeting space	**110,992**	66,685	85,000	45,915	29,715	37,700	47,074	**82,874**	49,967	38,618
Total ballroom space	28,000	65,309	**70,000**	19,032	19,757	n/a	30,000	34,500	**44,260**	42,931
Total	**579,869**	331,046	466,500	120,688	96,519	142,700	114,474	192,374	**600,790**	212,605
Overall Space (square feet)										
Largest exhibit hall	**259,325**	199,052	220,500	55,741	47,047	80,000	37,400	75,000	**506,563**	131,056
Total rental space	**579,869**	508,756	523,000	192,000	121,747	167,700	129,974	272,374	**600,790**	260,000
Total building size	**2,200,000**	1,431,500	1,800,000	404,224	360,000	525,000	129,974	570,000	n/a[2] (OCC)	**879,934**
Number of Rooms and Exhibit Halls (square feet)										
# of exhibit halls	8	**19**	6	3	3	4	**6**	3	**6**	4
# of meeting rooms	**77**	65	72	28	36	27	42	42	**44**	37
Theatre seats	**1,232**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100	**293**

Note: Bolded numbers with gold background represents biggest venue in its Tier category.

1. Convention centres are all owned and/or operated by provincial or municipal governments, as of July 31, 2023.
2. Two separate buildings.

Appendix 4: Board of Directors of Metro Toronto Convention Centre as of August 31, 2023

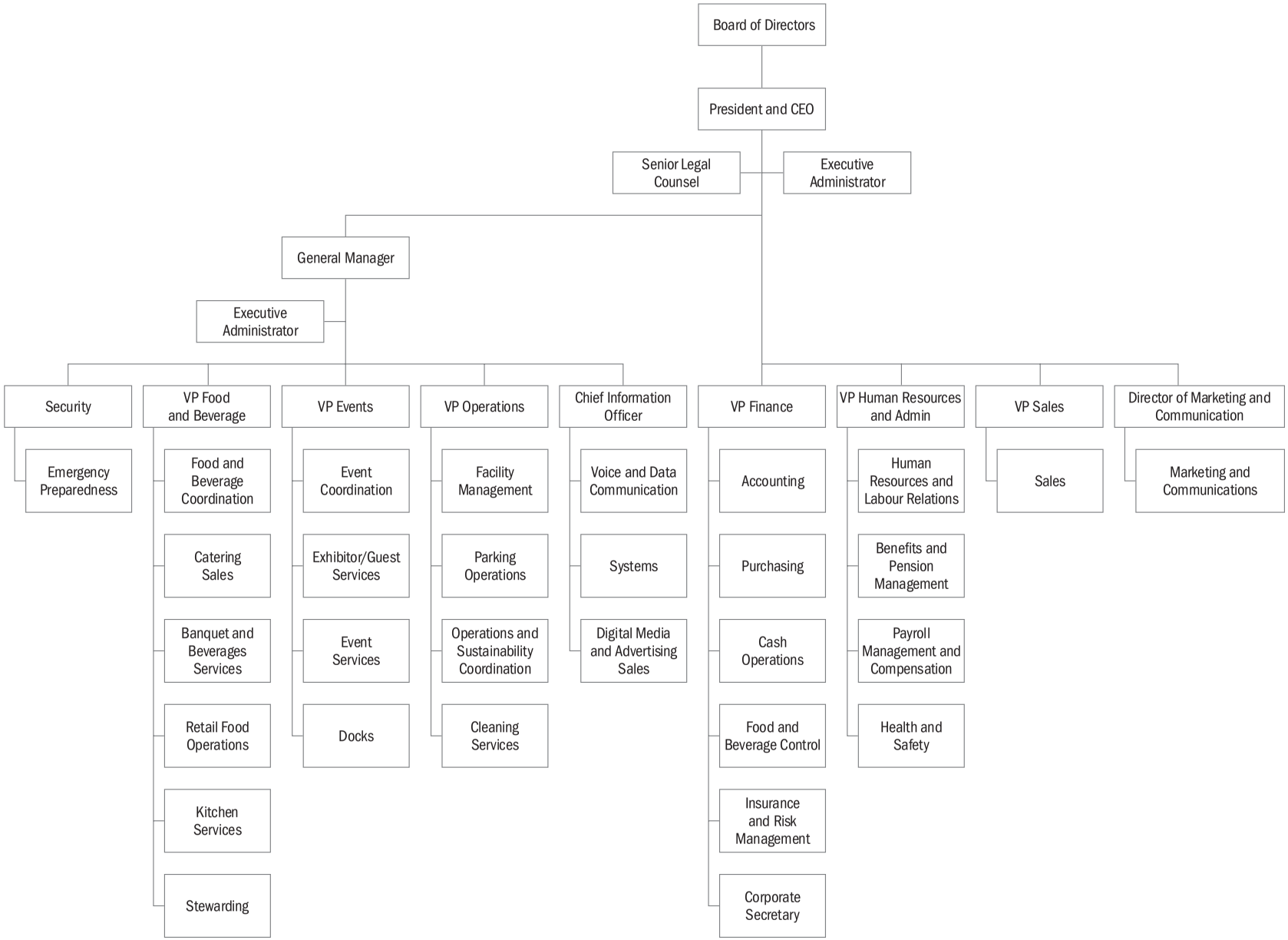
Source of data: Metro Toronto Convention Centre

Name	Term	Appointing Government and Role
Justin Mooney, Chair	April 16, 2023–April 15, 2026	Provincial Appointee Chair
James Villeneuve	July 23, 2023–July 22, 2026	Provincial Appointee Member
Mark Beckles	July 30, 2023–July 29, 2026	Provincial Appointee Member
Linda Montgomery	August 17, 2023–August 16, 2026	Provincial Appointee Member
Maureen Harquail	October 22, 2020–October 21, 2023	Provincial Appointee Member
Gina Saccoccio Brannan	November 4, 2021–November 3, 2024	Provincial Appointee Member
Robert J. Hunter	May 2, 2022–May 1, 2025	Provincial Appointee Member
Scott Beck, Stakeholder Representative	July 23, 2022–July 20, 2025	Municipal Appointee Member
Jascha Jabes	July 23, 2022–July 20, 2025	Municipal Appointee Member
Beth Potter	June 9, 2023–June 8, 2026	Provincial Appointee Member
Nikki Holland	July 23, 2022–July 20, 2025	Municipal Appointee Member

Note: Each municipally appointed member holds office for a term not longer than three years and until their successor is appointed and is eligible for reappointment. In June 2023, Royal Assent was given to Bill 91, the *Less Red Tape, Stronger Economy Act, 2023*, which amended the *Metropolitan Toronto Convention Centre Corporation Act*. Provincially appointed members are now appointed for a term not exceeding three years, rather than for a term not exceeding three years and until their successor is appointed. Additionally, the Lieutenant-Governor-in-Council is no longer required to appoint one of the Board members as President and CEO of MTCC. Instead, the Board is now required to hire a president and CEO, who cannot be a member of the Board.

Appendix 5: Metro Toronto Convention Centre Organizational Chart

Source of data: Metro Toronto Convention Centre



Appendix 6: Board of Directors of Ottawa Convention Centre as of August 31, 2023

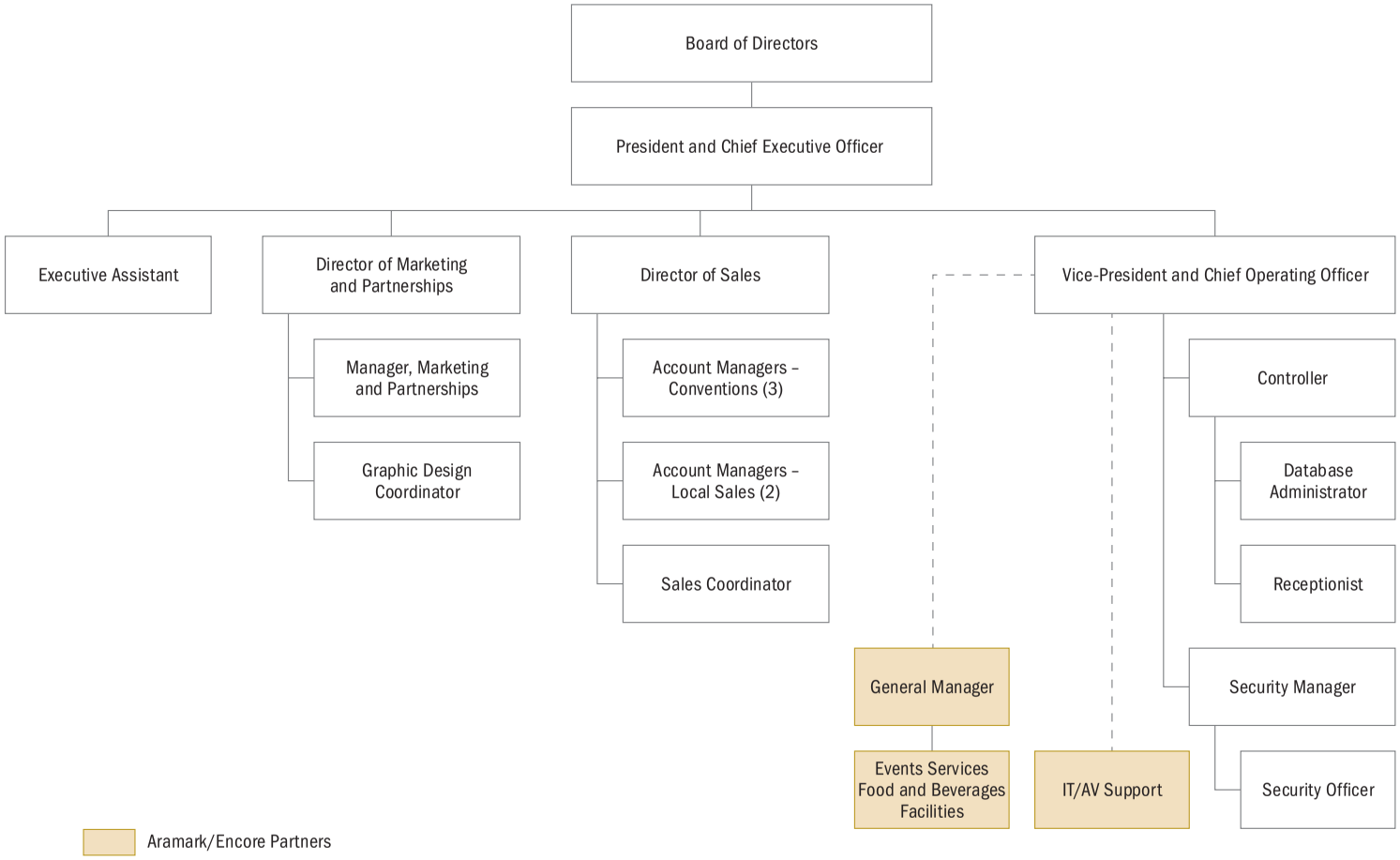
Source of data: Ottawa Convention Centre

Name	Term	Appointing Government and Role
Jim Armour, Chair	March 21, 2022–March 20, 2025	Provincial Appointee Member
Fred Sherman	July 9, 2023–July 8, 2026	Provincial Appointee Member
Kathleen Stanley	March 11, 2021–March 10, 2024	Provincial Appointee Member
David Muir	September 16, 2021–September 15, 2024	Provincial Appointee Member
Cynthia Bland	October 7, 2021–October 6, 2024	Provincial Appointee Member
Yilong Ma	March 4, 2022–March 3, 2025	Provincial Appointee Member
Ann Matejicka	December 1, 2022–November 30, 2025	Provincial Appointee Member
Debra Armstrong	November 15, 2020–December 31, 2026	Municipal Appointee Member
Michael Crockatt	November 15, 2020–December 31, 2026	Municipal Appointee Member
Jagdeep Perhar	June 29, 2023–June 28, 2026	Provincial Appointee Member
Stephanie Plante	December 14, 2022–December 31, 2026	Municipal Appointee Member

Note: In June 2023, Royal Assent was given to Bill 91, which amended the *Ottawa Convention Centre Corporation Act*. Provincially appointed members are appointed for a term not exceeding three years, rather than for a term not exceeding three years and until their successor is appointed. Each municipally appointed member holds office for a term not longer than three years and until their successor is appointed and is eligible for reappointment.

Appendix 7: Ottawa Convention Centre Organizational Chart

Source of data: Ottawa Convention Centre



Note: As of August 31, 2023, OCC had a total of 260 staff, consisting of 30 in-house staff (including 12 security staff) and 230 outsourced Aramark staff.

Appendix 8: Audit Criteria

Prepared by the Office of the Auditor General of Ontario

Ministry of Tourism, Culture and Sport (Ministry)
1. Effective processes are in place to establish the roles and responsibilities of the Ministry as well as each provincial convention centre and the Ministry effectively carries out its role and responsibilities.
2. Effective oversight processes are in place to monitor and ensure that provincial convention centre operations achieve legislative mandates, comply with applicable government directives and guidelines, and that timely corrective action is taken where they do not.
3. Effective processes are in place to help provincial convention centres maintain international-class convention centre facilities.
4. Meaningful performance indicators and targets for provincial convention centres are established, monitored, and compared against actual results to ensure goals, legislative requirements, and guidelines are achieved. Results are publicly reported.
Metro Toronto Convention Centre (MTCC) and Ottawa Convention Centre (OCC)
1. MTCC and OCC effectively attract convention events that promote and develop tourism and industry in Ontario.
2. MTCC and OCC economically and efficiently host convention events that satisfy the expectations of their clients.
3. MTCC and OCC govern and manage their operations and facilities economically, efficiently and effectively.
4. Meaningful performance indicators and targets for MTCC and OCC are established, monitored, and compared against actual results to ensure goals, legislative requirements, and guidelines are achieved. Results are publicly reported and corrective action is taken on a timely basis if targets are not met.

Appendix 9: Financial Performance of Tier 1 and Select Tier 2 Canadian Convention Centres[1] in Fiscal Year 2019/20

Prepared by the Office of the Auditor General of Ontario

	Tier 1 Venue			Tier 2 Venue						
	Metro Toronto Convention Centre (MTCC)	Montréal Convention Centre	Vancouver Convention Centre	Ottawa Convention Centre (OCC)	Calgary (Telus) Convention Centre[2]	Edmonton Convention Centre[2]	Halifax Convention Centre	Québec City Convention Centre	Toronto Enercare and Beanfield	Winnipeg Convention Centre[2]
Occupancy rate for exhibit halls (%)	58	44	52	49	37	58	32	43	65	39
# of events	446	339	478	456	267	447	151	200	171	623
Total revenue[3,4] ($000)	75,230	28,957	63,028	18,078	23,964	18,863	10,807	19,364	25,154	20,726
# of conventions	41	33	59	46	31	41	62	74	54	37
Operating profit/loss[3,4] ($000)	23,200	(6,361)	2,204	1,340	(683)	138	(1,209)	(4,684)	9,704	(1,109)
Economic impact ($000)	481,700	227,819	360,000	150,000	111,600	39,400	50,400	100,900	425,000[5]	66,000

1. Convention centres are all owned and/or operated by provincial or municipal governments.
2. This convention centre reports its financial performance based on the calendar year. We used information for calendar years ending December 31, 2019 to conduct the analysis.
3. Calculated by the Office of the Auditor General of Ontario. using the financial statements.
4. Operating income and revenue have been adjusted for all convention centres for comparability purposes. Subsidies and financial assistance provided by governments in these jurisdictions are not included in the revenue and operating income/loss calculations to reflect the convention centre's independent performance. Depreciation costs and taxes (applicable only to the Montréal, Québec City and Edmonton centres) are also not included in the calculation of operating income. Any annual payments, such as those made by MTCC and OCC to the Ontario Financing Authority, are also not shown here.
5. Economic impact includes Exhibition Place.

Appendix 10: Largest Contiguous Space in Select Tier 1 North American Convention Centres

Prepared by the Office of the Auditor General of Ontario

#	Convention Centre	Location	Contiguous Space (square feet)
1	**McCormick Place**	Chicago, IL	1,209,000
2	**Georgia World Congress Center**	Atlanta, GA	1,120,428
3	**Orange County Convention Center**	Orlando, FL	1,104,940
4	**Ernest N. Morial Convention Center**	New Orleans, LA	1,026,627
5	**NRG Center**	Houston, TX	706,213
6	**Huntington Place**	Detroit, MI	623,000
7	**Colorado Convention Center**	Denver, CO	584,000
8	**Indiana Convention Center & Lucas Oil Stadium (ICCLOS)**	Indianapolis, IN	566,600
9	**George R. Brown Convention Center**	Houston, TX	547,730
10	**Pennsylvania Convention Center**	Philadelphia, PA	528,000
11	**San Diego Convention Center**	San Diego, CA	525,701
12	**Boston Convention & Exhibition Center**	Boston, MA	516,000
13	**George R. Moscone Convention Center**	San Francisco, CA	502,440
14	**Walter E. Washington Convention Center**	Washington, DC	473,000
15	**Greater Columbus Convention Center**	Columbus, OH	373,000
16	**Nashville Music City Center**	Nashville, TN	353,143
17	**Phoenix Convention Center**	Phoenix, AZ	312,500
18	**Metro Toronto Convention Centre**	Toronto, ON	259,325
19	**Vancouver Convention Centre**	Vancouver, BC	220,500
20	**Seattle Convention Center**	Seattle, WA	205,700
21	**Montréal Convention Centre (Palais des congrès de Montréal)**	Montréal, QC	199,052

Ministry of Health

Public Health Ontario

1.0 Summary

Public Health Ontario is an independent, board-governed agency with a broad mandate to provide scientific and technical advice and support to those working across health-related sectors to protect and improve the health of Ontarians. This includes carrying out and supporting activities such as population health assessment, public health research, surveillance, epidemiology, and planning and evaluation. Established in 2007 following the SARS outbreak in 2003, Public Health Ontario is one of the three pillars of Ontario's public health system, consisting of 34 local public health units and the Ministry of Health (Ministry), which exercises its authority in the area of public health primarily through the Office of the Chief Medical Officer of Health.

Public Health Ontario supports areas such as preventing and controlling infections and the spread of communicable diseases, improving environmental health and preventing chronic diseases, and operates Ontario's public health laboratory. Public Health Ontario provided public health and testing expertise during the COVID-19 pandemic, for example, in the area of vaccine safety, through its surveillance of adverse events following immunization.

The Ministry is the primary funder of Public Health Ontario. The agency spends the majority of its annual funding, which was about $222 million in 2022/23, on operating the province's 11 public health laboratory sites. Ontarians relied on the agency's public health laboratory to perform 6.8 million tests in 2022/23 for diseases that include HIV, syphilis, tuberculosis, influenza, COVID-19 and West Nile virus. The laboratory also carries out all required testing relating to outbreaks and investigations in Ontario, and has the capability of diagnosing pathogens requiring a high level of biosecurity and safety measures.

In early 2019, the Province announced its intention to modernize Ontario's public health system. A 2019 discussion paper to support the provincial plan outlined the key challenges facing public health. The paper noted the importance of working toward clearer and better aligned roles and responsibilities between the Province, Public Health Ontario and local public health units. In particular, it stated Public Health Ontario's potential to strengthen public health functions if these are co-ordinated or provided at the provincial level. The government revised its approach to modernizing the public health system in August 2023 to include a review of standards that govern the work of public health units, the roles and responsibilities that all three pillars of the public health system play, as well as their relationships and alignment across and beyond the broader health-care system.

Our audit found that Public Health Ontario has been unable to meet a number of its legislated responsibilities under the *Ontario Agency for Health Protection and Promotion Act, 2007.* This is partially due to a lack of direction from the Ministry to perform at its full potential. This includes a continued lack of clarity on roles and responsibilities in an evolving health-care system that saw the introduction of a new health agency, Ontario Health, that became operational in 2019. Though Public Health Ontario is responsible for providing scientific and technical advice and support to clients in the government, it was not consulted on some critical decisions concerning public health, such as the health impacts of increased access to gambling

and alcohol in recent years, and it did not address these topics independently.

We also found that lack of information sharing between the Ministry, public health units and Public Health Ontario has limited the agency's ability to centralize and co-ordinate work effectively in the area of research and evidence synthesis (a research methodology involving collecting the best available evidence on a given topic and summarizing it to inform best practice). This has resulted in duplication of efforts between provincial and local public health entities. From our work, we noted examples where multiple public health units have independently developed local resources in areas including key public health issues such as mental health and alcohol, when it would have been more cost-effective for Public Health Ontario to develop resources centrally.

Further, we found that Public Health Ontario's laboratory sites, where about 70% of its financial resources are allocated, were not operating efficiently. We found that three sites were able to perform tests on only 9% to 20% of the samples and specimens they receive, transferring the remainder of samples to other laboratory sites. Each of these three sites had base operating costs ranging from $5 million to $10 million over the last five years. The agency explained that transferring out laboratory tests to other sites was necessary for reasons that included lack of expertise or lack of sufficient volume to maintain competency of laboratory personnel in a specific test, lack of equipment to conduct certain tests, and efficiencies to achieve economy of scale. The agency developed a plan collaboratively with the Ministry in 2017 to modernize its laboratory operations by consolidating resources into fewer laboratory sites and discontinuing or restricting eligibility for certain tests; however, the government still had not approved the plan at the time of our audit. The Ministry stated this was due to reasons that include the COVID-19 pandemic and more recent recommendations relating to provincial laboratory optimization from an external consulting firm. We also found that the agency was not taking the lead in performing or co-ordinating testing for the surveillance of some diseases of public health significance. These include a laboratory test to detect latent tuberculosis—a disease of public health significance that can disproportionally affect Indigenous people and newcomers to Ontario—as well as wastewater testing for the detection of COVID-19, which is currently led by another Ministry.

Other observations of this audit include:

- **Public Health Ontario is challenged by a lack of sustainable funding from the Ministry of Health.** We found that since 2019/20, Public Health Ontario has seen limited increases in base funding, and has had some of its base funding replaced by one-time annual funding. While the Ministry has increased base funding since 2020/21, it has still not restored it to pre-pandemic levels. This lack of consistent funding threatens Public Health Ontario's ability to fully deliver on its mandate, and hinders the agency's ability to continue to provide services. For example, the agency has begun to explore options to scale back or dismantle the operations of a committee designed to enhance provincial capacity to respond to public health emergencies.
- **Public Health Ontario did not adequately monitor compliance with procurement policies.** We found that Public Health Ontario has not always followed the Ontario Public Service Procurement Directive, as well as the agency's own corporate procurement policy. From 2018/19 to 2022/23, Public Health Ontario staff at various laboratory sites were using their purchasing cards to make recurring purchases of laboratory and health-care supplies from the same vendor, instead of engaging in competitive procurement as required by internal policies. The agency provided explanations for why it used purchasing cards for recurring transactions with two of the top vendors. For the remaining 28 vendors, we found that annual transaction values over this same period ranged from $25,133 to $222,283. We further found that Public Health Ontario does not have a formal process to track vendor performance

and non-compliance, even though the Directive requires vendor performance to be managed and documented.

- **Public Health Ontario mostly measures outputs but little in the way of client satisfaction or service quality**. The agency establishes performance indicators as well as targets in its annual business plans; however, these indicators mostly focus on quantifying the output of the agency's operational activities rather than client satisfaction and actual performance of its core activities, making it difficult for the agency to demonstrate that it has been effective in meeting the needs of its clients. We also found that the agency's performance indicators do not cover all of its key functions, for example, the performance of its research ethics committee, which provides ethics reviews to 26 of Ontario's 34 public health units, to measure the turnaround time of its reviews.
- **Public Health Ontario's information technology (IT) processes need improvement**. We examined Public Health Ontario's IT controls and processes related to user account management, cybersecurity and software management. Due to the nature of these findings and so as to minimize the risk of exposure for Public Health Ontario, we provided relevant details of our findings and recommendations directly to Public Health Ontario. Public Health Ontario agreed with the recommendations and committed to implementing them.

This report contains 10 recommendations, with 24 action items, to address our audit findings and to position Public Health Ontario for success to continue to contribute to the overall health of Ontarians as a public health agency, independent from the government.

Overall Conclusion

Our audit concluded that Public Health Ontario has delivered on some areas of its mandate as set out in the *Ontario Agency for Health Protection and Promotion Act, 2007* (Act), but does not yet sufficiently collaborate with the Ministry of Health and local public health units to clearly define and ascertain the agency's role in areas such as undertaking public health research, disseminating knowledge, and delivering public health laboratory services to more effectively protect and promote the health of the people in Ontario and reduce health inequities.

We also concluded that Public Health Ontario mostly measures outputs but little in the way of client satisfaction or service quality, and that the agency's suite of performance indicators does not cover all of its key functions.

OVERALL PUBLIC HEALTH ONTARIO RESPONSE

Public Health Ontario thanks the Auditor General for this comprehensive value-for-money audit report.

Public Health Ontario is committed to fulfilling our mission to enhance the protection and promotion of the health of the people in Ontario and to contribute efforts toward reducing health inequities. By providing scientific and technical advice and leadership to support our clients across the public health and health systems, we enable evidence-informed public health action and decision-making.

In consideration of our role in the province, we recognize the importance of continuing to strive to improve our operations and enhance the quality of our services and products. As such, we appreciate the independent review of our organization by the Auditor General and the recommendations brought forward, all of which we have accepted and have plans to address.

When interpreting the findings of the report, it is important to note that the time frame covered by the audit includes more than three years during which Public Health Ontario was actively engaged in the COVID-19 pandemic response. Public Health Ontario, like other public health organizations, was greatly affected by the extraordinary demands of the pandemic. Due to the need to dedicate considerable resources to the pandemic, some areas of

our work did not progress as planned during this period, such as efforts to reduce purchasing card usage in the laboratory and expand our outcome-based performance measures.

As we are now in the process of returning to a "new normal" for the public health system in Ontario, Public Health Ontario is leveraging the lessons learned during the pandemic to inform the development of our next strategic plan covering the years 2024–29. The insights shared through this audit are helpful inputs that will support us in our commitment to continuous quality improvement and further enhance our leadership role within the public health system.

2.0 Background

2.1 Overview of Public Health Ontario

The Ontario Agency for Health Protection and Promotion (also known as Public Health Ontario) was established in 2007 as an independent, board-governed agency, primarily funded by the Ministry of Health (Ministry) in response to Ontario's challenges faced during SARS, a global respiratory outbreak that affected Ontario and other parts of Canada in 2003. Public health is the organized effort of society to promote and protect the health of populations and reduce health inequities through the use of supportive programs, services and policies. Thus, Public Health Ontario's role is chiefly in disease surveillance, disease prevention and outbreak preparedness, as opposed to clinical treatment.

In accordance with the *Ontario Agency for Health Protection and Promotion Act, 2007*, the legislation that created Public Health Ontario, the agency's mandate is to:

- enhance the protection and promotion of the health of Ontarians;
- contribute to efforts to reduce health inequities by providing scientific and technical advice and support to those working across health-related sectors to protect and improve the health of Ontarians; and
- carry out and support activities such as population health assessment, public health research, surveillance, epidemiology, planning and evaluation.

The agency's primary clients are the Office of the Chief Medical Officer of Health as well as various divisions within the Ministry, Ontario's 34 public health units, health system providers and health system partners. The Chief Medical Officer of Health of Ontario is responsible for determining provincial public health needs, developing public health initiatives and strategies, and monitoring public health programs delivered by Ontario's local public health units. Ontario's 34 public health units are primarily funded by the Ministry but also receive funding from local municipalities; each is led by its own Medical Officer of Health and governed by a Board of Health—and therefore they operate independently from each other. The public health units provide programs and services to all members of their respective communities as per the Ontario Public Health Standards—the minimum requirements that public health units must adhere to in delivering programs and services—and as determined by their own Boards of Health. They are not accountable to Public Health Ontario.

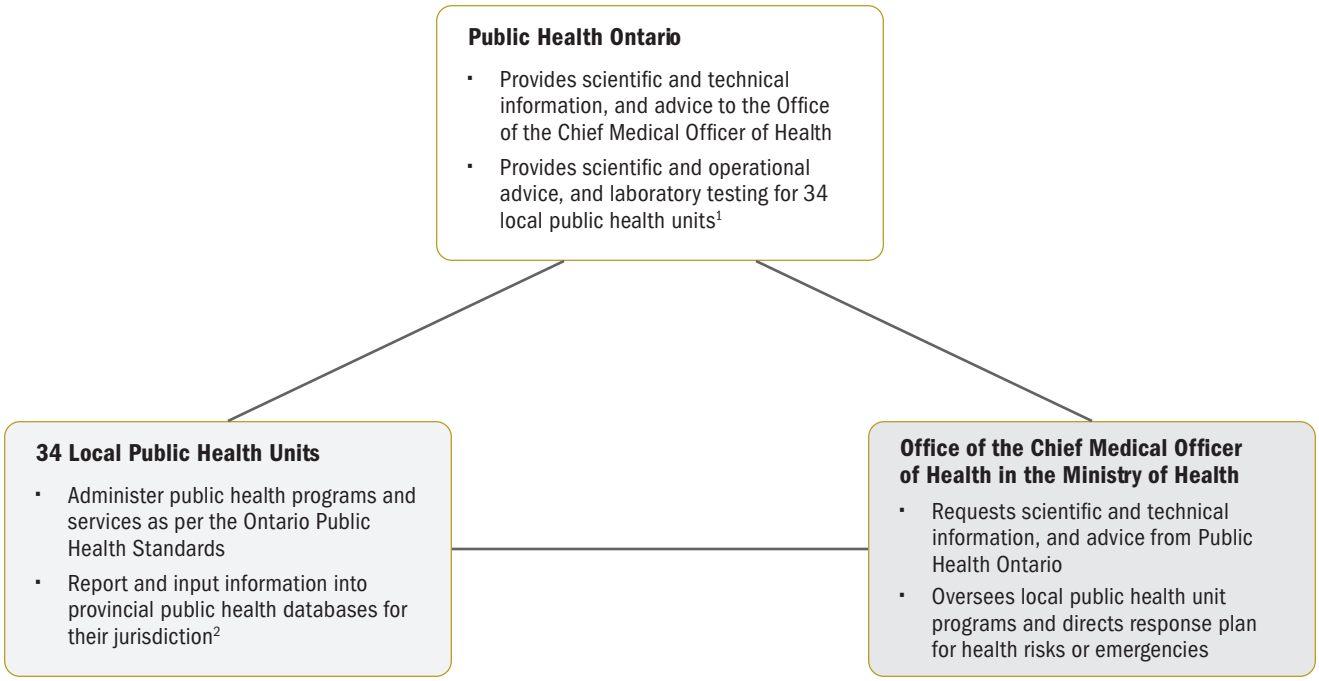
Figure 1 illustrates the relationship between Public Health Ontario and the various organizations involved in Ontario's public health system, which, according to the Chief Medical Officer of Health, consists of about 9,000 people. Public Health Ontario has a complement of just under 870 full-time-equivalent staff as of June 2023.

2.1.1 Public Health Modernization

As part of the 2019 Ontario Budget, the Province announced in April 2019 (pre-COVID-19 pandemic) that public health would be undergoing a modernization process. This decision had the most impact on public health units, aiming to reduce their number from 35 (since reduced to 34 through amalgamation)

Figure 1: Public Health Model in Ontario

Prepared by the Office of the Auditor General of Ontario



1. In addition to public health units, Public Health Ontario's laboratory provides testing services to other health-care providers, for example, clinicians and community laboratories.
2. Local public health units are not accountable to Public Health Ontario.

to 10 by April 1, 2020; however, this modernization process was paused when the COVID-19 pandemic was declared in March 2020.

As part of the modernization process, the Ministry of Health launched a public consultation in November 2019, appointing a special advisor to lead the process of gathering feedback, and releasing a discussion paper in November 2019 outlining the key challenges facing public health. In this paper, Public Health Ontario is acknowledged as a key partner in the public health system, with the following themes being discussed:

- working toward improved clarity and alignment of roles and responsibilities between the Province, Public Health Ontario and local public health units;
- reducing duplication of efforts, co-ordinating and providing certain public health functions, programs or services at the provincial level, possibly by Public Health Ontario; and
- clarifying the role of Public Health Ontario in better informing and co-ordinating provincial priorities to increase consistency.

The government revised its approach to modernizing the public health system in August 2023 to include a review of the Ontario Public Health Standards, the roles and responsibilities that all three pillars of the system—the Ministry, Public Health Ontario and the local public health units—play, as well as their relationships and alignment across and beyond the broader health-care system.

2.2 Key Program Areas

Public Health Ontario's operations consist of five principal public health program areas: Laboratory Science and Operations; Health Protection; Environmental and Occupational Health; Health Promotion, Chronic Disease and Injury Prevention; and Knowledge Exchange and Informatics.

2.2.1 Laboratory Science and Operations

About 70% of the agency's resources are allocated to the operation of its laboratory. Public Health Ontario has 11 fully accredited laboratory sites across Ontario, located in Toronto, Hamilton, Kingston, London, Orillia, Ottawa, Peterborough, Sault Ste. Marie, Sudbury, Thunder Bay and Timmins. The agency's laboratory conducts a wide range of functions described by the Canadian Public Health Laboratory Network, including laboratory tests such as diagnostic tests and confirmatory tests, as well as complex tests that other providers, such as hospital and community laboratories, refer to it. This testing informs public health surveillance, detects threats and outbreaks, and enables preventive and therapeutic interventions for public health action and patient management in Ontario.

Public Health Ontario's laboratory serves public health units, hospital and community laboratories, long-term-care homes and other congregate settings, clinicians in private practice, and private citizens in the context of private well water testing. It performs the majority of its laboratory tests Monday to Friday for the detection and diagnosis of infectious diseases (such as tuberculosis) or antimicrobial resistance (that is, when a bacterium or fungus develops the ability to defeat the drug designed to kill it), and for specialized testing for molecular profiling of pathogens by examining the entire genetic makeup of a specimen (for example, identifying which variant of COVID-19 someone has), including genomics. Public Health Ontario's laboratory also offers after-hours support, and it has been performing COVID-19 testing daily since the summer of 2020. It was still performing this daily testing at the time of our audit.

Public Health Ontario's laboratory performed about 6.8 million tests in 2022/23; these tests include 100% of diagnostic HIV testing and over 95% of syphilis testing in the province. According to the agency, it operates one of the largest tuberculosis laboratories and one of the largest diagnostic mycology laboratories in North America. As well, the agency indicates that it is known as the provincial resource and expert for laboratory testing and outbreak support for emerging pathogens, as well as for the 10 most common infectious agents causing the greatest burden of disease in Ontario. These agents include *C. difficile, E. coli,* hepatitis B, hepatitis C, HIV, human papillomavirus, influenza, rhinovirus, *Staphylococcus aureus* and *Streptococcus pneumoniae*. The laboratory also carries out all testing relating to pathogens found in food, water or the environment to assist in their investigations, and is able to diagnose pathogens requiring a high level of biosecurity and safety measures, such as tuberculosis and anthrax.

Public Health Ontario's laboratory undergoes accreditation by Accreditation Canada and the Canadian Association for Laboratory Accreditation Inc. to ensure that processes in accordance with the International Organization for Standards and requirements under environmental laws such as the *Safe Drinking Water Act, 2002* are in place. As of June 2023, all 11 public health laboratory sites have met these standards and requirements, including those designed to help mitigate future occurrences similar to the Walkerton *E. coli* outbreak in 2000.

Figure 2 shows that test volumes at public health laboratory sites increased from about 6.3 million in 2018/19 to 7.7 million in 2021/22, primarily due to conducting COVID-19–related laboratory tests, and then decreased to 6.8 million in 2022/23. The cost of each laboratory test generally increased between 2018/19 and 2022/23 by 36%, from about $16.33 to $22.15.

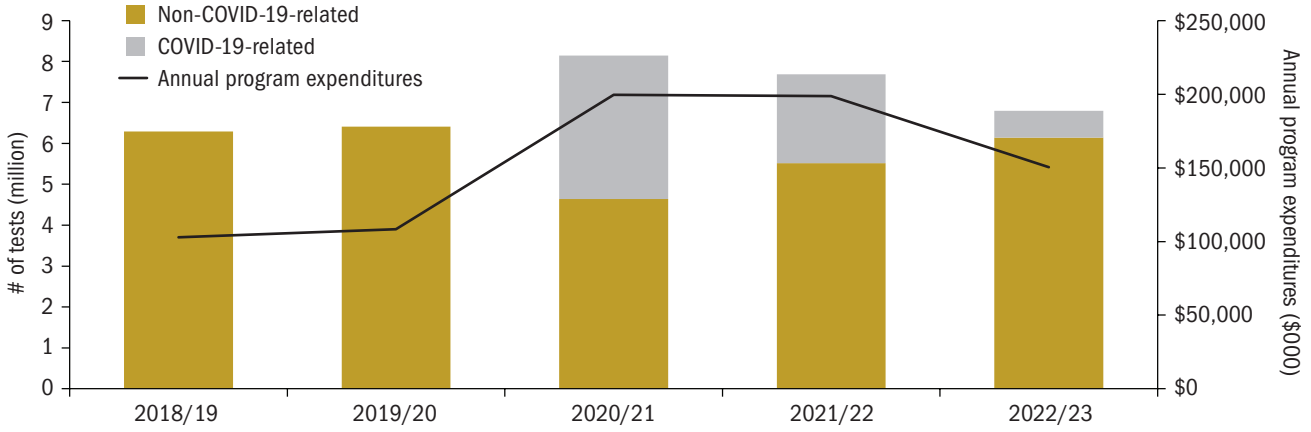
2.2.2 Health Protection

Public Health Ontario's Health Protection program provides data analysis, surveillance, evidence generation and synthesis, and consultation services to its clients. These activities are intended to better prevent communicable diseases, reduce transmission of infectious agents, and support system capacity building and professional development in public health and infection control best practices in Ontario. Expertise in this program spans:

- all diseases of public health significance (such as hepatitis A and B) as defined under the

Figure 2: Expenditures on Laboratory Services and Number of Tests Performed by Public Health Ontario, 2018/19–2022/23

Source of data: Public Health Ontario



Health Protection and Promotion Act (see **Appendix 1** for a full list of diseases of public health significance);

- surveillance and epidemiology of communicable diseases;
- infection prevention and control (IPAC) best practices and lapse investigations (that is, deviations from IPAC standard of care);
- programs and research to support epidemiology, immunization and antimicrobial stewardship (that is, promoting appropriate use of antibiotics to limit the development of antibiotic resistance); and
- emergency preparedness.

Public Health Ontario has an interactive online tool to track infectious disease trends, which provides 10 years of analyzed data on diseases of public health significance in Ontario. This helps the agency's clients and partners with surveillance, as well as informing program planning and policy. For example, as shown in **Figure 3**, the cases and rate of syphilis in Ontario from 2012 to 2021 have been steadily increasing according to Public Health Ontario's surveillance efforts; this information could be helpful to clinicians, policy-makers, and the public to raise awareness. In 2021/22—the latest year for which information is available—over 2.1 million total visits were made to Public Health Ontario's online centralized data and analytic tools, down from about 2.9 million in 2020/21, the first year that the agency measured this metric.

2.2.3 Environmental and Occupational Health

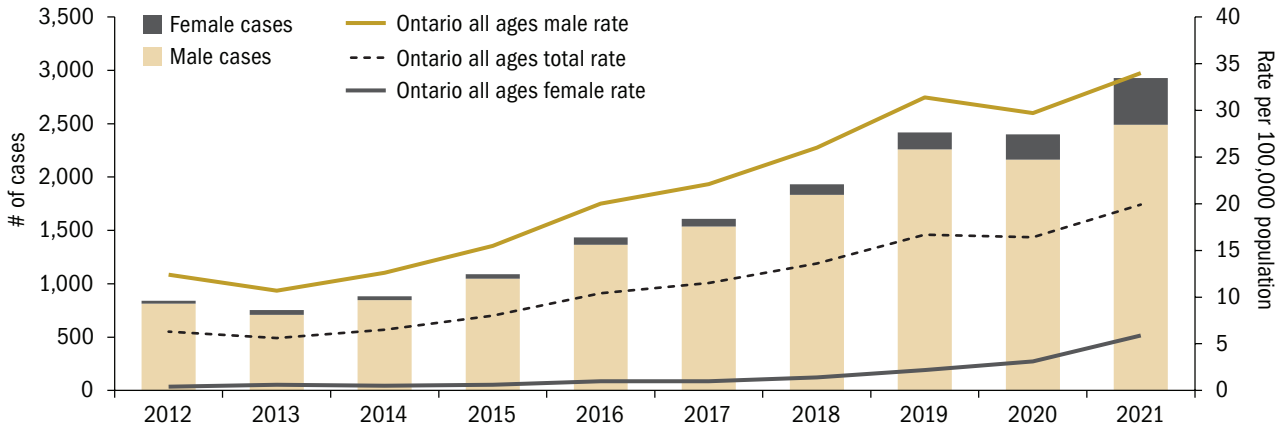
Public Health Ontario's Environmental and Occupational Health program area provides field support and helps the agency's clients and partners better understand and address evolving public health issues relating to exposures in the environment, such as indoor air quality, outdoor air pollution, water quality and food safety. This program works with and supports public health units and policy-makers to better respond to environmental threats and issues. This is done through situation-specific consultation and advice, interpretation of data, research, evidence-based reviews, case studies, access to environmental monitoring equipment, and training workshops.

2.2.4 Health Promotion, Chronic Disease and Injury Prevention

According to the World Health Organization, health promotion entails building healthy public policy; creating supportive environments; strengthening community action; developing personal skills; and reorienting health-care services toward prevention of illness and promotion of health. Public Health

Figure 3: Infectious Syphilis Cases and Rates for All Ages and by Sex in Ontario, 2012–2021

Source of data: Public Health Ontario



Ontario's Health Promotion, Chronic Disease and Injury Prevention program focuses on non-communicable diseases (such as heart disease, cancer, diabetes) and injuries, oral health conditions, and the modifiable risk factors that contribute to them. The program covers comprehensive tobacco control; healthy eating and physical activity; oral health; reproductive, child and youth health; healthy schools; mental health promotion; substance use (for example, opioids, alcohol, cannabis, tobacco); injury prevention; health equity; and health promotion. One of the program's activities is tracking data on substance abuse, such as opioid-related morbidity and mortality, as shown in **Figure 4**.

2.2.5 Knowledge Exchange and Informatics

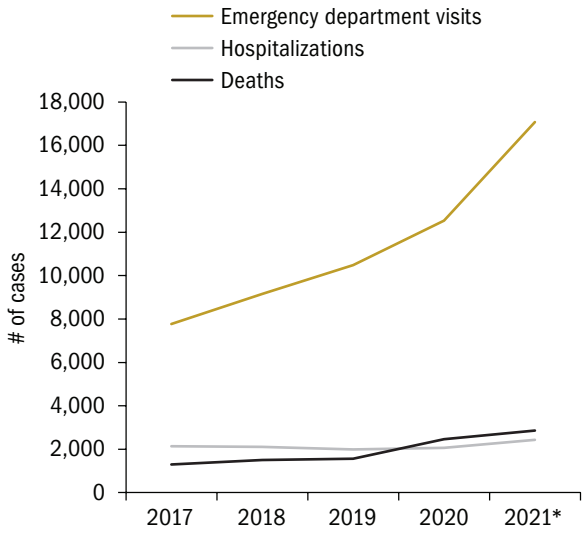
Public Health Ontario's Knowledge Exchange program supports the development and dissemination of the agency's products and services, including its external website. The program delivers professional development, including special events and learning exchanges, and the annual Ontario Public Health Convention; supports medical resident and student placements at Public Health Ontario and in public health units; provides training and education programs; and delivers library services, knowledge mobilization and evaluation supports to its own staff, as well as to the overall public health sector. In 2021/22—the latest year for which information is available—this program area facilitated 70 professional development sessions to external clients and stakeholders.

This program also includes the Locally Driven Collaborative Projects (LDCP) program, which brings together public health units, along with academic and community partners, to collaboratively design and implement applied research and program evaluation projects on important public health issues of shared interest, and build new partnerships among participants. Examples of LDCP in prior years include a project to help public health units plan programs around substance abuse and harm reduction, and another project to identify lessons learned from the collection of sociodemographic data during the COVID-19 pandemic, as this data informs targeted improvement to address health inequities.

Informatics applies information and data science to public health practice, research and learning, enabling and bridging the use of technology and data to present critical information needed for effective public health decision-making. This team provides specialized and centralized supports for the governance, acquisition, synthesis, analysis, interpretation and presentation of data and information.

Figure 4: Emergency Department Visits, Hospitalizations and Deaths Related to Opioid Use in Ontario, 2017–2021

Source of data: Public Health Ontario



* According to Public Health Ontario, death data for 2021 should be considered as preliminary and is subject to change. Possible contributing factors to rising rates of opioid-related harm during the COVID-19 pandemic include increased stress, social isolation and mental illness, resulting in changes in drug use, and reduced accessibility of addiction, mental health and harm reduction services.

2.3 Organizational Structure and Accountability

2.3.1 Organizational Structure

Figure 5 shows Public Health Ontario's program areas and senior management. Public Health Ontario's office and main laboratory site is located in Toronto, with laboratory sites in 10 other cities across Ontario. As of August 2023, Public Health Ontario had 1,176 employees (just under 870 full-time equivalents), with 67% (792) of its employees working in laboratory sites across the province.

2.3.2 Governance and Accountability

The Agencies and Appointments Directive issued by the Management Board of Cabinet, an accountability framework for all board-governed provincial agencies, outlines the requirements of the reporting relationships between parties (see **Appendix 2** for more information). Public Health Ontario must adhere to this accountability framework. The Chief Medical Officer of Health, a senior employee of the Ministry, also has the power to issue directives to the agency, as shown in **Figure 6**.

A memorandum of understanding (MOU) between the agency and the Ministry outlines accountability relationships, roles and responsibilities, and expectations for the operational, administrative, financial, staffing, auditing and reporting relationships. Public Health Ontario's day-to-day operations are administered by the President and CEO, who reports to the agency Board of Directors. Public Health Ontario's Board of Directors consists of a maximum of 13 voting members; each is appointed for a three-year term by the Lieutenant Governor in Council. According to the *Ontario Agency for Health Protection and Promotion Act, 2007,* appointment of people to Public Health Ontario's Board should consider persons with skills and expertise in areas covered by Public Health Ontario or in corporate governance, and include a person with expertise in public accounting or with related financial experience, and a lay person with demonstrated interest or experience in health issues. **Figure 7** shows that the agency's Board of Directors consisted of 12 people, with one vacancy, as of June 2023.

2.3.3 Joint Liaison Committee

The Joint Liaison Committee was created by the Ministry in 2008, shortly after the agency was established, to address issues of mutual interest between the Ministry and Public Health Ontario, resolve issues, provide direction, and delegate and co-ordinate work. The Committee is co-chaired by either the Assistant Deputy Minister or the Chief Medical Officer of Health from the Ministry, as well as the Chief Executive Officer of Public Health Ontario. The Committee held its last meeting prior to 2017/18, and since then the Office of the Chief Medical Officer of Health and the Chief Executive Officer of Public Health Ontario have mutually agreed to liaise informally as needed.

In April 2020, the Office of the Chief Medical Officer of Health created the COVID-19 Public Health Measures Table, consisting of public health unit

Figure 5: Program Areas and Senior Management of Public Health Ontario, August 2023

Source of data: Public Health Ontario

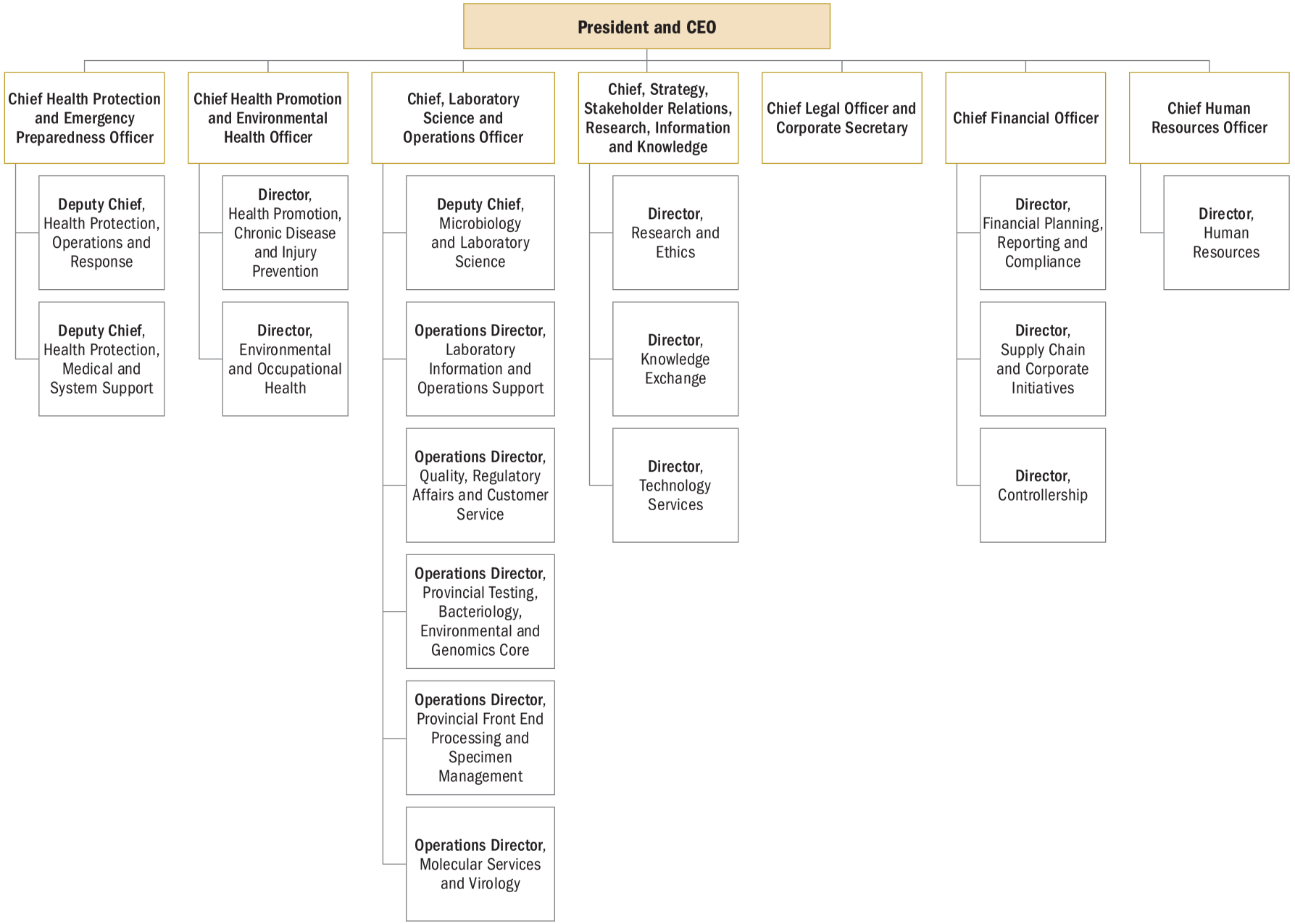
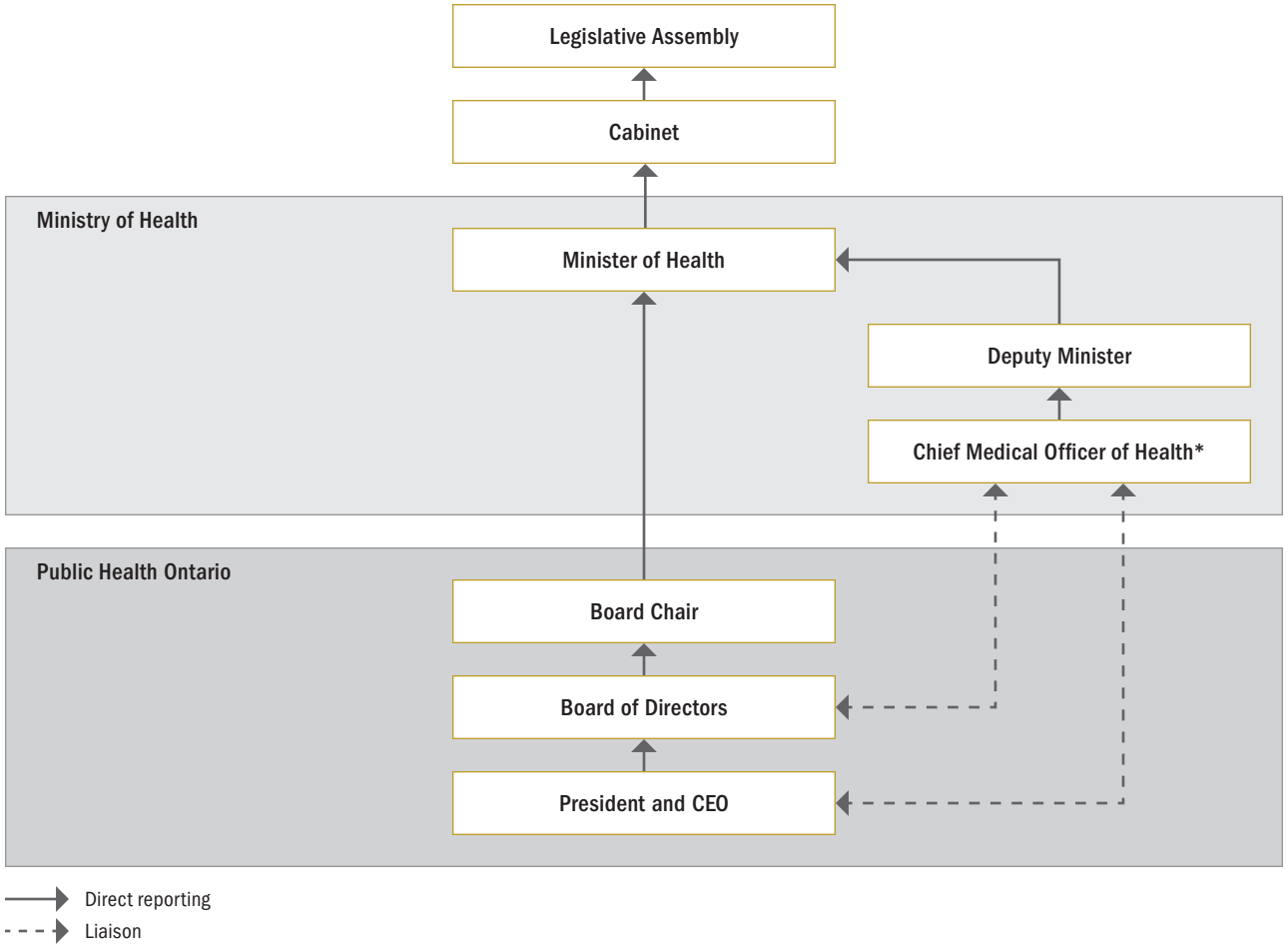


Figure 6: Accountability Framework for Public Health Ontario

Prepared by the Office of the Auditor General of Ontario



* The Chief Medical Officer of Health plays a liaison role between Public Health Ontario and the Ministry of Health, sitting as a non-voting member of the Board of Directors at Public Health Ontario, as well as a voting member on the Strategic Planning Standing Committee of the Board of Directors at Public Health Ontario to convey Ministry strategies and provincial priorities to Public Health Ontario. The Chief Medical Officer of Health also has the power to issue directives to Public Health Ontario.

representatives and Public Health Ontario, with the purpose of providing advice to the Chief Medical Officer of Health on public health measures that may be implemented to prevent or slow the transmission of COVID-19.

2.4 Financial Information

As shown in **Figure 8**, Public Health Ontario's expenditures were about $222 million in 2022/23, an approximately 37% increase over the last five fiscal years. The increase was mainly attributable to a temporary increase in testing volumes during the COVID-19 pandemic. In the last five years, 71% of the agency's actual expenditures related to its laboratory program, 18% related to science and public health programs, and the remaining 11% were for general administrative and amortization expenses.

Figure 9 shows funding provided to Public Health Ontario for the last five years. The Ministry is the primary funder of Public Health Ontario, providing about 94% of the agency's revenue. The agency also receives grants, mainly from the Canadian Institutes of Health Research, which averaged about $1.8 million

Figure 7: Public Health Ontario Board of Directors as of June 30, 2023

Source of data: Public Health Ontario

Name	Board Position	Current/Most Recent Role
Helen Angus	Chair	Chief Executive Officer of AMS Healthcare, former Deputy Minister of Health
Dr. Isra Levy	Vice-Chair Chair, Governance and Human Resources Standing Committee[1]	Vice-President of Medical Affairs and Innovation, Canadian Blood Services
Ian McKillop	Member Chair, Strategic Planning Standing Committee[2]	Associate Professor at University of Waterloo, School of Public Health Sciences
S. Ford Ralph	Member Chair, Audit Finance and Risk Standing Committee[3]	Former Vice-President of Petro-Canada
Roxanne Anderson	Member	Senior Vice-President of Business Optimization and the Chief Financial Officer of the Victorian Order of Nurses
Harpreet Bassi	Member	Executive Vice-President, Strategy and Communications, Niagara Health
Cat (Mark) Criger	Member	Indigenous Elder, Traditional Teacher and Knowledge Keeper
William MacKinnon	Member	Former Chief Executive Officer of KPMG
Theresa McKinnon	Member	Former Partner at PwC Canada, Assurance
Rob Notman	Member	Trustee and former Board Chair of the Royal Ottawa Mental Health Centre
Dr. Andy Smith	Member	President and Chief Executive Officer of Sunnybrook Health Sciences Centre, Professor of Surgery at the University of Toronto
David Wexler	Member	Former Chief Human Resources Officer for the Vector Institute for Artificial Intelligence, FreshBooks, Syncapse, Alias Systems and the Canada Pension Plan Investment Board

1. The Governance and Human Resources Standing Committee supports the Board's commitment to and responsibility for the sound and effective governance of Public Health Ontario. This includes nominations for recommendation by the Board for appointment to the Board; appointment of Board members to committees; help with orientation and education of new directors to assist them in fulfilling their duties effectively; and support for the Board in its oversight of human resources policies and strategies.
2. The Strategic Planning Standing Committee provides reviews and advice on Public Health Ontario's strategic planning, performance measurement, quality assurance and stakeholder engagement processes, and monitors and advises it on progress against goals. The Chief Medical Officer of Health is part of this standing committee.
3. The Audit Finance and Risk Standing Committee ensures that Public Health Ontario conducts itself according to the principles of ethical financial and management behaviour and that it is efficient and effective in its use of public funds by overseeing Public Health Ontario's accounting, financial reporting, audit practices and enterprise risk management.

annually in the last five years. Ministry-provided base funding for Public Health Ontario has generally flatlined over the last 10 years, and decreased in 2019/20 just prior to the onset of the COVID-19 pandemic. While the Ministry has increased base funding subsequent to 2020/21, it still has not restored it to pre-pandemic levels.

2.5 Other Jurisdictions

In Canada, British Columbia's BC Centre for Disease Control and Quebec's Institut national de santé publique are close comparators to Public Health Ontario. The federal government's Public Health Agency of

Figure 8: Public Health Ontario Expenditures, 2018/19–2022/23 ($000)

Source of data: Public Health Ontario

	2018/19	2019/20	2020/21	2021/22	2022/23	% of Total Expenditures (2018/19–2022/23)
Public health labs	102,889	108,399	199,562	198,741	150,495	**71**
Science and public health programs	38,802	37,757	36,597	38,537	39,843	**18**
General and administrative	14,007	13,148	17,024	19,098	19,102	**8**
Amortization of capital assets	6,547	5,464	7,428	11,655	12,539*	**3**
Total	**162,245**	**164,768**	**260,611**	**268,031**	**221,979**	**100**

* Increased 92% over five years due to increase in capital acquisitions starting in 2020/21 due to COVID-19.

Figure 9: Public Health Ontario Funding, 2018/19–2022/23 ($000)

Source of data: Public Health Ontario

	2018/19	2019/20	2020/21	2021/22	2022/23	% of Total Funding (2018/19–2022/23)
Base operations[1]	152,703	156,151	250,480	252,612	205,324	**94**
Base funding	152,703	153,114	148,563	151,282	150,683	**60**[2]
COVID-19 one-time funding[3]	n/a	3,037	101,917	101,331	54,641	**34**[2]
Amortization of deferred capital asset contributions	6,547	5,464	7,428	11,655	12,539	**4**
Other grants	1,781	2,207	1,377	1,867	2,003	**1**
Miscellaneous recoveries	1,214	946	1,326	1,897	2,113	**1**
Total	**162,245**	**164,768**	**260,611**	**268,031**[4]	**221,979**	**100**

1. Increased revenue from 2019/20 to 2021/22 corresponds to increased operating expenditures due to Public Health Ontario's increased services to respond to COVID-19.
2. Covers fiscal years 2020/21 to 2022/23 only, as this represents the most significant time period for COVID-19 expenses, and represents three-year base funding and COVID-19 one-time funding as a percentage of base operations expenditures.
3. Public Health Ontario recognized COVID-19 revenue in its accounting records as related expenses were incurred.
4. Numbers do not add up due to rounding.

Canada, while similar to Public Health Ontario, is not governed by a board but rather overseen by the federal Minister of Health. **Appendix 3** shows a comparison of mandates and reporting relationships among these agencies.

3.0 Audit Objective and Scope

Our audit objective was to assess whether Public Health Ontario has effective systems and procedures in place to:

- deliver its mandate as set out in the *Ontario Agency for Health Protection and Promotion Act, 2007*, which includes providing scientific and technical advice and support to identified clients, including the Ministry of Health and other relevant ministries and agencies, public health units, and health-care providers; delivering public health laboratory services; undertaking public health research; and advancing and disseminating knowledge, best practices and research, with the goal of protecting and promoting the health of the people in Ontario and reducing health inequities; and

- measure and publicly report on the quality and effectiveness of these activities.

In planning for our work, we identified the audit criteria (see **Appendix 4**) we would use to address our audit objective. These criteria were established based on a review of applicable legislation, policies and procedures, internal and external studies, previous reports from our Office, and best practices. Senior management at Public Health Ontario reviewed and agreed with the suitability of our objectives and associated criteria.

We conducted our audit between January 2023 and August 2023. We obtained written representation from Public Health Ontario management that, effective November 10, 2023, it had provided us with all the information it was aware of that could significantly affect the findings or the conclusion of this report.

At Public Health Ontario, we:

- reviewed applicable legislation and regulations as well as documents consisting mainly of financial information, contracts and agreements, policy and procedure manuals, annual business plans, annual reports, strategic plans and meeting minutes;
- interviewed senior management and program staff responsible for all program areas, selected former agency management staff, as well as the Board Chair;
- obtained and analyzed financial and operational data from Public Health Ontario systems; and
- observed laboratory operations and met with staff at four of the 11 public health laboratory sites, located in London, Orillia, Sudbury and Toronto.

At the Ministry of Health, we conducted the majority of our work at the Office of the Chief Medical Officer of Health, where we interviewed staff and senior management, and reviewed documents consisting mainly of briefing notes, agreements, funding letters and external review reports of Public Health Ontario conducted since 2016.

We interviewed medical officers of health or their delegates from eight of the province's 34 public health units, consisting of Eastern Ontario; Grey Bruce; Kingston, Frontenac and Lennox & Addington; Niagara; Peel; Sudbury; Timiskaming; and Toronto, to better understand local interactions with and perspectives on Public Health Ontario. We selected these public health units based on their size, geographic location and issues identified through our research. We reached out to 18 public health units to obtain more information on their courier routes for laboratory samples and specimens that would be delivered to Public Health Ontario, of which 16 responded. We selected these public health units based on factors including their geographic location and whether they used the agency's or their own couriers. We also reviewed public-facing websites for all 34 public health units to identify locally developed knowledge products.

To assess the cybersecurity risks to Public Health Ontario, we met with and obtained data from the Cyber Security Division of the Ministry of Public and Business Service Delivery, which provides certain services to the agency.

To gain familiarity with emerging public health issues, we attended The Ontario Public Health Convention in March 2023. This conference was organized by Public Health Ontario for public health professionals.

In addition, we researched similar organizations in British Columbia and Quebec to identify best practices for public health agencies.

We conducted our work and reported on the results of our examination in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada. This included obtaining a reasonable level of assurance.

The Office of the Auditor General of Ontario applies Canadian Standards on Quality Management and, as a result, maintains a comprehensive system of quality management that includes documented policies and procedures with respect to compliance with rules of professional conduct, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of

Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

4.0 Detailed Audit Observations

4.1 Ministry of Health Has Not Leveraged Public Health Ontario Effectively to Achieve Its Full Intended Capacity and Potential to Improve the Health of Ontarians

4.1.1 Public Health Ontario Has Been Left Out of the Province's Decision-Making with Major Public Health Implications

Despite the mandate of Public Health Ontario to provide scientific and technical advice and support to clients working in government, public health, health care and related sectors, the agency was not consulted when the government made some of its decisions affecting public health, such as those relating to increased access to alcohol and gambling. As well, upon observing recent government decisions on increased access to alcohol and gambling, Public Health Ontario has not conducted independent research in these areas.

Increased Access to Alcohol and Gambling

The government's decision to increase access to alcohol in various settings, such as grocery stores and convenience stores, was first announced in 2015 and saw expansion in 2019 and 2023. In addition, the new legal Internet gaming market in Ontario has grown by an average of more than 50% in total wagers and gaming revenue each quarter since its launch in April 2022. According to iGaming Ontario, a total of 1.65 million player accounts were active over the course of the 2022/23 fiscal year; these players on average spent about $70 per month.

Public Health Ontario representatives confirmed with us that government decision-makers have not consulted them on the health impacts of either of these decisions, which have implications on addictions and mental health on a population level. We asked the Ministry of Health (Ministry) why it did not consult Public Health Ontario, and Ministry representatives explained that the Ministry of Finance made both of these decisions. It did not seek an assessment of the impacts on public health from the Office of the Chief Medical Officer of Health, which also did not conduct a health impact assessment on increased access to alcohol and gambling. The Ministry informed us that, instead, the Ministry of Finance, working with other partner ministries, engaged and consulted stakeholders, for example, the Centre for Addiction and Mental Health, to understand the potential impacts.

In these cases, the government did not fully leverage Public Health Ontario to provide expert advice on the potential population health impacts of policy decisions made. One of the legislated responsibilities of Public Health Ontario according to the *Ontario Agency for Health Protection and Promotion Act, 2007* (Act) that created it, is "to inform and contribute to policy development processes across sectors of the health care system and within the Government of Ontario through advice and impact analysis of public health issues." Our 2017 audit on Public Health: Chronic Disease Prevention highlighted the Health in All Policies approach, defined by the World Health Organization as an approach that considers how government decisions affect population health so that more accountability is placed on policy-makers. Our 2017 report recommended that the Ministry develop a process to integrate this approach into policy settings where appropriate, but this had not yet been fully implemented as of the time of this audit.

While these provincial policy changes affecting public health were occurring, Public Health Ontario did not prioritize publishing the state of the evidence in these areas. To illustrate, in relation to alcohol, a public health unit in October 2018 requested Public Health Ontario to answer a research question on the impact of increasing alcohol availability. However, instead of publishing an independently researched knowledge product that could establish Public Health Ontario's position on the state of the evidence, the agency compiled a list of existing journal articles and sent the

completed list directly to the public health unit in May 2019.

Similarly, we found that Public Health Ontario has not published any research on the health impact of problem gambling. In 2012, the agency published a knowledge product on the burden of mental illness and addictions in Ontario, but that product did not discuss problem gambling. We researched whether public health units had to independently develop knowledge products on problem gambling and found that six public health units—North Bay and Parry Sound, Ottawa, Peterborough, Sudbury, Toronto, and Windsor—had developed such research independently. Toronto Public Health explained in its report that studies have suggested an increase in problem or pathological gambling rates after gambling expansion, such as in Niagara where the rate increased from 2.2% to 4.4% one year after a casino opening. It also went on to note a consistent social impact from problem gambling, such as suicide and personal bankruptcy rates, with direct or indirect impacts on individuals and families.

We found that, unlike Public Health Ontario, other provinces have centrally developed knowledge products on problem gambling. For example, Quebec has made available centrally developed resources and knowledge products on the population health impact of problem gambling. Specifically, the Institut national de santé publique du Québec has on its website an interactive map that allows the public to quantify and visualize exposure and vulnerability to gambling in Quebec, and to support development of preventive initiatives and interventions to address these issues. Similarly, we found that British Columbia's Centre for Disease Control had included problem gambling on its website on substance use, indicating that a report was forthcoming.

Decisions Made During the COVID-19 Pandemic

Public Health Ontario was also not consistently consulted by the Province to provide scientific and technical advice in certain key decisions related to the COVID-19 pandemic.

According to the Act, one of the roles of Public Health Ontario is to provide scientific and technical advice, and operational support, to any person or entity in an emergency or outbreak situation that has health implications, as directed by the Chief Medical Officer of Health.

Our 2020 audit on COVID-19 preparedness and management, Outbreak Planning and Decision-Making, noted that Public Health Ontario played a diminished role in the COVID-19 pandemic, despite the agency being created in response to the SARS outbreak in 2003. Even when Public Health Ontario provided advice, such as on the recommended indicators and threshold triggers for lockdown, the Ministry of Health either did not fully follow this advice, or implemented the agency's advice much later than suggested.

Similarly, our 2022 audit on the COVID-19 Vaccination Program noted that Public Health Ontario was not represented on the COVID-19 Vaccine Distribution Task Force, where it felt that it could have contributed more scientific or technical expertise and support on vaccine distribution decisions.

4.1.2 Public Health Ontario's Role Has Continued to Diminish in the Public Health System, with Increased Reliance on One-Time Annual Funding

Public Health Ontario Could Not Fully Deliver Its Mandate, Citing Capacity and Funding Constraints

As noted in **Section 2.4**, in 2019/20, the Ministry reduced Public Health Ontario's base funding, replacing it with one-time annual funding. This was done because the Ministry at that time had assumed that its laboratory modernization plan would be implemented and that Public Health Ontario would be consolidated as part of Ontario Health. One-time funding makes it challenging for Public Health Ontario to plan for activities, as such funding is susceptible to being withdrawn. While the Ministry has increased base funding since 2020/21, it has still not restored it to pre-pandemic levels.

We found that, while the Ministry reduced Public Health Ontario's base funding assuming implementation of the laboratory modernization plan, the Ministry has not yet implemented this plan. We discuss this plan in greater detail in **Section 4.2.1**.

The Ministry also eventually did not consolidate Public Health Ontario into Ontario Health, as it had assumed it would. The government announced in 2019 that it would consolidate multiple health-care agencies and organizations, including Cancer Care Ontario, Trillium Gift of Life Network and all 14 Local Health Integrated Networks, within a single agency, known as Ontario Health. Ontario Health is responsible for planning and funding the health-care system, primarily in clinical settings, and ensuring health service providers have the tools and information to deliver quality care.

Despite both of these assumptions resulting in reduced base funding for Public Health Ontario, the Ministry has still not restored the agency's base funding to pre-pandemic levels, even though neither assumption was realized.

Our 2020 audit on COVID-19 preparedness and management, Outbreak Planning and Decision-Making, noted that, due to resource constraints, Ontario Health performed some tasks that were outlined in the Ontario Health Plan for an Influenza Pandemic as the responsibility of Public Health Ontario. These included co-ordinating laboratory testing for COVID-19 and analyzing provincial surveillance data.

Public Health Ontario explained to us that its budget has been flatlined for over 10 years, and has repeatedly raised this concern in its annual business plan, which it has submitted to the Ministry. While the Ministry provided Public Health Ontario with one-time COVID-19 funding between 2019/20 and 2022/23, this was strictly for use in the laboratory for COVID-19 testing, and little was added to fund the rest of the agency's mandate to support its growth, such as in environmental health, health promotion, and chronic disease and injury prevention.

As explained in **Section 2.3.2**, the relationship between Public Health Ontario and the Ministry is governed by provincial legislation and directives, but also by a memorandum of understanding (MOU) that has not been updated since 2015. The Ministry and Public Health Ontario have continued to affirm the existing MOU since 2015 when new Board chairs and ministers have taken office. They informed us at the time of our audit that they were working on refreshing the MOU, with expected completion by the end of 2023.

Lack of Consistent Funding Puts the Continuation of Advisory Committee for Public Health Emergencies at Risk

In July 2020, the Province created the COVID-19 Science Advisory Table to provide emerging evidence and advice to the Ministry of Health to inform Ontario's response to the COVID-19 pandemic. Part of the impetus for this Table was that Public Health Ontario could not fully support the Province in providing synthesized evidence relating to the COVID-19 pandemic due to capacity constraints. The Table was external to Public Health Ontario, though one of the then vice-presidents of the agency was a co-chair. In July 2022, following direction from the Ministry of Health, Public Health Ontario became the permanent home of this Table. In September 2022, Public Health Ontario, building on the work of the Table, announced the establishment of the Ontario Public Health Emergencies Science Advisory Committee, an external advisory committee whose mandate is to enhance provincial capacity to respond to public health emergencies with the best available evidence.

The Ministry provided one-time funding of $1.2 million in 2022/23 to the agency to establish and oversee this committee, but did not continue this funding in 2023/24. Public Health Ontario informed us that, as a result of the Ministry no longer providing funding, it was exploring options to scale back or dismantle the operations of this committee.

RECOMMENDATION 1

To enhance the clarity, relevance and value of Public Health Ontario's role in Ontario's public health system, we recommend that Public Health Ontario work with the Ministry of Health (Ministry) to:

- develop and implement a process to include Public Health Ontario's review of evidence when developing provincial policy decisions that impact public health; and
- clarify the agency's roles and responsibilities in the memorandum of understanding between the agency and the Ministry, especially with respect to Public Health Ontario's role in relation to Ontario Health's role.

PUBLIC HEALTH ONTARIO RESPONSE

Public Health Ontario accepts the recommendation, and will work with the Ministry of Health to enhance and clarify our role within the public health system. While there are existing mechanisms in place for the Ministry to request support and advice from Public Health Ontario as needed, we recognize that there may be opportunity for improvement by formalizing a process specific to supporting provincial policy decisions. We also recognize the importance of clarifying the agency's roles and responsibilities in the memorandum of understanding between Public Health Ontario and the Ministry, which, as noted in the report, is currently in the process of being refreshed.

RECOMMENDATION 2

To ensure that Public Health Ontario has sustainable resources required to deliver on the agency's mandate effectively, we recommend that Public Health Ontario work with the Ministry of Health to develop a business case that addresses reallocation of one-time annual funding to base funding.

PUBLIC HEALTH ONTARIO RESPONSE

Public Health Ontario accepts the recommendation to work with the Ministry of Health to reallocate its one-time annual funding to base funding for the agency.

4.1.3 Lack of Information Sharing on Priority Areas of Public Health Units Limits Public Health Ontario's Ability to Centralize and Co-ordinate Work

Public Health Ontario obtains input from the Ministry and public health units, often through regular meetings, to inform its work. However, it does not have established information-sharing processes on what Ontario's 34 public health units plan to do in terms of their program priorities and what research they would require that is best done centrally. Public health units report planned activities to the Ministry on an annual basis, but the Ministry does not share this information with Public Health Ontario. As a result, we found instances of fragmented responses to key public health issues and duplication of effort.

According to the *Ontario Agency for Health Protection and Promotion Act, 2007,* the agency is tasked with the responsibility to "undertake, promote and coordinate public health research in cooperation with academic and research experts as well as the community." About half of the requests made to Public Health Ontario between 2018/19 and 2022/23 to conduct consultations, answer scientific questions and deliver presentations came from public health units, and the number of these requests ranged from 413 to 1,023 requests per year. Despite this, Public Health Ontario does not receive important summarized information on public health units' planned program activities for the upcoming year so as to proactively prepare and direct its own efforts.

In contrast, every year, the Ministry of Health requires all 34 public health units to submit an annual service plan that outlines how each public health unit plans on satisfying the Ontario Public Health Standards, which we explain in **Section 2.1**. This includes planned activities, such as seasonal flu clinics, and the vaccine clinics in schools that public health units deliver as part of their programs. However, as the Ministry does not share the priorities in these annual service plans with Public Health Ontario, the agency

cannot synthesize information from these annual service plans to effectively identify areas where it can provide the most value across all public health units, such as co-ordinating research efforts and developing knowledge products, including evidence briefs and literature reviews. One of the purposes of these is to give users synthesized and easy-to-understand evidence to help them design programs and support advancing public health policy, knowledge and best practices in Ontario.

We found that public health units had duplicated efforts in producing resources on public health topics. For example, as noted in **Section 4.1.1**, six public health units individually developed resource materials on problem gambling, with Public Health Ontario not having published any such materials centrally. Similarly, between 2016 and 2020, eight public health units individually developed local resources on mental health and made these resources public. While five of these public health units referenced Public Health Ontario materials for either data or publications, the remaining three did not reference the agency at all. Public Health Ontario last conducted a full literature review on the burden of mental health problems and addictions in 2012, over 10 years ago.

With respect to the agency-developed resource on mental health from 2012, we further found that Public Health Ontario's research did not cover some important areas that public health units needed and therefore had to produce on their own. This led to public health units duplicating efforts amongst themselves, a missed opportunity to have Public Health Ontario prepare one central report covering all these common topics. Specifically, public health units individually compiled data on the use of mental health services, suicide rates, emergency department visits, and community belongingness in the context of their own regions, while comparing these to the provincial scale. Public Health Ontario's knowledge products on mental health did not discuss any of these topics for public health units to reference and adapt to their communities.

A successful example of this type of centralization has been seen in the topic of alcohol consumption. Seven public health units created knowledge products on low-risk alcohol consumption guidelines, and six out of the seven referenced the agency for either data or publications. In this instance, the majority of data references were taken from Public Health Ontario's snapshot of self-reported rates of exceeding the low-risk consumption guidelines, where individual public health units pulled the centralized data and informational pieces for use in their local context.

Nevertheless, Public Health Ontario has demonstrated the ability to partner with public health units and other stakeholders to produce knowledge products:

- In 2013, one year after its literature review on mental health, Public Health Ontario released a report in partnership with Toronto Public Health and the Centre for Addiction and Mental Health, which discussed how Ontario public health units were addressing child and youth mental health.
- Since 2012, Public Health Ontario has partnered with four public health units to become hub libraries, which provide library services to 22, or 65%, of the province's 34 public health units. Public health units may use the services of a hub library to promote knowledge exchange, which may be used for a variety of purposes, including to search for peer-reviewed journal articles and research done on a topic that a public health unit would want to build local resources on.

Agency representatives informed us that, as part of their strategic planning consultations in 2023, they heard feedback from some public health units that there is an interest in Public Health Ontario developing more centralized and shared services to avoid overlap and duplication of effort. Such services may include a repository of resources on topics of mutual interest. They added that the agency would be considering its role in this. In the meantime, librarians performing the search through this partnership are encouraged to check to see if any other librarians have done a similar search already. Neither Public Health Ontario nor the partnered libraries receive copies of completed health unit knowledge products, limiting the potential for information sharing and reduction of duplication of efforts.

RECOMMENDATION 3

To improve the cost-effectiveness and efficiency of generating public health research in Ontario, we recommend that Public Health Ontario work with the Ministry of Health and public health units to:

- evaluate the feasibility of a formal process to centralize public health research across all three pillars of the public health system in Ontario; and
- if the current process is kept, create a searchable research repository consisting of all public health journal articles and research products prepared by Public Health Ontario as well as individual public health units and share access to this repository with all public health units.

PUBLIC HEALTH ONTARIO RESPONSE

Public Health Ontario accepts the recommendation, and recognizes that there are opportunities to gain efficiencies through centralized public health research activities. While Public Health Ontario already routinely produces knowledge products, including scientific reports and research publications, on a variety of public health topics, we will engage with the Ministry of Health and public health units to evaluate the feasibility of further centralization. With respect to the potential creation of a central research repository, Public Health Ontario will also explore this idea with the Ministry and our public health unit clients to determine if this would be a valuable resource to support their work.

4.1.4 Multiple Recommendations of the Agency's 2016 Mandate Review Still Not Implemented

In 2016, the Ministry commissioned a review of Public Health Ontario's mandate, as is required for board-governed agencies every six years under the Agencies and Appointments Directive (Directive), described in **Section 2.3.2**. However, we found that the Ministry never shared the final report of this mandate review with Public Health Ontario, despite some of the recommendations being directed to the agency; many of the recommendations are still outstanding seven years later. When we asked the Ministry why it has withheld the final report, it informed us that it is common practice to not share final mandate review reports with provincial agencies. The Ministry noted that the recommendations in the final report directed toward Public Health Ontario were shared through other mechanisms and processes, including through the issuing of mandate letters. However, this did not give Public Health Ontario an opportunity to provide input into the mandate review process or address specific recommendations from this review.

The mandate review noted areas for improvement that spanned different areas including revising Public Health Ontario's mandate and refining the agency's activities and operations. Notably, the review recommended the following, which remain outstanding more than seven years later:

- the Ministry to update the MOU to incorporate the respective roles, responsibilities and accountabilities of Public Health Ontario with Ministry communications with the public;
- the Ministry to decide whether or not to amend the *Ontario Agency for Health Protection and Promotion Act, 2007* or develop a new regulation to clarify how the agency's services will be directed; and
- Public Health Ontario and the Ministry to confirm alignment of the agency's functions for supporting Ministry priorities and programs for health promotion and reducing health inequities.

Furthermore, as per the Directive, Public Health Ontario should have undergone another mandate review in 2022. However, the Ministry indicated to us that this was put on hold due to the COVID-19 pandemic, with no expected date for completion.

Mandate Letters Either Provided Late or Not Provided at All to Public Health Ontario, Contrary to Government Directive Requirement

Every year for the last six years (2018/19–2023/24), the Ministry has not complied with the Agencies and Appointments Directive requirement to provide Public Health Ontario with a mandate letter 180 days before the start of its fiscal year. The mandate letter is issued by the Minister of Health, and lays out the focus, priorities, objectives, opportunities and challenges that the Minister has set for the agency for the coming year. The Ministry transmitted Public Health Ontario's mandate letters as late as six days before the start of the next fiscal year in 2021/22, making it difficult for the agency to set priorities for its annual business and strategic plans, and not providing sufficient time to plan activities prior to the start of the fiscal year. When we asked the Ministry why it had not complied with this requirement, the Ministry acknowledged that the timing to issue mandate letters to Public Health Ontario had not always met the 180-day requirement due to competing public health demands and priorities. The Ministry also indicated that the Chief Medical Officer of Health routinely shares Ministry priorities with Public Health Ontario through Board and committee meetings to help inform the agency's development of its annual business plan.

As well, the Ministry did not provide a mandate letter to Public Health Ontario in 2019/20 or 2020/21. The Ministry's explanation was that it was planning for public health modernization (explained in **Section 2.1.1**), and the public health system could have potentially changed.

RECOMMENDATION 4

To allow Public Health Ontario to more effectively plan its activities, we recommend that the Ministry of Health:

- share any review reports with Public Health Ontario and follow up on the implementation of any outstanding recommendation at least on an annual basis; and
- provide annual mandate letters to the agency on a timely basis in accordance with the Agencies and Appointments Directive.

MINISTRY RESPONSE

The Ministry of Health agrees with this recommendation and will continue to work closely with Public Health Ontario to ensure that agency goals, objectives and strategic directions align with government's priorities and direction. This includes, but is not limited to, providing annual mandate letters to the agency in accordance with the Agencies and Appointments Directive and sharing any relevant review recommendations with Public Health Ontario and following up on the implementation on any outstanding recommendations on a timely basis.

4.2 Public Health Ontario Laboratory Not Operating Efficiently

4.2.1 Streamlining of 11 Public Health Ontario Laboratory Sites Not Yet Implemented

In addition to its main Toronto laboratory, Public Health Ontario has 10 regional laboratory sites across Ontario to provide regional coverage for public health units and hospitals. However, we found that some regional laboratory sites are unable to perform a large proportion of the tests on the samples and specimens they receive. The agency provided the Ministry with the recommendation to consolidate some of these laboratory sites, in 2017 and again in early 2023, based on factors that included test volume and productivity, stating that the consolidation can save $6 million in its budget. Although a 2020 consultant report had reached similar conclusions, the Ministry had not approved the consolidation of these sites at the completion of our audit.

According to an internal agency document, from September 2021 to September 2022, three public health laboratory sites transferred out more than 90% of the non-COVID-19 tests they received. We expanded this analysis to include all laboratory tests, including

COVID-19, that Public Health Ontario laboratory sites received and performed from 2018/19 to 2022/23. As shown in **Figure 10**, we found that:

- regional laboratory sites were completing wide ranges of between 9% and 80% of the tests they received and transferring the remainder to other laboratory sites;
- three laboratory sites—Peterborough, Sault Ste. Marie and Sudbury—transferred between 80% and 91% of all tests to other sites; and
- Toronto was the largest receiver of these transfers, receiving about 19 million tests from regional laboratory sites, with the London site receiving the next most tests, at over four million tests.

The three laboratory sites that transferred between 80% and 91% of the tests they received each had operating costs ranging from $5 million to $10 million over the last five years.

Public Health Ontario explained to us that the reasons for these transfers could include capacity issues, lack of expertise or sufficient volume to maintain competency of laboratory personnel in a specific test, lack of equipment to conduct certain tests, or efficiencies to achieve economy of scale. For example, only one of the 11 public health laboratory sites has the equipment necessary to test for *H. pylori*, a bacterium that affects the stomach.

In 2017, Public Health Ontario proposed a joint modernization plan to update its public health laboratory, collaboratively with Ministry staff at the request of the Deputy Minister, that would have resulted in:

- gradually closing six of its 11 public health laboratory sites (Hamilton, Kingston, Orillia, Peterborough, Sault Ste. Marie and Timmins), while maintaining coverage across the province through five geographic areas; and
- changing the types of tests offered at the Public Health Ontario laboratory that would remove 20 tests and restrict eligibility for 12 additional tests, as well as the gradual discontinuation of private drinking water testing.

According to the agency, this plan was needed to mitigate rising costs of repairs and upgrades in existing laboratory sites, and would result in a more efficient operating model to address issues such as sites needing to reroute the majority of samples and specimens they receive to other sites.

Figure 10: Number of Tests Received, Completed and Transferred Out by Public Health Ontario Laboratory Sites, 2018/19–2022/23

Source of data: Public Health Ontario

Laboratory Site	# Received[1]	# Completed	# Transferred Out	% Transferred Out
Sudbury	670,052	57,935	612,994	91
Sault Ste. Marie	251,953	87,116	223,915	89
Peterborough	839,389	192,579	668,436	80
Ottawa	3,163,981	1,578,148	2,034,978	64
Timmins	415,938	276,814	203,773	49
Hamilton	2,769,143	1,484,913	1,301,497	47
Thunder Bay	1,027,948	603,753	433,203	42
London	4,211,543	3,224,316	1,199,701	28
Kingston	1,695,958	3,240,155[2]	366,121	22
Orillia	1,044,555	1,599,189[2]	213,330	20
Toronto	19,040,243	22,785,785[2]	233,173	1

1. Refers to the laboratory location that originally logged the sample or specimen in the laboratory information system; includes those tests that hospital and community laboratories and public health units send to this location.
2. Number of laboratory tests completed is greater than number of laboratory tests received mainly due to additional tests that other regional laboratory sites transferred to these laboratory sites.

The most recent iteration of this modernization plan, presented by Public Health Ontario to the Ministry in January 2023, included the same plan to consolidate sites, but instead focused on discontinuing its testing for *H. pylori*, which is not a disease of public health significance, and again recommended the gradual discontinuation of private drinking water testing. This updated plan also showed that current test volumes per full-time-equivalent staff ranged widely between all 11 existing sites, from 775 in Timmins to 13,523 in Hamilton.

A 2020 laboratory facilities report by a private-sector consultant commissioned by the Ministry of Government and Consumer Services (now the Ministry of Public and Business Service Delivery) and Infrastructure Ontario had findings consistent with Public Health Ontario's proposed plan, and made identical recommendations with respect to Public Health Ontario laboratory sites. Our 2020 audit on COVID-19 preparedness and management, Laboratory Testing, Case Management and Contact Tracing, recommended that the Ministry of Health immediately review Public Health Ontario's laboratory modernization plan, and consult with the agency to determine and provide the level of base funding that would allow the agency to fulfill its mandate.

Despite this, at the time of our audit, the Ministry of Health was still in the process of obtaining necessary internal approvals for the plan. We asked the Ministry why the plan was not yet implemented; it informed us that in the 2019 Ontario Budget, the government committed to modernize Ontario's public health laboratory system by developing a regional strategy. However, implementation of this plan was put on hold due to the construction of the new London public health laboratory, as well as increased capacity required from all Public Health Ontario laboratory sites for COVID-19.

RECOMMENDATION 5

To more efficiently deliver public health laboratory services, we recommend that Public Health Ontario, in conjunction with the Ministry of Health, update and implement a plan within 12 months to streamline public health laboratory operations.

PUBLIC HEALTH ONTARIO RESPONSE

Public Health Ontario accepts the recommendation, and will continue to work in conjunction with the Ministry of Health to update the plan to streamline and modernize the agency's laboratory operations. Upon receipt of Ministry approval to proceed, Public Health Ontario will commence the phased implementation of the plan. We will work closely with our stakeholders throughout the implementation process to communicate changes in service delivery and minimize service disruptions.

4.2.2 Courier Services That Deliver Samples and Specimens Do Not Cover All Regions of the Province

Primary-care clinicians, hospitals and public health units are just some examples of places that send specimens (such as blood, phlegm and stool) to Public Health Ontario laboratory sites across the province for testing. Private citizens also send samples (such as well water) to these sites. Public Health Ontario co-ordinates courier services that pick up and deliver samples and specimens, most of which are sensitive to time and temperature during transit, to and from these locations as well as among its own network of 11 public health laboratory sites. For example, in the five-year period between 2018/19 and 2022/23, 21% of the tests received by public health laboratory sites were transported to other public health laboratory locations for testing.

Over the last five years, Public Health Ontario has relied on a roster of up to 18 courier companies to transport samples and specimens, and has established formal contracts with four of them. Currently, there are two contracted couriers providing the majority of these services to the agency. One company covers the Greater Toronto Area, southwestern Ontario and eastern Ontario; the other company focuses on Northern Ontario. Public Health Ontario engaged the other courier companies on its roster only when needed, such as to supplement any shortfalls of the two contracted courier companies.

Public Health Ontario's spending on courier services has increased by $1.6 million, or 99%, in the last five years. The majority of this increase is attributable to the change in market pricing for this specialized service, and the remainder is attributable to an 8% increase in overall test volumes over the same period. In 2022/23, Public Health Ontario spent about $3.8 million on courier services for samples and specimens, up from $1.9 million in 2018/19, as shown in **Figure 11**.

We could not determine whether Public Health Ontario's courier services fully cover all primary-care clinician offices and hospitals that send samples and specimens to the public health laboratory, because the total number of these collection sites is not readily available. We found, however, that Public Health Ontario does not provide courier services to nine, or 26%, of the 34 public health units. We surveyed these nine public health units, and another random sample of nine geographically dispersed public health units that use Public Health Ontario's contracted courier, of which seven responded. We noted the following:

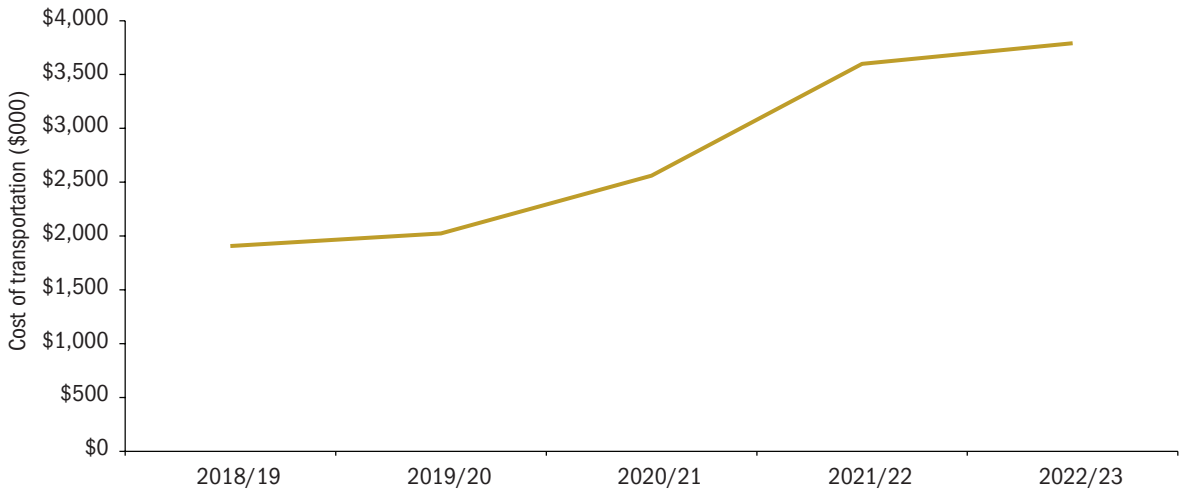
- Five of the nine public health units that do not use Public Health Ontario's courier were not even aware that this service exists; these public health units therefore had to co-ordinate their own couriers to send samples and specimens to the public health laboratory.
- Of the public health units that use the agency's courier, some cited challenges with the courier services including delayed, missed and/or infrequent pickups; this can sometimes result in samples and specimens being rejected by the public health laboratory as they did not arrive within the time frame required for testing. Public Health Ontario and some public health units also have had to use external couriers to cover the shortfalls of the current courier routes so that samples and specimens can be delivered on time to be suitable for testing.

RECOMMENDATION 6

To achieve better value for money for the province's use of couriers for the public health laboratory, we recommend that Public Health Ontario, in conjunction with the Ministry of Health, consult with all public health units to determine whether centrally procured courier services for laboratory samples and specimens would be beneficial, and make centrally co-ordinated courier services available to all public health units.

Figure 11: Public Health Ontario Courier Expenses for Transportation of Laboratory Samples and Specimens, 2018/19–2022/23

Source of data: Public Health Ontario



PUBLIC HEALTH ONTARIO RESPONSE

Public Health Ontario accepts the recommendation, and recognizes the importance of better value for money with respect to laboratory courier services across the public health sector. We will work with the Ministry of Health, public health units and other partners, including the Ontario Laboratory Medicine Program, to determine the feasibility of making centrally co-ordinated courier services available to all public health units, including a collaborative procurement approach.

4.2.3 Some Laboratory Tests for Diseases of Public Health Significance Not Offered at the Public Health Laboratory

Public Health Ontario provides surveillance of communicable diseases based on data it collects through its laboratory or obtains from other sources. It provides over 270 tests, and is often the only laboratory in Ontario to test for certain diseases, for example, HIV. Providing comprehensive laboratory tests to detect and identify diseases of public health significance in its role as the provincial public health laboratory is therefore critical to effectively protect the health of Ontarians. We compared testing menus from Public Health Ontario to those of other provincial health agencies, and found some examples of tests not done through public health laboratories for diseases of public health significance, such as certain types of testing for latent tuberculosis, and wastewater testing that can identify COVID-19 transmission in geographic areas.

Interferon Gamma Radiation Assay for Latent Tuberculosis

One of Public Health Ontario's legislated responsibilities is "to provide scientific and technical advice and support to the health care system and the Government of Ontario in order to protect and promote the health of Ontarians and reduce health inequities." Despite this, we found that the Public Health Ontario laboratory does not offer a test that is specifically beneficial for the detection of latent tuberculosis in at-risk populations such as Indigenous communities and foreign-born populations.

Latent tuberculosis is a dormant form of tuberculosis, meaning the person does not feel sick or have symptoms, but has the potential to progress to active tuberculosis later in life due to weakened or compromised immune systems. Approximately 15% of people with latent tuberculosis progress to the active disease, which is preventable, as latent tuberculosis can be treated with antibiotics, through shared decision-making between the health-care providers and patients. Statistics from the Government of Canada showed that in 2020, there were 1,772 cases of active tuberculosis in Canada, with more than 80% of these cases found in foreign-born individuals and Indigenous people.

In Ontario, the only publicly funded test to detect latent tuberculosis is a skin test, which public health units and other health-care clinics conduct. Another testing method—interferon gamma release assay (IGRA)—involves blood testing done by laboratories. The last Ministry guidelines on tuberculosis, from 2018, stated that Ontario was assessing the use of IGRA in select communities. However, at the time of our audit, this test was still not publicly funded across Ontario. IGRA is currently available in Ontario at one children's hospital under specific eligibility, as well as selected private laboratories at a cost of around $90 per test to the patient. Public Health Ontario's laboratory currently does not perform any laboratory tests to detect latent tuberculosis.

Public Health Ontario published a report in 2019 that looked at testing for tuberculosis infection using IGRA as compared to the conventional skin testing method. The report did not look into the estimated costs of delivering IGRA versus the skin test method, but noted the pros and cons of each method as follows:

- The conventional skin test method requires a second clinic visit 48 to 72 hours after the first, which may result in patients, especially those living in rural and northern communities, not making that follow-up visit.

- IGRA is more specific to obtain the right diagnosis but also costlier due to the need for new equipment, training and processing time.
- IGRA requires specimens to be processed within a specific window of time after collection; Public Health Ontario's laboratory does not have co-located facilities to support timely blood specimen collection and submission for assay testing, though one commercially available test can be processed up to 53 hours after specimen collection.

The agency has not more recently analyzed the full costs and benefits of IGRA versus the skin test to detect latent tuberculosis, and does not have plans to do so in the near future. Such an analysis could include the potential impact of not diagnosing and treating someone with latent tuberculosis. For instance, a recent study, using data obtained at a treatment centre in Ontario as well as two other centres in Canada, found that the median cost to treat patients with tuberculosis infection was $804 for the most easily treatable varieties and ranged as high as $119,014 for highly drug-resistant tuberculosis infections.

In contrast, the British Columbia Centre for Disease Control has co-ordinated with hospitals to offer IGRA for the diagnosis of latent tuberculosis. It controlled for some of the limitations of this test, such as time from sample collection to processing, by co-ordinating sample collection times with lab availability, to ensure that samples will be tested before spoiling.

Wastewater Testing

Public Health Ontario does not perform wastewater testing in Ontario, which can identify COVID-19 transmission in geographic areas and supplement other clinical data sources. Currently, wastewater testing is led by the Ministry of the Environment, Conservation and Parks, through its Wastewater Surveillance Initiative. Through this initiative, laboratory tests are conducted through 13 different Ontario universities, as well as the Public Health Agency of Canada's National Microbiology Laboratory.

In contrast, the British Columbia Centre for Disease Control collects samples two to three times a week for testing from wastewater treatment plants in urban regions across British Columbia, to identify respiratory pathogens such as influenza and COVID-19. At the time of our audit, the Ministry of Health informed us that it was working collaboratively with Public Health Ontario to develop a proposal for a public health model for wastewater surveillance in Ontario.

RECOMMENDATION 7

To help ensure the public health laboratory in Ontario applies current and best practices to conduct surveillance on diseases of public health significance, we recommend that Public Health Ontario, together with the Ministry of Health:

- perform a jurisdictional scan to compare public health laboratory test menus;
- conduct a cost/benefit analysis on the tests not conducted by the public health laboratory in Ontario to determine whether the alternative tests would yield more accurate and timely results; and
- develop a plan to incorporate new tests into the Ontario public health laboratory test menu.

PUBLIC HEALTH ONTARIO RESPONSE

Public Health Ontario accepts the recommendation, and will work with the Ministry of Health to ensure that our test menu supports the evolving public health needs and ensures fiscal responsibility. We will continue our work to finalize the public health laboratory test menu for Ontario, which will be informed by a jurisdictional scan of other public health laboratory test menus in Canada and the findings of test cost/benefit analyses.

4.3 Weaknesses in Corporate Procurement Policy and Lack of Enforcement, Resulting in Poor Procurement Governance

The Ontario Public Service Procurement Directive (Directive), developed by the Management Board of Cabinet in March 2019, sets out the responsibilities of organizations throughout the procurement process. The purpose of the Directive is to ensure that goods

and services are acquired through an open, fair and transparent process, to reduce purchasing costs, and to ensure consistency in the management of procurement. Public Health Ontario's internal corporate procurement policy, originally drafted in July 2010 and last updated in November 2022, is based on this Directive.

During our audit, we reviewed details of procurement projects that were active as of May 31, 2023, and examined a sample of them. We found that Public Health Ontario did not always follow its own corporate procurement policy, which contributed to weaknesses in procurement governance and could have prevented the agency from achieving value for money. From 2018/19 to 2022/23, Public Health Ontario spent, on average, $207 million per year in goods and services to operate its laboratory and deliver its science and public health programs.

4.3.1 Agency Staff Purchased Goods and Services from Vendors Using Purchasing Cards Rather than Procuring Them Competitively

We found that Public Health Ontario's laboratory staff were using purchasing cards (P Cards) in ways that are contrary to their intended purposes. As a result, we found instances where the agency did not acquire goods or services through an open, fair and transparent process.

According to the agency's procurement policy, P Cards are "primarily used for low value purchases" and may only be used for individual purchases valued under $5,000 (or $10,000 for senior staff) that are "not recurring transactions with a single vendor." The policy further clarifies that "a series of reasonably related transactions shall be considered as a single transaction for purposes of determining the required approval and authority levels." At the time of our audit, the agency had issued P Cards to 126 of its staff, 68 of whom were responsible for laboratory operations.

The corporate procurement policy further states that program areas are required to work with the procurement team "to assist in the planning and coordination of all procurement activities." However, the agency has not been enforcing this requirement. In fact, laboratory staff at Public Health Ontario can procure goods and services on their own without having to go through the procurement team.

We found that staff from various laboratory sites at Public Health Ontario were using their P Cards to make recurring purchases of laboratory and health-care supplies from the same vendor between 2018/19 and 2022/23. Although the individual purchases were under $5,000, the cumulative value of the recurring transactions exceeded $25,000—the amount above which purchases must be procured competitively according to procurement policies. As shown in **Figure 12**, we found that from 2018/19 to 2022/23, Public Health Ontario staff made almost 17,000 transactions on their P Cards with 30 different vendors, for a combined purchase value of over $11 million over five years. Over $4 million of this amount related to purchases from two vendors. According to Public Health Ontario, the use of P Cards is required for purchases below $5,000 in the User Guide for the Vendor of Record arrangement with the top vendor. The User Guide was prepared by the then Ministry of Government and Consumer Services (now Ministry of Public and Business Service Delivery), Ontario Shared Services and Supply Chain Ontario. As a result, its staff have to follow this User Guide, resulting in recurring transactions using their P Cards. Regarding the second vendor, agency staff told us that, until recently, it accepted only P Cards as payment. Excluding the top two vendors, annual transaction values ranged from $25,133 to $222,283. Agency staff purchased laboratory equipment and supplies on a recurring basis from these vendors using their P Cards, when they should have instead procured these supplies and equipment competitively.

Our review of the individual transactions found that this practice, although limited to the agency's laboratory operations, was widespread across several laboratory sites. For example, in 2022/23, 35 staff across various laboratory sites cumulatively made 1,339 recurring purchases of medical laboratory and health-care supplies from a single vendor totalling over $554,000. This is equivalent to an average of 39 recurring transactions per staff member for that year alone. According to Public Health Ontario, these recurring P Card transactions were done in accordance

Figure 12: Top 10 Vendors by Total Value of Recurring Transactions Charged to Purchasing Cards (P Cards) and Totals for All 30 Vendors, 2018/19–2022/23

Source of data: Public Health Ontario

Vendor #	# of Years with P Card Charges >$25,000	Value of Charges ($)		# of Charges	
		Total	Avg. per Year	Total	Avg. per Year
Top 10 Vendors					
1	5	**2,789,087**	557,817	**6,669**	1,334
2	3	**1,381,694**	460,565	**1,349**	450
3	5	**1,037,100**	207,420	**1,955**	391
4	3	**666,848**	222,283	**882**	294
5	5	**622,895**	124,579	**1,350**	270
6	5	**485,805**	97,161	**294**	59
7	5	**475,601**	95,120	**963**	193
8	4	**408,235**	102,059	**523**	131
9	4	**360,486**	90,121	**387**	97
10	5	**352,095**	70,419	**479**	96
All 30 Vendors					
1–30	1–5	**11,104,934**	3,286,409	**16,961**	4,111

with the User Guide for the agency's arrangement with this vendor. We noted that the agency's P Card guidelines state that they are used to acquire goods and services that are not required frequently. According to Public Health Ontario, it has to follow this User Guide as opposed to its own procurement policy. This practice was also not limited to a single year. As shown in **Figure 12**, recurring P Card purchases exceeded $25,000 in all the five years we analyzed.

The agency's finance team explained that for low-dollar and low-risk routine purchases, laboratory operations used P Cards instead of going through competitive procurement in these circumstances either because they needed to acquire the goods urgently, or, in cases where a contract existed between the agency and the vendor, because the contract did not cover the goods they needed. Additionally, they used P Cards for low-dollar and low-risk routine purchases when they needed to source from an alternative vendor if there were unforeseen supply shortages with the existing vendor. The dollar value of these recurring purchases, whether taken per year or cumulatively over the five years, should have required staff to procure the goods and services competitively, either by soliciting quotes from at least three vendors or requesting bids from vendors. In either process, the procurement would have resulted in formal contracts with the chosen vendors, stipulating deliverables, payments and performance monitoring. However, because these transactions were made through P Cards, the agency's procurement team was not involved in these procurements, even though the team is responsible for monitoring the agency's compliance with both internal and public-sector procurement policies. At the time of our audit, the finance team did not periodically review P Card use across the agency to identify recurring transactions for which central procurement might be used without the need to use P Cards.

Our review of individual P Card limits noted that six of the cards have spending limits that range from $35,000 to $60,000, and one card has a limit of $200,000 specifically for urgent COVID-19 pandemic-related purchases. According to Public Health Ontario, these exceptions were granted to meet operational needs resulting from the pandemic.

4.3.2 Vendor Progress and Performance Not Measured or Monitored

We found that Public Health Ontario does not have a formal process to track vendor performance and non-compliance, and does not always evaluate whether vendors have accomplished deliverables before it makes payment. As a result, procurement staff cannot easily verify, as part of their responsibilities to manage contracts, whether the vendor's work has been completed satisfactorily and whether the vendor met agreed upon terms before making payments.

Public Health Ontario's corporate procurement policy does not outline how to periodically monitor vendor performance and how to resolve matters of poor performance or non-compliance, even though the Directive outlines that vendor performance must be managed and documented, and any performance issues must be addressed.

Nonetheless, over half of the contracts we reviewed included requirements for the vendor to submit mandatory quarterly activity reports to Public Health Ontario that reflect all activities pertaining to the provision of goods and services. We requested copies of these reports submitted to Public Health Ontario for all contracts we reviewed, but the agency could not provide these reports for any contracts in our sample.

We also found that over half of the contracts we reviewed required the creation of a Contract Management Committee with representatives from Public Health Ontario and the vendor. The contract terms require the committee to meet regularly and conduct quarterly or semi-annual reviews of the vendors' fulfillment of the deliverables. We requested minutes of committee meetings; the agency informed us that the committees, though mentioned in the contracts, were never struck or acted upon. As a result, these reviews had not been completed at the time of our audit.

The procurement team told us that they regularly met with program staff to review contracts and discuss procurement issues, and that they had not identified performance issues with any of the vendors in our sample. However, they could not provide us with supporting documentation for 35% of our sample. In all cases where the agency provided us with documentation, the communication between procurement staff and program area staff centred around clarification about contract terms and renewal options, with no discussion of the vendor's performance.

We noted that, as of May 31, 2023, 43 vendors had between two and seven active contracts with Public Health Ontario, with one vendor accounting for $32 million in contracts. The value of the contracts with just these 43 vendors totalled $108 million, which comprised 78% of the total value of all active contracts at the time. The multiple contracts with certain vendors highlight the importance of having a system in place to monitor and document vendor performance across different contracts.

The consequences of not monitoring vendor performance were evident in 2022 when Public Health Ontario paid a consulting firm almost $50,000 to conduct a survey of staff to assess burnout, and recommend policies and practices to address agency staff burnout resulting from the COVID-19 pandemic. At the conclusion of the contract, the vendor recommended that Public Health Ontario develop initiatives to help staff become involved with self-help activities such as exercise and meditation. The vendor also recommended that the agency implement policies that would provide staff with sufficient time off to allow meaningful recovery from work stress. However, the agency already had these initiatives and policies in place at the time; it had provided the consultant with its existing initiatives and policies, but the consultants still made these recommendations. With proper vendor performance monitoring, this lapse would have been identified earlier, thereby preventing the redundant recommendations.

The lack of vendor performance tracking also hinders Public Health Ontario's ability to review its history with vendors to help inform its decision-making process when engaging a vendor for a new project. In our review of a sample of contracts, we noted that in 73% of cases, there was no discussion of the vendors' historical performance with the agency or evidence of reference checks to inquire about other organizations' past experience with the vendors. For example, four

of the contracts we reviewed, with a combined value of over $32 million, were awarded to one vendor. The contracts had effective dates between March 2020 and April 2022 for terms of three to over six years. None of the documentation for any of the four contracts discussed the vendor's historical performance.

RECOMMENDATION 8

To help ensure that Public Health Ontario is using taxpayer money to procure goods and services in an open and transparent manner and is receiving value for money, we recommend that Public Health Ontario:

- review the use of purchasing cards at least on an annual basis to identify recurring transactions with vendors, and take corrective actions as necessary;
- monitor that payments to vendors are made only when goods and services have been satisfactorily delivered and within the contract ceiling price;
- evaluate vendor progress and performance in accordance with contract terms; and
- develop and implement a process to include evaluation results in the consideration of vendor selection in future projects.

PUBLIC HEALTH ONTARIO RESPONSE

Public Health Ontario accepts the recommendation. Prior to the pandemic, we had initiated a purchasing card (P Card) project to reduce P Card usage in Laboratory Operations. The project, which was paused during the COVID-19 pandemic, was restarted in April 2023 and is now expected to be completed by February 2024. Public Health Ontario also plans to augment our procurement practices to ensure that processes are in place to evaluate vendor progress and performance. We will develop and implement a risk-based vendor performance framework to support these processes.

4.4 Public Health Ontario Has No Succession Plan in Place for Specialized Management Roles

Public Health Ontario does not have a formal succession plan in place to identify when key roles may need to be filled, such as in the case of retirement. This leaves Public Health Ontario at risk of being without senior leadership and/or key specialized roles for long periods before the positions are filled, potentially affecting its ability to appropriately respond to public health risks, especially during times of emergency.

The agency employs a wide variety of specialized roles, such as medical laboratory technologists, public health physicians, epidemiologists, clinical microbiologists, scientists and more. The scientific and technical advice Public Health Ontario provides to its clients is dependent on having a skilled workforce and anticipating any changes in these highly specialized roles, so that the agency can continue to carry out its mandate without any setbacks.

The impact of not having a succession plan was felt during the COVID-19 pandemic, when between April 2020 and September 2021, Public Health Ontario lost its President and CEO, Chief Health Protection Officer, and Chief of Microbiology and Laboratory Science all in the span of 17 months. Except for the President and CEO role, which was filled temporarily by an existing executive, these positions were filled by promoting internal senior leaders at a time when Public Health Ontario was looked to for leadership. The position of President and CEO was filled in July 2022, more than two years after its temporary holder took on the role.

In its 2017/18 annual business plan, Public Health Ontario outlined a strategic direction to continue to improve employee engagement, which included piloting a succession planning process for senior leadership positions. Work on this had begun in 2019 prior to the pandemic, specifically with the laboratory, such as developing guiding documents to support the succession planning process. More recently, in its 2020/23 strategic plan, Public Health Ontario outlined a

goal to build leadership capacity, by developing and implementing a proactive approach to workforce and succession planning that enhances diversity and inclusion and improves continuity and consistency of services. At the time of our audit, Public Health Ontario had not fully realized this goal.

Public Health Ontario also does not track which senior leadership or specialized positions have had a successor identified internally, and has not set a target for when a successor should be identified before an anticipated departure. Further, the agency does not have a formal process to identify which staff, including those in senior leadership or specialized positions, are about to retire and therefore would leave a position vacant or without effective leadership. During our audit, in June 2023 the agency's new Chief of Health Promotion and Environmental Health Officer assumed the full responsibilities of the position only after a transition period that had begun with her predecessor's retirement in January 2023. The predecessor's retirement was known from May 2022, at which point a formal public recruitment began. However, this role required an experienced public health physician executive, and there was a limited pool of qualified candidates. Although the successful candidate accepted the position in March 2023, the responsibilities of the position were still being covered by agency executives for an additional three months, during which the successful candidate was transitioning to her new role.

Other jurisdictions have targeted goals in their strategic plans and annual reports for the proportion of prioritized positions they want to have a successor identified for internally. For example, Quebec's Institut national de santé publique has a stated objective to anticipate the retirement of staff members whose expertise plays a key role in the pursuit of the institute's mission, and to develop succession plans to offset the impact of such departures by focusing on the full potential of its personnel. The Quebec institute targeted 60% of its prioritized positions to have an internal successor identified in 2020/21.

RECOMMENDATION 9

To better prepare Public Health Ontario in continuing to deliver its mandate with the support of skilled staff and management, we recommend that Public Health Ontario:

- conduct an analysis to determine when senior positions and specialized roles are expected to become vacant;
- identify and develop potential talent from within the organization, or identify the need to recruit;
- develop and track key performance indicators that support succession planning; and
- develop and implement a succession plan for senior leadership and specialized roles.

PUBLIC HEALTH ONTARIO RESPONSE

Public Health Ontario accepts the recommendation. We are currently in the process of developing a new human resources strategy, which will include a focus on succession planning for the organization and will incorporate the elements described in the recommendation.

4.5 Continuous Improvement Efforts Needed to Collect Better Data on Performance Indicators

4.5.1 Public Health Ontario's Performance Indicators Mostly Measure Output Volume Instead of Client Satisfaction or Service Quality

Public Health Ontario establishes performance indicators as well as targets in its annual business plans; however, these indicators mostly focus on quantifying the output of the agency's operational activities rather than client satisfaction and actual performance of its core activities, making it difficult for the agency to demonstrate that it has been effective in meeting the needs of its clients.

As early as 2018/19, Public Health Ontario acknowledged in its annual report that the performance of public health organizations is often difficult to assess quantitatively. The agency noted that it continued to explore new approaches to performance measurement to incorporate additional impact, value and outcome considerations. Its 2018 peer review also recommended that the current performance indicators could be reoriented to capture service quality rather than focusing largely on volume of services delivered. However, the agency has made little progress on this. It stated in its 2021/22 annual report that it did not advance this work substantively due to focusing on requirements relating to the COVID-19 pandemic.

At the time of our audit, Public Health Ontario was tracking performance indicators that are mostly volumetric. These include the number of knowledge products published on the agency's website, the number of visits to the agency's online data and analytic tools, and the number of scientific and technical support activities and data requests completed in response to clients and stakeholders.

With respect to measuring client satisfaction, the only performance indicator where satisfaction is directly measured is the percentage of professional development sessions achieving a client/stakeholder rating of at least 3.5 out of 5. The agency noted that it also measures the quality of its core activities and services through indicators of the percentage of laboratory tests completed within the target turnaround time that it has established, and the percentage of multi-jurisdictional outbreaks of diseases of public health significance that it assesses for further investigation within one day of being notified. In our view, these are indirect measures of client satisfaction. Public Health Ontario also noted that it frequently receives client feedback; however, these results are not shared publicly.

The agency informed us that, historically, it has conducted client satisfaction surveys via third-party marketing firms on a two-year cycle, with its last survey completed in 2016. Since then, the agency has not sought these services due to government-imposed expenditure constraints.

In contrast, the Institut national de santé publique du Québec reported on more client-focused performance indicators such as clients' satisfaction with the usefulness of the institute's scientific productions to support them in their work, and satisfaction with its support for intervention with public health departments in the event of a public health threat (for more examples of these indicators, see **Appendix 5**).

Public Health Ontario informed us that it last fully reviewed its performance indicators during the development of its 2014–19 strategic plan. At that time, the agency reframed the performance scorecard reported in its annual reports to better align with its strategic direction. While it continues to review them on an annual basis, it plans to conduct its next full review of organizational performance measurement when it develops its next strategic plan, covering 2024–29.

4.5.2 Public Health Ontario Does Not Track or Report on Performance of Several Key Functions or Programs

Public Health Ontario's suite of performance indicators do not cover all its key functions, for example, the performance of its research ethics committee, environmental and occupational health program consults, or the agency's Locally Driven Collaborative Projects, explained in **Section 2.2.5**.

Public Health Ontario has contracts with 26 public health units to perform ethics reviews for local research these health units plan and conduct. According to the World Health Organization's Tool for Benchmarking Ethics Oversight of Health-Related Research with Human Participants, among the criteria research ethics committees should select to evaluate is time from a project application's submission to its approval. Public Health Ontario confirmed with us that it had not established clear definitions for the submission date of a project application for the purposes of tracking turnaround time.

We reviewed ethics reviews conducted by Public Health Ontario's research ethics committee for public health units from 2017/18 to 2022/23 using the date of receipt or, in lieu of that, the earliest indicated date, and found that on average it completed the reviews in seven weeks, ranging from one week to 18 weeks. When asked why this was not reported as a performance indicator, the agency informed us that it was still in the process of determining an appropriate performance indicator for ethics reviews, as the time it takes to grant approval may vary due to the quality of the application, including missing information or necessary follow-up with the applicants.

We looked to other public health agencies, and found that the joint ethics review board for Health Canada and the Public Health Agency of Canada reported on its review board turnaround time, citing an average of 42 days (six weeks) in 2021/22 from time of application submission to approval, and this was reported in its ethics review board's annual report. Tracking this metric and publicly reporting on it may allow Public Health Ontario to identify education opportunities for the agency to train public health units on best practices relating to the development of project applications, and a demonstrated record of efficiency will help as the agency works toward bringing the remaining public health units into agreements for its services.

4.5.3 Public Health Ontario Does Not Track or Report Uptake of Its Services by Public Health Issue

Between 2020/21 and 2022/23, Public Health Ontario on average received about 1,630 requests annually from all clients, including public health units, which represent about 50% of those requests. The agency internally tracks the number of requests by the responsible lead program areas that handle them, but not by public health issue. Tracking and reporting on incoming requests by public health issue, such as alcohol, cannabis, dental health, food safety and healthy eating, could help the agency better inform and advise the Ministry on the most topical issues on which public health units require assistance from Public Health Ontario throughout the year, which would in turn provide the Ministry with a more complete picture of public health events that require intervention throughout the year across all three pillars of the public health system.

As shown in **Figure 13**, between 2020/21 and 2022/23, Public Health Ontario's "health protection" was assigned as the lead program area for most of these requests, which includes communicable diseases, emergency preparedness and response. The high volume of requests in this program area likely corresponded with the COVID-19 pandemic and can

Figure 13: Lead Program Areas Where Public Health Ontario Received Requests from All Clients, 2020/21–2022/23

Source of data: Public Health Ontario

Lead Program Area	2020/21	2021/22	2022/23
Health Protection[1]	1,540	1,441	980
Environmental and Occupational Health	216	120	122
Health Promotion, Chronic Disease and Injury Prevention	77	35	57
Laboratory[2]	126	115	49
Other[3]	11	7	14
Total	**1,970**	**1,718**	**1,222**

1. Includes communicable diseases, emergency preparedness and response, infection prevention and control and antimicrobial stewardship.
2. Reflects the requests made primarily by public health units and the Ministry of Health; separate from support requests to the laboratory customer support centre.
3. Includes knowledge exchange and communications, strategy stakeholder relations, and legal and privacy.

be readily linked to that public health issue. However, program areas such as "environmental and occupational health" and "health promotion, chronic disease and injury prevention" cover a wide range of potential public health issues and yield less specific information to inform the full scope of issues raised by requestors. Public Health Ontario noted that the title and description of the request can be filtered for key words. However, this is not done regularly, and can result in inconsistency.

In addition, the agency reports publicly only on total volume of outputs but does not break down the total into program areas. For example, one of its performance indicators is "responses to client and stakeholder requests," which includes all program areas.

RECOMMENDATION 10

To increase its value and impact on public health units and other clients, we recommend that Public Health Ontario:

- conduct a jurisdictional scan of key performance indicators used by other public health agencies, focusing on those that measure client satisfaction;
- establish and collect data on key performance indicators that are focused on client satisfaction and outcomes;
- update the request tracking database to categorize requests according to public health issue, and report on this in its annual report; and
- publicly report on key performance indicators, including those that relate to client and stakeholder requests, broken down by program areas.

PUBLIC HEALTH ONTARIO RESPONSE

Public Health Ontario accepts the recommendation. As described in the report, we intend to complete a fundamental review of organization-wide performance measurement as part of the implementation of our new Strategic Plan for 2024–29. We will use that review as an opportunity to introduce additional performance indicators that are focused on client satisfaction and outcomes, informed by a jurisdictional scan of performance indicators used by other public health agencies. We also plan to make updates to our request tracking database at the start of the next fiscal year, which will enable reporting on client request performance indicators broken down by the lead program area and public health issue.

4.6 IT Governance and Operations of Public Health Ontario

We examined Public Health Ontario's information technology (IT) controls and processes related to user account management, cybersecurity and software management. Due to the nature of these findings and so as to minimize the risk of exposure for Public Health Ontario, we provided relevant details of our findings and recommendations directly to Public Health Ontario. Public Health Ontario agreed with the recommendations and committed to implementing them.

Appendix 1: Diseases of Public Health Significance under the *Health Protection and Promotion Act*

Prepared by the Office of the Auditor General of Ontario

Disease	Communicable[1]	Virulent[2]
Acquired immunodeficiency syndrome (AIDS)	✓	
Acute flaccid paralysis		
Amebiasis	✓	
Anaplasmosis		
Anthrax	✓	
Babesiosis		
Blastomycosis	✓	
Botulism	✓	
Brucellosis	✓	
Campylobacter enteritis	✓	
Carbapenemase-producing Enterobacteriaceae infection or colonization	✓	
Chancroid	✓	
Chickenpox (varicella)	✓	
Chlamydia trachomatis infections	✓	
Cholera	✓	✓
Clostridium difficile infection outbreaks in public hospitals	✓	
Creutzfeldt-Jakob disease, all types	✓	
Cryptosporidiosis	✓	
Cyclosporiasis	✓	
Diphtheria	✓	✓
Diseases caused by a novel coronavirus, including severe acute respiratory syndrome (SARS), Middle East respiratory syndrome (MERS) and coronavirus disease (COVID-19)	✓	
Echinococcus multilocularis infection	✓	
Encephalitis, primary, viral	✓	
Encephalitis, post-infectious, vaccine-related, subacute sclerosing panencephalitis, unspecified		
Food poisoning, all causes	✓	
Gastroenteritis, outbreaks in institutions and public hospitals	✓	
Gonorrhea	✓	✓
Group A streptococcal disease, invasive	✓	
Group B streptococcal disease, neonatal		
Haemophilus influenzae disease, all types, invasive	✓	
Hantavirus pulmonary syndrome	✓	
Hemorrhagic fevers, including Ebola virus disease, Marburg virus disease, Lassa fever, and other viral causes	✓	✓
Hepatitis A, viral	✓	
Hepatitis B, viral	✓	
Hepatitis C, viral	✓	

Disease	Communicable[1]	Virulent[2]
Influenza	✓	
Legionellosis	✓	
Leprosy	✓	✓
Listeriosis	✓	
Lyme disease		
Measles	✓	
Meningitis, acute, including bacterial, viral and other	✓	
Meningococcal disease, invasive	✓	
Mumps	✓	
Ophthalmia neonatorum		
Paralytic shellfish poisoning	✓	
Paratyphoid fever	✓	
Pertussis (whooping cough)	✓	
Plague	✓	✓
Pneumococcal disease, invasive	✓	
Poliomyelitis, acute	✓	
Powassan virus		
Psittacosis/ornithosis	✓	
Q fever	✓	
Rabies	✓	
Respiratory infection outbreaks in institutions and public hospitals	✓	
Rubella	✓	
Rubella, congenital syndrome	✓	
Salmonellosis	✓	
Shigellosis	✓	
Smallpox and other orthopoxviruses, including monkeypox	✓	✓
Syphilis	✓	✓
Tetanus	✓	
Trichinosis	✓	
Tuberculosis	✓	✓
Tularemia	✓	
Typhoid fever	✓	
Verotoxin-producing *E. coli* infection, including hemolytic uremic syndrome (HUS)	✓	
West Nile virus illness		
Yersiniosis	✓	

1. An illness caused by pathogenic microorganisms, such as bacteria, viruses, parasites or fungi; can spread from the environment or from one person to another.
2. A pathogen's or microorganism's ability to cause damage to a host, such as a human.

Appendix 2: Mandatory Requirements for Board-Governed Agencies per Agencies and Appointments Directive

Prepared by the Office of the Auditor General of Ontario

Requirement	Details
Directives	• Must comply with all Treasury Board/Management Board of Cabinet (TB/MBC) directives whose application and scope cover board-governed agencies, unless exempted
Mandate reviews	• Required once every six years
Mandate letter	• Provided to the agency in time to influence business plan, no later than 180 calendar days prior to the start of the agency's next fiscal year
Business plan	• Must be submitted to Minister no later than one month before the start of the provincial agency's fiscal year • Must be Minister approved • Must be submitted to Chief Administrative Officer or executive lead three months prior to the beginning of the agency's fiscal year
Annual Report	• Must be submitted to Minister: · no later than 120 calendar days after the provincial agency's fiscal year-end, or · where the Auditor General is the auditor of record, within 90 calendar days of the provincial agency's receipt of the audited financial statement • Minister must approve within 60 calendar days of the Ministry's receipt of the report • The Ministry must table an agency's annual report in the Legislative Assembly within 30 days of Minister's approval of the report
Compliance attestation	• Chairs of board-governed agencies must send a letter to the responsible Minister, at a date set by annual instructions, confirming their agency's compliance with legislation, directives and accounting and financial policies • To support the Chair, Chief Executive Officers of provincial agencies should attest to the Chair that the provincial agency is in compliance with mandatory requirements
Public posting	• MOU, business plan and annual report must be made available to the public on a government or provincial agency website within 30 calendar days of Minister's approval of each • Agency mandate letter must be made available to the public on a government or provincial agency website at the same time as the agency's business plan • Expense information for appointees and senior executives must be posted on a government or provincial agency website
Memorandum of understanding (MOU)	• Must have a current MOU signed by the Chair and Minister • Upon a change in one of the parties, an MOU must be affirmed by all parties within six months
Risk assessment evaluation	• Ministries are required to complete risk assessment evaluations for each provincial agency • Ministries must report high risks to TB/MBC on a quarterly basis
Financial audit	• Financial statements must be audited and reported based on meeting audit threshold criteria

Appendix 3: Jurisdictional Scan of Public Health Agencies in Canada

Prepared by the Office of the Auditor General of Ontario

	Canada: Public Health Agency of Canada	**British Columbia:** BC Centre for Disease Control	**Quebec:** Institut national de santé publique du Québec
Mandate and function	• Contributes to disease and injury prevention and health promotion. • Enhances sharing of surveillance information and knowledge of disease and injury. • Provides federal leadership and accountability in managing public health events. • Strengthens intergovernmental collaboration and facilitates national approaches to public health policy and planning. • Serves as a central point for sharing public health expertise across Canada and with international partners, and for using this knowledge to inform and support Canada's public health priorities.	Provides surveillance, detection, prevention, treatment, policy development, and health promotion programming to promote and protect the health of British Columbians.	Offers expertise and support to Quebec's Ministre de la Santé and the health sector.
Governing document(s)	*Public Health Agency of Canada Act, 2006* *Department of Health Act, 1996* *Quarantine Act, 2005* *Human Pathogens and Toxins Act, 2009*	*Societies Act, 2015* Provincial Health Services Authority (Authority) Constitution and By-Laws	*The Act respecting Institut national de santé publique du Québec, 1998*
Organization type	Agency	Non-profit/Agency	Agency
Governed by Board	No	Yes—part of the Authority	Yes

	Canada: Public Health Agency of Canada	**British Columbia:** BC Centre for Disease Control	**Quebec:** Institut national de santé publique du Québec
Reporting relationship	The President is the deputy head of the agency and reports to the Minister of Health. As part of the agency, the Chief Public Health Officer provides the Minister of Health and the President of the agency with scientific public health advice.	The Vice President, Population and Public Health, is the lead for the agency and reports to the CEO of the Authority. The CEO of the Authority reports to the Authority's Board Chair. The Board Chair of the Authority is the interface between the CEO and the Minister. The Provincial Health Officer reports to the Ministry of Health and is external to the agency but works with it on disease control, health protection and population health.	All Board members, including the Président-directeur général and Chair of the Board, are appointed by the government. The Board reports to the Minister. The province's Directeur national de santé publique reports to the sous-ministre à la Santé et aux Services sociaux and is external to the agency.
Board appointment process	Governor-in-Council appointment	Appointed by the government	Appointed by the government
# of full-time-equivalent employees	4,565	444	666

Appendix 4: Audit Criteria

Prepared by the Office of the Auditor General of Ontario

1. Effective governance and accountability structures are in place and operating to ensure Public Health Ontario operates cost-effectively.
2. Public Health Ontario's role in Ontario's public health system is clearly defined, and understood by its clients, stakeholders and the public.
3. Public Health Ontario has access to and collects relevant data and provides timely and objective data analyses and advice to its clients that meet their needs.
4. Public Health Ontario has effective processes in place to support public health units in developing programs and capacity to help deliver public health services locally, and seeks to identify opportunities for minimizing duplication of efforts in the public health system and achieving efficiencies in the laboratory system.
5. Public Health Ontario has resources available to fulfill its mandate and allocates and uses them efficiently and effectively.
6. Performance measures and targets are established, monitored and compared against actual results to ensure that the intended outcomes are achieved, and are publicly reported.
7. Processes are in place to identify areas of improvement and to operate more efficiently and effectively, and changes are made on a timely basis.

Appendix 5: Institut national de santé publique du Québec Examples of Strategic Objectives Performance Measures, 2021/22

Source of data: Institut national de santé publique du Québec

	Indicators	Target (%)
Participate in relevant legislative and governmental processes	Rate of participation in parliamentary committees and selected public consultations	**80**
Support public departments in their regional partnerships	Response rate to requests for support from public health departments in health impact assessment	**90**
Support public health actors in integrating knowledge into their practices	Client satisfaction rate on the usefulness of scientific productions to support clients in their work	**95**
Continuously capture the needs of regional partners	Satisfaction rate regarding support for intervention with public health departments in the event of a threat to the health of the population	**90**
Deliver scientific products in a timely manner for decision-makers	Rate of compliance with the deadlines set out in the charter of prioritized projects	**80**

Ministry of Tourism, Culture and Sport

Science Centres

1.0 Summary

A science centre is an educational facility that uses hands-on exhibits and activities to educate the public about science, technology, engineering and mathematics. Ontario is home to the two largest science centres in Canada—the Ontario Science Centre (opened in 1969) in Toronto and Science North (opened in 1984) in Sudbury. The two science centres are provincial agencies with a legislated mandate to stimulate public interest in science and technology, collect and display exhibits, and deliver educational programs. The Ministry of Tourism, Culture and Sport (Ministry) has oversight responsibility for both science centres.

Our audit reviewed the operations for both provincial science centres, focusing on their financial sustainability, educational programming and exhibits. In 2022/23, children and youth under the age of 18 made up more than 50% of visitors at both science centres. Based on our discussions with school boards in the Greater Toronto Area and Sudbury and a survey of science teachers we conducted, the science centres performed consistently well in delivering educational programs to students. In surveys conducted by the science centres, the majority of visitors said they were satisfied by their experience at the centre they attended. Yet attendance and memberships for both science centres have been declining over the past decade. Pre-pandemic attendance for the Ontario Science Centre had fallen by 12.5% from peak attendance in 2013/14, while pre-pandemic attendance at Science North had decreased by 8% from its peak in 2016/17. In both cases, the science centres have done relatively well recovering from the pandemic, with the Ontario Science Centre recovering to 80% of pre-pandemic levels and Science North surpassing pre-pandemic levels by 3% in 2022/23.

We also assessed the major initiatives under way at each science centre. Science North was in the midst of a major expansion project, at an overall estimated cost of $15 million as of October 2023. After our audit was under way, the Ontario government announced plans to relocate the Ontario Science Centre to Ontario Place. We therefore reviewed the relocation project as well.

Ontario Science Centre Relocation

The decision to relocate the Ontario Science Centre comes at a time when the centre is facing significant challenges, including a decline in attendance and memberships, a key pedestrian bridge connecting the main entrance to the exhibition halls deemed unsafe and therefore not in use, capital repairs and maintenance increasingly mounting to about $370 million, and aging exhibits in need of a refresh.

On April 18, 2023, the government announced that a new Ontario Science Centre would be built as part of the redevelopment of Ontario Place, making use of the “pods” (five interconnected pavilions) and Cinesphere (an IMAX movie theatre) on site. The Minister of Infrastructure noted that it was ultimately more cost-effective to build a new science centre at Ontario Place than to repair and upgrade the existing building.

We noted that the recent relocation decision was not fully informed and based on preliminary and incomplete

costing information, and had proceeded without full consultation from key stakeholders or a clear plan for the existing site.

Moving the Ontario Science Centre to a revitalized Ontario Place is not a new idea. In 2016, the Ministry of Tourism, Culture and Sport first engaged Infrastructure Ontario (a provincial agency under the Ministry of Infrastructure) to complete a business case on how to modernize the Ontario Science Centre, with one option being to reopen at Ontario Place with a new building and new exhibits. The business case at that time estimated that relocating to Ontario Place would save the Province around $250 million on a net present value basis over a 50-year period. This business case was shared with the Ontario Science Centre Board, which noted that, due to deferred maintenance, the status quo was no longer sustainable. However, no action was taken at that time.

In 2020, direction was once again given to develop a strategy for the relocation of the Ontario Science Centre to Ontario Place. In 2021, the then Ministry of Heritage, Sport, Tourism and Culture Industries (now the Ministry of Tourism, Culture and Sport) was asked to undertake detailed project planning for a relocation of the science centre to Ontario Place, including working with Infrastructure Ontario on a delivery model analysis. In March 2023, Infrastructure Ontario completed its work with the information that it had at that time, which was used to inform the government's April 2023 decision to relocate the science centre.

The following are some of our significant audit findings with respect to the relocation project:

- **The 2023 cost/benefit analysis used to support the decision to relocate the Ontario Science Centre did not include all costs for both options assessed—relocation and the rehabilitation of the current site.** A business case prepared by Infrastructure Ontario in March 2023 with assistance from an external consultant incorporated a cost/benefit analysis that concluded the relocation would save the Province $257 million (net present value) over a 50-year period, which is consistent with the 2016 business case. This analysis was included in the April 2023 proposal to government decision-makers. In our review of the cost/benefit analysis, we found that costs for both options were not fully identified and determined. For example, financing, transaction and legal costs projected under the public-private partnership (P3) model to design, build, finance and maintain (DBFM) the new site at Ontario Place were not included in the analysis. Similar costs for the repairs and upgrade of the science centre were also not included, since an assessment for the delivery model for the repairs and upgrade of the current site was not done. At the time of the finalization of this report, Infrastructure Ontario informed us that it was reassessing whether the DBFM model would be the approach used for the project. In addition, the incremental parking costs were not included in the cost/benefit analysis.
- **The April 2023 relocation proposal to government decision-makers did not include concerns raised about expected attendance, travel times and car access to the Ontario Place location, especially for suburban families and certain school groups.** A 2016 environmental scan and market assessment concluded that, although overall attendance figures were anticipated to improve at the new location, school group and suburban family attendance was expected to decline. An attendance study conducted in 2022 noted that suburban families and repeat visitors, a core market for the Ontario Science Centre, would have a longer travel distance to Ontario Place than to the current site. The study also concluded that, until the implementation of subway or light rail links to Ontario Place, access by car and difficulty with parking would be a "limiting factor" on attendance. By contrast, the study found the new location would give the science centre better access to tourists staying in downtown Toronto and projected that total attendance would increase to about one million visitors. We found that, while the information about increased tourist attendance was included

in the proposal to government decision-makers, the information about decreased local attendance was not included.

- **Discussions with the City of Toronto before the decision was made to relocate were limited in any substance or detail and the Toronto and Region Conservation Authority and large school boards within the Greater Toronto Area directly impacted by the relocation were not consulted.** The science centre has a 99-year lease with the City of Toronto and the Toronto and Region Conservation Authority and does not have the right to terminate the lease. The Province would first have to enter into negotiations with the City and the Conservation Authority to terminate the lease. Staff of the large school boards within the Greater Toronto Area that would be directly impacted by the relocation (Toronto District School Board, Toronto Catholic District School Board, Durham District School Board, Peel District School Board, and Halton District School Board) told us that the Boards were not asked for input on relocating the science centre. Students from elementary and high schools make up approximately 25% of visitors to the Ontario Science Centre.
- **Plans to continue to construct, sell and rent exhibits—legislated objectives—remain uncertain with the relocation announcement.** The construction, sale and rental of exhibits is a source of self-generated revenue for the Ontario Science Centre and is required under the legislation that governs the science centre. However, no fabrication facility was included in the functional plan of the relocated Ontario Science Centre, and it is unclear if this will continue at an alternative facility.
- **Current Ontario Science Centre lands considered for a Transit-Oriented Community since 2020.** A May 2020 proposal submitted to government decision-makers by the then Ministry of Heritage, Sport, Tourism and Culture Industries noted that the relocation of the Ontario Science Centre would unlock the site at Don Mills Road and Eglinton Avenue for Transit-Oriented Communities–related development. According to the Ministry of Infrastructure, planning for a Transit-Oriented Community on the Ontario Science Centre site is premature until the transit needs in the area are finalized by Metrolinx, an agency of the Province responsible for all modes of transportation in the Greater Toronto and Hamilton Area.
- **The decision to relocate the Ontario Science Centre was presented to government decision-makers as contributing to a site-wide parking solution integrated with the new building at Ontario Place.** The Ministry of Infrastructure proposal to government decision-makers submitted in April 2023 noted that a site-wide parking solution integrated with the new Ontario Science Centre would contribute to meeting the Province's existing legal obligations under the lease it had signed with Therme Group and for its potential lease obligations with Live Nation.

Ontario Science Centre Operations

The following are some of our significant audit findings with respect to the operations of the Ontario Science Centre:

- **Deferred maintenance projects that were at risk of critical failure have been repeatedly denied funding.** Based on the most recent engineering assessment conducted in April 2022, the overall cost of deferred maintenance and critical repairs needed for the Ontario Science Centre building is about $370 million, not including costs for fixing a bridge currently closed due to structural issues. Since 2017, due to a lack of funding, 42 projects deemed critical and at risk of failure had not been repaired. Of these 42 projects, seven had been put forward in at least three of the past five years and were denied funding each time. One was a $4 million request to renew the water distribution of the plumbing systems throughout the kitchens, restaurants, workshops, labs and washrooms.

According to Infrastructure Ontario, there was a lack of funding available to manage the Province's real estate portfolio, so the repairs could not be paid for. In addition to deferred maintenance, the centre's planetarium has been closed to the public since September 2022 because of outstanding capital repairs and ongoing technical issues with equipment that had reached the end of its useful life.

- **The cost of shuttling visitors as a result of the closure of the pedestrian bridge connecting the main entrance to the exhibition halls was $2.4 million in 2022/23 and has negatively impacted visitor experience.** Before it was closed in June 2022, the centre's pedestrian bridge took visitors from the main entrance across a wooded ravine. Infrastructure Ontario has cited an estimated cost of $16 million just to stabilize the bridge. We found the agency had not obtained a cost estimate for fixing the bridge so visitors could use it. In February 2023, Infrastructure Ontario procured an engineering firm to conduct a feasibility study to evaluate the bridge's condition prior to repair. At the time of our audit, the feasibility study had not been completed and there was no targeted timeline for actually repairing the bridge. Therefore, these costs were not included in the $370 million needed for critical repairs and deferred maintenance mentioned earlier. Until the bridge is fixed, the Ontario Science Centre needs to shuttle visitors by bus from the entrance, where the OMNIMAX theatre is located, to a temporary entrance at the back of the building. Waiting in line and riding a bus to enter at the rear has had a significant impact on the visitor experience. The bridge closure has also presented an obstacle to venue rental.
- **Pre-pandemic attendance declined by 12.5% from 2013/14 to 2018/19.** Total attendance for the Ontario Science Centre peaked during the last decade in the fiscal year 2013/14, when the centre attracted 920,000 visitors. Overall attendance had dropped to 805,000 visitors in 2018/19 (the last fiscal year not impacted by the COVID-19 pandemic), a decrease of 12.5%. The COVID-19 pandemic and provincial response measures significantly impacted the centre in the last month of 2019/20, and in 2020/21 and 2021/22. Attendance recovered to about 80% of pre-pandemic levels in 2022/23. Further, the total number of Ontario Science Centre memberships has decreased 31% in the past decade, from 20,677 in 2012/13 to 14,312 in 2022/23. According to the Ontario Science Centre, changing demographics and increased competition from other attractions in the City (for example, Ripley's Aquarium, the Royal Ontario Museum, the Art Gallery of Ontario) were factors contributing to lower attendance and membership levels. The science centre also noted that the reduced lanes and closures from the construction of the Eglinton LRT at the corner of Don Mills Road and Eglinton Avenue impacted traffic flow and, hence, attendance (including school visits).
- **Exhibits were not always evaluated for effectiveness (for example, for their popularity and educational value).** Exhibits are integral to carrying out the science centre's key objective to stimulate public interest in science and technology. The average age of the exhibits at the Ontario Science Centre at the time of our audit was about 14 years. Only the KidSpark, Science Arcade, HotZone, Community Reef and the Weston Family Innovation Centre have changed significantly since 2018. The Ontario Science Centre uses visitor satisfaction surveys to evaluate the effectiveness of its exhibits. In our review of surveys from 2012/13 to 2021/22, we found that the questions in some years did not ask the visitors to rate all permanent and temporary (travelling) exhibits. Also, in 2022/23, the Ontario Science Centre did not conduct any visitor satisfaction surveys due to a staff shortage in the research group. We also noted that there was limited assessment of the feedback received from surveys by the Ontario Science Centre, resulting in little improvement to the existing exhibits.

- **Ontario Science Centre could be doing more to improve its financial sustainability.** The Ontario Science Centre does not allocate its indirect operating costs to their various lines of business. Without allocating these costs, it is difficult to assess which lines of business are profitable and which need to manage costs more effectively. In addition, the science centre had not assessed its potential for other revenue sources as compared to other science centres, such as through expanding its retail operations and venue rental opportunities. In November 2022, the Ministry of Tourism, Culture and Sport asked the Ontario Science Centre to submit a cost management plan for the remainder of 2022/23.

Science North

At the time of our audit, Science North was undergoing an expansion. It had undertaken a multi-million-dollar project to expand its model mine in Sudbury, and had sought Board approval for the construction of two new science centres in Thunder Bay and Kenora.

We found that costs for the first project (Go Deeper project) had substantially increased—from an initial budget of $5 million in October 2020 to $15 million by October 2023—primarily due to increases in excavation and construction costs. The cost had increased despite a reduction in the project's scope to alleviate the increasing expenses.

The project had also run into significant delays. In 2019 Science North proceeded with the project, setting an initial completion date of February 2023. At the time of our audit, the project was expected to be completed by winter 2024. The delay was mostly due to the COVID-19 pandemic, the City of Greater Sudbury identifying additional requirements for site remediation, which delayed municipal permit approvals, and a lack of available funding.

We found that the cost overrun and delay were caused by poor planning and ineffective project management. For example, no reliable third-party estimate was completed during the planning phase to assess the reasonableness of the cost projections. A more reliable cost estimate would have been produced if a consultant with an engineering and construction background had been engaged during the planning phase. Science North also failed to involve its project management team during the planning phase of the project. The project management team at Science North is responsible for managing projects that include co-ordinating with internal and external stakeholders, managing the progress and deadlines of projects, and resolving any issues that might arise during the project.

With costs increasing and no funding available, key elements of the project have been paused and Science North has further reviewed the project to identify areas to reduce scope and costs.

Based on preliminary estimates from a construction consulting firm, the northwestern Ontario expansion to Thunder Bay and Kenora was estimated to cost over $90 million. Science North sought Board approval for this expansion without the benefit of a business case that would include a cost/benefit analysis and assessment of alternative options. At the time of our audit, Science North had received only conditional Board support for the expansion and had not yet sought funding for the expansion from any level of government or from the private sector.

Science North estimated that the annual operating budget for the two new science centres would total $5.5 million, and at the time of our audit was in discussion with the Ministry to request $4 million in annual operating funding for these facilities and projects. Centre management projected that self-generated revenue would cover the remaining $1.5 million. The Ministry had not assessed the feasibility and financial sustainability of the expansion to Thunder Bay and Kenora.

The following are some of our other significant audit findings for Science North:

- **Pre-pandemic attendance declined by 8% from 2016/17 to 2018/19.** Total attendance for Science North declined by 8% in 2018/19 (the last fiscal year not impacted by the COVID-19 pandemic) from its peak in the last decade in 2016/17. The COVID-19 pandemic and provincial response measures severely impacted the centre

in 2019/20, 2020/21 and 2021/22. According to Science North, the decrease in overall attendance reflected fewer visitors to the IMAX theatre, where attendance fell by 26% from 2015/16 to 2018/19. In 2022/23, attendance has increased by 3% from pre-pandemic levels. Science North projected attendance to remain at this level in the upcoming three fiscal years.

- **Feedback on Science North's educational and outreach programs was positive, but attendance has also dropped.** Sudbury's Rainbow District School Board and the Sudbury Catholic District School Board, the two main boards served by Science North in the City of Sudbury, were both satisfied with the school programs offered by Science North. The school boards said Science North had been very responsive to their needs and was working effectively with teachers in delivering programs to their students. The Canadian Association of Science Centres noted that Science North was successful in its outreach to Northern Ontario communities for schools that did not have access to the science centre due to high transportation costs. However, total attendance for on-site school programs has decreased 32% in the past five years. Similarly, student attendance at public school outreach programs has decreased by 62%. Fiscal year 2022/23 was the first year since the onset of the COVID-19 pandemic when Science North was fully open year-round. Staff at Science North told us that some schools were still hesitant to attend public programs and some schools still had COVID-19 measures in place as of spring 2022.
- **Science North could better evaluate the effectiveness (for example, the popularity and educational value) of its exhibits.** The average age of Science North's exhibits was 11 years. Similarly, the average age of exhibits at Dynamic Earth was 11 years, and no major exhibits had changed significantly since 2017. The mining technology showcased at Dynamic Earth is from early 2000; mining operations have changed significantly since. At the time of our audit, Science North was in the process of expanding its model mine at Dynamic Earth to better showcase modern mining and the future of mining. Science North evaluated some of its exhibits through a behavioural assessment tool. For a sample of visitors, staff reviewed video footage to examine the learning behaviours of visitors. However, over the last 10 years, only 90 out of the total 338 exhibits (27%) were evaluated in this manner.
- **A contractor that committed to a sponsorship agreement for the Go Deeper project was awarded an excavation contract.** A $2 million excavation contract for the Go Deeper project was awarded to a mining company that committed to providing $1.5 million in conditional sponsorship funding from 2022 to 2026. As of September 2023, Science North had received $600,000 from the company with a balance of $900,000 remaining. The sponsorship agreement allows for the termination of the contract if the company ceases to carry on business.
- **Science North could be doing more to improve its financial sustainability.** Science North does not allocate its indirect operating costs to their various lines of business. Without allocating these costs, it is difficult to assess which lines of business are profitable and which need to manage costs more effectively.

This report contains 16 recommendations, with 42 action items, to address our audit findings.

Overall Conclusion

Our audit concluded that the science centres performed well in delivering educational programs to students, based on our discussions with school boards in the Greater Toronto and Sudbury areas and on the feedback collected from science teachers in Ontario.

However, we also found that attendance for both science centres had declined in 2018/19 (the last fiscal year not impacted by the COVID-19 pandemic) by 8% (Science North) from a peak in 2016/17 and 12.5%

(Ontario Science Centre) from a peak in 2013/14. The COVID-19 pandemic and provincial response measures significantly impacted the two centres in the last month of 2019/20, and in 2020/21 and 2021/22. However, attendance at both centres is on the road to recovery post-pandemic.

Higher costs have added pressure to generate revenues. We found that both science centres could do more to improve financial sustainability, such as assessing which existing lines of business are profitable and where costs need to be managed more effectively, and exploring new opportunities to generate revenue.

The future may look much different, particularly for the Ontario Science Centre, due to the Province's recent decision to relocate it to Ontario Place. Although the Province has been assessing this relocation since 2016, our audit found that the recent decision for the relocation was made without the benefit of input from all stakeholders and with preliminary and incomplete cost information. Also, in some instances where information was available, it was not included in the proposal to government decision-makers.

Multiple qualitative and quantitative factors need to be taken into consideration for decisions for both the new science centre at Ontario Place and the existing site moving forward.

Our audit concluded that Science North's expansion project had proceeded without proper planning and consultation, resulting in substantial cost overruns and delays. The Go Deeper project to expand its model mine had, at the time of our audit, been delayed by almost two years, and even with a reduced scope its costs had increased by $10 million in a three-year period (from $5 million in October 2020 to $15 million by October 2023). The lessons learned from the Go Deeper project should be applied to all capital projects moving forward.

OVERALL MINISTRY OF INFRASTRUCTURE RESPONSE

The Ministry of Infrastructure (Infrastructure Ministry) welcomes and appreciates the Auditor General's review into this matter. The Infrastructure Ministry believes sound planning occurred based on best information available with reliance on third-party experts and is committed to taking into consideration the improvement opportunities identified in this audit report. Although the decisions around the future of the existing Ontario Science Centre site are still pending, many activities and business processes are currently in place; the Infrastructure Ministry will advance the implementation of Auditor General's recommendations, including the improvement opportunities identified in the audit report across the Infrastructure Ministry and other responsible parties.

OVERALL MINISTRY OF TOURISM, CULTURE AND SPORT RESPONSE

The Ministry of Tourism, Culture and Sport (Ministry) will work with the Ontario Science Centre and Science North to enhance the already world-class science-based programming offered by the two centres.

The Ministry will explore opportunities to improve efficiencies, performance assessment and collaboration between the two science centres, as well as continuing to assess critical capital projects.

The existing Ontario Science Centre located at Don Mills Road and Eglinton Avenue is open and continues to welcome guests. The government will continue to work with and support the Ontario Science Centre in its current location and will share more details about the move as decisions are made.

OVERALL ONTARIO SCIENCE CENTRE RESPONSE

The Ontario Science Centre welcomes the recommendations made by the Auditor General of Ontario. The Ontario Science Centre is committed to enhancing operational improvements and continuing to provide value for money for the people of Ontario. As a vibrant hub for innovative and accessible science education, the Ontario Science Centre will continue to spark curiosity and inspire

children and families, teachers and students, and visitors from across Canada and around the world.

OVERALL SCIENCE NORTH RESPONSE

Science North would like to thank the Office of the Auditor General of Ontario for preparing this report and conducting a review of the value for money that Science North delivers for the people of Ontario. Science North agrees with the recommendations outlined in this report and will seek to implement the recommendations as resources allow. With a vision to be the leader in engaging audiences with entertaining, educational, and inclusive science experiences, Science North is committed to a culture of continuous learning and improvement and will seize the opportunities presented in this report for continued growth.

In leveraging new technology, Science North will improve its current process for allocating appropriate costs to lines of business where able and will continue to seek and analyze new opportunities for self-generated revenue. The organization will take additional measures to ensure visitor feedback informs all major exhibits and their renewals, while further leveraging memberships with Canadian and international science centre associations to streamline research and best practices.

Science North will work with the Ministry of Tourism, Culture and Sport and its Board of Trustees to improve performance measures, taking into consideration metrics that include all legislated mandates and further enhancing the organization's transparency and accountability through its business plans and annual reports.

Science North values innovation, collaboration, accountability, inclusiveness, respect and striving towards excellence. This value-for-money audit provided Science North with the unique opportunity to review and modify its documentation processes and authorization thresholds. The organization will apply applicable lessons learned and is grateful for the opportunity to further improve its operations and enhance its organizational impact. Through continued service to the vast 800,000 square kilometres that make up Northern Ontario, Science North endeavours to inspire all people to be engaged with science in the world around them.

2.0 Background

2.1 Overview

Science centres develop or acquire displays and exhibits of scientific and technological importance and present these to the public for the purposes of education, research and enjoyment. Ontario has two science centres: the Ontario Science Centre, located in Toronto, and Science North in Sudbury.

The Ontario Science Centre (whose legal name is Centennial Centre of Science and Technology), a 568,000-square-foot facility, opened in 1969. It is a provincially funded agency that is overseen by a Board of Trustees. Employees of the Ontario Science Centre are part of the Ontario Public Service. The organization's CEO reports into both the Board of Trustees and the Deputy Minister as an Assistant Deputy Minister equivalent.

Science North, a 200,000-square-foot facility, opened 15 years later, in 1984. It was established as a provincially funded agency, overseen by a Board of Trustees. This centre's employees are not part of the Ontario Public Service. Science North CEO's direct reporting responsibility is to the Board of Trustees.

The Ministry of Tourism, Culture and Sport (Ministry) oversees both science centres and provides them with annual funding. As provincial agencies, the board chairs of the science centres are required to report to the Minister. In fiscal year 2022/23, $19.4 million in operating funding went to the Ontario Science Centre and $6.8 million to Science North.

2.1.1 Mandates and Missions

The Ontario Science Centre and Science North each have their own governing legislation: the *Centennial Centre of Science and Technology Act* and the *Science North Act*, respectively. Each organization's legislation specifies its mandate, as shown in **Figure 1**.

The Ontario Science Centre states that its mission is "to inspire passion for the human adventure of discovery." Science North sets out a similar mission: "to inspire all people to interact with science in the world around them."

The 2023/24 mandate letters provided to the Board Chairs of the science centres by the Minister of Tourism, Culture and Sport laid out expectations that the science centres focus on the following general government priorities: Competitiveness, Sustainability and Expenditure Management; Transparency and Accountability; Risk Management; Workforce Management; Diversity and Inclusion; Data Collection; and Digital Delivery and Customer Service. In addition to the general government priorities, there were specific priorities and expectations in the 2023/24 mandate letters from the Minister, which are outlined in **Appendix 1**.

2.2 Lines of Business

The science centres have several business lines relating to on-site exhibits and visitor programs; school outreach programs; IMAX theatres, planetarium and film production; the sale and rental of fabricated exhibits; and facility rentals and concessions.

The centres offer general admission pricing for adults, youth, seniors and children and various admission packages, as shown in **Figure 2**.

2.2.1 On-Site Exhibits and Programs for Visitors

The Ontario Science Centre is located on Don Mills Road in the Flemingdon Park community of Toronto, situated in wooded ravine lands of the Don Valley. There are 19 main halls and spaces (indoors as well as outdoors), with a total of 402 exhibits. Different types of science topics are presented—anatomy, astronomy, physics, environmental biology, and others—along with important and interesting discoveries in these fields.

Science North has 338 exhibits in its two Sudbury locations, a main building on the shores of Ramsey

Figure 1: Legislative Objectives of the Science Centres

Source of data: *Centennial Centre of Science and Technology Act* and *Science North Act*

Ontario Science Centre*	Science North
a) to depict to the public and to conduct a program of education in the origins, development and progress of science and technology, and their relationship to society;	a) to depict to the public and to conduct a program of education, throughout northern Ontario, in the origins, development and progress of science and technology and their relationship to society;
b) to depict the role of Ontario in the furtherance of science and technology;	b) to operate and maintain a model mine;
c) to stimulate the interest of the public in matters depicted by the Centre;	c) to collect, develop and exhibit objects and displays and to maintain and operate a museum, science centre and related facilities for the furtherance of the objects of the Centre;
d) to collect, manufacture, market, exhibit and sell objects and displays; and	d) to stimulate the interest of the public, throughout northern Ontario, in matters depicted by the Centre; and
e) to maintain and operate a science centre and related facilities for the furtherance of the objects set out in clauses (a) to (d) and to provide consulting services in relation to all the matters set out in this section.	e) to develop, produce and market exhibits and to sell exhibits and provide consulting services.

* Legal name for the Ontario Science Centre is Centennial Centre of Science and Technology.

Figure 2: General Admission Fees at Ontario Science Centre and Science North as of March 2023 ($)

Source of data: Ontario Science Centre and Science North

	Ontario Science Centre			Science North			
Age Category	Science Centre	OMNIMAX Film	Science Centre + OMNIMAX Film	Science Centre	Dynamic Earth (without Underground Tour)	Dynamic Earth + Underground Tour	IMAX[1]
Child[2] (3–12 or 4–12)	13	9	19	21	16	21	7
Youth (13–17)	16	9	22	23	18	23	8
Adult (18–64)	22	12	28	25	20	25	9
Senior (65+)	16	9	22	23	18	23	8

1. Science North also offers IMAX Remastered films (regular movies that have been refined and converted into IMAX films) at a higher price: $10 for child, $11 for youth, $12 for adult, $11 for senior.
2. Child admission is for ages 3 to 12 at Ontario Science Centre and ages 4 to 12 at Science North. Admission is free for children under the age of three at the Ontario Science Centre and free for children under the age of four at Science North.

Lake, and Dynamic Earth, which includes a model mine. Science North's main centre is a five-storey snowflake-shaped building embedded in the Canadian Shield.

Both centres were designed by the renowned Canadian architect Raymond Moriyama.

The main attraction at Dynamic Earth is an underground mine tour that takes visitors seven storeys below the surface. Created from the former Big Nickel Mine, Dynamic Earth opened in 2003. At the time of our audit, it was undergoing an expansion (called "Go Deeper"), with the purpose of showcasing more modern mining technology and the future of mining. The project had been delayed due to the COVID-19 pandemic and funding shortfalls. It was scheduled to open in 2025.

On-Site Events and Demonstrations

The Ontario Science Centre and Science North offer a variety of personalized experiences to visitors throughout the year. The Ontario Science Centre offers public programs delivered by staff or with a variety of partners (for example, the Toronto Beekeepers Collective demonstrations), recreational and family programs and demonstrations (such as the hair-raising experience from the Van de Graaff generator) as well as summer camps, winter and March Break camps. Science North offers after-school day care, professional activity day programs, summer camp programs, adult-only events (Nightlife on the Rocks), and specialist high-skills major certification programs.

2.2.2 School Programs

Both centres offer a variety of school programs for teachers and students from kindergarten to Grade 12. The purpose of school programs is to teach students scientific principles through demonstrations and hands-on activities. As of March 2023, the Ontario Science Centre offered eight types of school programs and Science North offered seven types of school programs. **Appendix 2** shows the different types of school programs offered by the science centres for the 2022/23 fiscal year. Some programs occur on-site, at the science centre; in others, science centre staff host workshops and classes at schools or online.

According to the Ministry of Education, science centres are main hubs for expertise around science education, and it has been providing the Ontario Science Centre and Science North with grant funding for educational programs to make them more accessible to students. In an August 2023 announcement, the Province further committed to fund the Ontario Science Centre, through the Ministry of Education, $1 million per year for two years beginning in 2024, for the science centre to create hands-on learning experiences and virtual lesson plans for students, as well as STEM (science, technology, engineering and mathematics) teaching materials for educators.

The Ontario Science Centre also operates a science school on its premises, where about 30 Grade 12 students from across the province attend one semester of classes. The science school is open to all students in Ontario and is funded by the Ministry of Tourism, Culture and Sport in partnership with school boards in the Greater Toronto Area.

2.2.3 IMAX Theatres, Planetarium and Film Production

The IMAX theatres at both science centres provide visitors with giant-screen film adventures. The OMNIMAX theatre (Ontario Science Centre) seats 324 people and is the only IMAX dome screen in Ontario that provides an immersive experience. It has 44 speakers delivering 13,000 watts of wrap-around sound.

The planetarium at the Ontario Science Centre has been closed to the public since September 2022 because of outstanding capital repairs and ongoing technical issues with equipment that is at the end of its useful life. When it was operational, the planetarium was used to demonstrate space and astronomy programming through projections and live demonstrations. At the time of our audit, the Ontario Science Centre was in the process of purchasing equipment to reopen the planetarium.

Science North opened an IMAX theatre in 1994 and started developing its own IMAX films. Over the years, Science North has become one of Canada's leading producers of giant-screen films focused on environmental and natural history. It produces films in its own large-format film production unit and uses a combination of in-house and third-party distributors to sell films to other attractions. The IMAX theatre at Science North seats 200 people, features a 26-metre by 20-metre screen and digital surround sound, and can show IMAX 2D and 3D films.

Science North also has a planetarium that features films and live presentations about astronomy and other space topics, projected on an 8.4-metre dome.

2.2.4 Exhibit Design, Production and Sales

The Ontario Science Centre and Science North not only display exhibits, but design and produce them as well. The former has on-site facilities to design and manufacture unique and bespoke science exhibits of all kinds, for example, the popular MindWorks psychology travelling exhibit completed in 2019. It won the award for Best Show or Exhibit in 2020 from the Canadian Association of Science Centres. The Ontario Science Centre's fabrication department can create customized exhibits, modify exhibits, fabricate and install exhibits. The construction of an exhibit involves everything from creating the concept to installing the finished display and all of its components. The way that visitors interact with an exhibit is envisioned, mapped out and incorporated in the material production of the exhibit.

The fabrication facility includes electricians, woodworkers and painters. As of March 31, 2023, the design and fabrication departments had 34 full-time-equivalent staff.

These exhibits are sold to other centres and organizations across the country and internationally. When the Ontario Science Centre sells an exhibit, it remains involved with setting the exhibit up, training any staff who will participate in the exhibit, and maintaining the exhibit. The centre was one of the first interactive science museums in the world and is recognized internationally. It has offered consultation services for other

science centres that are developing their own exhibits in China, Japan, the United States, Thailand, South Africa, Singapore and Ireland, among other places.

Exhibits can also be rented out to other locations, and become travelling exhibits. As of May 2023, the Ontario Science Centre had created five travelling exhibits for rent: MindWorks; Imaginate; Circus!; Motion Mania; and Behind Racism. Three of the five were being rented out at the time of our audit, while the remaining two were in storage.

Science North employees also design exhibits, though the majority are fabricated by third-party providers since that centre's in-house workshop is suitable only for small-scale projects. As part of its exhibit sales, Science North offers consulting services in conceptual program development, business planning, feasibility studies, interpretive staff training, evaluating exhibits and experiences, and creating educator guides and marketing plans. Science North has also produced and sold films internationally on topics such as climate change and human biology.

As of March 2023, Science North had nine travelling exhibits on tour: The Science of Guinness World Records; Beyond Human Limits; Beyond Human Limits Lite; Arctic Voices; Our Climate Quest (small and large); Game Changers; Wild Weather; and Trailblazing: Women in Canada Since 1867.

2.2.5 Facility Rentals and Concessions

In addition to the above key lines of business, both science centres offer rental spaces for private events such as meetings, birthday parties, trade shows, product launches, holiday parties, conferences, networking events, gala dinners, weddings, media events, speaker event and film shoots.

Both science centres have on-site gift shops, cafes and restaurants that provide a variety of food and gift options to visitors. The restaurants at the Ontario Science Centre are outsourced to third parties, while the gift shop is managed in-house. All restaurants and gift shops at Science North are managed by Science North staff.

2.3 Boards of Trustees

The Ontario Science Centre and Science North are each governed by a Board of Trustees, both of which are accountable to the Ministry through their Board Chair. The Boards' responsibilities include:

- setting goals, objectives and strategic direction for the agency; and
- ensuring that senior management carries out the roles and responsibilities assigned to it by the organization's governing legislation and by applicable government policies and directives.

Appendix 3 shows the composition and committees for each Board of Trustees as of March 2023. The trustees are appointed by the Lieutenant Governor in Council based on the Minister's recommendations. According to the memorandum of understanding (MOU) between the Ministry and Ontario Science Centre, the Board Chair is to engage with the Deputy Minister and seek input from the members of the Board on the recruitment, selection and appointment of a chief executive officer (CEO). In contrast, as outlined in the *Science North Act* and the MOU between the Ministry and Science North, Science North's CEO is hired by its Board without Deputy Minister input.

2.4 Ministry's Responsibilities

The Ministry of Tourism, Culture and Sport (Ministry) is responsible for ensuring that the Ontario Science Centre and Science North fulfill their legislated mandates and comply with applicable government directives and policies. The Ministry's responsibilities are carried out by the Agency Relations and Accountability Division (Division). The Division's key responsibilities include:

- outlining, through the government's mandate letter, the expectations, key commitments and performance priorities of each science centre (see **Appendix 1**);

- reviewing and approving the science centres' annual business plans;
- recommending to the Treasury Board each science centre's provincial funding allocation;
- reporting and responding to the Treasury Board on the science centres' performance and compliance with applicable government policies and directives;
- reviewing, approving and tabling in the Legislature the science centres' annual reports; and
- when appropriate or necessary, taking action or directing that the science centres take corrective action with respect to their administration or operations.

3.0 Audit Objective and Scope

The objective of our audit was to assess whether the Ministry of Tourism, Culture and Sport (Ministry), the Ontario Science Centre and Science North had effective systems and procedures in place to:

- meet legislated requirements, comply with government directives, and adhere to best practices for the operation of the science centres in a cost-effective manner that educates and stimulates the interest of students and the public in science and technology; and
- measure, evaluate, and publicly report on the effectiveness of the science centres.

In planning our work, we identified the audit criteria we would use to address our audit objective (see **Appendix 4**). These criteria were established based on a review of applicable legislation, policies and procedures, internal and external studies, and best practices. Senior management at the science centres and the Ministry reviewed and agreed with the suitability of our objectives and associated criteria.

We conducted our audit between January 2023 and September 2023. We obtained written representation from the Ministry and the science centres' management that, effective November 27, 2023, they had provided us with all the information they were aware of that could significantly affect the findings or the conclusion of this report.

Our audit work was conducted at the Ontario Science Centre and Science North, and included an analysis of policies and procedures, as well as discussions with senior management and staff responsible for managing overall operations, managing exhibits, delivering education programs, and measuring and reporting on the performance of the centres. We also assessed whether the two centres comply with applicable legislative requirements, government directives, their own policies, and applicable best practices.

We also assessed whether the Ministry provided effective oversight of the two science centres.

We reviewed the proposal to government decision-makers to relocate the Ontario Science announced by the Province on April 18, 2023, and the decision-making process that led up to it, including all relevant proposals, business cases and studies, as well. We met with representatives of the City of Toronto, Toronto and Region Conservation Authority, Infrastructure Ontario, and the Ministry of Infrastructure to understand the planned changes and their impacts on the Ontario Science Centre; and long-term plans for the current science centre site.

We also met with the Toronto District School Board, Toronto Catholic District School Board, Durham District School Board, Peel District School Board, Halton District School Board, Sudbury Rainbow District School Board, Sudbury Catholic District School Board and the Science Teachers' Association of Ontario (STAO) to get their views on the school programs offered by the science centres and the relocation of the Ontario Science Centre to Ontario Place. We also surveyed the members of STAO about the effectiveness of programming offered by the science centres and for their views on the relocation.

We engaged in discussions with the Canadian Association of Science Centres and the Association of Science and Technology Centers to obtain their perspectives on best practices and the challenges of operating science centres.

We also met with the Ministry of Education to get its input on the role of the science centres in the Ontario elementary and secondary school curriculum.

On November 16, 2023, the Ontario government introduced Bill 151, *Improving Real Estate Management Act, 2023* (Real Estate Act). If the Real Estate Act is passed, this will prohibit both science centres from acquiring or disposing of a freehold interest in real estate property without approval from the Minister of Infrastructure. Therefore, this Act could have an impact on some of our findings and recommendations (such as the planned relocation of the Ontario Science Centre, discussed in **Section 4.0**, and the northwestern expansion project at Science North, discussed in **Section 6.2.2**). We will consider the impact of this legislation on our recommendations when we perform our follow-up audit on this report.

We conducted our work and reported on the results of our examination in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements, issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada. This included obtaining a reasonable level of assurance.

The Office of the Auditor General of Ontario applies Canadian Standards on Quality Management and, as a result, maintains a comprehensive system of quality management that includes documented policies and procedures with respect to compliance with rules of professional conduct, professional standards, and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence, and due care, confidentiality and professional behaviour.

4.0 Detailed Audit Observations—Proposal to Relocate Ontario Science Centre

On April 18, 2023, the Premier of Ontario, the Minister of Infrastructure, and the Minister of Tourism, Culture and Sport announced publicly that the Ontario Science Centre would be shut down and redeveloped at Ontario Place on Toronto's waterfront. Plans for the existing site were not firm, although the government suggested that the relocation presented an opportunity for housing and community infrastructure on the site of the Ontario Science Centre.

Construction of a new 275,700-square-foot science centre at Ontario Place was promised to begin in 2025 using the public-private partnership (P3) design, build, finance and maintain model. A request for proposal (RFP) deadline for planning and design was set for October 26, 2023. A second RFP for the construction phase was scheduled for 2024 for construction starting in summer 2025 and a scheduled opening of 2028. **Figure 3** shows the two locations, which are 15 kilometres apart.

The announcement caught many stakeholders by surprise; they said they were never consulted. The Toronto and Region Conservation Authority (TRCA), which owns the majority of the land for the existing site of the Ontario Science Centre, issued a press release days after the Premier's that clarified: "To date, no conversations have been held between the Province, City of Toronto, and TRCA regarding the Province's desire to move the Science Centre, build housing on the lands, and/or cancel the Science Centre lease agreement."

In this section of the report, we present our audit findings related to the proposed relocation and redevelopment of the Ontario Science Centre.

Section 5.0 presents the results of our audit of the ongoing operations of the Ontario Science Centre, which is also relevant for an analysis of relocation. In that section, we analyze admission trends and the financial picture of the centre, deferred maintenance costs, and infrastructure challenges faced by the Ontario Science Centre.

Figure 3: Map of Toronto with Locations of Ontario Science Centre and Ontario Place

Source of data: City of Toronto



4.1 Decision-Making Was Based on Incomplete Information and Excluded Important Stakeholders

4.1.1 Relocation First Assessed as an Option by Government in 2016

The idea of moving the Ontario Science Centre to a revitalized Ontario Place is not a new idea. However, our audit found that the Province held no discussions with key stakeholders before arriving at the decision to downsize and relocate the science centre (see **Section 4.1.2**). **Appendix 5** sets out a timeline of significant events surrounding the Premier's announcement of the decision.

In 2009, the Province commissioned a study to develop a plan to support the growth and long-term viability of tourism in Ontario. The report noted the potential to move the Ontario Science Centre to Ontario Place as part of a revitalization project. In 2016, the Ministry of Tourism, Culture and Sport first engaged Infrastructure Ontario (an agency of the Province under the Ministry of Infrastructure) to complete a business case on how to modernize the Ontario Science Centre. The two options under consideration were to: (A) remain on site with a plan to renovate exhibits and address repairs and deferred maintenance; or (B) reopen at Ontario Place with a new building and new exhibits on provincially owned land.

Infrastructure Ontario worked with management of the Ontario Science Centre on a business case. The 2016 business case proposed that redeveloping the Ontario Science Centre in a 318,000-square-foot building at Ontario Place with significantly reduced maintenance and operating costs would save the Province around $250 million on a net present value basis over a 50-year period. The document noted that the relocation option would provide the government with an opportunity to simultaneously revitalize two provincial assets, Ontario Place and the Ontario Science Centre, with one financial investment. This 2016 business case was shared with the Ontario Science Centre Board. In November 2016, the Board, in a letter to the Minister, acknowledged that due to deferred maintenance, the status quo was not sustainable. While

supportive of options presented in the business case, the Board put forward a third option to build a new science centre at its current site and move it closer to the Eglinton Crosstown LRT, and to finance the project by mixed development in the remaining lands. No action was taken on the recommendations of this business case.

In 2019, Ontario Science Centre's Board and management again assessed options for addressing the need for capital investments and critical repairs needed for the centre. In a June 2019 presentation to the Ministry of Tourism, Culture and Sport, management stated, "After 20 years of limited investment, aging exhibits and outdated infrastructure, the [Ontario Science Centre] is less able to fulfill its mission." Management and the Board were considering three options: (1) reinvest in the existing Don Mills site; (2) relocate closer to the Eglinton LRT station (corner of Don Mills Road and Eglinton Avenue); or (3) relocate to Ontario Place. In December 2019, the then CEO of the Ontario Science Centre also asked the Deputy Minister to request the investments needed for the existing centre through the Ministry's multi-year planning process. However, the COVID-19 pandemic then shifted the focus of the Board and management toward relief funding to sustain operations and to open the centre safely during provincial health restrictions.

In May 2020, government decision-makers approved redeveloping Ontario Place using a multi-partner approach, consisting of the Therme Group, Live Nation and Écorécréo Group, and asked the Ministry to report back on a strategy for the potential relocation of the Ontario Science Centre. The May 2020 proposal submitted by the then Ministry of Heritage, Sport, Tourism and Culture Industries noted that the use of the pods and Cinesphere at Ontario Place was a potential option for a new Ontario Science Centre. The proposal also noted that the Ministry was engaged with the Ministry of Transportation and Infrastructure to ensure that the potential Ontario Science Centre relocation is consistent with the government's Transit-Oriented Communities initiatives (see **Section 4.5.1**). The relocation of the Ontario Science Centre would unlock the site at Don Mills Road and Eglinton Avenue for Transit-Oriented Communities–related development.

In August 2020, the Minister of Infrastructure asked Infrastructure Ontario to develop a proposal that identified capital costs and general benefits associated with the Ontario Science Centre relocating to the Ontario Place site, in consultation with the then Ministry of Heritage, Sport, Tourism and Culture Industries, and the Ontario Science Centre.

In June 2021, the Ministry informed management of the Ontario Science Centre that relocating the centre to Ontario Place was a "priority project" and that it planned to submit a proposal to government decision-makers in summer 2022. In July 2021, the Ministry of Heritage, Sport, Tourism and Culture Industries submitted a proposal to government decision-makers to request planning approval for a potential relocation of the Ontario Science Centre to Ontario Place. The proposal updated the analysis prepared in 2016 and identified a potential savings from the relocation of more than $200 million (net present value basis over a 50-year period). In the proposal, the Ministry noted that a new Ontario Science Centre at Ontario Place could also incorporate potential satellite locations in Toronto (including retaining programming at the Don Mills Road site) and elsewhere in the province along with expanded travelling exhibits. The Ministry proposed reporting back to the decision-makers with details on potential satellite locations at a future date.

In December 2021, government decision-makers approved funding for the Ministry of Heritage, Sport, Tourism and Culture Industries to undertake detailed project planning for a relocation of the science centre to Ontario Place, including working with Infrastructure Ontario on a delivery model analysis. It did not request the Ministry to report back on potential satellite locations. Between April 2022 and March 2023, Infrastructure Ontario conducted an attendance study and an Economic Impact Assessment, and prepared a business case. This planning and analysis informed the April 2023 proposal submitted by the Ministry of Infrastructure to government decision-makers, which led to the April 18 announcement of the relocation of the Ontario Science Centre to Ontario Place.

From September 2021 to April 2023, leading up to the provincial announcement, Ontario Science Centre

senior management provided updates to the Board on the Ministry requests for input associated with the potential relocation. In a March 2023 meeting, the CEO informed the Board that a business case for relocation was expected to be submitted to government decision-makers in the spring, followed by a public announcement, but no dates were yet confirmed. On April 17, 2023, one day before the public announcement of the relocation, the Board approved, in principle, the relocation of the Ontario Science Centre to Ontario Place.

At the same time, over the years, various parties have been interested in development on the Ontario Science Centre site. **Appendix 5** contains the timelines and details of the proposals for development received by the City and the science centre.

4.1.2 Decision-Making Process Was Not Fully Informed

Limited Public Consultations about Science-Based Programming at Ontario Place Did Not Mention Relocating Ontario Science Centre

In August 2021, the Ministry of Heritage, Sport, Tourism and Culture Industries and Infrastructure Ontario were directed to conduct preliminary planning to evaluate relocating the Ontario Science Centre.

As part of an Ontario Place public survey conducted between August and October, the Ministry of Infrastructure asked Ontarians about the types of science-based programming and activities they might like at Ontario Place. We noted that the survey contained no questions related to a potential relocation of the Ontario Science Centre.

A few months later (December 2021), the Ministry of Heritage, Sport, Tourism and Culture Industries received Stage 1 planning approval for a proposed relocation. However, the project was later put on hold. The science centre proposed a 353,000-square-foot facility in September 2022 for Ontario Place at a cost estimated at up to $610 million. The government instead requested that a smaller facility be explored. In June 2022, the ministry division leading the Ontario Place Revitalization (including the Ontario Science Centre relocation) was transferred from the Ministry of Tourism, Culture and Sport to the Ministry of Infrastructure by the government, as it decided that the Ministry of Infrastructure would lead the redevelopment of Ontario Place.

In April and October of 2022, the Ministry of Infrastructure hosted two consultations with the public, held as live virtual events. In total, 370 members of the public responded to design concepts for Ontario Place. The presentations at these events promised that the Province would lead the development and execution of science-related programming in collaboration with the Ontario Science Centre. No mention was made of a potential relocation of the Ontario Science Centre itself.

Discussions with the City of Toronto Were Limited in Any Substance or Detail Regarding the Relocation Announcement

In April 2022, the Minister of Infrastructure requested the Chair of Infrastructure Ontario to provide support to the then Ministry of Heritage, Sport, Tourism and Culture Industries in engaging the City of Toronto in negotiations to relocate the Ontario Science Centre to the Ontario Place site. The Minister's mandate letter instructed Infrastructure Ontario, at the same time, to provide support to the Province as it negotiated with the City of Toronto to open the existing Ontario Science Centre lease for the Don Mills Road and Eglinton Avenue site.

According to Infrastructure Ontario, discussions with the City of Toronto took place in July and August 2022 and touched on the opportunity that could be created for affordable housing on the Don Mills Road site.

At the time of the finalization of this report, however, City staff told us the focus of the July and August 2022 meetings was the Province's redevelopment of Ontario Place. While the Ontario Science Centre was on the agenda for these meetings, the item was framed as a medium- to long-term priority. City staff had Council direction to engage with provincial officials on the Ontario Place redevelopment, but did not have Council direction to engage with provincial officials on repurposing or redeveloping the Ontario

Science Centre at its Don Mills Road site. According to the City of Toronto, the Province approached the City about the possibility of incorporating science programming at Ontario Place. The scenario of shutting down or relocating the existing Ontario Science Centre facility was not discussed in any substance or detail.

On July 20, 2023, Toronto City Council voted 21 to 3 in favour of exploring the feasibility for the City of Toronto to take over operations of the science centre or create another public-facing attraction in the existing facility and location. City staff planned to report back to Council on this during the second half of 2024. Subsequent to the finalization of this report, the Province had agreed to discuss partnership opportunities with the City for maintaining public, community-oriented science programming at the existing site of the science centre.

The Ministry of Infrastructure did host a town hall event for the public on April 27, 2023, after the relocation was announced. The event was attended by 265 members of the public. The Ministry presented concept designs for the Ontario Science Centre and asked for feedback on them.

The feedback from participants was mainly negative. Participants voiced concerns about the project, including:

- the lack of transparency in the government's decision-making;
- the projected costs of relocation;
- the negative impact that closing the existing Ontario Science Centre would have on nearby communities;
- the traffic congestion in the Ontario Place area;
- the lack of consultation with employees of the Ontario Science Centre and members of the public; and
- the smaller size of the new science centre, possibly impacting staffing and the quality of exhibitions.

Participants also voiced strong support for maintaining the current building and the existing Ontario Science Centre.

According to the Ministry of Infrastructure, the concerns raised at its April 27, 2023 event were addressed as part of the environmental assessment of the redevelopment of Ontario Place conducted in June 2023. Infrastructure Ontario also told us that certain views were taken into consideration as part of the assessment. However, when we reviewed the environmental assessment report, we found that commentary regarding the decision to relocate the Ontario Science Centre to Ontario Place was determined as outside the report's scope and therefore was not considered.

Large School Boards within the Greater Toronto Area Directly Impacted by the Relocation Were Not Consulted Prior to the Announcement

Students from elementary and high schools make up approximately 25% of visitors to the Ontario Science Centre. We met with members of the large school boards within the Greater Toronto Area that would be directly impacted by the relocation (Toronto District School Board, Toronto Catholic District School Board, Durham District School Board, Peel District School Board, and Halton District School Board). All of these school boards told us they were not asked for their input on relocating the science centre.

4.1.3 All Costs Were Not Considered in the Estimate to Relocate the Ontario Science Centre

The decision to relocate the Ontario Science Centre was informed by a cost/benefit analysis contained in the March 2023 business case completed by Infrastructure Ontario, prepared with assistance from an external consultant. The analysis compares the net present value of revenues and costs over a 50-year period (2023/24–2072/73) for two options: (A) remain at the current location; or (B) downsize and relocate to Ontario Place. According to this financial analysis, remaining on site would cost the Province $1.304 billion, while the cost of relocating would be $1.047 billion, a savings of $257 million. See **Figure 4** for a reproduction of the cost/benefit analysis created by Infrastructure Ontario.

Option A assumed a one-year closure of the Don Mills site for renovations and projected a slight increase

Figure 4: Infrastructure Ontario's Cost/Benefit Analysis[1] for Ontario Science Centre Relocation ($ million)

Source of data: Infrastructure Ontario

Financial Impact	Option A: Remain on Site	Option B: Relocate[4]	Difference: B minus A
General admissions	213	243	30
Ancillary operations[2]	406	378	(28)
Interest income	7	8	1
Interim revenue impacts[3]	–	(26)	(26)
Total revenue	**626**	**603**	**(23)**
Operating expense[3]	(1,221)	(984)	237
One-time expenses – severance	–	(7)	(7)
Total operating expense	**(1,221)**	**(991)**	**230**
Don Mills building repairs	**(306)**	**(31)**	**275**
Ontario Science Centre lifecycle maintenance	(297)	(231)	66
Ontario Place common area maintenance	–	(11)	(11)
Total maintenance	**(297)**	**(242)**	**55**
Ontario Science Centre capital – exhibits	(65)	(64)	1
Ontario Science Centre construction – Don Mills cosmetic upgrades	(41)	–	41
Ontario Science Centre construction – buildings and pods at Ontario Place	–	(290)	(290)
Ontario Science Centre one-time relocation expenses	–	(32)	(32)
Total capital expenses	**(106)**	**(386)**	**(280)**
Total project surplus/(shortfall)	**(1,304)**	**(1,047)**	**257**

Note: As noted in **Section 4.1.3**, the analysis does not consider all relevant costs associated with the relocation and rehabilitation of the Ontario Science Centre. Costs not considered include the financing and transaction costs relating to a public-private partnership (P3) model proposed for the construction of the new science centre. Similar costs may also be incurred for rehabilitating the existing site. Parking costs for the new science centre at Ontario Place are also not included in the analysis.

1. The cost/benefit analysis prepared by Infrastructure Ontario used the net present value of revenues and costs over a 50-year period (April 1, 2023–March 31, 2073), with a 3% discount rate, for two options: (A) remain at the current (Don Mills) location; and (B) relocate to Ontario Place.
2. Ancillary operations include revenue from concessions, donations and sponsorship, external sale and rental of exhibits, facility rentals, memberships, OMNIMAX theatre, programming (educational and recreational), and other revenue.
3. The Ministry of Tourism, Culture and Sport proposed an interim operating solution for the relocation scenario whereby the Ontario Science Centre operations would be reduced to one building at the existing site for a maximum of five years (April 1, 2023–March 31, 2028). Interim revenue impact of $26 million (net present value) represents estimated revenue loss associated with the period between the Ontario Science Centre exiting its current site and relocating to the proposed new facility at Ontario Place. Included in operating expense under the relocation scenario is interim expense savings of $33 million (net present value) which represents estimated expense reduction associated with the period between the Ontario Science Centre exiting its current site and opening at the proposed new facility at Ontario Place.
4. No fabrication facility was included in the proposed relocated Ontario Science Centre and the analysis assumed that revenues and expenses from external sale and rental of exhibits would not continue after March 31, 2028 under the relocate scenario.

in attendance. It treated costs as consistent with current operations. Option B proposed a combination of a new four-storey, 275,700-square-foot building and renovation of the existing Ontario Place pods, Cinesphere and connecting bridges. The revenues projected for Option B assumed the Ontario Science Centre would remain open at its Don Mills location for five years until construction at Ontario Place was completed. This scenario estimated an increase in attendance to a total of approximately one million visitors per year (up 54% from the level in 2022/23) in the first year of operation at the Ontario Place site. The attendance was projected based on comparable attractions in Canada and the US.

We could not conclude on the reasonableness of the cost/benefit analysis, since all relevant costs associated with the relocation and rehabilitation of the Ontario Science Centre were not available and included in the analysis. Examples of costs not considered are detailed in the sections below.

Transaction and Financing Costs Associated with P3 Delivery Were Omitted

From our review of the analysis, we noted that certain costs that could impact the calculation were not included. The cost/benefit analysis did not include financing costs projected under the public-private partnership (P3) model to design, build, finance and maintain (DBFM) the new site at Ontario Place. In addition, the analysis did not include transaction costs (legal fees, proposal fees and other project management fees associated with using the P3 model) or special purpose vehicle (SPV) costs (such as company start-up costs, legal costs, overhead, salaries, and administrative costs for the project company during construction).

Similar costs could also be incurred under the option to repair and upgrade the science centre. However, at the time of our audit, an assessment of the delivery model for the repairs had not been done.

Infrastructure Ontario told us that it did not include the financing, transaction and SPV costs related to a P3 build because the cost/benefit analysis was silent as to which delivery model to use for the new Ontario Place build, and also because a similar level of cost details was not available for remaining on the existing site. At the time of the finalization of this report, Infrastructure Ontario informed us that it was assessing whether the DBFM model was appropriate for the project. Specifically, it was assessing whether the model will result in sufficient competition by generating interest among prospective bidders.

Costs for Parking Were Not Included

At the time of our audit, the redevelopment of Ontario Place planned to involve three tenants: Therme Group Canada Inc. (Therme), which plans to build and operate an indoor waterpark and spa, Live Nation Canada, which is redeveloping the existing Budweiser Stage amphitheatre, and the Ontario Science Centre. According to the proposal submitted to government decision-makers, the parking needs for the revitalized Ontario Place were approximately 2,700 spaces. Of that total, a portion of the parking spots were assumed to be allocated to Therme as per its lease agreement with the Province. The lease signed with Therme obligates the Province to provide a number of dedicated parking spaces for Therme between 2028 and 2030. If the Province does not meet its obligations to Therme, as per the contract, it faces a financial penalty.

According to the 2023 proposal submitted to government decision-makers, a site-wide parking solution was needed to meet the Province's existing legal obligations under the lease it had signed with Therme Group and for its potential lease obligations with Live Nation (pending approval of a final agreement), as well as to meet the needs of future tenants, such as the science centre. The submission proposed that the new parking be integrated with the new Ontario Science Centre building in order to dispel public/stakeholder concerns relating to cost and impact on the environment. The recommended plan in the proposal to the government decision-makers was to use 700 of the existing parking spaces at Ontario Place and to build a multi-storey parking garage under the new Ontario Science Centre for the remaining 2,000 parking spaces. The Ministry of Infrastructure had obtained a high-level preliminary estimate of $307 million ($277 million net present value) to build the remaining 2,000 parking spaces, which its proposal noted would result in capital savings to the government. The proposal further noted that if the parking structure were to be built as a standalone structure, there was a risk that future development opportunities above the parking structure could be limited. Subsequent to the finalization of this report, the Province had agreed with the City of Toronto to explore relocating the parking structure to the grounds of Exhibition Place in order to improve public access to the shoreline.

Incremental parking costs were not included in Infrastructure Ontario's cost/benefit analysis. Infrastructure Ontario told us that the parking costs were not included because parking was not dedicated to the

Ontario Science Centre but was, rather, required for the overall redevelopment of Ontario Place.

4.2 Ontario Science Centre Relocation Was Being Planned Irrespective of Another Anchor Tenant Pulling Out of Ontario Place

News came in September 2022 that the Quebec-based company Écorécréo, which was to have built an adventure park at the Ontario Place redevelopment, would no longer be involved with the Ontario Place redevelopment. According to the Ministry of Infrastructure, Écorécréo was no longer in a position to pursue the opportunity at Ontario Place due to unforeseen challenges and prior commitments to its existing operations. The Ministry said at the time that the loss of Écorécréo, one of three future tenants for the project, would have no impact on the timeline for Ontario Place.

The April 2023 relocation proposal drew the conclusion that relocation of the Ontario Science Centre would expedite the redevelopment of Ontario Place by delivering a third anchor tenant to provincially owned lands, occupy the vacant pods and Cinesphere, and help make Ontario Place a year-round family destination.

However, we noted that in addition to the three other future tenants, the Ontario Science Centre was being planned as a viable option to occupy the Cinesphere and the pods at Ontario Place in 2020.

As for the existing site, the 2023 proposal to government decision-makers requested permission to engage the City of Toronto to finalize a lease break at this site. The document highlighted that relocation also created a "unique opportunity" to reconsider the future function of the Don Mills Road site to meet other government priorities, such as housing. The proposal noted that, through Infrastructure-Ontario-led negotiation with the City, the government could explore future use of the site and redevelopment opportunities.

The proposal, however, noted that there was a risk that full closure of the existing Ontario Science Centre facility would draw criticism, and there may also be criticism that the public was not consulted on this decision, as noted in **Section 4.1.2**.

4.3 Proposed Science Centre Will Have Less Space for Exhibits and No Facilities for the Fabrication of Exhibits

4.3.1 New Science Centre Would Have 18% Less Indoor Exhibit Space, Outdoor Space Remains Unplanned

We compared the proposed new centre's interior (building) space to the existing space at the Ontario Science Centre and determined that the proposed centre would be approximately half (49%) the existing centre's size, in square footage. Specifically, at 770 Don Mills Road, the buildings provide a total of 568,000 square feet. The proposed space within the Ontario Place location—comprising the mainland building, pods, bridges and the Cinesphere—is 275,700 square feet.

The proposed centre contains 110,000 square feet of indoor exhibit space, which is 18% less when compared to 134,000 square feet (which includes the rainforest, planetarium and travelling exhibit space) at the existing Don Mills site. Infrastructure Ontario's request for proposal (RFP) indicated that the new site would not have certain core exhibits that are part of the current centre, such as the indoor immersive rainforest or a planetarium.

The outdoor adventure playground was also not intended to be reproduced. The existing Ontario Science Centre offers an outdoor area where visitors can enter into the Don River valley ravine. At the time of our audit, there was no information available about the nature of the outdoor space that would be part of the new Ontario Science Centre.

The project's RFP states that "during development of the Functional Program, a number of program elements were not included in the Functional Program due to a required reduction in the size of the building/square footage, requiring rationalization of the current activities." And, in the April 2023 proposal to government decision-makers, the Don Mills Road site was

described as "oversized and inefficient, with significant ongoing operating expenses" compared to which "the new modernized facility will operate more efficiently." According to the cost/benefit analysis performed by the Ministry of Infrastructure (see **Section 4.1.3**), 90% of the projected savings from the redevelopment ($257 million in net present value) are based on lower operating expenses at the smaller facility.

4.3.2 Plans to Continue to Construct, Sell and Rent Exhibits—Legislated Objectives—Remain Uncertain with the Relocation

We noted that in the March 2023 business case on the modernization of the Ontario Science Centre prepared by Infrastructure Ontario the business line associated with the fabrication and sale of exhibits was not part of the functional plan of the new science centre at Ontario Place, but remains an option outside of the new science centre. Infrastructure Ontario confirmed with us that no fabrication facility was included in the design requirements of the relocated Ontario Science Centre. The business case was used to inform the April 2023 proposal to government decision-makers, although the proposal did not mention that fabrication and sale of exhibits were not part of the relocation option.

As discussed in **Section 2.2.4**, the construction, sale and rental of exhibits is a source of self-generated revenue for the Ontario Science Centre. From 2012/13 to 2018/19 (the last complete fiscal year in which operations were not impacted by the COVID-19 pandemic), the external sales and rental of exhibits earned the centre an average annual revenue of $2 million and incurred an average of $1.7 million in annual direct costs, resulting in a 15% profit margin.

Further, one of the Ontario Science Centre's legislated objectives is "to collect, manufacture, market, exhibit and sell objects and displays and to provide consulting services." To fulfill this mandate, the Ontario Science Centre has developed expertise in designing and fabricating exhibits that are rented out or sold to clients around the world, and expertise in consulting services for the development of exhibits. It is unclear how the proposed redeveloped science centre would be able to fully meet this legislated objective without hosting exhibit fabrication services. It is also unclear if there is a possibility for the existing site to continue with this fabrication facility. At the time of our audit, the science centre informed us that it was exploring options on how to continue or evolve these services.

4.4 Waterfront Location Deemed Better for Tourists

The 2021 Ministry of Heritage, Sport, Tourism and Culture Stage 1 planning documents for the relocation of the Ontario Science Centre to Ontario Place acknowledged that, "given a greater distance for most residents and school groups in suburban areas, these two market segments may witness a decline in percentage terms." It was noted that, by comparison, the Ontario Place location and venue was more likely to provide the centre with access to a larger slice of the tourist and events rental markets.

Similarly, a December 2022 qualitative analysis of Ontario Science Centre attendance, completed by a consultant hired by Infrastructure Ontario, observed that suburban families would have, on average, a longer travel distance to Ontario Place than to the current site at Don Mills and Eglinton. (In 2020, 1.54 million people lived within a 10-kilometre radius of the existing science centre compared to about 1.10 million people living within a 10-kilometre radius of Ontario Place.) However, the new location was described as easier to access for tourists staying in downtown hotels or driving in for day trips. The analysis thus projected total attendance to increase to about one million at the Ontario Place location.

4.4.1 Proposal to Government Decision-Makers Did Not Include Concerns Raised About Expected Attendance, Travel Times and Car Access to the Ontario Place Location, Especially for Suburban Families and Certain School Groups

Transportation to the Ontario Place location was assessed as problematic in Infrastructure Ontario's 2022 attendance study. It noted that car access and parking were limiting factors, meaning that, until the implementation of subway or light rail links to Ontario Place, driver/road access to the site would limit attendance. The Ontario Line subway, connecting the existing Don Mills site to Ontario Place, has a projected completion date of 2031, at least three years after the projected opening of the relocated Ontario Science Centre.

Despite the evidence gathered in the attendance analysis, the March 2023 business case assumed that "school group attendance would remain consistent with current levels" based on the idea that school visits from the west and northwest of the Greater Toronto Area would balance any decrease in school visits from the east and northeast. There was no market assessment provided to support this assumption, however, and neither were the schools in these regions asked to provide input. Indeed, none of the concerns raised in the attendance analysis about suburban families, travel times or car access as a limiting factor were included in the proposal to government decision-makers in April 2023.

A key legislated objective of the Ontario Science Centre is "to depict to the public and to conduct a program of education in the origins, development and progress of science and technology, and their relationship to society." To fulfill this mandate, the Ontario Science Centre currently offers a variety of educational programs to schools, students, and teachers, as shown in **Appendix 2**. In 2022/23, schools from 36 of the 72 public school boards in Ontario visited the current Ontario Science Centre location. For the seven-year period from 2012/13 to 2018/19 (the last complete fiscal year before COVID-19 impacted attendance), school groups made up about 25% of Ontario's Science Centre's attendance on average. Fewer schools were located in the area of the new Science Centre at Ontario Place than the current site. According to an analysis prepared by the Ontario Science Centre in 2019, 135 elementary and 26 secondary schools were in the vicinity of the current site of the science centre, compared to 74 elementary and 19 secondary schools (a total of 93 schools) near Ontario Place.

We spoke to school boards in the Greater Toronto Area (Toronto District School Board, Toronto Catholic District School Board, Durham District School Board, Peel District School Board and Halton District School Board) about the potential relocation of the Ontario Science Centre to Ontario Place. We asked whether the change in location would impact their schools' attendance at the centre. The Toronto Catholic District School Board and Durham District School Board noted that relocation would negatively impact their schools' attendance due to longer distances and higher transportation costs.

The Toronto District School Board told us the impact of the relocation on its schools was unknown, stating that there may be some shifts in the students who go from different areas but overall, schools would continue to go. The Peel District School Board did not view the new location as more or less convenient, it said, because it might be more convenient for Mississauga schools but less convenient for schools in the northern part of the district. The Halton District School Board indicated that since the new location was closer to a GO Transit station it would be more accessible and convenient for their students.

The Science Teachers' Association of Ontario told us the educators they had spoken with had expressed concerns about the relocation because of the traffic in the Ontario Place area, which was already difficult to access. Some school boards and the association noted that school buses have a limited run time for field trips, and increased traffic would decrease the window of time spent at the destination.

Further, we surveyed members of the Science Teachers' Association of Ontario and received responses from over 300 teachers from 53 school boards. We asked how the new location would impact the likelihood of their attending the Ontario Science Centre with their classes. Of the respondents:

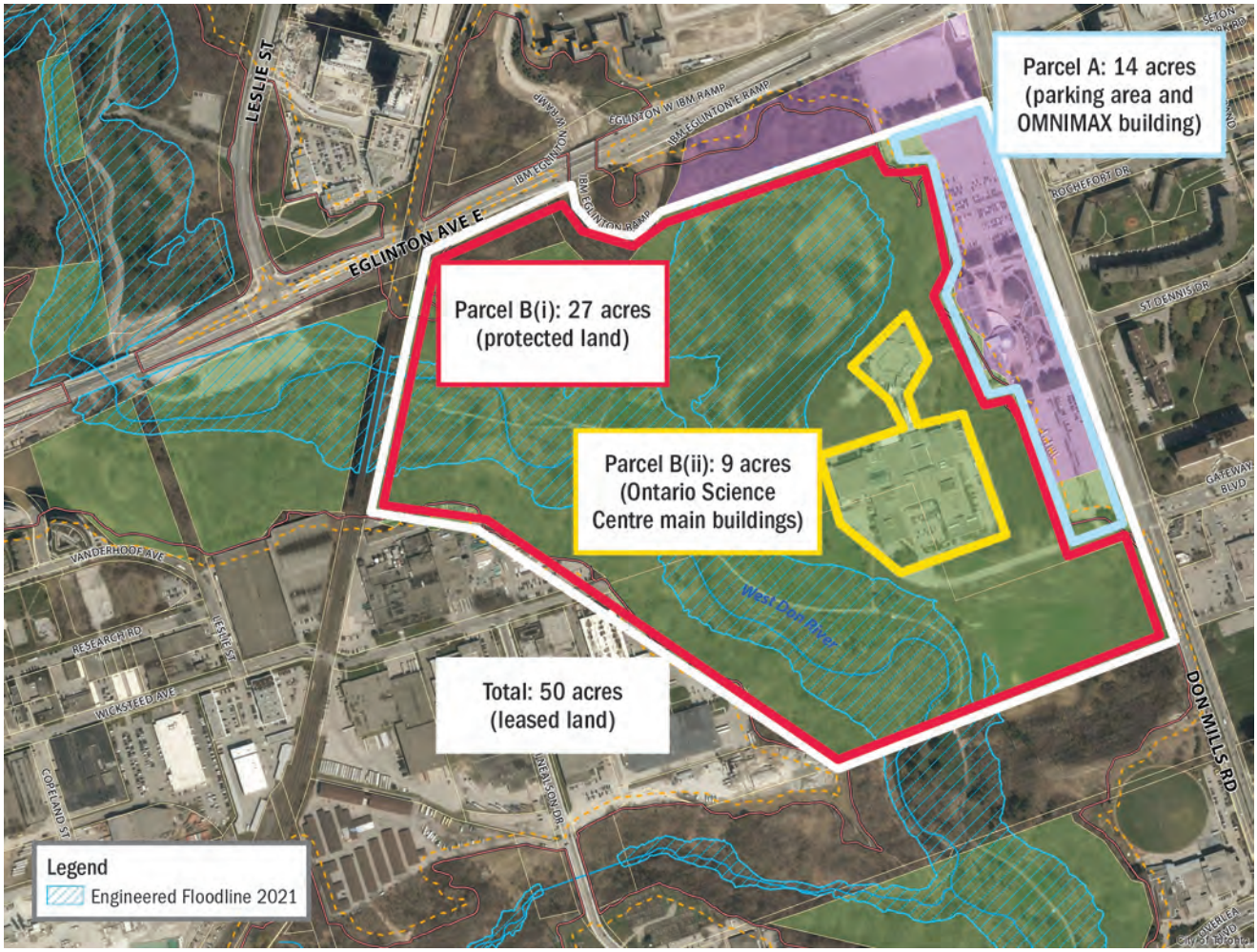
- 46% indicated they were less likely to attend the new location due to distance and transportation concerns;
- 18% indicated that the existing and/or new location are too far or not affordable for them to attend;
- 17% indicated that the relocation would have no impact on their attendance;
- 14% indicated that they were more likely to attend at the new location; and
- 5% indicated they were indifferent, unsure or did not provide an opinion.

4.5 Redevelopment Plans for Existing Don Mills Site Unclear

The Toronto and Region Conservation Authority (TRCA) and the City of Toronto (City) each own portions of the land on which the Ontario Science Centre currently sits, and lease it to the Province for a nominal amount. **Figure 5** offers an aerial view of the land owned by the City and the TRCA. Parcel A on this map,

Figure 5: Map of Lands Owned by City of Toronto and the Toronto and Region Conservation Authority

Source of data: Toronto and Region Conservation Authority



Note: Toronto and Region Conservation Authority owns 81 acres of land, under management with the City of Toronto, at the southwest corner of Don Mills Road and Eglinton Avenue, including the lands referenced above.

approximately 14 acres, is owned by the City. Parcels B (i) and B (ii), approximately 36 acres in total, are owned by the TRCA.

The Ontario Science Centre building itself, at 770 Don Mills Road, is owned by the Province and managed by Infrastructure Ontario. It charges an annual occupancy cost of $4.8 million to the Ontario Science Centre. The occupancy cost covers maintenance, taxes, operating and management fees, utilities and leasehold improvements. Infrastructure Ontario outsources the management of the property and facilities to a property management company.

Infrastructure Ontario's March 2023 business case for relocation cited a 2023 Economic Impact Assessment commissioned from a consulting firm, which noted that "relocating the [Ontario Science Centre] to Ontario Place would enable OSC land at Don Mills to be redeveloped into mixed-use residential and commercial space and provide approximately 2,500 to 3,000 new dwellings." The economic assessment also noted that, based on land valuation and property tax revenue estimates, the present value of future tax revenue accruing to the City of Toronto over a 50-year period would range from $601 million to $785 million if a range of 30- to 45-storey mixed-use buildings were built along Don Mills Road.

The Ontario Science Centre leases the land for $1 per year. The rental agreement is for a 99-year term expiring on June 30, 2064 with an option to extend for another 99 years if conditions are met. Under the lease, the Province is only allowed to operate and maintain a museum and related facilities and the site cannot be used for other purposes. The lease has two components: the parking lot lands (Parcel A) and the main site lands (Parcel B). (These are visible in **Figure 5**.) There are no termination rights for either the landlord or the tenant for the site unless the majority of the centre is destroyed by fire, lightning or any other cause, which allows the landlord to end the lease. Therefore, the Province would first have to enter into negotiations with the City as well as the TRCA for an early termination of the lease. According to the agreement, when the lease ends, at the discretion of the City or the TRCA, all buildings or installations on the site become the property of the City or the TRCA or will be demolished and the site restored to its original condition at the expense of the Province.

Development is likely possible only on Parcel A because much of Parcel B is located within a ravine and includes a floodplain, a low-lying area next to a waterbody where flooding is a risk. The Toronto and Region Conservation Authority has publicly noted that the floodplain, watercourses, wetlands and steep ravine slopes make construction impractical and potentially inadvisable around the Don River ravine lands and sensitive habitats (for multiple bird and mammal species, turtles and amphibians) at the Ontario Science Centre's current location.

4.5.1 Transit-Oriented Community First Considered on Ontario Science Centre Land in 2020

A May 2020 proposal for the redevelopment of Ontario Place, submitted to government decision-makers by the then Ministry of Heritage, Sport, Tourism and Culture Industries, noted that the Ministry would ensure that the potential relocation of the Ontario Science Centre is consistent with the government's Transit-Oriented Communities program. For Transit-Oriented Communities, the Province works with developers to build mixed-use communities (higher density housing, retail, public amenities and entertainment) connected to or within a short distance of transit stations. The proposal further noted that the relocation of the Ontario Science Centre would unlock the site at Don Mills Road and Eglinton Avenue for Transit-Oriented Community–related development.

The Ministry of Infrastructure informed us that planning for the Transit-Oriented Community at the Ontario Science Centre site is premature until the transit needs in the area are finalized by Metrolinx,

an agency of the Province responsible for all modes of transportation in the Greater Toronto and Hamilton Area. Infrastructure Ontario also informed us that it would be years before the project goes to market for the competitive selection of a developer.

4.5.2 Heritage Status of the Ontario Science Centre's Current Property May Require Exemption to Allow Alternative-Use Development

The Ontario Science Centre was built in 1969 and designed by renowned Canadian architect Raymond Moriyama.

At the time of our audit, the cultural heritage status of the Ontario Science Centre's Don Mills property was under review by Infrastructure Ontario and the Ministry of Infrastructure. In August 2022, Infrastructure Ontario retained an architecture firm to provide a Cultural Heritage Evaluation Report for the Ontario Science Centre. In June 2023, the draft report concluded that the Ontario Science Centre property met the criteria for both "cultural heritage value or interest" under O. Reg. 9/06 and "cultural heritage value or interest of provincial significance" under O. Reg. 10/06 of the *Ontario Heritage Act*. The report recommended ongoing engagement with the City of Toronto and the Toronto and Region Conservation Authority to ensure careful conservation of the setting and the property's three buildings. However, at the time of our audit, the government was still determining next steps and associated timelines with respect to the heritage status of the property.

The City of Toronto has also listed the Ontario Science Centre as a heritage property since April 2006. However, being listed does not in itself offer heritage protection. Rather, a heritage evaluation by a qualified person needs to be performed to determine whether the criteria to determine "cultural heritage value or interest" are met so that the property can be designated under the *Ontario Heritage Act*. An evaluation of the Ontario Science Centre was in process at the time of our audit, to be completed in the first quarter of 2024. If, based on the evaluation, the City designates the Ontario Science Centre under the *Ontario Heritage Act*, any changes to the "heritage attributes" of the centre that are inconsistent with the reasons for the heritage designation would require approval from the City.

However, in January 2023, the Province amended the *Ontario Heritage Act*, adding section 25.2 (7), which allows the Lieutenant Governor in Council to make Orders that exempt provincial heritage properties (owned or occupied by the Crown or a prescribed public body) from having to comply with heritage standards and guidelines. This would have to be done by Order in Council, and the Cabinet would have to be of the opinion that the exemption could potentially advance a provincial priority (specifically, transit, housing, health and long-term care), other infrastructure, or other priorities as may be prescribed. As the Province has an ownership interest in the Ontario Science Centre building, the Province could exempt the buildings, even if the property has been designated by the City, from complying with provincial heritage standards and guidelines.

RECOMMENDATION 1

To ensure that all decisions going forward on a relocation of the Ontario Science Centre and future use of the existing site are based on complete information, we recommend that the Ministry of Infrastructure, in conjunction with Infrastructure Ontario and the Ministry of Tourism, Culture and Sport:

- consult all key stakeholders (including the City of Toronto, Toronto and Region Conservation Authority and impacted school boards) on potential options for the existing Ontario Science Centre site and to inform decisions on exhibits and programming for the new Ontario Science Centre at Ontario Place;

- conduct a detailed study on the impact that relocating the Ontario Science Centre might have on access to educational programming by school groups and suburban families with young children, and devise strategies to maintain and increase attendance of these groups at a new Ontario Place location; and
- include all relevant costs in the cost/benefit analysis with respect to the options to relocate and rehabilitate the existing site.

MINISTRY OF INFRASTRUCTURE AND MINISTRY OF TOURISM, CULTURE AND SPORT RESPONSE

While decisions around the future of the existing Ontario Science Centre site have not been made, the ministries will look to identify and consult with key stakeholders as appropriate.

The Ministry of Tourism, Culture and Sport (Ministry) will continue to work closely with the Ontario Science Centre and key stakeholders as it moves forward with this opportunity. The Ministry would note that no decisions with respect to specific exhibits or programming at Ontario Place have been made. The Ministry will work with the Ontario Science Centre to engage stakeholders to ensure program offerings at the new science centre are topical, engaging and of interest to its current and future users. This will include developing strategies to maintain and increase attendance of these groups at the new location.

The ministries will work together as appropriate to continue to bring forward business cases that are robust, well informed, and bring together all relevant costs in a cost/benefit analysis with respect to options for the Ontario Science Centre.

RECOMMENDATION 2

To ensure that the selection of the developers for any future Transit-Oriented Community on the existing Ontario Science Centre site is fair and transparent, we recommend that Infrastructure Ontario conduct an open and competitive selection process when this project is ready to go to market.

INFRASTRUCTURE ONTARIO RESPONSE

Infrastructure Ontario will conduct open and competitive selection process for any future Transit-Oriented Community site on the existing Ontario Science Centre site. This is consistent with Infrastructure Ontario's advice already provided to government. Presently, the agency is conducting open and competitive selection processes for the first two such sites that have been publicly announced.

5.0 Detailed Audit Observations—Ontario Science Centre

5.1 Financial Sustainability of the Ontario Science Centre

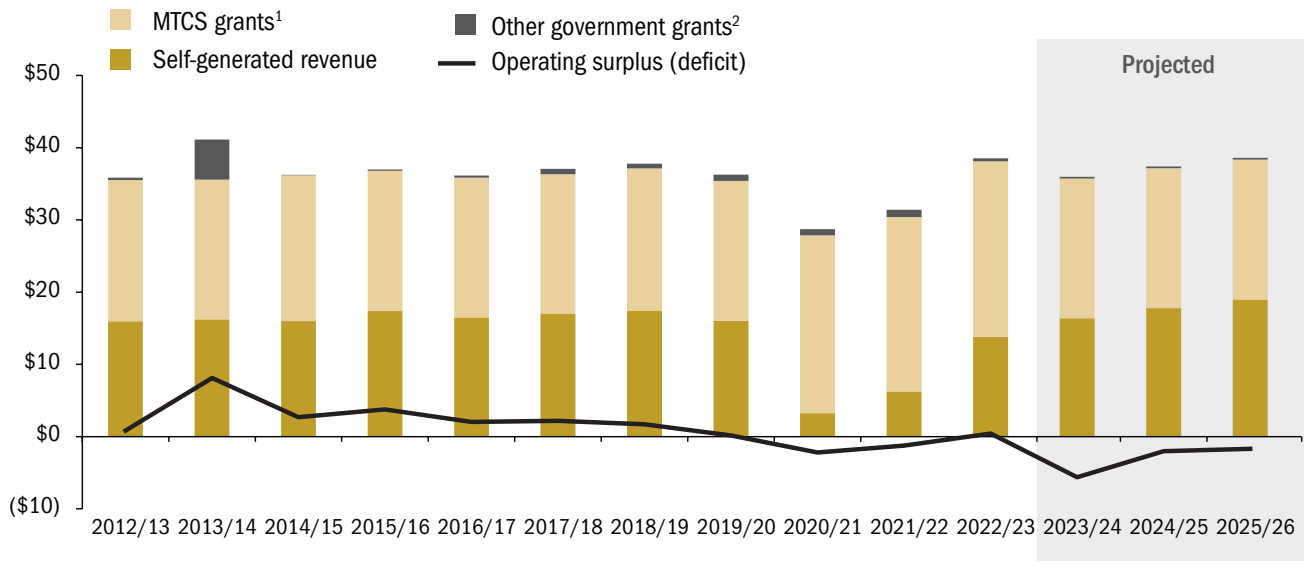
The Ministry of Tourism, Culture and Sport (Ministry) provides an annual operating grant of $19.4 million to the Ontario Science Centre. The centre periodically receives grants from various provincial ministries for specific projects. The rest of its revenue is self-generated, through admission fares and other lines of business.

As shown in **Figure 6**, government funding accounted for an average of 55% of the Ontario Science Centre's total revenues between 2012/13 and 2018/19 (the last complete fiscal year where operations were not impacted by the COVID-19 pandemic). In 2022/23, the Ontario Science Centre received $24.7 million in government funding, accounting for 64% of its overall revenue.

Figure 7 shows the operating expenses of the Ontario Science Centre, which remained stable from

Figure 6: Ontario Science Centre Self-Generated Revenue, Government Grants and Operating Surplus/Deficit, 2012/13–2025/26 ($ million)

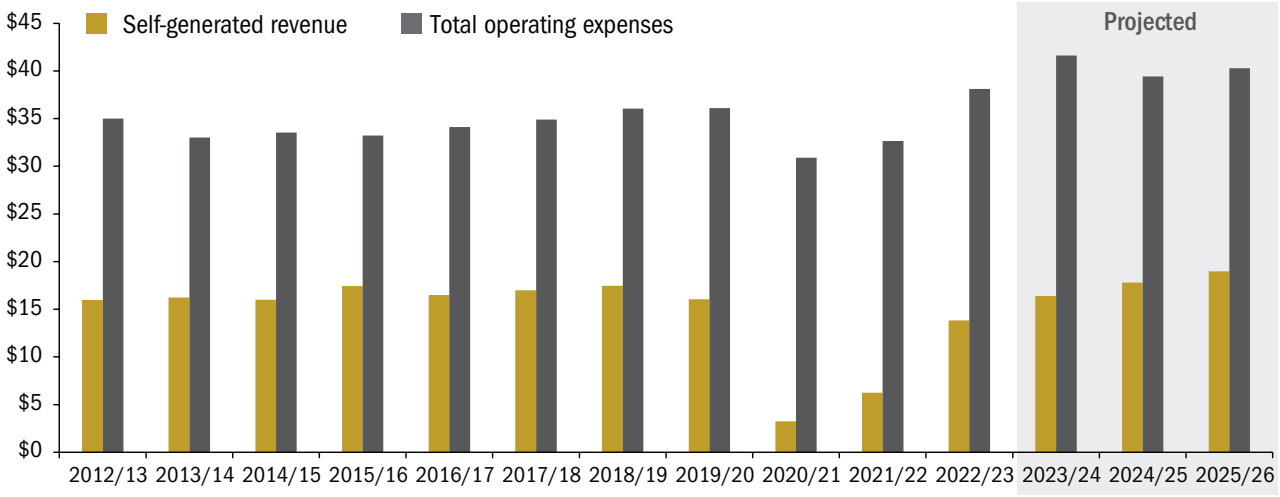
Source of data: Ontario Science Centre



1. Ministry of Tourism, Culture and Sport (MTCS) grant revenue includes operating grant, Emergency Stabilization Fund received in 2020/21 and 2021/22 and funding for the pedestrian bridge closure received in 2022/23.
2. Other government grants include funding from the Ministry of Education to support educational school programs and from the Ministry of Tourism, Culture and Sport for special initiatives and the forgiveness of the OMNIMAX theatre construction loan of $5.3 million in 2013/14.

Figure 7: Ontario Science Centre Self-Generated Revenue and Total Operating Expenses, 2012/13–2025/26 ($ million)

Source of data: Ontario Science Centre



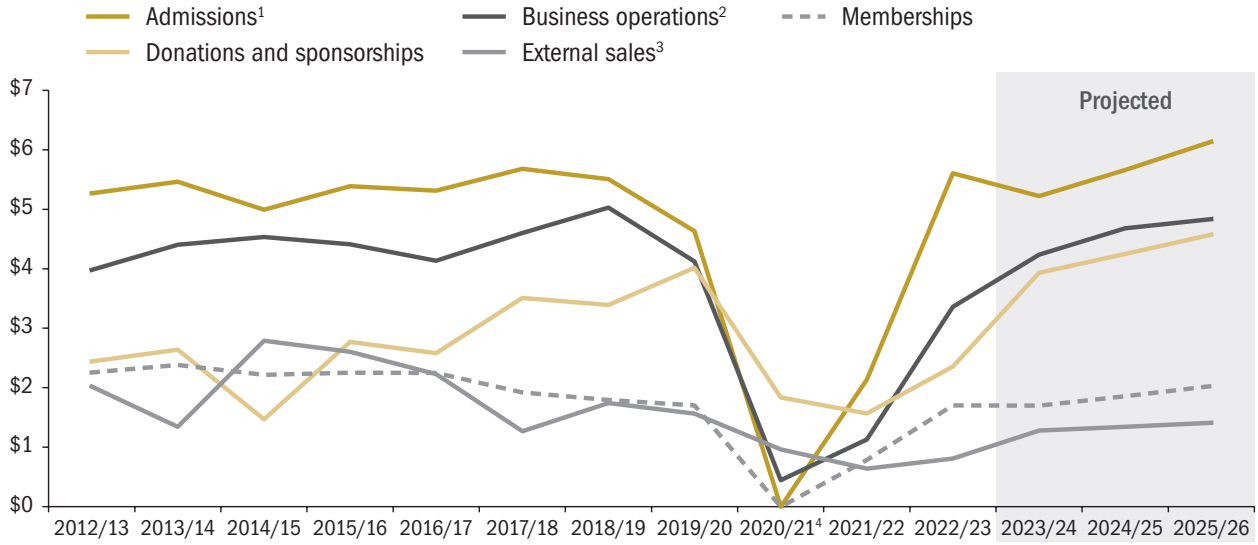
2012/13 to 2018/19. Over this same period, revenue from memberships declined steadily, whereas donations and sponsorship money increased. **Figure 8** offers a breakdown of the self-generated revenue streams of the Ontario Science Centre by line of business.

5.1.1 Higher Operating Costs Added Pressure to Generate Revenue

Our audit found that the Ontario Science Centre's pedestrian bridge closure in June 2022 (see **Section 5.2.1**), was creating additional operational pressures for the

Figure 8: Ontario Science Centre Self-Generated Revenue by Lines of Business, 2012/13–2025/26 ($ million)

Source of data: Ontario Science Centre



1. Admissions revenue includes general admission to the Ontario Science Centre exhibits and OMNIMAX theatre.
2. Business operations include revenue from concessions (food and retail), facility rentals, parking, programming (educational and recreational), interest, and other income.
3. External sales include the sale and rental of exhibits to Canadian and international clients.
4. No admission and membership revenue was recorded in 2020/21 because the Ontario Science Centre was closed for the entire fiscal year due to the COVID-19 pandemic.

centre. To address these unexpected pressures, the centre applied for additional funding. The Ministry approved $3.7 million and another $3.9 million in operating funding in June 2022 and November 2022 to address the incremental operating costs and revenue losses. After the 2022/23 fiscal year, the Centre was able to return $2.7 million to the Ministry primarily due to its cost saving measures and increase in self-generated revenues.

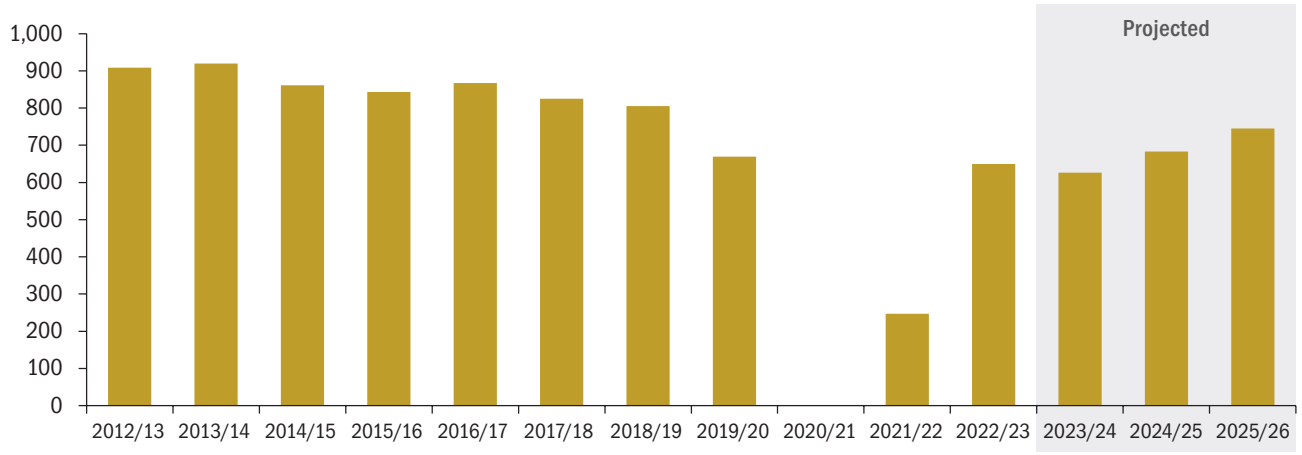
In November 2022, the Ministry requested that the Ontario Science Centre submit a Pressure Management Plan for the remainder of 2022/23. The Ministry's expectation was that the centre tackle its fiscal challenges by diversifying revenue streams, increasing self-generated revenue and identifying strategies to ensure the continued viability of its operations and facilities. The Ontario Science Centre submitted a Pressure Management Plan to the Ministry in December 2022. It identified ways to diversify its revenue streams along with increasing self-generated revenues, while limiting cost increases by freezing all discretionary spending and imposing hiring restrictions.

Measures from this plan resulted in a temporary dip in operating expenses and an increase in self-generated revenues for 2022/23. However, as shown in **Figure 7**, the Ontario Science Centre projected even higher operating expenses for 2023/24 to 2025/26 than in the past 10 years. The projected cost increases were based on the incremental costs associated with the bridge closure, primarily of providing shuttle buses to visitors and additional staffing needed to direct pedestrian traffic as a result of the bridge closure.

The Ministry's operating grant has stayed at $19.4 million for more than 10 years, since 2012/13. If the Ontario Science Centre is unable to effectively reduce operating expenses or even maintain the current operating expenses, there is likely to be greater pressure to increase self-generated revenue to cover expenses. Even though self-generated revenue is projected to increase from 2023/24 to 2025/26 and the Ontario Science Centre was exploring other revenue-generation opportunities, there were no known detailed cost management plans in its 2023/24 business plan aside from continuing its efforts to reduce discretionary spending and scrutinizing recruitment activities.

Figure 9: Ontario Science Centre Admissions Attendance, 2012/13–2025/26 (000)

Source of data: Ontario Science Centre



Note: Admissions attendance includes general visitors, school groups and members who visited the Ontario Science Centre exhibits and OMNIMAX theatre. A visitor who purchased a bundle ticket to visit the Ontario Science Centre exhibits and the OMNIMAX theatre is considered as one visitor in the total admissions attendance.

The Ontario Science Centre did not allocate its indirect general operating costs to its various lines of business. When we asked its finance department about allocation of costs, the group told us it did not see value in the exercise. Without allocating all of its costs to its lines of business, it is difficult to assess which lines of businesses are profitable and which need to manage costs more effectively.

5.1.2 Decline in Admissions and Membership

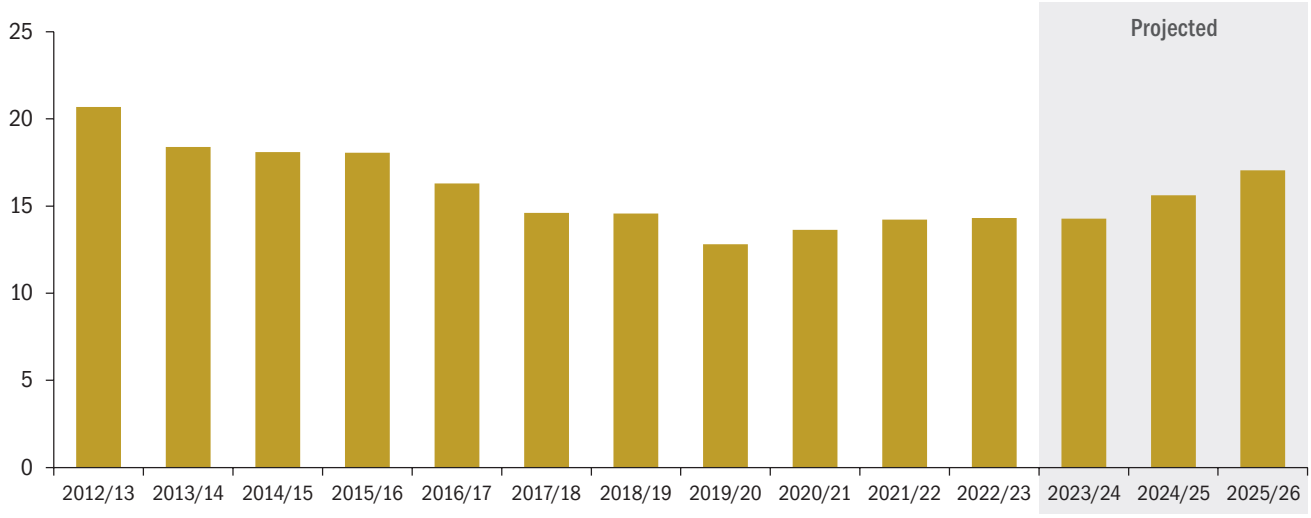
Admission revenues (including general admissions and OMNIMAX theatre sales) were the highest source of self-generated income for the Ontario Science Centre, accounting for about 32% of its self-generated revenues from 2012/13 to 2018/19, the last fiscal year where operations were not impacted by the COVID-19 pandemic. As shown in **Figure 9**, total attendance for the Ontario Science Centre peaked in 2013/14, with 920,000 visitors. Overall, attendance had dropped to 805,000 visitors in 2018/19 (last complete year not impacted by the COVID-19 pandemic). This reflected an overall decrease of 12.5%. The COVID-19 pandemic and provincial response measures severely impacted the centre during the final month of 2019/20, and in 2020/21 and 2021/22. Attendance recovered to about 80% of pre-pandemic levels in 2022/23, and the Ontario Science Centre is projecting moderate increases in attendance for 2023/24 to 2025/26. Admission revenue has remained relatively steady at $5.5 million, excluding the fiscal years impacted by the COVID-19 pandemic. This is because there was a shift to more full-price regular admission tickets versus discounted and group tickets and memberships.

Further, the total number of Ontario Science Centre members has decreased 31% in the past decade, from 20,677 at its peak in 2012/13 to 14,312 in 2022/23, as shown in **Figure 10**. Membership revenue has decreased 25% during the same period, from $2.3 million in 2012/13 to $1.7 million in 2022/23.

The Ontario Science Centre noted changing demographics, the uncertain economic climate and increased competition from other attractions in the City (for example, Ripley's Aquarium, the Royal Ontario Museum, the Art Gallery of Ontario) as factors contributing to lower attendance and membership levels. The science centre also noted that reduced lanes and closures from the construction of the Eglinton LRT at the corner of Don Mills Road and Eglinton Avenue impacted traffic flow and, hence, attendance (including school visits).

Figure 10: Ontario Science Centre Memberships, 2012/13–2025/26 (000)

Source of data: Ontario Science Centre



Note: One membership may include up to six household members (two adults and four children).

We noted that the Ontario Science Centre had not changed its general admission ticket prices since 2010. We reviewed the general admission ticket prices and IMAX ticket prices for science centres across Canada and saw that the Ontario Science Centre had the lowest tickets prices for each category compared to other large Canadian science centres, where adult prices ranged from $23.95 to $34.50. As shown in **Figure 11**, the Ontario Science Centre charged $22 for general adult admission in 2022/23.

Ontario Science Centre management told us they had not requested any general admission ticket price changes from the Ministry in order to continue to be affordable to visitors.

5.1.3 Retail Sales Remained Steady but Venue Rental Decreased 16%

The Ontario Science Centre's revenue from its concessions (gift shops and restaurants) averaged approximately $420,000 from 2012/13 to 2018/19, the last complete fiscal year not impacted by the COVID-19 pandemic. In contrast, the retail operations revenue of Science North (Sudbury), Science World (Vancouver, British Columbia), TELUS Spark Science Centre (Calgary, Alberta) and TELUS World of Science (Edmonton, Alberta) ranged from approximately $1.2 million to $1.7 million in their 2018 or 2019 fiscal years, with numbers of visitors similar to or lower than the Ontario Science Centre. For example, Science North had 65% lower attendance than the Ontario Science Centre in 2018/19 (the last fiscal year when operations were not impacted by the COVID-19 pandemic), but generated about three times more revenue from its gift shops and restaurants than the Ontario Science Centre. Science North had permanent gift shops at both of its locations, totalling over 3,000 square feet. In comparison, the Ontario Science Centre had a kiosk that functioned as a gift shop and had additional retail sales at its membership desks.

There was also a declining trend in Ontario Science Centre facility rental revenue, which decreased from $524,000 in 2012/13 to $441,000 in 2022/23—a 16% decrease—despite having 568,000 square feet of facility space with 183,000 square feet available for rent. In contrast, TELUS Spark in Calgary has a facility size of 153,000 square feet but was able to generate $1.5 million of revenue from facility rentals during its 2019 fiscal year.

Figure 11: General Admission Fees for Canadian Science Centres, as of July 2023

Prepared by the Office of the Auditor General of Ontario

	Ontario Science Centre (Toronto)	Science North (Sudbury)	Science World (Vancouver)	Telus Spark (Calgary)	Telus World of Science (Edmonton)	Montreal Science Centre—Domestic	Montreal Science Centre—International[1]
General Admission							
Child[2]	13.00	21.00	22.50	19.00	18.95	17.50	22.00
Youth/Student[3]	16.00	23.00	26.75	22.00	21.95	18.00	23.00
Adult[4]	22.00	25.00	33.20	26.00	23.95	27.00	34.50
Senior[5]	16.00	23.00	26.75	24.00	21.95	24.50	31.50
OMNIMAX/IMAX Film							
Child[2]	9.00	7.00	n/a[6]	n/a[7]	10.50	9.25	9.25
Youth/Student[3]	9.00	8.00	n/a[6]	n/a[7]	12.95	11.25	11.25
Adult[4]	12.00	9.00	n/a[6]	n/a[7]	14.95	12.75	12.75
Senior[5]	9.00	8.00	n/a[6]	n/a[7]	12.95	11.25	11.25

– lowest price in the category.

1. Montreal Science Centre has separate pricing for international visitors during the peak season, from May to September.
2. Child admission age ranges vary slightly for each centre. At Ontario Science Centre, Science World (Vancouver) and Telus World of Science (Edmonton), child admission is for ages 3 to 12. At Montreal Science Centre, child admission is for ages 2 to 12 years. At Telus Spark (Calgary), child admission is for ages 3 to 17 years. At Science North child admission is for ages 4 to 12 years. At all of these venues, children below the minimum admission age attend for free.
3. Youth/Student admission is for ages 13 to 17 at Ontario Science Centre, Science North, Telus World of Science (Edmonton) and Montreal Science Centre, and ages 13 to 18 at Science World (Vancouver).
4. Adult admission is for ages 18 to 64 at Ontario Science Centre, Science North, Telus Spark (Calgary), Telus World of Science (Edmonton) and Montreal Science Centre, and ages 19 to 64 at Science World (Vancouver).
5. Senior admission is for ages 65 and over at the above noted science centres.
6. OMNIMAX Theatre is temporarily closed at Science World in Vancouver.
7. IMAX (Infinity Dome) is included with general admission or membership at Telus Spark Science Centre in Calgary.

RECOMMENDATION 3

To increase self-generated revenue and improve the financial sustainability of educational programming that promotes science and technology to Ontarians, we recommend that the Ontario Science Centre:

- determine the root causes of declines in attendance and membership;
- analyze ways to increase attendance and membership, through visitor feedback and by contacting former members, and take necessary corrective actions;
- allocate costs to each line of business to effectively measure financial returns from each line of business and focus resources on maximizing self-generated revenues from businesses with the greatest financial return;
- compare its self-generated revenue initiatives (such as retail operations and facility rentals) with peers in other jurisdictions to identify and implement favourable self-generated revenue initiatives;
- research and assess options for admission pricing (including variable pricing models for domestic and international visitors) that would maximize admission revenue while maintaining or increasing attendance levels, especially for domestic visitors and students; and
- make recommendations to the Ministry of Tourism, Culture and Sport on any changes to admission pricing based on the research above, noting the potential impacts of price changes on attendance.

ONTARIO SCIENCE CENTRE RESPONSE

The Ontario Science Centre is committed to transparency and data-driven decision-making. Management will broaden its efforts to collect information and conduct research to improve attendance and membership results.

Management will review general operations and administration to determine if any indirect costs can be allocated to the lines of business. Changes to the chart of accounts will be considered as part of the future state planning efforts.

Management will compare its self-generating revenue initiatives with science centres in other jurisdictions, where appropriate.

Management will conduct research and assess options for admission pricing before seeking any approvals for changes.

5.2 Operations of the Ontario Science Centre

5.2.1 Closure of Pedestrian Bridge Has Increased Operating Costs and Detracted from Visitor Experience

At the time of our audit, Ontario Science Centre's pedestrian bridge, which connects the main entrance building to the building with exhibition halls, was closed to the public. An expected reopening timeline was unknown. See **Figure 12** for a photograph of the bridge and the ravine that it spans.

During a routine building condition assessment in September 2021, a consultant hired by Infrastructure Ontario discovered a problem with the bridge. After spotting visible cracks in the bridge, Infrastructure Ontario advised further investigation. A thorough examination and detailed review commenced in

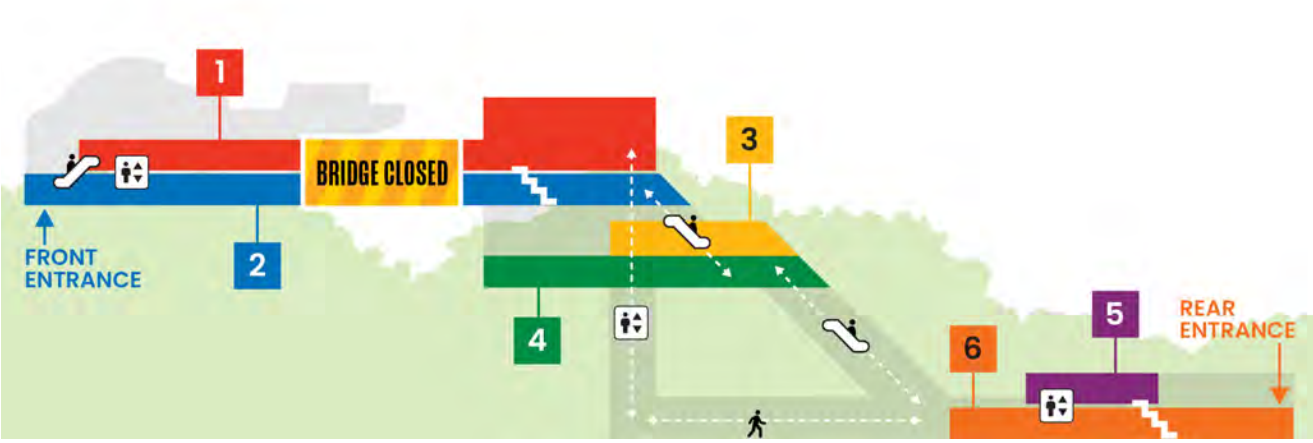
Figure 12: Ontario Science Centre Pedestrian Bridge and Ravine, June 2023

Prepared by the Office of the Auditor General of Ontario



Figure 13: Map of Ontario Science Centre's Six Levels, Showing Entrances and Bridge

Source: Ontario Science Centre



February 2022. The bridge was closed on June 3, 2022, after the review by structural specialists hired by Infrastructure Ontario concluded there was a significant risk of structural failure.

An engineering consultant hired by Infrastructure Ontario started the preliminary work to move forward with stabilizing the bridge. This included requesting permission from the City of Toronto to build an access road. However, Infrastructure Ontario terminated its contract with the company in December 2022, and the permission application was put on hold. The contract was terminated because Infrastructure Ontario had underestimated the amount of funding needed to stabilize the bridge ($16 million). This amount of funding required that an open procurement process be conducted, according to the government's procurement directive. The request for proposal (RFP) for this work closed on February 7, 2023. On February 13, Infrastructure Ontario granted the contract to another engineering firm to conduct a feasibility study to evaluate the options for bridge repair and stabilization. In June 2023, the Toronto and Region Conservation Authority (TRCA) received a request from the firm, on behalf of Infrastructure Ontario, for permission to install scaffolding at the bridge while it completed bridge investigations. At the time of our audit, discussions were ongoing between the firm and the TRCA with respect to the structural condition of the bridge.

Infrastructure Ontario informed Ontario Science Centre management that "the bridge repair is going to take a while because further investigation is needed and it may be necessary to cut trees or impact the environment to get equipment to the site."

Infrastructure Ontario told us that the $16 million contract was to provide a temporary solution to stabilize the bridge. The cost to actually fix the bridge was unknown and would require further investigation. Infrastructure Ontario also told us that, although the lease with the City of Toronto and the Toronto and Region Conservation Authority does not specify any obligation for the Province to fix the bridge, the Province will likely need to stabilize the bridge for safety reasons.

The closure of the pedestrian bridge has impacted operations at the Ontario Science Centre, not to mention the visitor experience. The Ontario Science Centre relocated the public entrance to the rear entrance and is shuttling visitors by bus from the main front entrance to this new rear entrance (see **Figure 13**). The shuttle bus services have increased operating expenditures by $2.4 million for the 10-month period in 2022/23 and is expected to increase by $2.7 million in 2023/24. In addition, the Ontario Science Centre is now unable to host certain events, impacting its self-generated revenues.

Figure 14: Summary of Ontario Science Centre Capital Maintenance Projects, 2016/17–2022/23

Source of data: Infrastructure Ontario

Fiscal Year	# of Funded Projects	Value of Funded Projects ($ 000)	# of Deferred Projects	Value of Deferred Projects ($ 000)*
2016/17	14	2,496	6	694
2017/18	9	8,475	8	1,347
2018/19	2	60	1	73
2019/20	1	65	7	1,489
2020/21	5	851	9	5,398
2021/22	0	0	4	1,510
2022/23	3	59	7	5,779
Total	**34**	**12,006**	**42**	**16,290**

* For projects with repeated funding requests, deferred value is included at the initial requested cost.

5.2.2 Deferred Maintenance Projects at Risk of Critical Failure Were Repeatedly Denied Funding

Based on the most recent engineering assessment conducted in April 2022, the overall amount of deferred maintenance and critical repairs needed for the Ontario Science Centre building is about $370 million. The planetarium at the Ontario Science Centre has been closed to the public since September 2022 because of outstanding capital repairs and ongoing technical issues with equipment that was at the end of its useful life. At the time of our audit, Ontario Science Centre was in the process of purchasing equipment to reopen the planetarium in early 2024 using funding from its exhibit renewals.

Since 2017, some Ontario Science Centre maintenance projects have been deferred by Infrastructure Ontario, resulting in further deterioration of the building. **Figure 14** lists the funded and deferred projects identified as critical in the annual base building condition assessments completed by the property manager. Since 2017, 34 projects with a total cost of $12 million have been approved for funding, while 42 projects totalling over $16 million were deferred due to insufficient funds.

Of these 42 deferred projects, seven projects had been put forward in at least three of the past five years and did not meet the prioritization criteria for funding from the portfolio managed by Infrastructure Ontario on behalf of government. One major request for $4 million related to renewing the water distribution of regular plumbing systems (for example, in kitchens, restaurants, labs, workshops, washbasins and washrooms). This asset has been categorized as at risk of critical failure in each of the last three years. Infrastructure Ontario did not approve the project for funding, citing overall funding limitations for deferred maintenance.

Infrastructure Ontario periodically reviews the building condition audits and base building assessment reports prepared by its third-party property and land management service providers in order to gather information on the condition of the Province's buildings that it manages. Applicable government organizations also develop business cases to justify funding requests for their respective projects. Infrastructure Ontario uses this information to decide whether to approve or deny the requests. Based on the funds available, it selected the highest-priority repairs at the Ontario Science Centre.

RECOMMENDATION 4

We recommend that the Ministry of Infrastructure and the Ministry of Tourism, Culture and Sport, with Infrastructure Ontario, determine the extent

of critical repairs, including repairs to the pedestrian bridge, that need to be undertaken to enable the Ontario Science Centre to operate efficiently and improve the visitor experience during the transition period.

MINISTRY OF INFRASTRUCTURE AND MINISTRY OF TOURISM, CULTURE AND SPORT RESPONSE

While government determines the planned usage of the current Ontario Science Centre site, Infrastructure Ontario will continue to ensure the health and safety of operating the Ontario Science Centre and employ its asset management prioritization for projects that are necessary prior to Ontario Science Centre relocation. During the transition period the Ministries and Infrastructure Ontario will ensure that areas open to the public and staff continue to remain safe and will explore ways to ensure that the Ontario Science Centre can continue to operate efficiently and prioritize visitor experience.

5.2.3 IT Infrastructure Is Inadequate at Ontario Science Centre

The Ontario Science Centre's information technology (IT) team identified areas of improvement and submitted funding requests to the Ministry for eight projects between 2022/23 and 2023/24, totalling approximately $3.4 million.

Only two projects, totalling $0.63 million, which relate to the migration to Microsoft Office 365 and on-site server updates, were approved for funding. The projects that were denied funding by the Ministry relate to updates to the financial system, ticketing system, telecommunication system, and the replacement of network cables and printers. These projects address areas that are critical to business or address asset integrity risks. According to the Ontario Science Centre, all point-of-sale (POS) machines and connected printers reached the end of their useful life in 2017 and some technology used for exhibits has been outdated for years.

If the existing systems and physical IT assets are not updated as needed and are continually used after their end-of-life, operations—such as ticketing, admissions, program delivery and exhibits—could be at risk. According to Ontario Science Centre management, the science centre's ability to collect data for research and development is also limited by outdated IT systems.

RECOMMENDATION 5

We recommend that the Ministry of Tourism, Culture and Sport (Ministry), based on planned usage of the current Ontario Science Centre site, prioritize funding and implementation of information technology projects that are critical to the Ontario Science Centre's business operations during the transition period.

MINISTRY OF TOURISM, CULTURE AND SPORT RESPONSE

The Ministry administers a Capital Repair and Rehabilitation program to support the capital repair needs of its diverse group of entities. The Ministry will continue to assess the Ontario Science Centre's critical capital projects through the risk-based prioritization framework of this program and to support the agency as it embarks on this opportunity.

5.2.4 Environmental Sustainability Commitments Were Vague, Except for Exhibit Fabrication Enterprise

We reviewed the Ontario Science Centre's 2023/24 business plan and noted that it outlines its commitment to the environment "through the use and conservation of natural resources … and [by] supporting the Province's initiatives to conserve energy and water and wisely use air and land resources to benefit the environment, the health of our community and the health of our economy for present and future generations." However, we noted that the Ontario Science Centre did not have a comprehensive environmental strategy.

In contrast, the business plan for Science North highlights environmental sustainability through implementation of a net-zero strategy (net-zero emissions by 2050), removal of all single-use plastics, offering sustainable and healthy food options, and engaging youth in climate action through programming that focuses on climate change, including hands-on experiments and exhibits.

We found that the exhibit-making department at the Ontario Science Centre (see **Section 2.2.4**) was more progressive in its sustainability commitments. Since 2011, the design, graphic production and fabrication department has been implementing environmentally sustainable practices such as using locally sourced materials; conducting research into new sustainable materials and their performance in exhibitions; eliminating the use of solvent-based paints; using biodegradable substrate: replacing plastic laminate products with recyclable laminates; eliminating the use of paints with volatile organic compounds; recycling scrap; using energy-efficient exhibit lights; and shutting down exhibits during non-operating hours. In addition, the Ontario Science Centre offers free electrical vehicle charging stations to visitors and staff; has worked with a vendor to implement changes in food services such as the use of recyclable containers and utensils, and elimination of plastic straws; and is committed to the use of LED lighting and sustainable materials on new flooring.

RECOMMENDATION 6

To minimize the environmental impact of its operations, we recommend that the Ontario Science Centre:

- develop and implement a strategy to continually improve the environmental sustainability of its operations; and
- collaborate with Science North to explore environmental best practices that can be implemented at both science centres.

ONTARIO SCIENCE CENTRE RESPONSE

The Ontario Science Centre is implementing a comprehensive environmental strategy that improves our current and future operations and leverages our platform to engage our core audiences in climate-focused initiatives.

As an early step, the Ontario Science Centre has joined the Association of Science and Technology Centres (ASTC) Seeding Action Network, which is a network of institutions committed to prioritizing planetary health through content, exhibits, and programming; community relationships and partnerships; and operational decisions. The three components of membership are an annual self-assessment to identify achievements and areas for growth and set goals for future; knowledge-sharing in forums such as working groups, communities of practice; and strengthening public programming, partnerships and institutional impact through proactively seeking out opportunities to enhance planetary health-focused decisions.

5.3 Exhibits and Programs

A 2019/20 survey (the latest year with full survey feedback) asked visitors to rate their overall satisfaction. Of the 1,988 respondents, 49% were "satisfied," 41% were "moderately satisfied" and 10% were "not satisfied."

We surveyed members of the Science Teachers' Association of Ontario. Of the 314 teachers who responded, 184 teachers indicated that they had visited the Ontario Science Centre in the last 10 years. Of the respondents, 78% of the teachers said they were "very satisfied" with their overall experience while 21% said they were "somewhat satisfied" with their visit. Also, 82% of the teachers who responded said the Ontario Science Centre's school programming was effective in engaging students and supporting Ontario's science curriculum, while 17% said the programming was

"somewhat effective." In addition, 67% of the teachers that responded said the Ontario Science Centre's exhibits were effective in supporting hands-on learning outlined in Ontario's science curriculum while 29% said the exhibits were somewhat effective.

While overall visitor satisfaction has been positive, based on the above surveys, we found that there was still room to improve the visitor experience.

5.3.1 Many Science Exhibits Have Not Been Changed for Over Eight Years

Exhibits are integral to carrying out the science centres' key objective to stimulate public interest in science and technology. **Appendix 6** shows the number of exhibits in the various exhibition halls at each level of the Ontario Science Centre. We noted that many of the permanent exhibits at the Ontario Science Centre have not changed since 2015—that is, for over eight years. As shown in **Figure 15**, the average age of exhibits at the time of our audit was about 14 years. Only the Science Arcade, KidSpark, HotZone, Community Reef and Weston Family Innovation Centre exhibitions have been changed significantly since 2018.

We reviewed the comments of the 734 respondents of the 2019/20 survey who were moderately satisfied or not satisfied with their visit to the Ontario Science Centre and noted that over two-thirds (517) of these respondents noted the following:

- exhibits were out-of-service or closed due to aging technology;
- exhibits or science content was outdated; or

Figure 15: Average Age of Permanent Exhibits at Ontario Science Centre as of March 2023

Source of data: Ontario Science Centre

Name of Exhibition Hall	Opening Year	Significant Renewal Year	Age of Exhibit/ Exhibition Hall
Great Hall	1969	–	n/a*
Mindworks Corridor	1991	–	32
Space Hall	1969	1992	31
Bruce Poon Tip Living Earth Hall and TELUS Rain Forest	1993	–	30
OMNIMAX	1996	–	27
A Question of Truth	1996	–	27
Unilever Science Plaza	1998	–	25
Outdoor Experience Area (formerly known as Teluscape)	2006	–	17
Amateur Radio	2014	–	9
Stairwell Artifacts	2014	–	9
AstraZeneca Human Edge	2014	–	9
Forest Lane	2014	–	9
Rock Paper Science	2014	–	9
Cohon Family Nature Escape	2015	–	8
Science Arcade	1969	2018	5
Geo Bridge (Celebration Way)	1999	2019	4
HotZone and Community Reef	2005	2021	2
KidSpark	2003	2021	2
Weston Family Innovation Centre	2006	2022	1
Average Age			**14**

* Great Hall hosts travelling exhibits and has no permanent exhibits.

- other factors were to blame, such as overcrowding and exhibits not geared toward adults.

5.3.2 Not All Exhibits Were Always Evaluated for Effectiveness

In order to maintain its relevance in science and technology and assure attendance levels, the Ontario Science Centre exhibits must generate public interest. If the science content of the exhibits is not updated and the exhibits are not modernized regularly to reflect innovations in science and technology, this may impact the public's interest.

Our audit found that the Ontario Science Centre used visitor satisfaction surveys to evaluate the effectiveness of its exhibits. We noted, though, that the data collected in the surveys was either inconsistent or incomplete. In our review of the centre's visitor satisfaction surveys from 2012/13 to 2021/22, we found that the survey questions from 2012/13 to 2016/17 did not ask the visitors to rate permanent or temporary (travelling) exhibits. Also, although the survey questions from 2017/18 to 2021/22 did ask the visitors to rate some permanent and temporary (travelling) exhibits, not all exhibits at the Ontario Science Centre were identified to be rated, with the exception of 2018/19, when all temporary (travelling) exhibits were identified to be rated. In 2022/23, the Ontario Science Centre did not conduct visitor satisfaction surveys because the individual responsible for surveys was on leave.

We also noted that there was limited assessment of the feedback received from surveys by the Ontario Science Centre, resulting in little improvement to its existing exhibits. Further, the science centre did not have a comprehensive strategy for the regular renewal of exhibits and the introduction of new exhibits that took visitor feedback into consideration.

The effectiveness of exhibits is most commonly evaluated through visitor satisfaction surveys. However, we noted that Science North has been using other forms of evaluation, such as observational behavioural analysis through video recording, focus groups and interviews. Collecting visitor feedback in a range of ways could help the Ontario Science Centre to understand visitors' perceptions and gauge interest in its exhibits. Although the Ontario Science Centre attempted to measure the effectiveness of a few of its exhibits over the years, it did not have a way to track the number of visitors to specific exhibits, or the length of their stay at each exhibit. Such information could enhance the ability of the centre to determine the public's interest and the relative effectiveness of exhibits.

RECOMMENDATION 7

To ensure exhibits are up to date with current trends in science and technology, and to improve visitor experience, public interest and understanding, we recommend that the Ontario Science Centre:

- work with the Ministry of Tourism, Culture and Sport to develop a comprehensive plan for the regular renewal of exhibits and the introduction of new exhibits, taking visitor feedback into consideration; and
- conduct research on how other science centres and cultural attractions, such as museums, track visitors' perception and interest in exhibits.

ONTARIO SCIENCE CENTRE RESPONSE

Management is planning to implement a new multi-year renewal strategy and plan for exhibits and experiences beginning in 2024/25 that takes into consideration visitor feedback and asset condition. Management will use the rolling multi-year plan to present incoming exhibitions and films that supplement and complement the permanent offerings.

Management agrees to enhance its research through various methodologies and collaborating with others.

5.3.3 Many Exhibits Did Not Depict Ontario's Role in Science and Technology

We determined that 371 (92% of the exhibits we reviewed) did not depict Ontario's role in furthering science and technology. A legislated objective for the Ontario Science Centre is "to depict the role of Ontario in the furtherance of science and technology." It would be impactful and inspiring for students and the public to learn more about Ontario's role. The Ontario Science Centre could reach out to provincial ministries that are conducting and funding science and technology research (such as the Ministry of Environment, Conservation and Parks; Ministry of Natural Resources and Forestry; Ministry of Economic Development, Job Creation and Trade; and the Ontario Centre of Innovation) to showcase their interesting and impactful research and development.

RECOMMENDATION 8

To stimulate public interest in science and technology, and in Ontario's role in furthering these fields, we recommend that the Ontario Science Centre research the key Ontario contributions that can be used as exhibits to show Ontario's role in furthering science and technology.

ONTARIO SCIENCE CENTRE RESPONSE

Management will broaden its current relationships and seek new partnerships that advance the Ontario Science Centre's ability to showcase Ontario's role in furthering science and technology.

5.4 Performance Measures Did Not Include Key Mandate Items

We reviewed the performance measures in the Ontario Science Centre's 2019/20–2023/24 business plans and compared them to the centre's legislated mandate and key priorities in the minister's mandate letter that aligned with its mandate. From our review, we noted that some key items of the legislated mandate and key priorities were not being measured. For example, there were no measures for delivering programming that provides young people with skills for education and careers in science, technology, engineering and mathematics (STEM). Further, there were no measures concerning collaboration; data collection; depicting the role of Ontario in science and technology; or collecting, manufacturing and selling exhibits. In addition, there were no performance measures to assess how well exhibits, educational programs or travelling exhibits improved science literacy. None of the measures listed in **Appendix 7** for the Ontario Science Centre (using 2022/23 as an example) applied performance targets to the exhibits or the programming that was being delivered.

We also compared the performance measures in the Ontario Science Centre's 2019/20–2023/24 business plans to the 2022/23 performance measures of the Canada Agriculture and Food Museum, the Canada Aviation and the Space Museum, and Canada Science and Technology Museum (collectively known as "Ingenium"). In our review, we noted that some relevant performance measures used by Ingenium were not used by the Ontario Science Centre. For example, the Ontario Science Centre did not measure annual active memberships; general and tourism market share among the national museums and science centres; and percentage of budget spent on exhibition renewals.

We reviewed the Ontario Science Centre's annual reports from 2017/18 to 2021/22 (most recent available) and noted that when targets were not achieved for performance measures such as physical attendance, social media reach and virtual event engagement, there was no evidence of any remediating action to address the underachievement. We reviewed the Ontario Science Centre's 2019/20–2023/24 business plans and noted that there was also no benchmarking against other science centres to assess how its performance compares with other centres.

RECOMMENDATION 9

To improve performance measurement, transparency and accountability of its organizational activities, we recommend that the Ontario Science Centre:

- develop performance measures to assess progress against all legislated mandates;
- publicly report on its performance against its established measures and targets;
- document in annual reports any planned actions to be taken when established targets are not met; and
- include a discussion of peer benchmarking with other science centres in its business plans.

ONTARIO SCIENCE CENTRE RESPONSE

Management reports its performance against established measures and strategic priorities in the annual report, which is a public document. It will review the measures and priorities to assess whether any key legislated mandates are not addressed.

Management will include planned actions to be taken when targets are not met and explore opportunities to include a discussion on peer benchmarking in its business plans.

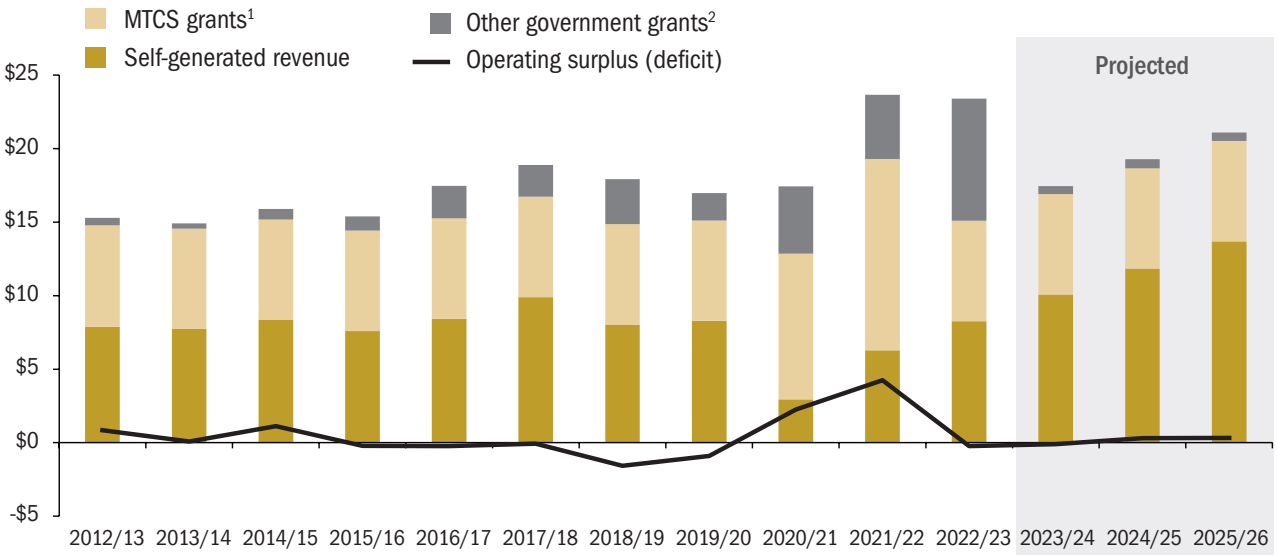
6.0 Detailed Audit Observations—Science North

6.1 Financial Sustainability of Science North

The Ministry of Tourism, Culture and Sport (Ministry) provides an annual operating grant of $6.83 million to Science North, which accounted for 36% to 46% of its total revenue between 2012/13 and 2018/19 (the last complete fiscal year not impacted by the COVID-19 pandemic). See **Figure 16** for details. The centre also receives other grants for specific initiatives from various provincial ministries, the federal government and the municipal government. Science North's revenue also comes from self-generated activities such as admission and membership, external sales of

Figure 16: Science North Self-Generated Revenue, Government Grants and Operating Surplus/Deficit, 2012/13–2025/26 ($ million)

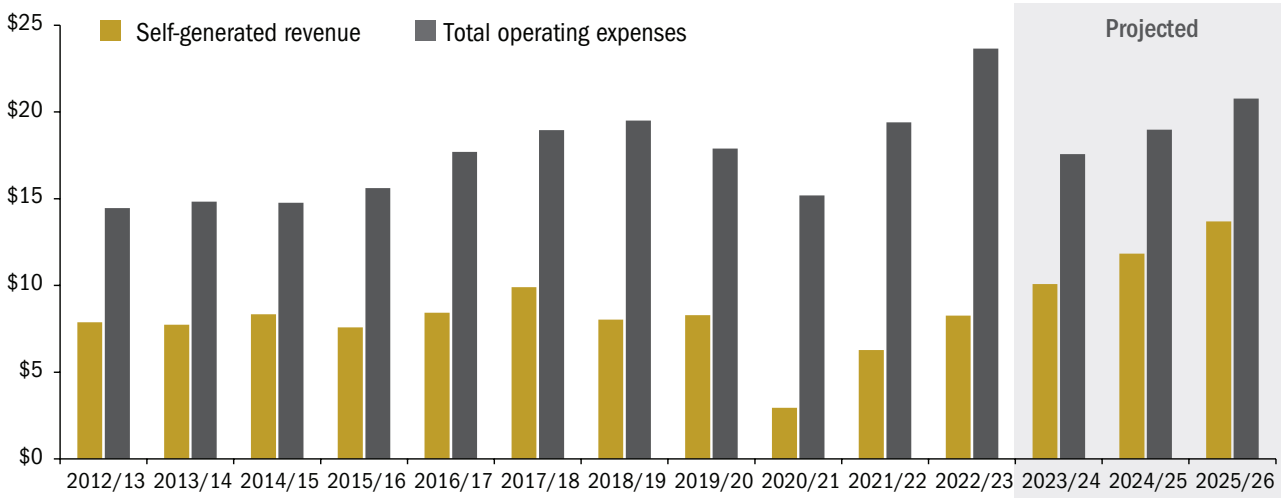
Source of data: Science North



1. Ministry of Tourism, Culture and Sport (MTCS) grants revenue includes operating grant and the Pandemic Relief Fund received in 2020/21 and 2021/22.
2. Other government grants include funding from the Ministry of Education to support educational school programs and funding from the Ministry of Tourism, Culture and Sport, Government of Canada, City of Greater Sudbury, and City of Kenora for special initiatives.

Figure 17: Science North Self-Generated Revenue and Total Operating Expenses, 2012/13–2025/26 ($ million)

Source of data: Science North



exhibits, educational programs, facility rentals, donations and sales from concessions.

In 2018/19, total provincial government funding accounted for 46% of Science North's total operating revenue of $18 million. Science North's reliance on government funding was largely due to its revenues from self-generated activities not being sufficient to fully sustain its operations. **Figure 17** compares the total revenue from self-generated activities to the total operating expenses of Science North from 2012/13 to 2025/26. Science North's self-generated revenues have recovered to pre-pandemic levels.

Science North projected its operating expenses to drop from $23.6 million in 2022/23 to $17.6 million in 2023/24. The $6 million decrease was from anticipated lower costs for school programs, fundraising expenses, and overall expenses related to general operations. For example, Science North projected a decrease in educational program delivery expenses from $6.5 million in 2022/23 to $2.3 million in 2023/24. According to Science North, over $4 million of expenses related to educational programming in 2022/23 were associated with grant funding specific for that year, which the centre did not receive in 2023/24.

Similarly to the Ontario Science Centre, Science North does not allocate its indirect operating costs to its various lines of business. Consequently, it was difficult for us to assess which business lines were profitable and could help provide greater funding flexibility to the agency, and in which areas costs could be managed more effectively. **Figure 18** delineates the self-generated revenue at Science North by line of business. We noted that its projected external sales for the years 2023/24–2025/26 may be unrealistic; revenue from external sales for 2022/23 was $1.65 million and was projected to reach $5.72 million by 2025/26, a 247% increase. To increase external sales, Science North plans to conduct extensive research into target markets for turnkey exhibits and travelling exhibitions, and develop focused marketing strategies for its export products and services, as noted in its 2023/24 business plan.

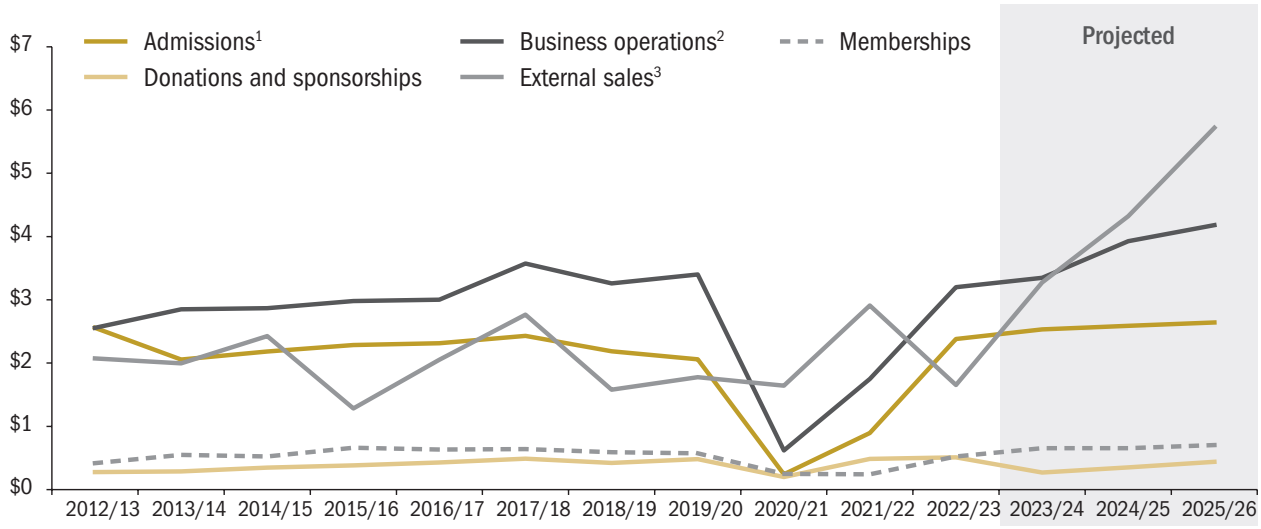
Attendance and Membership Have Declined

Admission revenue was, generally, the highest source of self-generated revenue for Science North, accounting for about 28% of its self-generated revenue between 2012/13 and 2018/19 (the last fiscal year when operations were not impacted by the COVID-19 pandemic).

In 2018/19, total attendance for Science North was 268,000. As shown in **Figure 19**, total attendance for Science North declined by 8% from a peak of 292,000 visitors in 2016/17. In 2022/23, attendance increased by 3% from pre-pandemic levels. Science North projected attendance to remain at this level from 2023/24 to 2025/26. The COVID-19 pandemic and provincial response measures severely impacted the centre in 2019/20, 2020/21 and 2021/22. Science North was

Figure 18: Science North Self-Generated Revenue by Lines of Business, 2012/13–2025/26 ($ million)

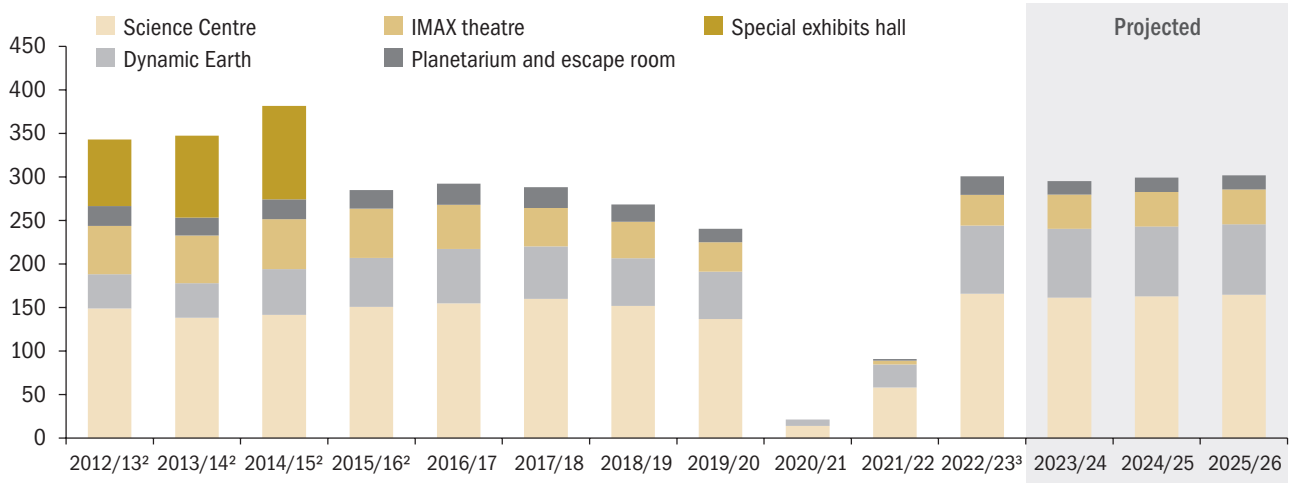
Source of data: Science North



1. Admissions revenue includes general admission to Science North, Dynamic Earth, IMAX theatre, planetarium, special exhibit halls, and the escape room.
2. Business operations include revenue from concessions (food and retail), facility rentals, film production services, parking, programming (educational and recreational), interest, and other income.
3. External sales include exhibit and theatre production sales and rentals to Canadian and international clients.

Figure 19: Science North Admissions Attendance,[1] 2012/13–2025/26 (000)

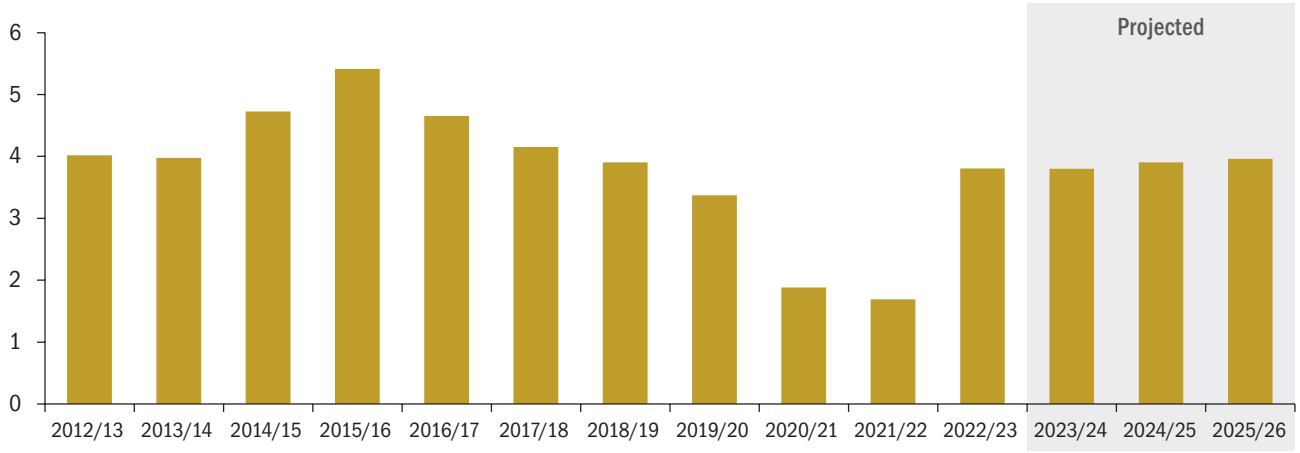
Source of data: Science North



1. Admissions attendance includes general visitors, school groups and members that visited Science North, Dynamic Earth, IMAX theatre, planetarium, special exhibit halls, and the escape room. A visitor who attended multiple attractions using a bundle ticket is counted separately in the attendance for each attraction visited.
2. Beginning in 2015/16, Science North changed its ticketing practices by requiring only one ticket for the permanent exhibits at the science centre and special exhibitions. Previously, two separate tickets were required, inflating attendance numbers.
3. In 2022/23, Science North changed its ticketing practices at Dynamic Earth by requiring two separate tickets for the exhibits and underground mine tour. Previously, only one ticket was required, inflating attendance numbers in 2022/23. The estimated total admissions attendance in 2022/23 is 276,000 if only one ticket was required for the exhibits and underground mine tour at Dynamic Earth.

Figure 20: Science North Memberships, 2012/13–2025/26 (000)

Source of data: Science North



initially closed from March 13, 2020 to July 11, 2020 due to public health restrictions associated with the COVID-19 pandemic. Science North closed again on December 23, 2020 due to further restrictions, and reopened on July 2, 2021. These closures had substantial impacts on Science North's attendance and associated revenues during this period.

According to Science North, the decrease in attendance is also attributable to a decrease in visitors to the IMAX theatre, where attendance fell by 26% from 2015/16 to 2018/19. A 2019 assessment commissioned by Science North on the decline in attendance for the IMAX theatre noted one or more potential causes for the decline: less desire from the Northern Ontario market to view films at the theatre; film content being perceived as unappealing; and fewer show times, resulting in fewer viewing opportunities. At the time of our audit, Science North was showing more mainstream movies in its IMAX theatre.

From 2011/12 to 2018/19, Science North kept its general admission ticket prices stable (with $1 increases). Then, in response to the pandemic, it decreased ticket prices for all categories from 2019/20 to 2021/22. For example, adult tickets were lowered to $18 from $26. In 2022/23, admission prices were returned to their pre-pandemic levels, as shown in **Figure 2** (cited in **Section 2.2**).

Membership revenue accounted for about 7% of Science North's self-generated revenue between 2012/13 and 2018/19 (the last complete fiscal year where operations were not impacted by the COVID-19 pandemic). As shown in **Figure 20**, memberships peaked in 2015/16, at 5,413. The number of members in 2022/23 was 3,805, a 30% decline. Revenue from memberships has mirrored membership levels, peaking in 2015/16 at $660,000.

RECOMMENDATION 10

To increase self-generated revenue and improve the financial sustainability of educational programming that promotes science and technology to Ontarians, we recommend that Science North:

- allocate costs to each line of business to effectively measure financial returns from each line of business and maximize self-generating businesses with the greatest financial return;
- determine the root causes of declines in attendance and membership;
- analyze ways to increase attendance and membership, through visitor feedback and by contacting former members, and take necessary corrective actions;

- research and assess options for ticket prices (including variable pricing models for domestic and international visitors) that would maximize admission revenue while maintaining or increasing attendance levels, especially for domestic visitors and students; and
- compare its attendance and membership revenue-generating initiatives with its peers in other jurisdictions to identify and implement best practices in such initiatives.

SCIENCE NORTH RESPONSE

Science North agrees with the recommendations and, in leveraging new technology, will improve its current process for allocating appropriate costs to lines of business where able.

Science North will regularly assess and analyze results for continuous learning and improvement. Resource dependent, we agree to review declines in attendance and membership and analyze ways to subsequently improve attendance and membership.

Science North will conduct a survey of its membership and assess how their responses correlate to membership acquisition and retention. We will set a process in place to annually survey members who do not renew to determine the reasons for their non-renewal.

Science North will review its ticketing options by building off the successes of strategies to date, including variable ticket pricing for our signature Halloween event (Pumpkinferno), revised dual ticketing options implemented at Dynamic Earth, and the dual Kivi Park promotion for local memberships.

We will review our strategies in order to implement changes that can help increase our admission and membership revenue, including comparing our initiatives to others. Comparisons will take into consideration Science North's location within the Northern Ontario market, differentiating its selling proposition from peers in other jurisdictions who may be in a metropolitan/downtown location. We will further leverage our memberships with the Canadian Association of Science Centres and the Association of Science and Technology Centers to research best practices.

6.2 Capital Planning and Analysis for Major Expansion Initiatives

6.2.1 COVID-19 Pandemic and Planning Failures in the Go Deeper Project Led to Significant Cost Overruns and Delays

"Go Deeper" is an expansion project at Dynamic Earth, Science North's model mine. The objective for the Go Deeper expansion is to showcase modern mining and the future of mining. There are two major components of the expansion:

- a new 2,583-square-foot underground multi-purpose theatre for shows, programming, special events and functions; and
- a display of drifts (openings made in the mine), which would exhibit modern mining equipment.

We observed that the Go Deeper expansion project has run into significant delays and cost overages. In 2019, Science North management received Board approval to proceed with the expansion project, setting an initial completion date of February 2023. A first cycle of underground construction was planned to start in fall 2021, followed by a second cycle of construction in 2022—to install mining equipment, the multi-purpose theatre space, mining shows in the theatre space, and exhibits. However, the new underground multi-purpose space has been delayed and is now expected to be completed by winter 2024. As of September 2023, the excavation was completed to open a new area of the mine.

The delay was mostly due to the COVID-19 pandemic, the City of Greater Sudbury identifying additional requirements for site remediation, which delayed municipal permit approvals, and a lack of funding available. The permit application was submitted on March 29, 2022 and approved in July 2022.

As of October 2023, Science North had spent about $5 million on the Go Deeper project. The initial capital budget for the Go Deeper project was $5 million, set in October 2020. As of October 2023, the budget had increased to $15 million—triple the initial cost projections. **Figure 21** shows a timeline of the revisions in the capital budget.

The cost increase has occurred despite a reduction in the project's scope. The amount of seating, size of the catering area and washrooms in the theatre have all been scaled back. **Figure 22** summarizes the various components of the capital budget for the Go Deeper project and their status as of October 2023.

The capital budget increases were largely due to increases in excavation and construction costs—from $2.3 million in 2020 to $11.2 million as of October 2023. Based on our review, the excavation and construction costs were higher than initially estimated because some costs were not included in the initial budget, such as waste rock and waste water removal, winter excavation costs, site remediation, as well as legacy issues such as fixing roadways to meet the requirements of the City of Greater Sudbury.

Our review determined that the Go Deeper project lacked appropriate capital planning when it was initiated. For example, no reliable third-party estimate, such as a "Class C" estimate, was completed during the planning phase to assess the reasonableness of the cost projections. A "Class C" estimate is a conceptual cost estimate based on the square-foot costs of similar construction and is expected to be accurate within 30% of actual costs.

Science North had not completed a major construction project since 2003, when the existing building for Dynamic Earth was constructed. Despite this, before initiating the Go Deeper project, Science North management did not consult with any construction experts. Management told us that a more reliable cost estimate would have been produced if a consultant with an engineering and construction background was engaged during the planning phase.

During the planning phase of the project, Science North failed to involve its project management team. While the project management team is responsible for managing projects, including co-ordination with internal and external stakeholders, managing the progress and deadlines of projects, and resolving any issues that might arise during the projects, it did not have the capacity to manage a large project such as the Go Deeper project. At the time of our audit Science North was in the process of recruiting a Director with project management experience.

Even more importantly, Science North's project team did not prepare a business case that included a detailed breakdown of cost projections for its Board to review. Instead, only a concept plan was prepared, which focused on describing potential visitor experiences and had minimal information about the capital costs. The concept plan, furthermore, did not assess the potential financial impact of the project on the revenues and profitability of Dynamic Earth. In addition, we found that Science North did not evaluate the potential risks for the project or how to mitigate those risks.

For its part, the Board approved the project based solely on the concept plan. As of September 2023, the Go Deeper project had received $900,000 in donations from private sources and $3.6 million in grants from different federal ($2.3 million), provincial ($1.0 million) and municipal ($0.3 million) government organizations.

Contractor Was Awarded Excavation Contract After Committing to a Sponsorship Agreement for the Go Deeper Project

The excavation contract for the Go Deeper project was given to a mining company after it committed to providing $1.5 million in conditional sponsorship funding from 2022 to 2026 toward the Go Deeper project in the form of five annual payments of $300,000 to be received in June of each year. As of September 2023, Science North had received $600,000 from the company with $900,000 remaining to be paid. The funding from the mining company was received in two payments of $300,000 in February and June 2023. The sponsorship agreement allows for the termination of the contract if the company ceases to carry on its business.

Figure 21: Timeline of Revisions to the Capital Budget for the Go Deeper Project

Source of data: Science North

Date	Capital Budget ($ million)	Capital Budget Increase ($ million)	Reason for Increase
October 2020*	5.0	n/a	n/a
June 2021	6.7	1.7	Two new components (Northern Outreach and Digital Game).
June 2022	7.4	0.7	Projected construction costs increased due to inflation and labour for excavation and construction phase, plus new component (Pathways Fund).
July 2022	10.2	2.8	Various costs (not previously included) for excavation and construction phase, such as allowance for waste water removal, waste rock removal, allowance for winter excavation, allowance for construction inflation and scope changes.
March 2023	11.9	1.7	Changes in construction scope and allowance for costs such as site remediation in the excavation and construction phase.
June 2023	13.9	2.0	Changes in the scope affecting the excavation and construction phase.
August 2023	14.9	1.0	Projected construction costs increased according to Class A estimates (based on completed construction drawings).
October 2023	15.0	0.1	Projected costs increased for construction, administration, Chasm Elevator Show, Digital Game and Northern Outreach components, offset by projected cost decrease for the Regreening Film component due to estimated cost savings.
Total Budget Increase		**10.0**	

* Initial capital budget.

Figure 22: Components of the Capital Budget for the Go Deeper Project, October 2023

Source of data: Science North

Component	Capital Budget ($ million)	Status as of October 2023
Excavation and Construction	11.2	In progress. Estimated completion date is winter 2024.
Big Impact	1.1	In progress. Estimated completion date is winter 2024.
Digital Game	1.0	In progress. Estimated completion date is November 2023.
Innovation Gallery	0.5	Paused as of June 30, 2023. Estimated completion date is spring 2025.
Regreening Film	0.5	Paused as of June 30, 2023. Estimated completion date is summer 2024.
Administration Costs	0.3	This is an additional cost incorporated in the total capital budget. It is not a separate project component.
Northern Outreach	0.3	In progress. Estimated completion dates are March 2025 for Part 1 and August 2025 for Part 2.
Chasm Elevator Show	0.1	Complete.
Total	**15.0**	

The contract was single-sourced using an exemption approved by the CEO without Board input as Science North's procurement policy provides unlimited purchasing authority to the CEO. According to Science North, the company provided exceptionally advantageous conditions since the mining company was previously a partner in the design of the project and the work required was highly specialized.

According to the sponsorship agreement, the contractor gets "recognition" (such as name displayed on donor wall, logo on website, speaking opportunities at campaign launch and opening events of the Go Deeper project) and Science North is required to provide the following "benefits" to three local First Nation communities for a period of 10 years: in-community STEM path summer camps; internship opportunities; family membership to community members; and community appreciation days.

To be precise, Science North simultaneously negotiated two contracts with this mining company—one for the sponsorship itself and one for excavation work on the Go Deeper project. The sponsorship contract was executed in June 2022 while the excavation work contract was executed in May 2022.

The mining company was paid about $2.0 million by Science North for the excavation work as of June 2023, resulting in a net payment of $1.4 million after accounting for the sponsorship payments of $600,000.

6.2.2 Science North Had Not Yet Prepared a Business Case or Secured Funding for the $90 Million Northwestern Ontario Expansion Project

In 2010, Science North established a 2,500-square-foot office in Thunder Bay, from which its staff plan and deliver science-related outreach programs for people in northwestern Ontario. As discussed in **Section 6.3.2**, outreach consists of different programs, such as visits to First Nations schools; community events; school and public programs; e-workshops; and science summer camps.

In 2017, Science North hired a consultant to conduct a market analysis of establishing a permanent science centre in Thunder Bay. A key finding of the stakeholder engagement phase of the market analysis was that the establishment of a permanent science centre would draw new partners and interest to Science North.

To determine the financial implications of a potential expansion, Science North engaged an accounting firm in May 2019 to conduct a feasibility study of the proposed expansion in northwestern Ontario. The feasibility study projected attendance under three different scenarios for a science centre in Thunder Bay. Expansion of an existing location in Kenora was also included in the feasibility study. The feasibility study concluded that northwestern Ontario has numerous cultural and entertainment activities but science-based education and activities are missing, other than the outreach programs offered through Science North's satellite programming.

Based on the feasibility study Science North sought Board approval to build a permanent 34,000-square-foot science centre in Thunder Bay and double the existing 4,000-square-foot Lake of the Woods Discovery Centre owned by the City of Kenora. Science North projected the capital costs for its northwestern Ontario expansion based on preliminary estimates from a construction consulting firm: $75 million for the Thunder Bay science centre and $15 million for the Kenora science centre. According to Science North estimates, the annual operating budget for the new facilities would total $5.5 million. At the time of our audit, Science North was in discussion with the Ministry to request $4 million in annual operating funding for these facilities and projects. Management projected that self-generated revenue would cover the remaining $1.5 million. The Ministry had not assessed the feasibility and financial sustainability of the expansion to Thunder Bay and Kenora.

At the time of our audit, Science North management had not yet prepared a business case for either of these proposed centres. Business cases lay out critical factors for project planning and management, such as a cost/

benefit analysis of all options; potential risks and mitigation plans; and projected societal and environmental impacts.

The Board provided only conditional approval for the projects. Final approval was contingent, based on: (1) the schematic designs for the projects being completed and presented to the Board; (2) Science North securing a commitment of $3 million in operating funding from the Province; and (3) securing capital funding for the construction and development of the projects. At the time of our audit, only the schematic designs for the projects had been presented to the Board. Science North had not met the other two criteria for Board approval. It had not yet secured capital funding for the construction and development of the projects and a commitment from the Province on operating funding.

RECOMMENDATION 11

To ensure large capital projects, including the Go Deeper and northwestern expansion projects, are appropriately approved by its Board and completed without delays and cost overruns, we recommend that Science North:

- prepare comprehensive business cases that ensure key risks and mitigation strategies are identified and assessed, and present these to the Board for approval before initiating major projects;
- consult with relevant experts and stakeholders during the planning phase of construction projects;
- co-ordinate with the relevant government authorities during the planning phase to obtain regulatory approvals;
- assign the management of projects to those with knowledge of overseeing significant projects, including co-ordination with internal and external stakeholders, managing the progress and deadlines of projects, and resolving any issues that might arise during construction; and
- reassess the CEO's unlimited signing authority under the procurement policy.

SCIENCE NORTH RESPONSE

Science North agrees with the recommendation and takes its responsibility for accountability and transparency seriously and consistently follows all legislated mandates and applicable directives. Science North will seek to develop authorization thresholds for sole-sourcing and procurement on which the Board of Trustees will have final approval.

It is important to note that relevant government priorities can shift, and acts and directives are regularly changing, thereby creating an environment where delays are possible, even when prior co-ordination is in place. Science North recognizes opportunities exist to better manage capital projects and, as such, project management teams have been enhanced including the hiring of a director with capital project oversight experience.

Science North has already begun applying applicable lessons learned, including in the Northwest Expansion, which is still in its infancy, and has begun implementing the recommended actions to ensure future projects are appropriately approved and risks of delays and cost overruns are mitigated. Once all data is gathered for the Northwest Expansion, a business case will be developed and presented to the Board of Trustees for approval. This business case will include major risks, an assessment of alternative options and cost projections informed by relevant experts. An initial risk workshop for this project with external experts was held in November 2023.

6.3 Exhibits and Programs

Science North uses visitor satisfaction surveys to obtain feedback from visitors. In our review of the visitor satisfaction surveys from 2018/19 to 2022/23, we found that of the 8,923 visitors who responded in these years, 95% said that they enjoyed their visit. That is, they responded "Yes" to the question, "Did you enjoy your overall experience today?"

6.3.1 On-Site Educational Programs Received Very Positive Feedback from Teachers

Science North offers a variety of educational programs for teachers and students from kindergarten to Grade 12. For example, the overnight camp-in program lets students spend the entire night at Science North to explore the science centre, take part in different programs, and experience a movie in IMAX. This program was aimed at children in Grades 4–12 and offered a combination of education and entertainment.

The purpose of school programs is to teach scientific principles through demonstrations, and hands-on programming using inquiry-based and problem-based learning techniques with the goal to develop students' interest in science, technology, math and engineering subjects. **Appendix 2** shows the different types of school programs offered by Science North. In 2022/23, Science North offered seven school programs.

Total attendance for on-site school programs decreased 32% in the past five years, from 41,737 students in 2018/19 to 28,289 in 2022/23. Fiscal year 2022/23 was the first fiscal year since 2018/19 in which Science North did not suffer from closures since the onset of the COVID-19 pandemic. Staff at Science North told us that some schools were still hesitant to attend school programs.

From 2013/14 to 2022/23, Science North surveyed teachers to obtain feedback on the quality of the on-site programs. When teachers were asked whether the program supported their classroom's learning (on a scale of 1 to 5, where 1 is "not at all" and 5 is "exceeding expectations"), more than 90% of the teachers responded that the program met or exceeded expectations for learning support.

During our audit we met with the Rainbow District School Board and Sudbury Catholic District School Board to obtain their feedback on Science North's educational programs for their students and to discuss impact of Science North's programs on learning. The school boards told us they were satisfied with the school programs offered by Science North, the programs were aligned with the provincial curriculum, and they felt Science North was very responsive to their needs and was working well with teachers to deliver programs to their students.

6.3.2 Outreach Program Attendance Has Dropped 62% Since 2018

Science North staff deliver outreach programs off-site, in the form of school and community visits and through the centre's satellite offices. The programs are aimed at students and members of the public who live at least 100 kilometres outside Sudbury and do not have ready access to the science centre. We spoke to the Canadian Association of Science Centres, who noted that Science North was effective in its outreach programs by going to Northern Ontario communities and schools that did not have access to a science centre due to high transportation costs.

Figure 23 shows student attendance for outreach programs from 2015/16 to 2022/23. Student attendance from public schools has declined by 62% from its peak of 53,137 in 2018/19 to 20,249 in 2022/23. As noted earlier, 2022/23 was the first fiscal year that Science North returned to in-school programs since 2019 due to the COVID-19 pandemic. In spring 2022, some schools still had COVID-19 measures in place, impacting attendance. Student attendance for public school outreach also decreased because Science North received $1.3 million less in grants for public school outreach programs in 2019/20 than in 2018/19.

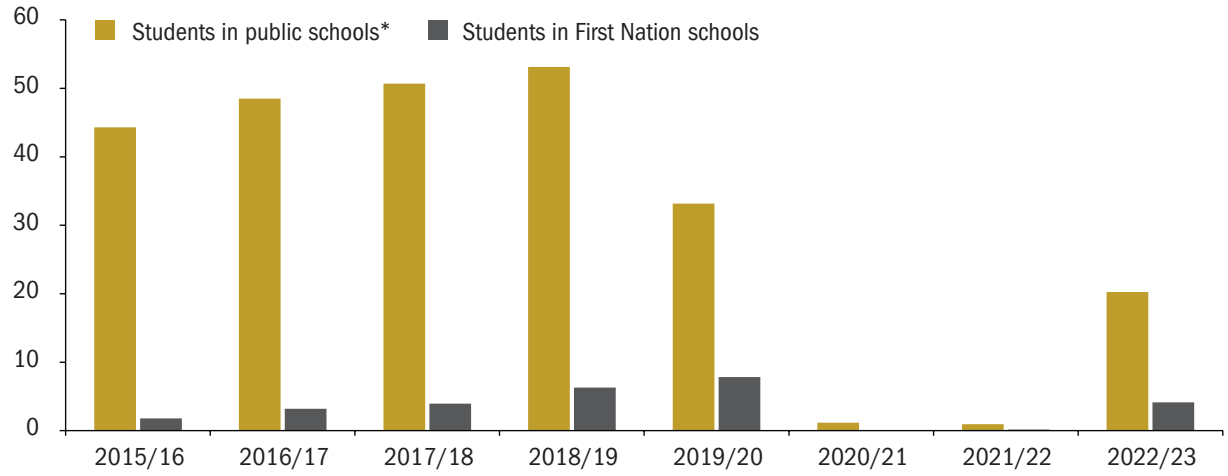
We found that Science North offered three virtual programs for students: Virtual School science shows; e-workshops for First Nation schools; and e-workshops for public schools. All virtual programs were fee-based and covered a range of topics. The popularity of virtual programming grew during the pandemic and peaked in 2021/22 at 92,664 students, up significantly from 10,421 students in 2018/19.

6.3.3 No Major Changes in Exhibits Since 2017

In our review of the permanent (floor) exhibits at Science North, we noted that 114 exhibits (51%) at

Figure 23: Student Attendance for School Outreach Programs, Science North, 2015/16–2022/23 (000)

Source of data: Science North



* Includes students in public school in Northeastern Ontario and Northwestern Ontario.

the main science centre location had not substantially changed for over seven years. The average age of the exhibits was 11 years. Only the exhibits on the centre's fourth floor had changed significantly since 2018. **Appendix 8** provides a summary of the exhibits at Science North and Dynamic Earth.

Similarly, we noted that the average age of exhibits at Dynamic Earth was 11 years and no major exhibits had changed significantly since 2017. The mining technology showcased at Dynamic Earth is from early 2000; mining operations have changed significantly since. At the time of our audit, Science North was in the process of expanding its model mine at Dynamic Earth to better showcase modern mining and the future of mining. (See **Section 6.2.1**.)

6.3.4 Exhibits at Science North Could Be Evaluated More Robustly

We discovered that Science North evaluated some of its exhibits through a behavioural assessment tool. For a sample of visitors, science centre staff reviewed video footage to examine the learning behaviours of visitors. However, in our review of Science North's exhibit evaluations over the last 10 years, we found that only 90 out of the total 338 exhibits (27%) were evaluated in this manner.

Science North did not have a way to track the number of visitors to specific exhibits, or the length of their stay at each exhibit. Such information could enhance the ability of Science North to determine the public's interest and the relative effectiveness of exhibits. Tracking data would make it easier to proactively identify exhibits that ought to be kept on the floor, improved or replaced.

In our review of Science North's business plans from fiscal year 2013/14 to 2023/24, we found that the centre had limited documented research regarding the latest topics and trends in science and technology to use in the development of its exhibits. We did note that one of the goals in the 2021/22 business plan was to "research best practices in industry." However, we found no evidence of this research.

In addition, Science North did not carry out any benchmarking exercises to compare its exhibits with those of other science centres, nationally or internationally, in order to determine whether its exhibits should be updated to reflect the recent trends and topics in science and technology.

RECOMMENDATION 12

To ensure that exhibits are up to date with current trends in science and technology, and to improve visitor experience, public interest and understanding, we recommend that Science North:

- develop a comprehensive strategy and plan for the regular renewal of exhibits and the introduction of new exhibits, taking visitor feedback into consideration; and
- conduct research into how other science centres and cultural attractions, such as museums, track visitors' perceptions and interest in exhibits.

SCIENCE NORTH RESPONSE

Science North agrees with the recommendation and will take additional measures to ensure its exhibits align with our visitors' needs. Science North will ensure it assesses and considers visitors' interests in the selection of all major exhibits and their renewals, similarly to how feedback is received for incoming travelling exhibits. As a part of its regular environmental scanning, Science North has already identified a gap in incorporating visitor feedback to inform exhibits and is actively working on addressing this. Science North commits to better documenting the assessment process, giving appropriate weight to topic assessment to select exhibits, in order to inform and improve both the selection and ongoing evaluation of exhibit performance. Considerations will be given on how to document tactical decisions and learnings to bring them forward for future planning.

We note that developing a comprehensive exhibit strategy is a complex process that is labour, time and expertise intensive. We will take steps to implement the recommendations as resources allow. Upon development, the exhibit strategy will be presented to the Science Program Committee, a standing committee of the Board of Trustees, for ratification. We will further leverage our memberships with the Canadian Association of Science Centres and the Association of Science and Technology Centers to streamline research on tracking visitor interaction with exhibits.

6.4 Performance Measures Did Not Address All Mandate Items

We reviewed Science North's key performance measures from 2019/20 to 2022/23 and compared them to its legislated mandate and key priorities in the Minister's 2023 mandate letter that aligned with its mandate. We noted that some key items in the legislated mandate are not measured. For example, there were no measures for diversifying self-generated revenues or for collaboration, a key provincial priority. In addition, there was no performance measure to assess the effectiveness of exhibits, educational programs or travelling exhibits.

Although Science North has met 76% of its performance measures targets, as shown in **Appendix 9**, we noted that from 2019/20 to 2022/23, where performance targets were not achieved—such as in overall visitor satisfaction target of 95%; school outreach; student reach at Science North and Dynamic Earth; membership renewal; and leadership capacity-building sessions—there was no evidence of remediating action to improve performance.

Further, although Science North had informative measures—such as visitor satisfaction and membership renewals—not all of this information was made public, according to our review of Science North's annual reports from 2017/18 to 2022/23 (most recent available). In addition, we reviewed Science North's 2019/20–2023/24 business plans and noted that there was no benchmarking against other science centres. We compared Science North's performance measures to the 2022/23 performance measures of the Canada Agriculture and Food Museum, the Canada Aviation and Space Museum, and Canada Science and

Technology Museum (collectively known as "Ingenium"). We noted that some relevant performance measures used by Ingenium were not used by Science North. For example, Science North did not measure annual active memberships; general and tourism market share among the national museums and science centres; or percentage of budget spent on exhibition renewals.

RECOMMENDATION 13

To improve performance measurement, transparency and accountability of its organizational activities, we recommend that Science North:

- develop performance measures to assess progress against all legislated mandates;
- publicly report on its performance against all of its established measures and targets;
- document in annual reports any planned actions to be taken when targets were not met; and
- include a discussion of peer benchmarking with other science centres in its business plans.

SCIENCE NORTH RESPONSE

Science North agrees with the recommendation and as part of performance measurement will work with the Ministry of Tourism, Culture and Sport to explore opportunities so that its performance measures are aligned with other science centres to support benchmarking.

Science North commits to improving performance measures by considering metrics that include all legislated mandates, attendance figures, event and program attendance, press coverage, visitor response (comment cards, emails, online engagement/comments, anecdotes from educators and guides, and others) and self-generated revenue.

We will amplify the inclusion of results in annual reports and business plans and commit to analyzing the results to apply the applicable lessons learned for our future planning.

7.0 Detailed Audit Observations—Ministry of Tourism, Culture and Sport

7.1 Ministry Oversight of the Science Centres

7.1.1 Lack of Action on Mandate Review and Agency Review Task Force Recommendations

The Ministry of Tourism, Culture and Sport (Ministry) reviews the annual reports and business plans of the two science centres as required under the Agencies and the Appointments Directive. The Ministry relies on annual attestations from Board Chairs and CEOs of the two science centres to ensure that the centres are complying with legislation, directives and government policies. This attestation includes compliance with Broader Public Sector Procurement Directives. Aside from a mandate review of the Ontario Science Centre and Science North in 2017 commissioned by the Ministry, the Ministry does not conduct regular reviews of the science centres' operations for compliance with legislation or directives.

The 2017 mandate review concluded that the Ontario Science Centre's and Science North's mandates continued to be relevant to government goals and priorities in providing economic development, innovation, STEM education and science culture to Ontarians. In addition, the mandate review made recommendations:

- modernize the mandates to be outcome-based/purpose-driven;
- eliminate the Ontario Science Centre's legislated requirement to manufacture exhibits;
- review and clarify the geographic scope of the centres to reduce redundancy;
- remove designation of the Ontario Science Centre as a Commission Public Body, under the *Public Service of Ontario Act, 2006*, to make its classification consistent with Science North; and

- improve the level of collaboration between the Ministry, Ontario Science Centre and Science North.

The 2019 Agency Review Task Force, established by the Province to undertake a comprehensive review of all government agencies, endorsed the mandate review's recommendations and added that the Ministry should explore opportunities for immediate efficiencies based on the findings of the review. However, at the time of our audit, the Ministry had not taken any action on many of the recommendations of the mandate review.

The review noted the following impacts of the Commission Public Body designation on the Ontario Science Centre:

- The CEO has a dual reporting relationship to the Deputy Minister and the Board. This blurs the lines of accountability.
- The requirement to follow the Ontario Public Sector HR-framework and collective bargaining agreements challenges organizational flexibility.
- A misalignment exists with peer organizations such as Science North and the Royal Ontario Museum (for example, autonomy and reporting relationships).

RECOMMENDATION 14

We recommend that the Ministry of Tourism, Culture and Sport revisit the recommendations of the 2017 mandate review and implement those recommendations that will improve the efficiency and effectiveness of the science centres.

MINISTRY OF TOURISM, CULTURE AND SPORT RESPONSE

The Ministry will review the 2017 mandate review to assess whether further actions can be taken to improve the efficiency and effectiveness of the Ontario Science Centre and Science North.

The Ministry notes that many of the recommendations from the 2017 mandate review relate to governance of the Ontario Science Centre. As part of the work on the Ontario Science Centre relocation to Ontario Place, the Ministry and the Ontario Science Centre will work together to evaluate any potential updates to the agency's mandate, legislation and operating model that would be beneficial.

7.1.2 Ministry Did Not Provide Clear Guidelines to the Science Centres about Performance Measures

We reviewed the performance measurement and reporting requirements and the memorandums of understanding (MOUs) between the Ministry and each science centre. In our review, we noted that both science centres were required to report to the Ministry on how effectively they were delivering their mandates by submitting the results of their performance measures in their quarterly governance packages, business plans and annual reports to the Ministry.

However, our audit found that the agency directives and MOUs for both science centres did not have clear guidelines or specify the key performance measures required to be included in the science centre's annual reports. Also, the MOUs did not specify which criteria the Ministry used to assess the performance and success of the science centres.

We found, further, that the 2023/24 mandate letter from the Minister to the science centres did not specify any performance measures that were expected by the Ministry. Currently, the management of the science centres determines the performance measures to be reported publicly and to the Ministry.

RECOMMENDATION 15

To receive data on useful and meaningful performance measures that accurately assesses the science centres' performance with respect to their legislated mandate and ministerial direction, we recommend that the Ministry of Tourism, Culture and Sport:

- work with the science centres to establish measures to assess their performance;

- provide guidelines to the science centres on the performance measures, such as targeted expectations, and monitor actual results against the targets; and
- provide regular communication and feedback to help the science centres clarify expectations and refine their performance measures.

MINISTRY OF TOURISM, CULTURE AND SPORT RESPONSE

The Ministry will consult with the Ontario Science Centre and Science North to review existing performance measures and explore opportunities to strengthen measures where appropriate.

The Ministry will work with partner ministries and the two science centres to consider any improvements to the performance measures as well as the evaluation tools which can be used to assess the measures.

7.1.3 Ministry Guidance Could Ensure Collaboration between Ontario Science Centre and Science North

As the two science centres have very similar mandates within different geographical regions, there is an opportunity to pool resources and collaborate to produce innovative programming and exhibits while minimizing costs. However, we found there was almost no collaboration between the Ontario Science Centre and Science North on program development, research and evaluation, or the external sales of exhibits (within Canada and internationally). There had been only one collaborative effort to deliver virtual programs during the pandemic in 2020/21.

An expectation in the Minister's mandate letters, which also aligns with the objectives of the Ontario Science Centre and Science North and a recommendation of the 2017 mandate review noted in **Section 7.1.1**, is that the science centres continue to seek opportunities for collaboration with each other to develop and market made-in-Ontario programming and exhibits for export. **Figure 24** shows some of the collaborations between the Ontario Science Centre and Science North during the last five fiscal years (2018/19–2022/23). From our audit we observed the Ministry was not ensuring collaboration between the Ontario Science Centre and Science North; it was left up to the science centres themselves to initiate any meaningful collaboration.

We found that the Ontario Science Centre and Science North could seek more opportunities for collaboration where they can benefit from the expertise of one another. Since the Ontario curriculum for science and technology is the same throughout the province, science centres could develop school programs jointly rather than duplicating programs at each science centre. Similarly, they could work together to identify more opportunities for external sales of exhibits (within Canada and internationally). The Ontario Science Centre could also work with Science North regarding research and evaluation of exhibits, since Science North already has an established research and evaluation unit.

RECOMMENDATION 16

To increase collaboration between the Ontario Science Centre and Science North, we recommend that the Ministry of Tourism, Culture and Sport work with the science centres to identify areas for collaboration that could benefit both science centres.

MINISTRY OF TOURISM, CULTURE AND SPORT RESPONSE

Following consultation and through the Minister of Tourism, Culture and Sport's annual letter of direction to each agency and as part of the approval of each agency's annual business plan, the Ministry will provide further direction on areas for collaboration that could benefit each agency.

Figure 24: Some Collaborations between Ontario Science Centre and Science North, 2018/19–2022/23

Source of data: Science North

Fiscal Year	Project	Type of Collaboration
2018/19	**Beyond Human Limits**	Travelling exhibition · Designed by Science North · Fabricated by Ontario Science Centre
2019/20	—	—
2020/21	**Winter Watch: Live with the Ontario Science Centre**	Livestream programming on YouTube and Facebook, co-hosted by Ontario Science Centre and Science North
	STEM curriculum resources for the Ministry of Education	Resource development · Elementary by Science North · Secondary by Ontario Science Centre
2021/22	**Our Climate Quest: Small Steps to Big Change (100 m^2)**	Travelling exhibitions · Initiated by Science North · Designed and fabricated by Ontario Science Centre
	Our Climate Quest: Small Steps to Big Change (600 m^2)	Travelling exhibitions · Initiated by Science North · Designed by Ontario Science Centre
	Explore the Great Outdoors	Livestream programming on YouTube and Facebook, co-hosted by Ontario Science Centre and Science North
	Spring in Ontario	Livestream programming on YouTube and Facebook, co-hosted by Ontario Science Centre and Science North
2022/23	***Anishinaabewin Maamninendimowin: Pane Gii-Bite*** (Indigenous Ingenuity: Timeless Inventions)	Travelling exhibition · Developed by Science North in consultation with Montreal Science Centre · Hosted at Ontario Science Centre

Appendix 1: Priorities and Expectations for Ontario Science Centre and Science North, 2023/24

Source of data: Ministry of Tourism, Culture and Sport

Ontario Science Centre	Science North
• Diversify revenue streams, increase self-generated revenue and identify strategies to ensure the continued viability of your operations and facilities.	• Diversify revenue streams, increase self-generated revenue and identify strategies to ensure the continued viability of your operations and facilities.
• Foster sustainable economic growth while delivering on your mandate of offering unique and educational experiences for visitors to be inspired by science and technology.	• Foster sustainable economic growth while delivering on your mandate of offering unique and educational experiences for visitors to be inspired by science and technology.
• Collaborate with other agencies and ministry partners to improve all lines of business.	• Collaborate with other agencies, ministry partners, stakeholders and communities to drive efficient innovation across all lines of business.
• Collaborate with the Ministry and its other agencies in enhancing long-term infrastructure planning across the portfolio through asset management.	• Collaborate with the Ministry and its other agencies in enhancing long-term infrastructure planning across the portfolio through asset management.
• Demonstrate excellence in program and service delivery by pursuing a sustainable business model.	• Demonstrate excellence in program and service delivery by increasing engagement in innovative learning through outreach to rural and remote communities across Northern Ontario, including First Nations.
• Focus on providing young people with experiences that will spark their interest and knowledge in STEM (science, technology, engineering and math).	• Focus on delivering learning programming that provides young people with skills for future education and careers, including in STEM (science, technology, engineering and math).
• Continue collaborating with Science North to develop and market made-in-Ontario programming and exhibits for export.	• Seek opportunities to collaborate with the Ontario Science Centre to develop and market made-in-Ontario programing and exhibits for export.
• Continue to support the redevelopment of Ontario Place by exploring future opportunities for science-related tourism and educational programming at the Cinesphere and pod complex.	
• Collaborate with other provincial agencies and attractions within the Greater Toronto Area to attract and retain out-of-province and international visitors so that they can explore all the region has to offer.	• Continue collaborating with other attractions operating in the North to encourage visitors to extend their stays and to explore all the region has to offer.

Appendix 2: Types of School Programs Offered by the Science Centres, March 2023

Source of data: Ontario Science Centre and Science North

Ontario Science Centre

Type		For Students	For Teachers
Fee-Based			
On-Site	Educational programs for schools	●	
Online	Educational programs for schools	●	
	Teacher workshops		●
Free			
On-Site	Access Science[1] (for elementary and middle school students)	●	
	Science School[2] (30+ Ontario students/semester)	●	
Outreach (offsite)	STEAM Residency program[3] (3 day in-class learning per participating class)	●	●
Online	Connected North[4] (for students in northern Canada, including Indigenous students)	●	
	Teacher resources		●

Science North

Type		For Students	For Teachers
Fee-Based			
On-Site	Educational programs for schools	●	
	Overnight camp-ins	●	
Outreach (offsite)	School outreach for public schools	●	
	School outreach for First Nation schools	●	
	Teacher workshops for public schools		●
	Teacher workshops for First Nation Schools		●
Free			
Online	Teacher resources (educator resources)		●

1. Access Science is a community-supported initiative funded by donations.
2. Science School, open to all students in Ontario, is funded by the Ministry of Tourism, Culture and Sport in partnership with school boards in the Greater Toronto Area.
3. STEAM Residency is an outreach program funded by the Ministry of Tourism, Culture and Sport for students in under-served schools and communities.
4. Virtual programs are funded and delivered in partnership with Connected North, a non-profit organization.

Appendix 3: Board Composition and Committees for Ontario Science Centre and Science North, March 2023

Source of data: Ministry of Tourism, Culture and Sport; Ontario Science Centre; and Science North

	Ontario Science Centre	Science North
Agency Type	Board-governed provincial agency	Board-governed provincial agency
Total # of Board Trustees[1]	16 to 26	Maximum 15
Current # of Board Trustees[1]	17	13
Quorum	A majority of the trustees constitutes a quorum	A majority of the trustees constitutes a quorum
Committees of the Board	· Executive · Development · Finance and Operations[2] · Governance and Governmental Relations · Strategic Oversight	· Executive · Audit · Business Affairs · Fundraising · Governance and Nominating Committee · Science Program Committee

1. All Board trustees are provincially appointed.
2. The finance and operations committee also function as the audit committee.

Appendix 4: Audit Criteria

Prepared by the Office of the Auditor General of Ontario

1. Board and Ministry oversight processes and accountability structures aligned with best practices to ensure that science centres manage their operations and facilities economically, efficiently, and effectively, with minimal environmental impact, in order to achieve their legislative mandates and complying with government requirements and guidelines. Timely corrective action is taken when necessary.
2. Science centres operate cost-effectively and have diverse self-generated revenue streams to ensure long-term financial sustainability.
3. Science centres deliver effective educational programs that support the Province's curriculum and provide people with experiences that will stimulate interest and further knowledge in science, technology, engineering and math (STEM).
4. Science centres develop, procure and display exhibits that effectively engage and educate the public on relevant and current science and technology topics to maximize attendance and membership and to cultivate learning and interest in science.
5. Science centres measure and assess the impact of exhibits and educational programs on the audience and make changes necessary to maximize the expected learning.
6. Science centres identify and enter into appropriate partnerships to drive economic activity in their respective regions and innovation across all lines of business.
7. A thorough cost/benefit analysis is conducted before undertaking any significant initiative, such as the relocation of the Ontario Science Centre to Ontario Place and the Northwest expansion project at Science North. Only initiatives that yield the greatest positive benefits are accepted.
8. Meaningful performance indicators and targets are established, monitored and compared against actual results to ensure goals, legislative requirements and guidelines are achieved. Results are publicly reported and timely corrective action is taken when necessary.

Appendix 5: Timeline Leading to Announcement of the Relocation of Ontario Science Centre to Ontario Place

Prepared by the Office of the Auditor General of Ontario

Date	Event
2006	
Apr	The City of Toronto lists the Ontario Science Centre as a heritage property.
2009	
Feb	The Province commissions a study to develop a plan to support the growth and long-term viability of tourism in Ontario. The report notes the potential to move the Ontario Science Centre to Ontario Place as part of a revitalization project.
2012	
Jul	Minister's Advisory Panel—with a key mandate to "Provide strategic advice to the government to move forward with a full revitalization of Ontario Place"—presents a report to the Minister of Tourism, Culture and Sport on the Ontario Place Revitalization, noting that "Ontario Place should position itself as an ideal site for a research or education centre for excellence."
2015	
Jun	Engineer's assessment of Ontario Science Centre by a consultant of Infrastructure Ontario, recommends pedestrian bridge roof be replaced due to its age. As of September 2023, the bridge roof had not been replaced.
2016	
Apr	Minister of Tourism, Culture and Sport requests the Ministry to prepare a business case for the capital investment needed to make the Ontario Science Centre a premier culture attraction. The business case would consider the options of major repair and renovation of the existing site or moving to a new facility at Ontario Place.
Jul	An architecture firm approaches Ontario Science Centre, unsolicited, to build a 250,000-square-foot "innovation centre" free of cost and redevelop a part of the parking lot into a community centre and mixed-used housing towers of 1,000,000 square feet.
Oct	Under the instructions of the Ministry of Tourism, Culture and Sport, Infrastructure Ontario completes a business case on modernizing Ontario Science Centre. The case recommends moving Ontario Science Centre to Ontario Place, stating that would save the government $250 million (net present value) over a 50-year period.
Nov	After reviewing the business case, the Board acknowledges in a letter to the Minister of Tourism, Culture and Sport that due to deferred maintenance, the status quo is not sustainable. While supportive of options presented in the business case, the Board puts forward a third option to build a new science centre at its current site and move it closer to the Eglinton Crosstown LRT, and to finance the project through mixed development in the remaining lands.
2018	
Jun	CreateTO, an agency of the City of Toronto, applies for an Official Plan and zoning amendment for corner of the parking lot location at Don Mills and Eglinton. The current site would become a mixed-use development of three residential towers with 1,254 residential units and a Toronto District School Board school. The development would not impact the operations of the science centre.
2019	
Apr	A private infrastructure investment firm circulates a concept document called OPX (dated March 2019) that proposes to "re-invent the [Ontario Science Centre] on the waterfront." The document notes the existing Don Mills site, owned by the City, is of "great redevelopment value" as the flat lands can be developed as purpose-built affordable rental housing, all connected to transit via the new Eglinton Crosstown LRT (which is not expected to be operating until 2024). Ontario Science Centre's then CEO (Maurice Bitran) presents a proposal to the Ontario Science Centre (OSC) Board for the relocation.

Date	Event
May	Province announces it is seeking to redevelop Ontario Place through a formal Call for Development, which closes in September 2019.
Jun	In a presentation to the Ministry of Tourism, Culture and Sport, the Ontario Science Centre's management states, "After 20 years of limited investment, aging exhibits and outdated infrastructure, the [Ontario Science Centre] is less able to fulfill its mission." Management and the Board are considering three options: (1) reinvest in the existing Don Mills site; (2) relocate closer to the Eglinton LRT station (corner of Don Mills Road and Eglinton Avenue); or (3) relocate to Ontario Place.
Dec	The then CEO of the Ontario Science Centre asks the Deputy Minister of Heritage, Sport, Tourism and Culture Industries to request the investments needed for the existing centre through the Ministry's multi-year planning process.
2020	
May	Government decision-makers approve the multi-partner approach to redevelop Ontario Place and ask Ministry of Heritage, Sport, Tourism and Culture Industries to report back on strategy for the potential relocation of the Ontario Science Centre.
Aug	Based on the May 2020 approval by government decision-makers, Ministry of Infrastructure, Infrastructure Ontario and Ministry of Heritage, Sport, Tourism and Culture Industries begin working together to identify order-of-magnitude and capital requirements associated with relocating Ontario Science Centre to the Ontario Place site.
2021	
May	Infrastructure Ontario starts working with the Ontario Science Centre on programming space requirements for the new science centre site at Ontario Place.
Jun	The Ministry of Heritage, Sport, Tourism and Culture Industries informs management of the Ontario Science Centre that relocating the centre to Ontario Place is a "priority project" and the Ministry plans to submit a proposal to government decision-makers in summer 2022.
Jul	The Province announces details of its plan for the Ontario Place redevelopment. Three successful participants from the 2019 "Call for Development" process, Therme Group, Live Nation and Écorécréo Group, will partner with the Province. The Province will also work with the Ontario Science Centre to explore opportunities for science-related tourism and educational programming at the Cinesphere and pod complex. Ministry of Heritage, Sport, Tourism and Culture Industries requests Stage 1 planning approval from government decision-makers for Ontario Science Centre relocation.
Aug	Government decision-makers approve the Ministry of Heritage, Sport, Tourism and Culture Industries' request for $12 million in capital funding for site investigations and project planning activities related to Ontario Place redevelopment. Government decision-makers also authorize the Ministry of Heritage, Sport, Tourism and Culture Industries to work with Ministry of Government and Consumer Services and Infrastructure Ontario to proceed with preliminary planning to evaluate and develop potential relocation of Ontario Science Centre to Ontario place.
Dec	Government decision-makers approve Ministry of Heritage, Sport, Tourism and Culture Industries' request for $2.9 million in funding for Stage 1 planning of a new Ontario Science Centre facility at Ontario Place.
2022	
Jan	Engineering consultant hired by Infrastructure Ontario identifies a crack and a leak in the pedestrian bridge and advises a more detailed structural investigation is needed.
Feb	Drawings from the structural specialist indicate that the bridge could fail. The Ontario Science Centre's property manager notifies Ontario Science Centre via email that they are initiating an emergency project on the bridge to determine the scope of repair work needed.

Date	Event
Apr 6	Minister of Infrastructure directs Infrastructure Ontario to support Ministry of Heritage, Sport, Tourism and Culture Industries in negotiations with the City of Toronto and in seeking Stage 2 (construction) approval for the relocation project (no negotiations between the City and the Province related to relocation occurred). The Minister notes potential options for the existing site as housing or long-term care.
Apr 20	Government decision-makers approve a government ground lease agreement with Therme Group Canada Inc. (Therme) toward the redevelopment of Ontario Place. The term of the lease is 95 years (75 years plus 20-year extension) with a targeted construction period of 24 months. As part of the lease, the Province commits to providing a number of dedicated parking spaces to Therme located within 650 metres of its entrance.
Apr 26	A structural investigation at the Ontario Science Centres notes that, for the pedestrian bridge's cast-in-place concrete walls, "exterior walls are showing significant signs of cracking on the north elevation below the windows."
Jun	The City of Toronto Council approves the redevelopment of the 5-acre City-owned property located at the southwest corner of Don Mills and Eglinton as part of the City's "Housing Now Initiative" to build affordable housing near transit. The development will not impact the operations of the science centre.
	Ontario Science Centre closes its pedestrian bridge connecting the entrance facility to exhibition spaces due to high risk of structural failure.
Aug	Infrastructure Ontario retains an architectural firm to provide a Cultural Heritage Evaluation Report on the Ontario Science Centre.
Sep 1	Quebec-based company Écorécréo Group, one of the three private partners involved in the Ontario Place redevelopment, exits due to "unforeseen challenges," according to the Ministry of Infrastructure. Écorécréo Group says they failed to come to an agreement on a long-term lease.
Sep 7	Infrastructure Ontario' engineering consultant reaches out to the Toronto and Region Conservation Authority to discuss accessing the pedestrian bridge at the science centre for potential repairs. However, no detailed repair plan is provided to the Toronto and Region Conservation Authority.
Sep 28	Infrastructure Ontario presents briefing to the Premier of Ontario's office on the relocation of Ontario Science Centre.
	The submission of the Stage 2 (construction approval) to government decision-makers for construction-related funding for the new Ontario Science Centre facility at Ontario Place is targeted by the Ministry of Infrastructure for April 2023, in order to align with Ontario Place Redevelopment planning and approvals.
Oct–Dec	Infrastructure Ontario continues to work with Ontario Science Centre to update the functional programming needs for the new science centre site at Ontario Place.
2023	
Jan	The Province amends the *Ontario Heritage Act*, adding section 25.2 (7) which allows the Lieutenant Governor in Council to make Orders that exempt provincial heritage properties owned or occupied by the Crown or a prescribed public body from having to comply with heritage standards and guidelines if properties are deemed to potentially advance provincial priorities, including transit, housing, health and long-term care and other infrastructure.
Mar 30–Apr 6	Ministry of Infrastructure submits a business case to government decision-makers for approval of construction funding for the relocation of the Ontario Science Centre and planning for a site-wide parking solution. Approval is provided in one week, which is one-third the normal time frame.
Apr 17	Ontario Science Centre Board of Trustees approves, in principle, the relocation of the Ontario Science Centre to Ontario Place.
Apr 18	Provincial government publicly announces the relocation of Ontario Science Centre to Ontario Place.
Apr 27	Environmental Assessment public consultation on Ontario Place redevelopment.

Date	Event
Jun 23	Infrastructure Ontario issues a request for proposal (RFP) for the planning, design and conformance consulting services for the new Ontario Science Centre at Ontario Place. The initial bid closing date is August 22, 2023, which is extended to October 26, 2023.
Jun	Infrastructure Ontario releases Draft Environmental Study Report on Ontario Place Redevelopment project for public feedback.
	The draft Cultural Heritage Evaluation Report prepared by an architectural firm retained by Infrastructure Ontario concludes that the Ontario Science Centre meets the criteria for a Provincial Heritage Property of Provincial Significance and Provincial Heritage Property under *O. Reg. 10/06* and *9/06* of the *Ontario Heritage Act*, and is therefore provincially and locally significant. The Report recommends ongoing engagement with the City of Toronto and the Toronto and Region Conservation Authority to ensure careful conservation of the setting and building.
Jul	The City of Toronto Council votes 21:3 in favour of exploring the feasibility of the City of Toronto operating the science centre or other public-facing attraction at its current location.
Sept	Infrastructure Ontario re-submits Ontario Place redevelopment application (originally submitted in November 2022).
	Government decision-makers approve the following funding requests by Ministry of Infrastructure: • $5.2 million for the Ontario Science Centre relocation to support planning, third-party advisors, and IO fees to support the procurement process for construction; • $1.4 million to advance planning and design work for the parking solution; and • $47.7 million to secure a construction manager and make repairs to the pods, Cinesphere and bridge.
Nov	Infrastructure Ontario releases final version of the Environmental Study Report on Ontario Place redevelopment project.

Note: In November 2019, the Ministry of Tourism, Culture and Sport changed its name to the Ministry of Heritage, Sport, Tourism and Culture Industries. In August 2022, the Ministry changed its name back to the Ministry of Tourism, Culture and Sport.

Appendix 6: Summary of Permanent Exhibits at Ontario Science Centre, June 2023

Source of data: Ontario Science Centre and Office of the Auditor General of Ontario (OAGO)

Level[1]	Exhibition Hall	# of Exhibits Observed by OAGO
1 and 2	**Geo Bridge: Celebration Way**[2]	0
2	**Great Hall** (open hall to display travelling exhibits or display exhibits of various science topics)	0
2	**Outdoor Experience Area**[3]	0
2	**Unilever Science Plaza** (outdoor)	6
2	**OMNIMAX and Entrance**	4
4	**Amateur Radio** (exhibit and live demonstration of the radio)	1
4	**Space Hall**[4] **and Saturn V** (exhibits related to space, physics and engineering)	46
4	**KidSpark** (learning-based play space of various science topics, for kids 8 and under)	61
4	**Mindworks Corridor** (artifacts on art and psychology)	5
5	**A Question of Truth** (exhibits related to psychology and perceptions)	31
5 and 6	**Stairwell Artifacts** (exhibits and artifacts of various science topics)	6
6	**Cohon Family Nature Escape** (outdoor)	4
6	**AstraZeneca Human Edge** (exhibits related to human biology)	69
6	**Forest Lane** (Exhibits related to ecology, forests and natural environment)	18
6	**Rock Paper Science** (open hall for live demonstrations and exhibits of various science topics)	4
6	**Weston Family Innovation Centre** (exhibits related to technology, physics, engineering and psychology)	36
6	**Science Arcade** (exhibits related to physics and engineering)	50
6	**HotZone and Community Reef** (open hall for live demonstrations and exhibits of various science topics)	5
6	**Bruce Poon Tip Living Earth Hall and TELUS Rain Forest** (exhibits related to the natural environment)	56
Total		**402**

1. See **Figure 13** for a map showing all six levels. Level 3 is the seasonal outdoor terrace (TD Green Terrace) and does not have any exhibits on display.
2. Located inside the Ontario Science Centre bridge but currently closed to the public.
3. Located outside of the Ontario Science Centre's front entrance and formerly known as Teluscape.
4. Space Hall includes the planetarium, which is currently closed to the public.

Appendix 7: Key Performance Indicators for Ontario Science Centre, 2022/23

Source of data: Ontario Science Centre

Strategic Priorities	Performance Measure	Target	Actual
Be a hub focused on science education and engagement	New content delivery (%)[1]	50–60%	80%
	Digital transformation strategy	Finalize strategy and implementation of Phase 1	Digital strategy developed
	Science-related ticketed events	n/a[2]	n/a[2]
Help build science capital	Percentage of programs with fully integrated 21st-century learning skills	n/a[2]	n/a[2]
	Youth Innovation programs, platforms and activities with partners—to develop, mentor and celebrate youth innovation	5+ partner-based events	7 partner-based events
Broaden our reach	New products/services for International Sales clients	n/a[2]	n/a[2]
	Total admissions attendance[3]	727,597	649,755
	Access Programs (as a % of total attendance)[4]	10%	8%
	Social media followers/subscribers	134,460	135,124
	Virtual event engagement[5]	27,772	Public virtual events not offered
	Virtual event reach[6]	123,612	Public virtual events not offered
	Website traffic	2,777,308 page views and 2,074,342 unique page views	6,160,734 page views and 4,681,234 unique page views
	Net Promoter Score (NPS)—survey measure of likelihood to recommend	41%	n/a[2]
Organizational Resilience	Science Centre self-generated revenues	$15,017,000	$13,836,000
	Maintain or improve employee experience index[7]	70.9	n/a[2]

1. New content (delivered by partners) as a percentage of the overall content that is delivered annually.
2. For targets and actuals marked n/a, performance was not measured.
3. Total attendance (target and actual) includes visitors to the Ontario Science Centre exhibit halls and OMNIMAX theatre only and does not include visitors that attended special events and programs at the Ontario Science Centre.
4. For underserved communities, attendance is tracked as a percent of total attendance.
5. For social media events: number of interactions, likes, comments, shares.
6. For social media events: number of views and how many users had the post on their timelines.
7. Index measures four key aspects of employee experience as identified by Ontario Public Service: commitment, organizational satisfaction, job satisfaction, and motivation.

Appendix 8: Summary of Permanent Exhibits at Science North and Dynamic Earth, June 2023

Source of data: Science North

Science North

Floor	Area	Exhibits
1–4 above ramp	**Fin Whale and Beluga Whale** (whale skeletons hanging from the ceiling)	5
Ramp	**Environmental Stories**	2
Ramp	**Geological Stories**	4
Between 1 and 2	**TD Toddler Treehouse** (educational play area dedicated to young children, newborn to age 5)	10
2	**Nature Exchange** (visitors can bring natural items they collected and exchange them for points or other items onsite)	26
	Lapidary Lab (visitors can learn how to cut, grind, and polish rocks by hand)	2
	Butterfly Gallery (a glass enclosure that is home to various butterflies)	19
3	**Wetland Lab** (an area displaying frogs, turtles and rattlesnakes)	19
3	**Forest Lab** (area displaying different types of trees)	26
3	**Lakes and Rivers Lab** (an area for animals, including beavers, snapping turtles, water snakes, and various fish species native to Northern Ontario)	10
3	**Animal Habitat**	22
3	**Outdoor 3rd floor** (display of several plant species native to Northern Ontario)	4
4	**Body Zone** (focused on science surrounding DNA and human bodies)	18
4	**Space Place** (a laboratory that includes information on Canadian space exploration and an object theatre related to dark matter)	33
4	**TechLab** (visitors can take apart and build electronics, create circuits, and play with a variety of gears and pulleys)	9
4	**Data Base** (visitors can use onsite tools to experiment and test their own innovative ideas in computer sciences, engineering, mechanics, technology, physics and optics)	8
4	**Prototype and Fab Lab** (visitors can learn how to use equipment such as laser cutters, t-shirt printers, 3D printers and waterjet cutters, and can participate in workshops)	8
Subtotal		**225**

Dynamic Earth

Floor	Area	Exhibits
Underground	**Underground Tour** (model mine)	16
1	**McLeod Rock Gallery** (display of information related to rocks, metals)	14
1	**McLeod Rock Gallery—Mine Training Centre** (simulation of the interior of a mine, with chairs and controllers)	5
1	**McLeod Rock Gallery—Hallway** (display of information related to coins, historical mining images throughout Sudbury's history)	8
1	**Explora Mine** (simulation of mining processes and display of minerals)	8
2 (main)	**Lobby** (an area displaying different types of coins and minerals found around the world; and story of the regreening efforts in Sudbury)	9

Dynamic Earth		
Floor	**Area**	**Exhibits**
2	**Earth Gallery** (an area focused on geology and mining)	3
2	**Earth Gallery—Rockhound Lab** (an area where minerals are traded for points and different minerals can be examined using a microscope)	5
2	**Earth Gallery—Mineral Identification** (to identify minerals using different methods)	6
2	**Earth Gallery—Canadian Diamonds** (displays about diamonds, including a brief history and current locations of diamond mining in Canada, and how to evaluate the quality of a diamond)	3
2	**Earth Gallery—Sudbury Impact Story** (exhibits showing a satellite image of Sudbury, impact structure, and geological map of Sudbury)	5
2	**Earth Gallery—Earthquakes** (exhibits about earthquakes, including an interactive table in which visitors can simulate an earthquake and learn about the related tectonic processes)	4
2	**McLean Engineering Gallery** (temporary travelling exhibit hall with changing exhibits)	1
Stairwell	**Stairwell** (display of pictures related to geological processes)	1
Grounds	**Outdoor Science Park** (display of mining-related equipment and toys)	12
Grounds	**Big Nickel** (Big Nickel site and its creation story)	3
Grounds	**Outdoor pathway** (display of information related to Sudbury's regreening)	8
Grounds	**Big Nickel Trail** (display of information related to nickel)	2
Subtotal		**113**
Total		**338**

Appendix 9: Key Performance Indicators for Science North, 2022/23

Source of data: Science North

Strategic Priorities	Performance Measure	Target	Actual
The Leader in Science Engagement	Overall visitor satisfaction (%)	95%	95% for Science North 91% for Dynamic Earth 95% for outreach 95% for science camps 98% for school programs 96% for online engagement
	Science social media posts	n/a[1]	n/a[1]
Science North in all of Northern Ontario	Public outreach	a. Reach 10,000 people in 12 communities through public outreach activities, Science Festivals, and Northern Initiatives. b. Reach 60,000 participants with the Great Northern Ontario Roadshow in 30 communities	a. 53,622 people reached b. 51,949 reached in 50 communities across Northern Ontario
	Number of students in virtual education programming	100,000	86,277
	School reach	Engage 10,000 students through in-person school visits at Science North and Dynamic Earth	24,902 students reached through in-person school visits at Science North and Dynamic Earth
	Camps	Provide summer camp experiences for 2,800 students in 30 Northern communities	Provided summer camp experiences for 2,979 students in 31 Northern communities
	Number of e-workshops delivered to First Nation schools	30	69
	Distribute STEM kits to First Nations students and families in Northern Ontario	5,000	5,867
Ultimate Customer Journey	Total admissions attendance	190,856	276,000
	Digital presence	3% engagement on social media channels	6% engagement on social media channels
	New visitor or digital audience experiences	Develop and implement digital science content on all social media channels	n/a[1]

Strategic Priorities	Performance Measure	Target	Actual
Awesome Organizational Culture	Equity, Diversity and Inclusion forums[2]	12	12
	Employee engagement score	n/a[1]	n/a[1]
	Leadership capacity building sessions[3]	10 sessions	10 sessions
	Mentorship/coaching program session	1	1
Financial Resilience and Growth	Admissions, memberships, and associated revenues	a. Admissions and memberships revenue: $2 million b. On-site business and parking revenue: $598,757	a. Admissions and memberships revenue: $2.9 million b. On-site business and parking revenue: $1.7 million
	External sales net profit (including travelling exhibit leases and administrative expenses)	$638,849	$42,954
	Grants revenue	$4 million in government-funded commitments in capital grant revenue for visitor experience renewal.	$1.6 million in government-funded commitments in capital grant revenue for visitor experience renewal.
	Budget achievement	Reduce projected $1 million deficit	Achieved a $285,004 deficit
	Philanthropy	Corporate sponsorship revenue of $825,000	Corporate sponsorship revenue of $500,071

1. For targets and actuals marked n/a, performance was not measured.
2. Equity, Diversity and Inclusion forums: a monthly staff forum to enhance organizational and individual skills that promote an inclusive environment and provide opportunities for dialogue and conversation around sensitive topics at Science North.
3. Leadership capacity building sessions: Leadership series about strategic thinking; program management; service mindset; project management; building resiliency; leading teams; influence without authority; and mentorships.

Security and Operations of IT Systems

1.0 Summary

The government of Ontario has an expansive portfolio of more than 1,200 Information Technology (IT) systems that are responsible for the operation of provincial programs across the Ontario Public Service (OPS). These IT systems have become increasingly important for the people and businesses of Ontario, providing government services in areas such as education, child welfare, social assistance and financial reporting.

To more efficiently manage these systems, the government has organized the IT operations at its 29 ministries into eight groups called IT clusters. The clusters provide day-to-day operational support to their associated ministries, including implementation of IT systems, technical support, securing confidential data, granting access to staff based on their job function, reviewing critical IT events (audit logs), monitoring the health of IT systems, and managing IT vendors and their performance. Each of the eight IT clusters is headed by a Chief Information Officer (CIO), who is responsible for supporting the IT needs of the ministries in each cluster. The IT clusters also indirectly (administratively) report to the Office of the Corporate Chief Information Officer (CCIO), which is responsible for province-wide IT needs.

This audit focused on four of the eight IT clusters to assess the security and effectiveness of the IT systems and processes used to deliver government programs and services. We selected a sample of IT systems across the four clusters.

The audit reviewed and examined security controls such as password policy and password settings to assess adherence and compliance with the OPS-wide password policy and industry standards. In addition, the audit also assessed whether the IT clusters had a process in place to apply critical security patches to its IT systems and databases on a timely basis to mitigate the risk of cybersecurity vulnerabilities. We also reviewed system access to assess whether controls were designed and operating effectively for the segregation of duties, timely removal of terminated staff's access, and periodic review of superuser access to ensure access to the privileged accounts was appropriately segregated and restricted to authorized staff.

In addition, we reviewed the controls in place to maintain audit logs for highly confidential information, including whether these audit logs were appropriately monitored, whether the audit logs captured all critical events necessary to track activities performed by staff, and whether the retention procedures were in accordance with OPS regulations.

We also reviewed various operational Key Performance Indicators identifying the performance of IT systems to ensure they were being measured and reported consistently. Further, we reviewed the controls to monitor IT vendors' performance and reviewed documents to assess whether the IT clusters were sharing vendor performance reports and leveraging existing contracts for IT vendors in an effort to prevent duplicated and redundant services.

Limited Publication

Due to the nature of our findings in this audit, details were not published in the *2023 Annual Report* to minimize the risks to the OPS. However, all of the relevant details of our findings and recommendations were provided to the CCIO and respective IT clusters for remediation. The CCIO and clusters were in agreement with the recommendations and we have received a commitment from them to act on a timely basis to implement our recommendations in full.

Because our findings were systemic in nature, we believe they are relevant to all IT clusters in the OPS. Therefore, we also recommend that the CCIO work with the clusters that were not reviewed as part of our audit to identify if our recommendations are applicable to them and implement the relevant recommendations.

The audit identified 11 recommendations, with 31 action items, to address our audit findings.

2.0 Background

2.1 Overview

The provincial government uses more than 1,200 Information Technology (IT) systems to operate its programs and deliver services to the people of Ontario. Management of these systems for the government's 29 ministries has been organized into eight groups known as IT clusters. These clusters are responsible for day-to-day IT operations at the ministries they support, implementing new IT systems, and providing oversight to manage IT operations for existing systems to deliver government programs and services. The clusters also are accountable for ensuring the security and integrity of the data processed and stored on its systems and databases.

Each of the eight IT clusters is headed by a Chief Information Officer (CIO), who reports to the deputy minister of one of the ministries in the cluster. The clusters also indirectly report to the Office of the Corporate Chief Information Officer (CCIO), which is responsible for province-wide IT needs. The CCIO, through its enterprise divisions, provides guidance to clusters by establishing policies and procedures for areas such as cybersecurity, password policies, monitoring the health of IT systems, and the measurement of IT vendor performance. The clusters are responsible for ensuring data security and operational processes are aligned and comply with requirements outlined within CCIO-established policies and standards. Our Office audited the CCIO and its three enterprise divisions as a part of our 2022 value-for-money audit Office of the Corporate Chief Information Officer.

2.2 Role of IT Clusters

Clusters are responsible for providing technology services to ministries that support specific government programs for Ontarians. Their specific responsibilities include:

- securing IT systems through enforcing strong passwords;
- managing access to IT systems by performing regular attestation reviews;
- ensuring privileged superuser access to IT systems is appropriate;
- maintaining critical audit logs, and reviewing them on a timely basis;
- measuring the health of IT systems through established metrics and service targets;
- managing vendors that provide IT services and monitoring their performance; and
- developing standard operating procedures to equip staff with knowledge and tools to promote consistent delivery of operations.

The clusters rely on CCIO for guidance on managing and conducting these operations through CCIO-established IT policies and standards.

2.3 Security and Integrity of IT Systems

Poorly designed IT systems or a lack of robust controls can result in unauthorized access and disclosure of confidential information, data breaches and unsatisfactory services delivered by vendors. In response, IT clusters put in place controls to detect and prevent risks of collusion and fraud and to assess whether IT systems are managed effectively. These controls include strong passwords, restricted and controlled access to IT systems, and periodic monitoring of audit logs. The following briefly describes the key IT controls.

2.3.1 Security of Data (Password Controls)

Passwords act as a first line of defence against cybersecurity threats and help IT teams keep confidential data secure and reliable. It is imperative for organizations to adhere to their established password policy, which at a minimum should define password requirements for IT systems. Below are some common attributes of a strong password policy:

- **Password complexity:** Password policies often require that passwords meet specific complexity criteria, which may include a combination of the following:
  - A minimum number of characters is required for a password (eight character length).
  - Use of a mix of uppercase (A-Z) and lowercase letters (a-z), numbers (0-9), and special characters (!@#$&).
- **Password expiration:** Passwords may have a defined expiration period, after which users are required to change their passwords. This helps prevent long-term exposure in case of a security breach.
- **Password reuse:** Password policies often include a rule that prevents users from reusing their previous passwords for a certain number of times.

Having weak passwords can pose a significant security risk. For instance, recycling passwords, where users repeatedly use the same or similar passwords across multiple accounts, makes it easier for attackers to gain unauthorized access. Implementing password history policies is a fundamental security measure to help protect user accounts and confidential information from unauthorized access and breaches.

2.3.2 Multi-Factor Authentication

Multi-factor authentication (MFA) is a multi-step account log-in process that adds a security mechanism such as a one-time code sent to a user's registered email address or mobile phone. MFA makes it more difficult for unauthorized individuals to access IT systems because hackers would need to possess multiple pieces of information or devices—and is an effective way to enhance security and protect confidential information from cyber threats.

2.4 Privileged User Accounts or IT Superusers

Privileged User Accounts, also referred to as superuser accounts, are used by IT staff to administer and manage IT systems, and they typically have unrestricted access to all data and permissions on an IT system. These accounts are also used to make changes to IT systems. As such, access to superuser accounts should be controlled so that activities performed by superuser accounts can be tracked, monitored and traced back when required, such as in the event of fraud.

2.5 Attestation of Privileged IT Accounts

By virtue of their role, staff with privileged IT access are able to add, modify or delete records and transactions, and in some cases even alter audit logs. For these reasons, organizations need to control or

limit which staff receive access to superuser roles, and perform periodic reviews of users' access to IT systems to ensure that access is limited to staff with specific job functions. As per industry best practices, such attestations should be performed at least annually or whenever there are staffing changes within the department.

2.6 Audit Logging

Audit logs are systems-generated trails that capture detailed chronological events and activities performed by a user on an IT system. Audit logs include activities such as user log-in timestamps, type of data accessed, transactions modified or deleted, and anomalies or exceptions identified. It is essential for organizations to enable audit logging for critical events within IT systems so that they are able to establish accountability, identify unauthorized data modification, and detect fraud-related activities.

2.7 Availability of Data—Performance of IT Systems

In order to reduce the risk of disruptions to business operations from IT-related outages, organizations need to continuously monitor the performance of IT systems. Monitoring IT controls using defined performance metrics provides insight to IT teams and management to assess whether IT systems are performing at optimal capacity. These metrics range from monitoring the IT system's capacity to backing up data successfully and applying security patches in a timely manner.

2.8 Monitoring of Service Delivery

Key Performance Indicators (KPIs) are used to measure the service being delivered. They are critical for assessing performance and the benefits provided by an IT asset such as software or hardware. Organizations also use and monitor KPIs to ensure the expected level of service is being delivered.

2.9 Patch Management

Applying up-to-date security patches (security fixes) for IT systems and databases is critical for an organization to ensure that IT vulnerabilities are not exploited to cause data breaches and outages and ensure that confidential data remains secure.

The OPS has established a security standard that lists requirements about how and when to apply security patches for cybersecurity-related vulnerabilities.

The cybersecurity division of the CCIO is responsible for the identification of vulnerabilities on IT systems and databases. This is done through a security software that scans all IT systems and databases on a real-time (continuous) basis to identify cybersecurity-related vulnerabilities against publicly known vulnerabilities identified by vendors and security experts.

Once a vulnerability is identified, the cybersecurity division informs the IT cluster of the issue so that they can apply necessary security patches, which can also be provided by the vendor. Vulnerabilities are assigned a severity score from zero to four based on their risk of occurrence and potential impact. The severity score indicates how quickly patches should be installed, with severity zero being the most urgent (within two calendar days) and severity four being the least (within 90 calendar days). IT clusters are responsible for applying these patches within these timelines, as outlined in the Government of Ontario Information Technology Standards (GO-ITS).

2.10 Vendor Management by Clusters

While the CCIO is responsible for procuring goods and services used across the entire OPS, IT vendors that provide services and support for IT systems used by ministries are engaged directly by their respective IT clusters. The management of vendors for the delivery of goods and services is done at the individual engagement or contract level by the particular ministry or IT cluster that owns the contract.

3.0 Audit Objective and Scope

Our audit objective was to assess whether the selected Information Technology (IT) systems at four IT clusters in the Ontario Public Service (OPS) have effective systems and processes in place so that:

- Ontarians' data and IT systems that deliver critical government programs and services are secure and reliable, including the restricted use of privileged access and the monitoring of it to prevent unauthorized access to information systems;
- IT systems are effectively monitored, utilized at optimal capacity, and are assessed against established performance metrics; and
- systems and processes prevent the IT clusters from procuring duplicate IT vendors that provide similar services, and that vendors are effectively monitored so that services are rendered with due regard for economy, and that corrective action is taken on a timely basis when necessary.

In planning for our work, we identified the criteria we would use to address our audit objective. These criteria (see **Appendix**) were established based on a review of applicable legislation, policies and procedures, IT risk factors, internal and external studies, and best practices. Senior management at the IT clusters and the Office of the Corporate Chief Information Officer (CCIO) reviewed and agreed with the suitability of our audit objective and related criteria.

We conducted our audit between January 2023 and September 2023. We obtained written representation from management that, effective November 17, 2023, they had provided us with all the information they were aware of that could significantly affect the findings or the conclusion of this report.

We interviewed Chief Information Officers (CIOs), IT staff and relevant stakeholders at the four IT clusters at various positions to review their roles and responsibilities related to the management of IT systems they were responsible for and processes established to deliver government programs. We reviewed established procedures that define the objectives and mandate of the clusters.

We selected a sample of key IT systems across the four clusters. We reviewed security controls such as password policy and password settings to assess adherence and compliance with OPS-wide password policy in the form of the Government of Ontario Information Technology Standards (GO-ITS) and industry security standards.

We reviewed the system access listing to assess if superuser access was appropriately segregated and restricted to authorized staff. We also assessed if the clusters had controls in place to review superuser access periodically and whether access for inactive accounts was removed in accordance with GO-ITS security standards.

We reviewed the controls in place to maintain audit logs for highly confidential information, including the monitoring of these audit logs and retention in accordance with OPS regulations. We also reviewed various operational Key Performance Indicator reports identifying the performance of IT systems to ensure they were being correctly utilized and were performing at optimal capacity. Further, we reviewed the controls to monitor IT vendors' performance and reviewed documents to assess if the clusters were sharing performance reports with each other. We also assessed if the clusters were collaborating and leveraging existing contracts for IT vendors in an effort to prevent duplicated and redundant services.

We conducted our work and reported on the results of our examination in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada. This included obtaining a reasonable level of assurance.

The Office of the Auditor General of Ontario applies the Canadian Standards on Quality Management and, as a result, maintains a comprehensive quality control system that includes documented policies

and procedures with respect to compliance with rules of professional conduct, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Out of Scope

This audit did not specifically focus on OPS-wide centralized IT functions such as cybersecurity, the Enterprise Risk Management process, procurement of IT contractors, IT assets such as laptops and vendors valued over $2 million, and service level agreements and key performance metrics for IT incidents. Those topics were reviewed as part of our 2022 value-for-money audit Office of the Corporate Chief Information Officer.

Appendix: Audit Criteria

Prepared by the Office of the Auditor General of Ontario

1. Privileged access to key Information Technology (IT) systems critical for delivery of government programs and services is restricted to staff on a need-to-know basis to prevent unauthorized access to personal and sensitive data.
2. Performance indicators of key IT systems such as system availability, capacity utilization, patching status, aging, and system downtime are established, measured against targets, and monitored for effective system performance oversight.
3. Existing IT vendor contracts are leveraged before procuring new vendors to avoid procuring duplicate services, and vendor performance is monitored.
4. Controls are in place to prevent the procurement of duplicate IT vendors that provide the same services and software.
5. Clusters review vendor performance on an ongoing basis as per established criteria.

Tourism Support Programs

1.0 Summary

Ontario tourism impacts a number of different sectors of the economy, such as the transportation, accommodation, food and beverage, recreation and entertainment, and retail sectors. About 90% of the tourism-related businesses in Ontario are small businesses that employ fewer than 20 employees. In 2019, the Ministry of Tourism, Culture and Sport (Ministry) estimated that tourism represented 4% of Ontario's gross domestic product (GDP), amounting to about $37 billion, and 5% of Ontario's total employment—about 396,000 jobs.

The Ministry provides financial and non-financial support to promote economic growth in Ontario through the tourism sector. This includes direct support to tourism operators with the objective of attracting more tourists to Ontario, such as grants to help with the costs of hosting events that encourage visits to a city. In 2022/23, the Ministry spent $45 million in total on funding programs in the tourism sector. In addition to direct funding to tourism operators, the Ministry also funds Destination Ontario (a provincial agency) and regional tourism organizations (RTOs—non-profit organizations with annual funding agreements with the Ministry), with $52 million provided to them in 2022/23. Destination Ontario is responsible for marketing Ontario as a destination to tourists, and the RTOs are responsible for leading the co-ordination of tourism in each region (13 regions across Ontario, of which 11 are funded by the Ministry) and attracting tourism spending from their key markets.

The number of tourists in Ontario consistently exceeded 130 million each year in the decade prior to the pandemic, and was almost 132 million in 2019. In 2020, the COVID-19 pandemic significantly impacted Ontario's tourism industry, with the number of tourists in Ontario dropping by about 41% from the year prior (and with more of them being Ontarians travelling within Ontario as opposed to visitors from outside the province), leading to a 65% reduction in the tourism sector's contribution to GDP. In response, the Province launched one-time funding programs ($131.9 million in total in 2021/22) to help the tourism industry manage COVID-19–related public health restrictions and the associated impacts on its operations.

Overall, we found that the Ministry does not have an effective long-term strategic plan for supporting and growing tourism in the province, especially as the industry recovers from the impact of the COVID-19 pandemic. The last strategic plan was released in 2016, with a goal of achieving average annual tourism growth of about 3% through 2021, but the province did not achieve this, as tourism in Ontario grew at less than 2% per year prior to the COVID-19 pandemic. While other provinces, such as British Columbia, Alberta and Quebec have released tourism strategies for the recovery and growth of the tourism sector

following the effects of the COVID-19 pandemic, Ontario has not yet released a new long-term strategic plan. Having a tourism strategy is important for delivering effective tourism support programs that are co-ordinated to achieve clear goals for the province's tourism industry, obtain value for money spent, and ultimately maximize the economic impact of tourism in Ontario, including the contribution to the provincial GDP, the number of jobs supported and tax revenues generated.

The Ministry-funded organizations (Destination Ontario and the RTOs) have overlapping responsibilities, as both dedicate resources to marketing Ontario tourism to Ontarians. This decreases the amount of funding that is left for Destination Ontario to advertise in other markets, such as the United States and overseas, even though its marketing data shows that allocating more advertising dollars to the United States rather than Ontario would lead to a greater number of tourist visits and increased spending. This would result in greater economic benefits for Ontario.

Our audit also reviewed four annual, recurring funding programs, and two one-time funding programs to support businesses during the COVID-19 pandemic. We found that two of the annual programs, the Tourism Economic Development and Recovery Fund and the Pan-Regional Fund, support tourism projects with similar purposes, yet complementary projects funded through the two programs are not required to collaborate for more efficient use of the funding.

We also found that the design of one of the Ministry's one-time COVID-19 funding programs (Ontario Tourism Recovery Program) resulted in inconsistencies in the number of grants companies could receive, based solely on the ownership structure of the business. Subsidiaries of companies with multiple owners were eligible for more funding at times than subsidiaries of companies with only one owner. About one-quarter of the approximately $98 million disbursed was paid to only 28 groups (representing 94 businesses), with the remainder paid to 476 businesses. In addition, we found that approximately $1.5 million was paid to 14 businesses that were ineligible for funding or that had potentially fraudulent applications submitted on their behalf.

The following are some of our significant findings relating to the Ministry's strategy and approach for supporting the tourism sector:

- **The Ministry has not developed an effective long-term strategic plan for tourism recovery and growth following the COVID-19 pandemic.** The last long-term strategic plan released by the Ministry was in 2016 with an objective of growing tourism at an average rate of 3.3% annually over five years (through 2021). The tourism sector in Ontario did not achieve this growth after 2016, and then was significantly impacted by the COVID-19 pandemic. In 2020 and 2021, two reports with broad actions and recommendations were developed, one by the Ministry and one by tourism stakeholders at the direction of the Minister of Tourism, Culture and Sport, to support the tourism industry during the pandemic while health restrictions were in place. However, unlike other provinces such as British Columbia, Alberta and Quebec, Ontario has not developed a strategic plan outlining its main goals and planned actions to support this sector in the pandemic recovery.
- **Tourism marketing in Ontario is not always in partnership with regional organizations, resulting in less funding available for international marketing and fewer potential tourist visits.** In the five years from 2015/16 to 2019/20 (the years before the COVID-19 pandemic), Destination Ontario spent about $4 million on average annually to advertise Ontario tourism within Ontario, and the 11 RTOs that receive Ministry funding collectively spent about $11.7 million, on average, annually for the same purpose. While both Destination Ontario and the 11 provincially funded RTOs invest in marketing to encourage Ontarians to travel within the province as part of their mandates, we noted that the majority of Destination Ontario's advertising in Ontario was not done in partnership with regional organizations. However, Destination Ontario's own analysis indicates that it could attract more

tourists and tourist dollars if it spent more on marketing Ontario to international tourists as opposed to tourists within Ontario; promoting Ontario to the rest of Canada and internationally is part of Destination Ontario's mandate. Using Destination Ontario's analysis on the impact of past marketing campaigns, we estimate that in 2022/23, if Destination Ontario had allocated $2 million of the amount it spent marketing within Ontario to advertising in the United States, Ontario could have seen an estimated 86,000 more tourists and an estimated $38 million more in tourist spending in 2022/23.

- **The Ministry is not collecting necessary information to determine the impact that regional tourism organizations have on tourism in their region.** The RTOs are required to set goals and report to the Ministry on these goals and the activities they undertook to achieve them at the end of each year. However, from our review of the RTOs' reporting, the RTOs do not always establish targets for the activities they plan to perform. For example, one RTO planned to participate in partnership projects, but did not set any targets for the number of partners, and another RTO did not establish required performance targets for all of its activities. The Ministry also does not require the RTOs to report back on tourist trends for their regions to help it understand the impact of the RTOs' activities and more effectively target funding to RTOs. For example, we noted that four of the 13 tourism regions in Ontario experienced a decrease in tourists from 2013 to 2017, and the Ministry did not collect data from the RTOs to understand this trend in their tourism.
- **Limited provincial funding has been provided in the past five years to attract private investment in the tourism sector, which is part of the Ministry's mandate.** From 2012/13 to 2017/18, the Ministry, along with the Ministry of Economic Development, Job Creation and Trade, provided total funding of $19 million to attract tourism sector investment, which led to total private investment of approximately $288 million. They have made no such investment in the past five years. In contrast, British Columbia ($30 million over three years) and Alberta ($51.6 million over three years) have established current funding programs to develop tourism experiences, which in turn attract private investment to the tourism sector. Although the Ministry has assigned some of the responsibility for attracting private investment to the RTOs through their annual funding agreements, the RTOs informed us that they do not have the budget to achieve this in an effective manner, and this work is generally organized at the provincial and/or municipal levels, whereas RTOs support multiple municipalities.

The following are some of our significant findings relating to the Ministry's funding programs:

- **Ineligible and potentially fraudulent applications to a COVID-19 funding program resulted in approximately $1.5 million paid.** The Ontario Tourism Recovery Program was a one-time grant provided to eligible tourism businesses that experienced a 50% or greater revenue decline as a result of the COVID-19 pandemic. From the 570 total recipients of the program's grants, we tested 90 applications and found that six applicants received approximately $1.1 million that should not have been awarded. When reviewing the information reported in the applications, we noted errors that would have made them ineligible based on the application guidelines, such as not meeting the requirement to have experienced a 50% decrease in revenue when comparing 2020 or 2021 to 2019. An additional eight companies applied for the grant and received about $460,000 before the Ministry identified these as potentially fraudulent submissions as they used incorrect corporate information. Overall, this resulted in

approximately $1.5 million paid to ineligible or potentially fraudulent recipients.

- **Similar tourism businesses received different levels of funding from a COVID-19 funding program based on their ownership structures.** The Ministry's design of the Ontario Tourism Recovery Program allowed businesses of similar size and type to get different funding support based solely on their ownership structure. For instance, if two corporations jointly owned three companies they could apply for three grants, but if one corporation owned three companies it could apply for only one grant. For example, we found that eight companies were able to apply for a total of eight grants totalling $2.75 million because each company owned a hotel and had more than one owner. However, these companies were all part of the same group of hotels that share the same senior management and have many owners in common. In contrast, over 20 companies, each of which owned a hotel, were eligible to receive in total only one grant of $695,000 (the maximum grant available) because they were all owned by a single corporate owner. Ultimately, 28 groups (consisting of 94 businesses) received almost a quarter of the $98 million total funding, with 476 businesses receiving the remainder.
- **The Pan-Regional Fund is not publicly advertised, funds projects that do not meet the original program criteria and duplicates other funding programs.** The Pan-Regional Fund provides annual grant funding to applicants for promoting tourism across multiple regions (pan-regionally). The Pan-Regional Fund is not advertised publicly and there is no formal application process, so only organizations that have become aware of the program through the RTOs or the Ministry have submitted proposals to the Ministry for funding. There are also no defined criteria for evaluating applications. This results in the Ministry awarding funding at its discretion, with some projects' objectives overlapping with objectives of other Ministry funding programs meant for the same purpose. For example, when the Pan-Regional Fund was first established in 2013, RTOs were expected to continue to collaborate across the province (pan-regionally) out of their annual funding allocation and not from this fund. However, the Ministry provided one RTO with additional funding through the Pan-Regional Fund in 2021/22 and 2022/23 to deliver certain projects in collaboration with four other RTOs. This funding is contrary to the original program design of the Pan-Regional Fund and existing expectations for RTOs; all other RTOs are already expected to collaborate with other regions across the province as part of their mandate through their annual RTO funding from the Ministry.
- **Late funding approvals by the Ministry led to cancelled festivals and events.** The Ministry delivers annual funding to organizations that host festivals and events to attract tourists to a region through the Reconnect Ontario program, but delays in notifying recipients of funding decisions have resulted in events being cancelled, including seven events in 2022/23. The Ministry accepted applications for Reconnect Ontario from January 6, 2022 to February 2, 2022, and notified successful applicants of their approved funding on July 28, 2022; this was over five months after the application period ended and nearly four months after the start of the funding year, April 1. Three of the cancelled events were planned to start between May 2022 and July 2022, including one that was expected to generate $1.3 million in tourist spending. By the time the Ministry communicated the funding notifications, organizations had already cancelled their events or reduced their scale, with some cancelling at a later date.

This report contains 17 recommendations, with 39 action items, to address our audit findings.

Overall Conclusion

Our audit concluded that the Ministry of Tourism, Culture and Sport (Ministry) has not developed and executed on a long-term strategic plan since its five-year plan released in 2016 (covering 2016 to 2021) to grow Ontario's tourism industry and maximize its contribution to the economic growth of the province. British Columbia, Alberta and Quebec all released long-term strategic plans for tourism growth and recovery between 2021 and 2023 to support the tourism industry following the COVID-19 pandemic. However, Ontario has not developed a long-term plan for supporting its tourism sector since the pandemic.

We also found that not all tourism funding programs were designed or delivered efficiently and effectively to support the tourism industry. For example, one funding program is not publicly advertised and does not have defined criteria for evaluating applications. We noted that the program awarded funding, at the Ministry's discretion, to projects whose purpose duplicates purposes of other funding programs.

Additionally, the Ministry has not collected information to evaluate the effectiveness of provincial tourism supports in growing the tourism industry and reported the results to the public or tourism stakeholders.

OVERALL MINISTRY RESPONSE

The Ministry appreciates the work of the Auditor General and welcomes the recommendations for the Ministry's tourism support programs for Ontario.

The government is focused on rebuilding the economy and creating good jobs for Ontarians. Tourism is an important economic driver, and strengthening this sector plays a significant role in delivering on these priorities and promoting communities throughout Ontario.

The Auditor General's recommendations provide useful feedback to help build on the Ministry's current and ongoing support for the tourism sector. These recommendations will assist us in:

- growing the tourism industry;
- co-ordinating efforts between regional tourism organizations and Destination Ontario to ensure efficiency and an effective regional approach to promoting tourism;
- improving program design, funding criteria and evaluation to ensure the best return on investment; and
- improving data sharing and research to facilitate planning and strategy.

The Ministry will continue to work with Ontario's tourism industry to welcome visitors and showcase all that Ontario has to offer.

2.0 Background

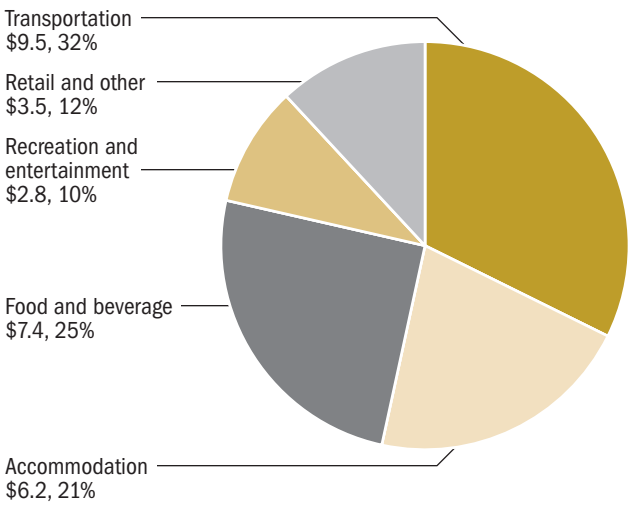
2.1 Impact of the Tourism Industry in Ontario

A tourist is defined by Statistics Canada and the Ministry of Tourism, Culture and Sport (Ministry) as anyone who travels 40 kilometres or more to a destination for anything other than work, school, going to appointments, or shopping as part of regular activity. Spending by tourists impacts many sectors within the province, including transportation, accommodation, and food and beverage sectors (see **Figure 1** for tourism spending by sector in Ontario in 2019). Statistics Canada conducts two annual surveys of tourism activities in Canada—one surveying international tourists travelling to Canada, and one surveying Canadian residents on their travel plans within and outside Canada. The surveys were paused in March 2020 as a result of travel restrictions during the pandemic. The national travel survey of Canadian residents resumed in July 2020, but the international travel survey was not restarted until April 2023 at most major airports due to ongoing travel restrictions in 2021 and 2022.

In addition to the economic value of tourism through tourist spending, the tourism industry also contributes to social benefits in the province and its

Figure 1: Tourist Spending by Sector in Ontario, 2019 ($ billion)

Source of data: Ministry of Tourism, Culture and Sport



regions. According to the Ministry, most tourism-related businesses in Ontario are small businesses, with 90% employing fewer than 20 employees; they employ many youths and students, as well as a larger proportion of part-time workers and visible minorities than other industries. The tourism industry also promotes local culture, and the infrastructure and experiences built for tourists also benefit the local residents.

In 2019, the Ministry estimated that Ontario attracted approximately 132 million tourists; 13% of them arrived from outside Canada, with the remainder travelling within Ontario (82%) or from other Canadian provinces and territories (5%). Between 2011 and 2019, Ontario consistently attracted more than 130 million tourists (see **Appendix 1** for the breakdown of tourists by place of origin, per year, between 2011 and 2021). On average, between 2011 and 2019, 85% of tourists were travelling from within Ontario, 5% were travelling from other provinces and territories in Canada, and 10% from other countries. In 2020, this changed to 93% of tourists travelling from within Ontario, 4% travelling from the rest of Canada and 3% from outside Canada.

In 2019, spending by tourists generated $38 billion in tourist receipts, which contributed almost $37 billion to Ontario's gross domestic product (GDP) (about 4% of total provincial GDP) and supported about 396,000 jobs (about 5% of total provincial employment) across approximately 88,000 tourism-related businesses. The tourism industry also generated about $13 billion in tax revenue for the federal, provincial and municipal governments.

Starting in 2020, the tourism industry was negatively impacted by the COVID-19 pandemic as public health restrictions significantly limited travel. The tourism sector added about $15 billion to Ontario's GDP in 2021 ($13 billion in 2020), which was a decrease of about 59% from 2019. Tourism stakeholders estimate that the tourism sector in Ontario will not recover to 2019 levels until at least 2025.

2.1.1 Measuring the Economic Impact of Tourism

The Ministry relies on Statistics Canada survey data described in **Section 2.1** to determine the number of tourists in Ontario each year and total tourism receipts in Ontario (see **Appendix 1** for these statistics for 2011 to 2021). Tourism receipts are one of the Ministry's main performance indicators to assess the trend of tourism activity in Ontario. **Appendix 2** provides the breakdown of tourism receipts, which represents the total spending of tourists in Ontario plus spending in Ontario for trips outside the province, plus profits from Ontario travel firms.

In the 1980s, the Ministry developed the Tourism Regional Economic Impact Model (Economic Impact Model). A web-based version of the model was launched in 2005. The Ministry uses the Economic Impact Model and its calculation of tourism receipts to estimate the value added to Ontario's GDP from tourism activities, the number of jobs created and government tax revenue generated.

The Economic Impact Model is also used by tourism organizations and operators to estimate the economic impact of specific tourism activities in Ontario such as hosting a festival, a convention centre event, or investment in building a new tourist attraction. Organizations can calculate the economic impact of their

events by inputting information such as estimated or actual number of tourists, length of each tourist's stay in the region, and where they arrived from.

Statistics Canada also conducts an analysis of provincial and territorial GDP and employment generated by tourism. Its calculation method differs from Ontario's calculation in that Statistics Canada includes only the direct impact to GDP and not the indirect or induced impact of re-spending in the economy (such as the reinvestment of profits by tourism businesses to expand their operations by providing more services and hiring more employees). **Appendix 3** shows the percentage of GDP and jobs that tourism represents in each province and territory.

2.1.2 Ministry's Performance Indicators for the Tourism Sector

The Ministry has two internal performance indicators to track the impact of the tourism sector in Ontario:

- number of jobs generated by tourism in Ontario; and
- dollar amount of Ontario tourism receipts.

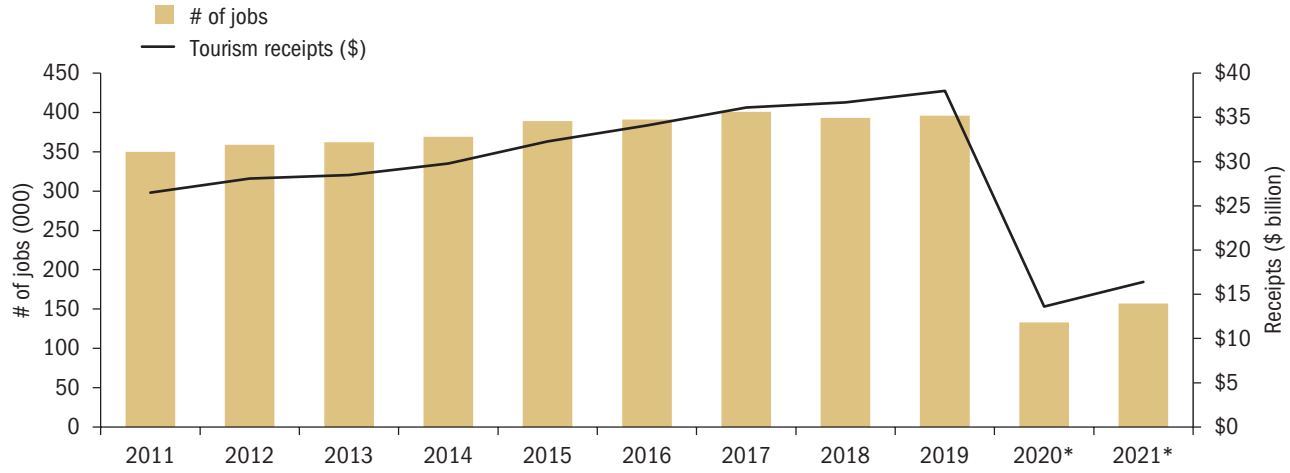
Figure 2 shows the trend in these performance indicators from 2011 to 2021. In 2019, the Ministry's targets for these performance indicators were to achieve 439,462 jobs generated by tourism in Ontario by 2021, and $51 billion in tourism receipts by 2027. These targets were initially set in 2017. By 2022, the COVID-19 pandemic had led to significant restrictions on tourism activity, so the Ministry set new internal targets to reflect its expectations for Ontario's tourism sector to recover to the 2018 level of jobs and tourism receipts by 2025 (392,777 jobs generated and $36.7 billion in tourism receipts).

2.2 Role of the Ministry and Other Key Players

There are many organizations—federal, provincial and municipal—that support tourism in Ontario (see **Figure 3** for some of the main organizations that support Ontario tourism). The Ministry provides financial and non-financial support to the tourism industry. This includes the Ministry's direct funding programs for tourism operators. Some of the funding programs are annual and recurring, such as funding for events that attract tourists to Ontario. Other funding programs are designed to provide one-time financial support, such as grants to operators who could not operate normally during the COVID-19 pandemic.

Figure 2: Ministry of Tourism, Culture and Sport Key Performance Indicators for Tourism Sector, 2011–2021

Source of data: Ministry of Tourism, Culture and Sport



* The COVID-19 pandemic interrupted Statistics Canada's travel survey collection operations, and therefore data for 2020 and 2021 includes travel estimates produced by Statistics Canada. At the time of our audit, data was available only up to 2021.

Figure 3: Key Players That Support Ontario Tourism

Prepared by the Office of the Auditor General of Ontario

Federal

Federal government

- Several departments and agencies within the federal government provide funding and/or support to the tourism industry in Canada, such as Innovation, Science and Economic Development Canada, the Federal Economic Development Agency for Southern Ontario and the Federal Economic Development Agency for Northern Ontario

Destination Canada

- Federally funded Crown corporation
- Tourism organization responsible for sustaining Canada's tourism industry, marketing Canada as a tourist destination, and supporting the co-operation between the private sector, Canada and provinces and territories

Provincial

Ministry of Tourism, Culture and Sport (Ministry)

- Helps grow Ontario's economy through strategic support and investment in the tourism sector by working with stakeholders
- Operates funding programs that provide funding directly to tourism operators (businesses, not-for-profit organizations) that attract visitors to communities across the province

Ontario Tourism Marketing Partnership Corporation (operating as Destination Ontario)

- Provincially funded agency of the Ministry
- Tourism marketing organization with a mandate to promote Ontario as a travel destination to individuals within Ontario, Canada and internationally

Regional

Regional Tourism Organizations (RTOs)

- 11 not-for-profit organizations that are independent of the Ministry and are provincially funded to lead within their tourism region (see **Appendix 5a** for the 13 regions, two of which are not provincially funded)
- Lead tourism development in the region by increasing co-ordination of businesses impacted by tourism, marketing the region, and working collaboratively with the industry to enhance tourism experiences available

Municipal

Destination Marketing and Management Organizations (DMOs)

- Funded by municipal governments and Municipal Accommodation Taxes, and/or the DMOs' members
- Responsible for increasing tourism at the sub-regional level (e.g., municipal) through marketing, such as promoting a location and experiences it offers or increasing awareness of a destination

Note: The activities of the Ministry, Destination Ontario and the RTOs to support the tourism industry are included in this audit.

In addition to these funding programs, the Ministry is also responsible for providing strategic support, developing tourism policy in partnership with other ministries and governments, attracting private-sector investment, and performing research and analysis of tourism statistics to support its activities and policy decisions.

The activities of the Ministry are also supported by other provincially funded organizations that are mandated through their funding agreements to promote Ontario as a tourist destination and work with the tourism industry to increase economic growth in Ontario. These include Destination Ontario and regional tourism organizations (RTOs), which both receive provincial funding. Destination Ontario is a provincial agency responsible for marketing and promoting Ontario tourism. RTOs are not-for-profit organizations that operate independently of the Ministry and are responsible for providing strategic and advisory support to tourism businesses in their region and promote collaboration within their region and among the RTOs to develop better tourism experiences for tourists.

2.2.1 Destination Ontario

The Ontario Tourism Marketing Partnership Corporation (operating as "Destination Ontario") is an agency of the government of Ontario. Formed in 1999 under the *Development Corporations Act* (Ontario Regulation 618/98: Ontario Tourism Marketing Partnership Corporation), Destination Ontario's role is to promote Ontario as a travel destination in order to benefit the province through increased domestic and international visits and spending. Destination Ontario's key strategic priorities include:

- focused marketing campaigns direct to the consumers who would be most likely to travel to Ontario and/or result in the most tourist spending;
- partnering with tourism stakeholders such as Destination Canada (a federal Crown corporation responsible for supporting the tourism industry in Canada and promoting Canada as a tourist destination) to grow tourism in Ontario; and
- conducting research on consumer behaviour and tracking advertising impacts to identify the most effective activities to pursue in the future to increase tourism.

The agency is accountable to the Ministry and is governed by a board of directors whose members are appointed by Ontario's Lieutenant Governor in Council. The Ministry provides Destination Ontario with its mandate and annual funding to carry out its objectives.

In 2022/23, Destination Ontario received $33 million of funding from the Ministry. About half of its annual expenses are costs for advertising and marketing campaigns to promote Ontario and/or specific destinations or attractions in Ontario as tourism destinations on the Internet, radio and other media channels. The remaining annual expenses include offering travel information services, partnerships with industry, and other direct operating costs.

As of August 2023, Destination Ontario operated nine Travel Information Centres across Ontario (see **Appendix 4** for the location of these centres), located near border crossings and along major routes to offer travel advice, tickets for select attractions and events, and souvenirs. These are provincially run and separate from the over 200 municipally owned or community-operated visitor information centres. In 2022/23, these centres cost approximately $5 million to operate.

2.2.2 Regional Tourism Organizations (RTOs)

RTOs are independent, not-for-profit organizations that promote tourism at the regional level. In 2010, the Ministry divided the province into 13 tourism regions, with one organization for each region. Many different business sectors are part of the tourism industry (such as accommodations, food and beverage, entertainment and attractions), and tourism-related businesses in Ontario are predominantly small businesses. The RTOs were established at the Ministry's direction to increase co-ordination of all the businesses impacted by tourism, market the region, promote the unique

potential of each region, and work collaboratively with the industry to enhance the tourism experiences available. See **Appendix 5a** and **Appendix 5b** for maps of the tourism regions in Ontario.

Even though RTOs are governed by their own boards of directors and are independent of the Ministry, they are each accountable to the Ministry through the annual funding agreement that outlines the objectives and activities that each RTO must perform. The RTOs are expected to support the tourism sector through five priority areas. See **Figure 4** for a description of the objectives of each priority area. For example, an RTO may create marketing campaigns highlighting a regional attraction, work with tourism operators to collaborate on providing joint experiences that attract more tourists to the region, and provide business coaching and support to small business operators that may not have the expertise on how to expand their attraction.

As of 2019/20, the Ministry provides annual funding to 11 of the 13 RTOs, amounting to approximately $19 million in total (see **Appendix 6** for a breakdown of funding by RTO between 2018/19 and 2022/23). The remaining two RTOs (RTO 5, Greater Toronto Area and RTO 10, Ottawa and countryside) stopped receiving annual funding from the Ministry in 2019; the Ministry's rationale for this change in funding was that these two RTOs earned revenue from the collection of the Municipal Accommodation Tax, which is an additional fee that municipalities can levy on short-term accommodations such as hotels, to generate revenue for tourism marketing in the municipality (see **Section 2.2.3**).

2.2.3 Municipal Tourism Organizations

In addition to Destination Ontario (working at the provincial level) and RTOs (working at the regional level), municipalities may also have tourism organizations that promote tourism for the city, town or county. These organizations are called destination marketing organizations or destination management organizations, both of which can be referred to as DMOs. RTOs are expected to work collaboratively with all industry partners, including the DMOs in their region.

DMOs focus on developing tourism at a sub-regional level, such as within municipal boundaries, particularly through marketing. This can include promoting a location and the experiences it offers, increasing awareness of a destination, and improving the overall reputation of the destination as a desirable place to visit, such as through social media advertising. Often, multiple

Figure 4: Five Priority Areas of Regional Tourism Organizations (RTOs) Required by Ministry of Tourism, Culture and Sport (Ministry) Funding Agreements

Source of data: Ministry of Tourism, Culture and Sport

Priority Area	Objective
Investment Attraction/ Investor Relations	Increase investment in the tourism industry to enhance visitor experience.
Marketing	Increase awareness of Ontario as a travel destination and increase conversion[1] in target markets.
Partnerships	Become a catalyst in building strategic alignment and promoting collaboration within the industry.[2]
Product Development	Enhance visitor experience through well-designed tourism products that meet current and future visitor demand.
Workforce Development and Training	Facilitate and support the attraction, development and retention of a tourism workforce to enhance the visitor experience.

1. Conversion represents desired consumer action or behaviour taken as a result of the marketing or advertising campaign, such as travel by an individual to a region in Ontario after viewing an advertisement.
2. Additional guidance in the Ministry's 2017 RTO Guide specifies undertaking projects with third parties (any partner other than the Ministry).

DMOs operate in each region that an RTO supports; there are about 200 DMOs compared with 13 RTOs.

A DMO can be funded annually by the municipality it serves, by its members, and sometimes through a Municipal Accommodation Tax.

Municipal Accommodation Tax

On December 1, 2017, Ontario Regulation 435/17: Transient Accommodation Tax (O. Reg. 435/17) was introduced. The regulation gives municipalities the authority to impose a tax, usually called the Municipal Accommodation Tax, on the purchase of short-term accommodations (such as hotels) in the municipality. This regulation was developed by the Province, but it is up to each municipality to decide if it will implement a Municipal Accommodation Tax and what rate to charge. For example, the City of Toronto charges a 6% Municipal Accommodation Tax on the price of a room as of May 1, 2023, compared to the City of Niagara Falls that charges $2 tax per night of occupancy. As of March 31, 2023, there are approximately 50 municipalities that have implemented, or are in the process of implementing, a Municipal Accommodation Tax.

The regulation requires the revenue earned through a Municipal Accommodation Tax to be shared between the municipality and one or more tourism entities. It is generally shared with a DMO or an economic development office of the municipality, so that the funds are reinvested in promoting tourism within the municipal boundaries and not in a broader region (such as with an RTO).

The amount of revenue sharing depends on whether the municipality had a prior destination marketing fee program in place before O. Reg. 435/17 was introduced. If the municipality did not have a destination marketing fee program prior to the Municipal Accommodation Tax, the municipality must share at least 50% of the Municipal Accommodation Tax revenue annually with the DMO. For municipalities that had a similar charge in place before the Municipal Accommodation Tax, the DMO is entitled to the revenue it would have otherwise earned under the previous program. As a result, RTO 5 (Destination Toronto) and RTO 10 (Ottawa Tourism), which received the Municipal Accommodation Tax revenue prior to 2017 and were also the DMOs for their cities, continued to receive revenue from this tax after they stopped being funded as RTOs in 2019/20 (see **Section 2.2.2**).

2.3 Annual Tourism Funding Programs

The Ministry operates provincial funding programs to support the tourism sector, including four ongoing grant programs, financial support to provincial and regional tourism organizations, and one-time funding that it provided during the COVID-19 pandemic (refer to **Figure 5** for a summary of the Ministry's 2021/22 funding programs). From 2015/16 to 2018/19, annual funding was $106.4 million on average each year across all these areas, decreasing to $76.5 million in 2019/20 and $79.9 million in 2020/21. The decrease in funding from 2018/19 to 2019/20 included $5 million less to Destination Ontario, $14 million less to the RTOs and $4 million less in funding for festivals and events.

To help tourism businesses during the COVID-19 pandemic, the Ministry provided additional funding programs resulting in a total of $239.4 million in tourism supports for 2021/22. Of this amount, $172.3 million was paid directly to tourism operators—$40.4 million from annual support programs and $131.9 million in one-time funding to help the industry respond to the impact of the COVID-19 pandemic (see **Section 2.4**).

The next year, for 2022/23, the Ministry provided $45 million through funding programs and $52 million to Destination Ontario and the 11 RTOs.

2.3.1 Reconnect Ontario and the Marquee Event Fund (Funding for Festivals and Events)

Reconnect Ontario is an annual funding program that supports festivals and events that attract tourists to attend in person and that increase tourism spending and create jobs. This program has been in place since 2007; its previous names were Celebrate Ontario,

Figure 5: Tourism Support Programs Funded in Ontario,[1] 2021/22

Prepared by the Office of the Auditor General of Ontario

Program Name	Type of Funding	Description/Purpose	# of Organizations	2021/22 Funding ($ million)
Reconnect Ontario	Annual (ongoing)	To support festival and event organizers to hold events that attract visitors.	404	35.3
Reconnect Ontario—Marquee Event Fund	Annual (ongoing)	To support festival and event organizers of large, high-impact, one-time non-recurring events.	7	3.7
Tourism Economic Development and Recovery Fund	Annual (ongoing)	For projects that encourage development of tourism experiences and investment, to ultimately increase Ontario's tourism industry capacity.	19	0.6
Pan-Regional Fund	Annual (ongoing)	To support projects that promote tourism and develop tourism experiences that are aimed at benefiting multiple regions.	4	0.8
Total annual funding programs				**40.4**
Ontario Tourism Recovery Program	One-time	To support tourism businesses (including accommodations and attractions) that experienced significant revenue loss during the COVID-19 pandemic.	570	98.4
Ontario Tourism and Travel Small Business Support Grant[2]	One-time	For small tourism and travel businesses (fewer than 100 employees) that experienced a significant decrease in revenue as a result of the COVID-19 pandemic, to support their operating costs.	2,111	33.5
Total one-time funding programs				**131.9**
Regional Tourism Organizations (RTOs)[3]	Annual (ongoing)	Funding to independent, not-for-profit organizations that promote tourism at a regional level (13 regions across Ontario are identified in **Appendix 5a**).	13	34.1
Ontario Tourism Marketing Partnership Corporation (operating as Destination Ontario)	Annual (ongoing)	Funding to the provincial tourism marketing organization responsible for marketing Ontario as a travel destination to individuals within Ontario and Canada, and internationally.	1	33.0
Total for provincially funded tourism organizations				**67.1**
Total				**239.4**

1. The total funding summarized for 2021/22 does not include the $270 million estimated cost of the Staycation Tax Credit program, which spans 2021/22 and 2022/23 fiscal years (2022 personal tax year). As of August 2023, Ontarians received approximately $170 million under this tax credit.
2. The Ontario Tourism and Travel Small Business Support Grant was delivered by the Ministry of Economic Development, Job Creation and Trade, with support from the Ministry of Tourism, Culture and Sport.
3. Includes $15 million one-time funding to two RTOs to support the organizations during the COVID-19 pandemic. See **Appendix 6** for the breakdown of funding to each RTO, 2018/19–2022/23.

and then the Reconnect Festival and Event Program in 2020/21, and in 2022/23 it became Reconnect Ontario. (Starting in 2023/24, the program will be known as Experience Ontario.) In 2021/22, a total of $35.3 million was paid through this program to support 404 festivals and events.

In 2022/23, event organizers could receive up to 50% of their total eligible expenses, to a maximum of $185,000 (reduced to $125,000 for 2023/24). Eligible expenses include those relating to the delivery of the festival or event, including performance fees to artists, programming costs and wages for staff.

The Ministry had not completed an evaluation of the 2022/23 program at the time of our audit, as event organizers were still submitting final reports and performance measures. For the 2021/22 funding program, using the Economic Impact Model (**see Section 2.1.1**), the Ministry estimated that every $1 of funding provided to festivals and events contributed about $8.67 to the provincial GDP and $3.39 in government tax revenue, of which $1.55 is provincial tax revenue.

The Marquee Event Fund exists for major national or international festivals or events taking place in Ontario that have operating expenses of at least $1 million and are not held in Ontario annually or biannually. For example, in 2022/23, the Tim Hortons Brier (Canada's national men's curling championship) received funding under the Marquee Event Fund. Eligible events can receive funding up to 50% of total eligible cash operating expenses. In 2021/22, a total of $3.7 million was funded through this program to support seven festivals and events.

2.3.2 Tourism Economic Development and Recovery Fund (Funding for Creating New Tourism Products)

The Tourism Economic Development and Recovery Fund (Economic Development and Recovery Fund) is an annual grant program designed to support non-capital costs for tourism projects that are innovative, create tourism investment, or build the capacity of Ontario's tourism industry. This funding program was delivered under this name between 2020/21 and 2022/23, but was previously called the Tourism Development Fund (which was in place since 2008), and it will be resuming with this name in 2023/24. For 2022/23, a total of $428,500 was approved through this program to support 18 projects.

Eligible recipients include municipalities and not-for-profit organizations that have a defined tourism focus, such as tourism industry associations. For example, a municipality can apply for funding to develop a tourism strategy or develop a new tourism attraction or experience. Up to 50% of total cash expenses for a project can be funded.

In 2020/21, eligibility under the program was expanded to provide broader support to the tourism industry during the COVID-19 pandemic. This included support to for-profit organizations with projects designed to increase domestic tourism, as well as membership support to tourism associations.

2.3.3 Pan-Regional Fund (Funding for Tourism Development)

The Pan-Regional Fund is an annual grant program operating since 2013, designed to support projects that promote tourism and destination development across multiple tourism regions. For 2022/23, a total of $750,000 was approved to support five projects.

There are no formal program guidelines for this funding program. Past recipients have been not-for-profit tourism sector associations that promote specific tourism activities across Ontario, such as Indigenous Tourism Ontario. The amount of funding a project receives is dependent on the Ministry's review of the project and its alignment with Ministry priorities.

2.4 Support Programs Created to Respond to COVID-19's Impact on the Tourism Industry

Tourism businesses were significantly impacted by public health restrictions after the COVID-19 pandemic was declared in 2020. According to Statistics Canada, 84% of tourism businesses reported a decrease in revenues in 2020, compared to 60% of all businesses in Canada. Tourism-related employment decreased by more than 28% in 2020, whereas total employment across all businesses fell by about 6%.

In March 2020, the Minister of Tourism, Culture and Sport (Minister) convened 13 Ministerial Advisory Councils to provide advice on the pandemic's impact on the tourism sector. This advice informed a report issued by the Ministry in December 2020, containing a broad plan for economic and social recovery from the pandemic (see **Appendix 7** for a description of the recommended action items). Proposals included making strategic investments in festivals and events, offering a travel incentive to Ontarians to encourage local tourism, and working with tourism operators to create new experiences that lead to year-round tourism in Ontario. In March 2021, the Minister formed a Tourism Economic Recovery Ministerial Task Force (Task Force) to further provide strategies and advice to support the recovery of Ontario's tourism industry. The Task Force report was released in June 2021 with 10 recommendations, summarized in **Appendix 8**, which include giving direct support to the industry to create attractions and experiences, and using research and analytics to create itineraries to generate interest in new markets.

Of the approximately $172.3 million of funding the Province paid directly to tourism organizations in 2021/22, $131.9 million was in one-time support (see **Figure 5** for a summary of the Ministry's 2021/22 funding programs). An additional $270 million was budgeted through the Ontario Staycation Tax Credit between 2021/22 and 2022/23 to incentivize Ontarians to travel within Ontario in 2022 so that they could receive a personal income tax credit.

2.4.1 Ontario Tourism Recovery Program (Financial Support for Tourism Businesses)

The Ontario Tourism Recovery Program (Tourism Recovery Program) was a one-time grant program to help tourism businesses that had experienced significant negative impacts on their operations from the COVID-19 pandemic and public health restrictions. The businesses had to be historically successful and to have helped drive employment and visits to their regions. The program was initially announced in March 2021, and the first payment was made in May 2022. In total, $98.4 million was distributed through this program to 570 businesses.

Eligible businesses included those in the accommodations, attractions and transportation sectors. **Appendix 9** lists the business types that were eligible for funding in these sectors. Businesses had to demonstrate a 50% or greater loss in revenues in 2020 or 2021 compared to 2019. Businesses received up to $695,000, depending on the amount of revenue lost, and salaries and wages paid. They could use the funding for reopening and operating costs, implementing health and safety measures, and/or marketing.

2.4.2 Ontario Tourism and Travel Small Business Support Grant (Financial Support for Small Businesses in the Tourism Sector)

The Ontario Tourism and Travel Small Business Support Grant (Tourism Small Business Grant) was a one-time grant provided to small tourism and travel businesses starting in May 2021. This grant was available to businesses that were not eligible to receive the Ontario Small Business Support Grant provided in January 2021. The Ontario Small Business Support Grant was audited as part of the COVID-19 Economic Response and Supports for Businesses audit, which was part of our Office's *2021 Annual Report*. The businesses excluded from this previous grant included hotels, bed-and-breakfasts, indoor attractions, recreational rental services, and travel agents and wholesalers.

These businesses did not meet the earlier grant's eligibility criteria because they were not closed or did not significantly restrict their operations during the province-wide shutdown announced on December 26, 2020. Although they were not required to close, many of these businesses still had their operations significantly impacted as a result of the shutdown. Eligible businesses, along with any affiliated businesses, had to have 99 or fewer employees and to have experienced a revenue loss of at least 20%.

The Ministry of Economic Development, Job Creation and Trade, which also delivered the original Ontario Small Business Support Grant, delivered this program with support from the Ministry of Tourism, Culture and Sport. In total, $33.5 million was paid to 2,111 businesses. There were no restrictions on the use of the funding by eligible businesses.

2.4.3 Staycation Tax Credit (Personal Tax Credit for Accommodation Expenses)

The Staycation Tax Credit was a one-time, refundable personal income tax credit for 2022. It was designed to encourage Ontarians to travel and explore the province and support the tourism and hospitality sector's recovery from the financial impacts of the COVID-19 pandemic.

Ontario residents could claim up to $1,000 as an individual, or $2,000 for families, of eligible accommodation expenses on their personal income tax return in 2022 (resulting in a tax credit of up to $200 and $400, respectively). Eligible accommodation expenses included short-term accommodations paid for hotel, motel, bed-and-breakfast, cottage or campground visits. When the tax credit was initially introduced, the Ministry estimated that the program would be used by over 1.8 million families and cost $270 million. As of August 2023, Ontarians have received approximately $170 million to date under this tax credit.

3.0 Audit Objective and Scope

Our audit objective was to assess whether the Ministry of Tourism, Culture and Sport (Ministry) had effective systems and processes to:

- develop and execute on a strategic plan and oversee Destination Ontario and regional tourism organizations to support and grow Ontario's tourism industry;
- design and deliver funding programs that efficiently and effectively support the tourism industry and maximize the industry's economic impact; and
- collect information to evaluate the effectiveness of provincial tourism supports in growing the tourism industry and report the results to the public or tourism stakeholders.

In planning for our work, we identified the audit criteria (see **Appendix 10**) we would use to address our audit objective. These criteria were established based on a review of applicable legislation, policies and procedures, internal and external studies, and best practices. Senior management at the Ministry reviewed and agreed with the suitability of our objectives and associated criteria.

We conducted our audit between January 2023 and August 2023. We obtained written representation from Ministry management that, effective November 17, 2023, they had provided us with all the information they were aware of that could significantly affect the findings or the conclusion of this report.

Our audit work was conducted at the Ministry's office in Toronto. In performing our work, we interviewed senior management and appropriate staff at the Ministry, and examined data and documentation provided by the Ministry. For tourism support funding programs, we:

- selected a sample of funding recipients and tested their eligibility for the program by reviewing their application information (such as their application form, financial information and incorporation documents) against the eligibility criteria;

- discussed with Ministry staff how funding decisions were made in their review process; and
- assessed how these funding decisions aligned with the program design and the Ministry's program objectives.

Our audit work relating to the Reconnect Ontario funding program was for the 2021/22 and 2022/23 funding years, as prior years of the similar Celebrate Ontario funding program were audited as part of the audit of Oversight of Time-Limited Discretionary Grants in **Chapter 3, Section 3.11** of our Office's *2019 Annual Report*.

Our audit did not examine the effectiveness and results of the Staycation Tax Credit program that the Ministry budgeted to cost $270 million over 2021/22 and 2022/23. This tax credit was available to Ontarians in the 2022 personal tax year, but detailed information on how many individuals or families utilized this tax credit was not available during the period of our audit work. Two other areas related to the tourism sector were not examined, as they were audited in separate value-for-money audit reports on the Travel Industry Council of Ontario and the Metropolitan Toronto Convention Centre and Ottawa Convention Centre (provincial convention centres) in our *2023 Annual Report*. These include the Travel Industry Council of Ontario and how it administers the *Travel Industry Act, 2002*, and the role of the provincial convention centres in growing tourism in Ontario.

We also held meetings with Destination Ontario and all 13 regional tourism organizations (RTOs), and reviewed how these organizations operated to meet their mandates with the Ministry and support the tourism industry. We examined Destination Ontario and the RTOs' internal reporting as well as reporting to the Ministry, including business plans, progress reports, financial statements and final reports to assess whether Destination Ontario and the RTOs' activities are effective at growing tourism in Ontario.

To better understand the role of tourism organizations in Ontario and the effectiveness of the Ministry's tourism supports, including in comparison to other jurisdictions, we had discussions with a number of tourism stakeholders, including:

- tourism associations within Ontario and Canada that support the tourism sector, such as Attractions Ontario, Festivals and Events Ontario, Indigenous Tourism Ontario, Ontario Tourism Education Corporation, Tourism Industry Association of Canada, and Tourism Industry Association of Ontario;
- tourism organizations working at the municipal or sub-regional level, including destination marketing organizations such as Tourism Mississauga, municipalities including the City of Brampton, and associations such as the Eastern Ontario Agri-Food Network; and
- other tourism organizations in Canada, such as Destination Canada, Destination BC and Travel Alberta.

We conducted our work and reported on the results of our examination in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada. This included obtaining a reasonable level of assurance.

The Office of the Auditor General of Ontario applies Canadian Standards on Quality Management and, as a result, maintains a comprehensive system of quality management that includes documented policies and procedures with respect to compliance with rules of professional conduct, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

4.0 Detailed Audit Observations

4.1 The Ministry Has Not Developed an Effective Long-Term Strategic Plan for Tourism Recovery and Growth after the COVID-19 Pandemic

The Ministry of Tourism, Culture and Sport (Ministry) has not developed a long-term strategic plan for tourism since the one it developed in 2016 (see **Appendix 11** for a summary of key actions it included). This was a five-year plan covering the years 2016–21. During these years, tourism growth in Ontario did not meet the Ministry's target of 3.3% per year.

The Ministry's 2016 strategic plan set the goal to grow tourism at an average rate of 3.3% annually over five years to match the average global tourism industry growth estimated by the World Tourism Organization. From 2016 to 2017, the number of tourists in Ontario decreased by 0.8%, and between 2018 and 2019, the number of tourists increased less than 1%. (In 2018, Statistics Canada changed its reporting methodology for collecting tourism data, so the measures beginning with 2018 are not comparable to the years prior. See **Figure 6** for the percentage change in the number of tourists in Ontario each year.) Before the Ministry released its strategic plan in 2016, the number of tourists in Ontario was growing at less than 2% per year—the year-to-year change between 2011 and 2016 ranged from a 0.9% decrease (2014) to a 1.7% increase (2015).

When the COVID-19 pandemic caused tourism activity to decrease, two reports were completed, one by the Ministry and one by tourism stakeholders at the direction of the Minister of Tourism, Culture and Sport (in December 2020 and June 2021, respectively). These reports contained actions and recommendations directed to the Ministry to support the tourism sector through the pandemic, and are summarized in **Appendix 7** and **Appendix 8**. The reports were meant to inform the Ministry's development of a five-year strategic plan for the tourism, culture and sport sectors, but no plan has been developed. In August 2023, the Ministry received direction from the Minister of Tourism, Culture and Sport to develop a tourism growth plan, but the Ministry does not have an estimated completion date for the plan.

Other provinces (including British Columbia, Alberta and Quebec) published multi-year strategic plans between 2021 and 2023 to communicate their strategy for growing tourism, with a specific focus on economic recovery after the pandemic. We compared the tourism strategic plans released by British Columbia, Alberta and Quebec between 2021 and 2023 to Ontario's 2016 plan. We found that Ontario's plan did not specify how the Ministry plans to make strategic investments in the tourism sector or establish multiple key performance measures. The strategic plans from the other three provinces also include elements such as provincial objectives, planned actions and strategic investments that will be made to achieve the objectives, and performance measures and targets for tourism growth.

Figure 6: Total Tourist Visits in Ontario, 2011–2021

Source of data: Ministry of Tourism, Culture and Sport

Year	# of Tourists (millions)	% Change
2011	139.0	n/a
2012	141.2	1.6
2013	140.8	(0.3)
2014	139.5	(0.9)
2015	141.9	1.7
2016	144.1	1.6
2017	142.9	(0.8)
2018[1]	131.8	n/a[1]
2019	131.8	–
2020[2]	78.2	(40.7)
2021[2]	79.2	1.3

1. In 2018, there was a change in methodology of how the travel surveys were conducted by Statistics Canada to collect tourism data. For example, to collect domestic tourism data, a new online survey was started to ask Canadians about their travel spending in the year, as opposed to the prior telephone travel survey that respondents were invited to complete following a different telephone survey of their participation in the workforce.

   This impacted the reach and response rate of the survey, so the data prior to 2018 is not comparable to data for the years after.
2. The COVID-19 pandemic interrupted Statistics Canada's travel survey collection operations, and therefore data for 2020 and 2021 includes travel estimates produced by Statistics Canada.

A long-term strategic plan can establish priorities and objectives, co-ordinate provincially funded tourism organizations, and align the Ministry's funding and activities to maximize tourism growth and its contribution to the economic recovery in Ontario. This is especially important given the negative effect the COVID-19 pandemic had on tourism and businesses.

Without a set of current targets and performance measures, the Ministry also cannot determine if its activities and spending are effective at achieving their objectives. This is important to determine which of the current support programs are effective and should continue, and which should be modified to better support the tourism industry. We have also identified areas where the support that the Ministry currently provides to the tourism sector can be improved. This information should be incorporated into the Ministry's long-term strategic plan so that the Ministry, the organizations it funds and the Ministry's tourism funding programs can work together to provide effective support for the tourism sector and maximize the economic impact on Ontario. For example, as we note in **Section 4.1.3**, the information the Ministry collects does not let it evaluate whether the regional tourism organizations (RTOs) it funds are effective in increasing tourism in their regions. The Ministry also provides the mandate to perform marketing activities both to the RTOs and to Destination Ontario (the provincial marketing agency), which leads to the two having overlapping responsibilities. As we discuss in **Section 4.1.1**, the money that Destination Ontario spends on advertising could have greater impact in attracting more tourists if it was spent on marketing campaigns outside Ontario.

The Ministry also has not considered the role of two tourism regions, the Greater Toronto Area and Ottawa and countryside, as part of a provincial tourism strategy after ending their annual RTO funding. As we discuss in **Section 4.1.4**, since 2019 these regions are no longer accountable to the Ministry and therefore are not directly tied to Ministry priorities. This has decreased the collaboration within and across these regions, which is one of the main purposes of the RTOs, and has created gaps in support for local tourism operators. There is also no plan for how to use these two tourism gateway cities to attract international tourists to Ontario.

RECOMMENDATION 1

To establish and publicly communicate its priorities in maximizing the economic impact of tourism in Ontario and supporting the tourism industry in recovering from the COVID-19 pandemic, we recommend that the Ministry of Tourism, Culture and Sport:

- develop a long-term strategic plan for tourism that includes action items, key performance measures and targets to be able to track outcomes; and
- publicly report annually on performance against the performance measure targets in the plan.

MINISTRY RESPONSE

We thank the Auditor General for the recommendation. The Ministry will continue to provide strategic support for the tourism industry by evaluating trends and will consider developing a strategic course of action that continues to grow the sector.

The Ministry is encouraged by strong signs of growth in tourism across the province and will investigate appropriate performance measures for the sector and publicly report on these measures.

4.1.1 Tourism Marketing in Ontario Is Not Always in Partnership with Regional Organizations, Resulting in Less Funding Available for International Marketing and Fewer Potential Tourist Visits

As the provincial tourism marketing agency, Destination Ontario's mandate includes marketing Ontario as a travel destination to tourists within Ontario, throughout Canada and internationally. Within this mandate is a principle that "Destination Ontario and regional organizations are to work together to market travel within Ontario." We found that Destination Ontario's

marketing within the province is not always done in partnership with other tourism organizations, such as RTOs and DMOs. In 2022/23, Destination Ontario spent about $7 million on marketing to Ontarians, of which only $1 million was matched funding in partnership with RTOs and DMOs. Destination Ontario's own marketing spend inside Ontario was comparatively higher in 2022/23 specifically because the agency was promoting the Staycation Tax Credit, but its spending to market travel within Ontario in prior years was also not done in partnership. For the five years preceding the COVID-19 pandemic, 2015/16 to 2019/20, Destination Ontario spent about $4 million on average each year marketing within Ontario, none of which was in partnership with regional organizations.

Separately, the 11 RTOs that receive Ministry funding spent about $11.7 million annually on average on marketing in the five-year period prior to the COVID-19 pandemic, and $7.9 million in 2022/23. The approximately 200 DMOs across Ontario also invest in marketing, but the Ministry does not collect details of their spending, as the DMOs are generally funded by the municipality they serve, directly by their members or through the Municipal Accommodation Tax. Many of these organizations advertise mostly to Ontarians, since it is more cost-effective for them to focus on attracting Ontario tourists than international tourists. For example, many RTOs informed us that, given that their annual funding from the Ministry ranges from approximately $1 to $4 million, it is too costly for them to market separately within Ontario along with marketing to other parts of Canada and/or internationally. In contrast, Destination Ontario, with its larger budget relative to each individual RTO, and its sole mandate to promote Ontario as a tourism destination, is better suited to attracting tourists from outside of Ontario.

Destination Ontario's own analysis supports that marketing Ontario tourism to the United States provides better value for money than if it spent the same dollars marketing to other Ontarians. For example, in 2022/23, in addition to the $7 million spent on marketing to Ontarians, Destination Ontario spent $5 million marketing to tourists from the United States. Based on Destination Ontario's analysis of incremental tourist numbers and tourist spending it could attract by advertising in the United States (estimated from tourism activity as a result of Destination Ontario's past marketing campaigns between 2012 and 2022), we estimated that Ontario could benefit from about 86,000 more tourists and $38 million more in tourist spending if $2 million was deducted from marketing to Ontario tourists and spent on marketing in the United States.

As part of developing a long-term strategic plan for tourism, a strategy to align the marketing activities for promoting Ontario tourism within the province, and oversight of these processes for better co-ordination between Destination Ontario and the RTOs, would create more value for Ontario that could lead to more tourists and economic benefit.

RECOMMENDATION 2

To maximize the return on marketing investment and avoid duplication of marketing efforts, we recommend that the Ministry of Tourism, Culture and Sport:

- work with Destination Ontario to align strategies to maximize tourist visits and spending in Ontario based on the available marketing budget;
- work with Destination Ontario and regional organizations to develop processes and performance measures for effectively working together to market travel within Ontario; and
- receive and evaluate annual report-backs on the results of the partnerships between Destination Ontario and regional organizations, including marketing campaigns developed and dollars contributed.

MINISTRY RESPONSE

The Ministry accepts this recommendation and will continue to work with Destination Ontario and Regional Tourism Organizations to better co-ordinate efforts to grow tourism in the province.

This includes looking for opportunities to enhance partnerships, align strategies, determine effective performance measures and develop a process to better utilize marketing budgets to build tourism in Ontario and report back on the results of this work to the Ministry.

4.1.2 Travel Information Centre Locations Cost $5 million to Operate Annually, Yet Are Underutilized and Do Not Align with Modernization Strategy

Destination Ontario operated nine Travel Information Centres as of August 2023, which offer tourists travel advice, tickets for select attractions and events, and souvenirs (see **Appendix 4** for the locations of these centres). In 2022/23, the centres cost $5 million to operate. These Travel Information Centres have seen a significant decline in the number of visitors, from about 1,058,000 in 2016/17 to approximately 180,000 in 2022/23 (about 17% of the 2016/17 number). Not all of these visitors go to the Travel Information Centres for information; for example, some may only stop to use their washrooms. Therefore, Destination Ontario also tracks the number of groups that visit to use the centres' core services, primarily distributing travel information. Of the total visitors in 2016/17, approximately 446,000 parties were counselled and received travel information, a number that decreased to about 69,000 in 2022/23 (about 15% of the 2016/17 amount). **Figure 7** shows the trend in number of parties counselled, annual operating costs, and the average cost of operations per party counselled between 2015/16 and 2022/23.

The COVID-19 pandemic caused many of the Travel Information Centres to temporarily close when travel restrictions were in place, which contributed to the significant decline in visitors for 2020/21. However, the pandemic accelerated the declining visitor trend that had already begun before 2020/21.

In 2019, Destination Ontario conducted research through focus groups and found that the majority of those surveyed would not go out of their way to visit a Travel Information Centre, and those who had never visited one did not see their value because online resources are available. Visitors to Travel Information Centres mainly intended to use the washrooms, or to get maps or directions, or advice on what to do at the destination. However, as a result of public health restrictions on gatherings during the COVID-19 pandemic, these services have also shifted to other delivery methods as part of Destination Ontario's modernization strategy. These include mobile pop-up information service booths that have lower fixed costs and can be operated near events and attractions, and digital travel consulting services for people looking for travel ideas.

With Ministry approval, Destination Ontario closed some underused Travel Information Centres. For example, in October 2021, it closed the centre in St. Catharines, and then in April 2023 it closed the

Figure 7: Ontario Travel Information Centre Operational Costs and Parties Counselled,[1] 2015/16–2022/23

Source of data: Destination Ontario

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Total parties counselled (#)	442,090	446,451	376,465	360,484	329,120	7,162	20,153	69,108
Net operating cost ($)[2]	5,136,802	5,178,076	4,838,232	5,162,798	5,228,290	4,578,891	4,637,454	4,976,722
Average cost per party counselled ($)	11.62	11.60	12.85	14.32	15.89	639.33	230.11	72.01

1. Total number of groups that visit for the core services of the Travel Information Centres, such as receiving travel information.
2. Operating cost of Ontario Travel Information Centres includes salaries and wages, lease expense and other operating expenses, net of any revenue earned from souvenirs and tickets sold.

Sarnia centre when its lease expired. As of August 2023, nine centres that continue to see a low number of visits were still operating.

Destination Ontario and the Ministry have had ongoing communication regarding the future operations of the Travel Information Centres. Destination Ontario has informed the Ministry that even if the nine centres were closed, travel information services could continue through other methods such as virtual video counselling and pop-up locations. As well, there are municipally owned and community-operated visitor travel information centres (about 200 across Ontario in total), resulting in duplication of services and oversaturation in some locations.

Since Destination Ontario's main role as the provincial marketing organization is to promote Ontario as a travel destination, the $5 million that it allocates to operate these centres may be able to be used more effectively to grow tourism. The Travel Information Centres represent approximately 15% of Destination Ontario's current budget (approximately $5 million of $33 million annual funding), which the organization could use to attract more visitors through advertising outside of Ontario instead of providing information to travellers who have already entered the province. This would be similar to the trend in other provinces. British Columbia's visitor centres are owned and operated by community-based organizations (such as chambers of commerce or economic development offices), with some provincial co-ordination by its provincial tourism agency, Destination BC. New Brunswick has closed its visitor centres completely, and Nova Scotia and Manitoba are closing some of their centres or reducing hours of operation for centres that receive few visits.

RECOMMENDATION 3

To align with trends on how visitors look for information services and to more effectively utilize tourism support funding, we recommend that the Ministry of Tourism, Culture and Sport work with Destination Ontario to:

- develop and execute a cost-effective plan for the future operations of Travel Information Centres, with consideration of whether the locations are providing value in promoting tourism, and take action (such as changing services provided or operating hours, or closing locations) if locations are not providing value; and
- identify, through analysis of other jurisdictions, and implement alternative methods of providing travel information services (in addition to virtual video counselling and pop-up locations) that improve engagement with individuals to promote travel, length of stay, and/or spending, as part of Destination Ontario's modernization strategy.

MINISTRY RESPONSE

The Ministry accepts this recommendation and will continue to engage with Destination Ontario on the strategy for modernizing Travel Information Centres and services.

Evidence-based, cost-effective options will be considered and pursued to modernize the current delivery of travel information services, taking into account the cost of operations and facilities, location of centres and number of visitors, consumers' preferences in receiving travel information, data from research and trends (including those from other jurisdictions), and use of current technology.

Options, alternatives, plans and implementation will be explored over upcoming business planning cycles.

4.1.3 Ministry's Regional Approach Is Inconsistent in Monitoring Tourism Activity and Collects Insufficient Data to Understand Local Trends

In 2010, the Ministry set up 13 regional tourism organizations (RTOs) to lead the development of the tourism industry within their regions. These RTOs are independent of the Ministry and governed by their own boards of directors, but are accountable to the Ministry through funding agreements that require the RTOs to perform and report on activities in five priority areas (see **Figure 4**). Despite the planned activities,

performance measures, and targets specified in these funding agreements, the information collected by the Ministry does not demonstrate whether each RTO is effective in increasing tourism to its region. We noted that the Ministry does not perform a comprehensive review of the targets that the RTOs establish, whether these targets were achieved at the end of the year, and ultimately, how each RTO's activities contributed to the trend in visits to its region.

We reviewed the 11 business plans submitted by the RTOs that received Ministry funding for 2022/23 and found that RTOs do not always establish a detailed plan for how they will support the tourism operators in their region. Specifically, the business plans of seven RTOs did not include targets for all their identified performance measures. For example, one RTO included the number of partnership projects to be completed as a performance measure for the year without stating targets for the number of partners or projects. Another RTO listed several performance targets as "to be determined," and the Ministry did not follow up to require specific targets to be set. The Ministry indicated to us that this was due to the COVID-19 pandemic, which made it difficult to set specific performance measures.

We also noted that the business plans differ in their level of specificity. This includes the quality of activities, outputs and outcomes, all of which form the basis for developing each RTO's funding agreement with the Ministry. Some RTOs provide detailed information on their planned activities, while others outline the activities broadly. For example, one of the five priority areas in the funding agreements is product development—the creation or enhancement of tourism experiences to meet tourist needs and grow demand. One RTO stated that it would lead and support the development of more inclusive tourism experiences, but gave no expected outcomes or performance targets, or details of how it planned to achieve this. In contrast, another RTO stated that it would increase mid-week tourism spending in the spring and fall by offering product experiences that extend a tourist's stay, and it identified a plan to achieve this. It planned to develop four cross-regional itineraries that include attractions, and culinary and overnight components, to generate awareness of the destination.

When clear targets are not set at the beginning of the year, the Ministry does not know how an RTO plans to support each of the five priority areas, and it cannot assess whether the RTO has been effective in fulfilling its plan. The result is that the Ministry cannot hold RTOs accountable to their funding agreements, nor can it determine whether the RTOs' activities are effective in increasing tourism in their regions.

One of the Ministry's main measures for assessing tourism growth is the number of tourists to Ontario each year. The Ministry collects this data annually for each tourism region, but the RTOs do not report back on this trend over the years as part of their performance measures. This means the Ministry does not obtain an understanding of the overall impact that all of the RTOs' activities had on the tourism industry in their region, to explain the extent to which the RTOs' activities were effective at promoting and increasing tourism in their region or what factors resulted in a decrease in tourism. This includes whether the RTOs are effective at working with other regional stakeholders, including municipal governments and DMOs, to promote tourism.

Appendix 12 shows an eight-year trend in the number of tourists by region. For example, four RTOs had a net decrease in total tourists from 2013 to 2017 (the year prior to a change in data collection methodology, so tourist numbers are not comparable to 2018 and onwards). One of these RTOs experienced a decrease most years from 2013 to 2017. In these RTOs' annual reports to the Ministry, there is no explanation for the decreased numbers of tourists; only successes relating to individual activities are highlighted. Requiring more specific and informative performance measures and reporting can be useful to determine any additional actions that the Ministry, Destination Ontario or the RTOs themselves should be taking to grow tourism in these regions.

RECOMMENDATION 4

To improve the performance measurement of regional tourism organizations (RTOs) and increase accountability to their funding agreements, we recommend that the Ministry of Tourism, Culture and Sport (Ministry):

- require RTOs to include in their business plans performance measures and targets for each priority area that are specific, measurable, achievable and relevant;
- require RTOs to report on actual results at the end of the year for each performance measure included in their business plans, provide details of the activities undertaken each year to attain these measures, explain any targets that are not met, and detail the corrective actions taken; and
- in their final annual report to the Ministry, require RTOs to report the multi-year trend in tourists to their region, and explain the impact of their activities on the trend.

MINISTRY RESPONSE

The Ministry accepts this recommendation and will work with Regional Tourism Organizations (RTOs) to develop targets and common performance measures for annual business plans and annual reports. This includes requiring detailed reporting on the specific impact of the activities that the RTOs undertake annually, and how their activities have impacted tourist visits to their regions over time.

These improved performance measures and reporting will be used to assess the effectiveness of the support the Province provides to the 11 RTOs who play an important part in Ontario's tourism economy to attract more visitors, generate more economic activity and create more jobs.

4.1.4 The Two Regions That Attract Many of the International Tourists to Ontario Are the Only Two Regions No Longer Funded by or Accountable to the Ministry for Growing Tourism

The Ministry created 13 RTOs in 2010 to provide leadership and strategic support, and increase collaboration between tourism operators within the regions. However, as of 2019, the Ministry no longer provides annual funding to two RTOs—RTO 5 representing the Greater Toronto Area and RTO 10 representing Ottawa and its countryside. These two regions bring in many of the international tourists to Ontario, but are no longer accountable to the Ministry. Municipalities in those regions no longer have support from a regional organization that is mandated to foster collaboration within the region or across regions, which was one of the main purposes of the RTOs when they were established. Since the Ministry does not invest in or establish priorities for the growth of these regions through its funding agreements, the regions are not directly tied to Ministry priorities for the tourism sector, unlike all other regions of the province.

The Ministry's rationale for this withdrawal of funding was that all other RTOs were having their annual Ministry funding reduced by about 20% as a result of a planned overall decrease in Ministry expenditure in 2019. The 11 RTOs that continued to receive Ministry funding saw a $4.6 million decrease in their funding in total across all 11 RTOs (a decrease ranging from $0.2 million to $1 million for each RTO), whereas RTOs 5 and 10 no longer received $12.9 million of funding in total. This resulted in a total decrease in RTO funding of $17.5 million. The Ministry expected that even with the complete loss of its funding, the Toronto and Ottawa regions would not be as much affected as the other RTOs, as these cities could generate revenues through the Municipal Accommodation Tax. The net decrease in total revenue for each of these RTOs was estimated at only about 15% without the Ministry's funding.

Impact on Growing International Tourism

The Greater Toronto Area and Ottawa regions act as gateway cities for international tourists entering Ontario through two of the province's largest international airports. Tourists landing here may also travel to other destinations, so these regions are important for moving international tourists to other tourism regions. A study conducted by RTO 5 (Greater Toronto Area) in 2018 found that tourists to Toronto accounted for $12.6 billion of spending in Ontario overall, of which $10.6 billion was spent within the Greater Toronto Area and $2 billion, or 16%, was spent outside Toronto, in other tourism regions. This highlights the benefits of keeping these regions aligned with province-wide tourism priorities and collaborating with other RTOs, as it ultimately results in tourism for other regions.

About 55% of all tourist spending in Toronto was from international tourists (US and overseas). In addition to bringing foreign money into the Ontario economy, international tourists also spend more per visit, on average, than domestic tourists. Tourism data from Statistics Canada showed that in 2019, the average spending per person visiting Ontario varied from $142 for an Ontario tourist, to $160 for a Canadian tourist, to $391 for a US visitor, and to $1,597 for an international tourist—more than 10 times the spending of an Ontario tourist. Therefore, attracting international tourists is important for the economic growth in Ontario.

Gaps in Regional Support Provided

Removing Ministry funding from RTOs 5 and 10 also changed their mandates, resulting in some areas being left without any regional tourism support and creating gaps in support for some tourism operators. The 13 RTOs were originally established to promote tourism in their broader regions, which include several municipalities (see **Appendix 5a** and **Appendix 5b** for maps of the regional boundaries), and the Ministry provided annual funding to foster collaboration across the regions. In contrast, the Municipal Accommodation Tax revenue that RTO 5 and RTO 10 receive can be used only to promote tourism in the municipality it was generated in. When RTO funding was eliminated for two RTOs, these organizations reverted back to acting as DMOs for their municipality rather than serving the broader region. These two organizations no longer had the mandate to provide tourism support to operators in the broader Greater Toronto Area and the Ottawa and countryside regions, as the Municipal Accommodation Tax became these RTOs' main revenue source and had to be spent on marketing tourism exclusively in the cities of Toronto and Ottawa.

When the Greater Toronto Area's RTO 5 eliminated direct regional support to Brampton and Mississauga, it resulted in withdrawing from all business development efforts to attract sports tourism in those municipalities, and RTO 5 no longer funded business events to be held there. The RTO transitioned to a destination marketing organization (DMO) role for only Toronto. The remaining municipalities of RTO 5, Brampton and Mississauga, had to establish their own tourism offices after they lost the provincial support. This resulted in reduced regional collaboration.

During the COVID-19 pandemic, RTO 5 received one-time funding to support tourism for the region. We heard from the municipalities it supported that this funding led to improved collaboration across the Greater Toronto Area. This included the joint development of marketing content featuring all three municipalities, which they used to advertise at Toronto Pearson International Airport. Some of the municipalities would not have been able to invest in the same content on their own.

When Ottawa (RTO 10) lost Ministry funding in 2019, the United Counties of Prescott and Russell lost tourism support. This area's eight small counties are unable to generate significant revenues individually from the Municipal Accommodation Tax because of their lack of short-term accommodations such as hotels. To the south of Prescott and Russell are the United Counties of Stormont, Dundas and Glengarry, which are part of RTO 9 (Southeastern Ontario). The tourism operators in Stormont, Dundas and Glengarry are able to access tourism support from RTO 9, such as training and research and analytics. They can also

apply for additional funding to grow their tourism activities through RTO 9's partnership fund. However, similar tourism operators located just north of this area in Prescott and Russell do not have the same access, since RTO 10 no longer has the funding or mandate to support the region. The Ministry recognized that this area of Ontario was excluded from regional tourism support, and in July 2023 it changed the boundaries of the tourism regions so that Prescott and Russell was moved from RTO 10 to RTO 9, and RTO 9 received additional funding to support this additional area.

A third region, Niagara Canada, also acts as an important gateway for tourists to enter Ontario. This region continues to receive annual RTO funding, and the Province's 2022 Budget stated that support for tourism recovery in Niagara Falls was a priority. It was identified as a priority because the region is a popular international tourism destination, and so it is important to work with affected sectors there to recover to pre-pandemic tourism levels. Toronto and Ottawa are also important in attracting international tourism, but other than one-time funding during the pandemic, there is no continued annual funding for these regions, unlike Niagara.

Other than expressing this support for Niagara Falls in the 2022 Budget, the Ministry does not have an overall long-term strategy on what specific actions it will undertake to support tourism recovery and growth, as noted in **Section 4.1**. As a result, there is no plan outlining how to use the gateway cities to attract tourists to Ontario. For tourism growth and recovery, especially after the COVID-19 pandemic, it is important that the Ministry have a strategy and align provincial activities and tourism programs across all regions in Ontario, including those that draw in many international tourists.

RECOMMENDATION 5

To provide tourism operators in all regions of Ontario with access to support from a regional tourism organization (RTO) and to foster collaboration between tourism operators across all regions, we recommend the Ministry of Tourism, Culture and Sport evaluate the role of gateway cities for attracting international tourists to Ontario and how they contribute to the growth of tourism in Ontario.

MINISTRY RESPONSE

The Ministry accepts this recommendation and will evaluate the role of gateway cities for attracting international tourists and their impact on the growth of tourism in Ontario.

4.1.5 Ministry Has Provided Limited Funding in the Past Five Years to Attract Private Investment to the Tourism Sector, Which Is Part of Its Mandate

Although the Ministry's mandate to support the tourism sector includes attracting international investment to Ontario, it has provided limited funding to encourage private investment in the tourism sector since 2017/18. **Figure 8** shows the number of businesses supported and amount of funding provided in the past 11 years by the Ministry and by the Ministry of Economic Development, Job Creation and Trade—the two ministries primarily responsible for attracting private investment to the tourism sector. In total, they provided $19 million to encourage businesses to invest or increase their investment in Ontario's tourism sector, resulting in private-sector investment totalling $288 million to Ontario's economy from 2012/13 to 2017/18, but the Ministry made no further investments between 2018/19 and 2022/23.

Even though the Ministry's Tourism Economic Development and Recovery Fund (**Section 2.3.2**) can support many types of tourism projects, including attracting investment, its budget averages less than $1 million annually. Further, since 2020/21, the projects it has funded have mostly supported not-for-profit organizations, tourism associations and municipalities, reducing the focus on attracting private investment to stimulate economic growth in the sector through tourism infrastructure and activities.

Figure 8: Provincial Grants[1] to Attract Private Investment to the Tourism Sector, 2012/13–2022/23

Source of data: Ministry of Tourism, Culture and Sport and Ministry of Economic Development, Job Creation and Trade

	Ministry of Tourism, Culture and Sport[2]		Ministry of Economic Development, Job Creation and Trade		Total	
Funding Year	# of Grants	Grant Amount ($)	# of Grants	Grant Amount ($)	# of Grants	Grant Amount ($)
2012/13	2	10,035,000	–	–	2	10,035,000
2013/14	–	–	2	229,034	2	229,034
2014/15	–	–	1	357,959	1	357,959
2015/16	1	360,000	1	260,784	2	620,784
2016/17	–	–	2	2,027,200	2	2,027,200
2017/18	–	–	7	5,951,060	7	5,951,060
2018/19	–	–	–	–	–	–
2019/20	–	–	–	–	–	–
2020/21	–	–	–	–	–	–
2021/22	–	–	–	–	–	–
2022/23	–	–	–	–	–	–
Total	**3**	**10,395,000**	**13**	**8,826,037**	**16**	**19,221,037**

– years during which no grants to attract private investment were made by either ministry.

1. Provincial grants include those funded by the Ministry of Tourism, Culture and Sport and the Ministry of Economic Development, Job Creation and Trade, which are the two main ministries responsible for attracting private investment related to tourism across Ontario. Only grants provided with the purpose of attracting new or increased investment from private sector businesses to establish or expand operations have been included. Other grants may have been provided by other government ministries to tourism businesses that have not been included in the figure. For example, tourism businesses may receive funding from the Ministry of Northern Development, which supports the overall economic and community development in Northern Ontario.
2. Only grants provided directly to private sector businesses with the goal of attracting private sector investment into Ontario have been included.

Other provinces such as British Columbia and Alberta have established funding programs to develop tourism experiences, which in turn attract private investment to the tourism sector to stimulate its recovery following the COVID-19 pandemic. In British Columbia, a $30 million Destination Development Fund supports the development of tourism infrastructure, assets and experiences. Travel Alberta, a provincial Crown agency, intends to invest $18.3 million annually in 2023/24 and 2024/25, and $15 million in 2025/26 (or $51.6 million over these three years), through its Tourism Investment Program to support businesses and communities with product and experience development. British Columbia launched its three-year program in late 2022, and Alberta revised an existing funding program in 2022 to include a focus on building new tourism experiences and infrastructure. These programs are in addition to funding provided for tourism businesses during the COVID-19 pandemic (which Ontario also delivered) that was meant to support the provinces' respective strategic plans for growing tourism after the pandemic.

In Ontario, the Ministry of Economic Development, Job Creation and Trade and its agency Invest Ontario promote economic development through three priority sectors: advanced manufacturing, life sciences and technology. They market Ontario as a destination for business investment, and work with the businesses that are considering establishing operations in Ontario by providing incentives such as grants, loans, tax credits and other support. It is the Ministry of Tourism, Culture and Sport's responsibility to perform a similar role for the tourism sector. The Ministry itself identified in its 2023/24 budgeting process that no provincial program currently exists to encourage private-sector investment, innovation and expansion in the tourism industry, even though it has identified potential investment projects that could be secured through funding support. At that time, the Ministry had identified 12 potential attractions that had expressed interest in Ontario and estimated that with government support ranging from $800,000 to $30 million, each project could attract investment to Ontario ranging from $10 million to $350 million.

The Ministry has also assigned some of the responsibility for attracting tourism investment to the RTOs at the regional level. As noted in **Section 2.2.2** and **Figure 4**, this is one of the five priority areas for RTOs to address through their funding. However, the RTOs informed us that they generally do not have the budget to provide one-time grants to incentivize private businesses to establish operations in their region. They noted that activities relating to economic development are usually performed at the municipal and provincial levels, instead of the regions that the RTOs operate in.

The RTOs' reports to the Ministry differ significantly on their achievements in the investment attraction priority area. One RTO mentioned that they "do not have the internal capacity to approach investment attraction in a similar manner as the [municipal] economic development offices." Another RTO referred to some of the activities it performed as part of product development, which is a different one of the RTOs' five priority areas. This RTO identified that it supported attraction of investment by providing timely, relevant research to demonstrate the potential audience that prospective investors can attract with new tourism attractions. It also noted that the lack of timely and relevant data continues to be a challenge for the tourism industry and an area of improvement to meet investor demands (see **Section 4.1.7**). A third RTO reallocated its funding budgeted for investment attraction to the four other priority areas.

The Ripley's Aquarium of Canada is an example of successful provincial investment that has led to large private investment with the development of a major tourism attraction within the last 10 years. Ontario provided $10 million to support its construction, in addition to other investments made by the federal and municipal governments. The Ministry estimated that the economic impact of this attraction includes over $220 million of tax revenues generated for all three levels of government, and almost 350 jobs supported.

RECOMMENDATION 6

To more effectively attract and leverage private investment in tourism, we recommend that the Ministry of Tourism, Culture and Sport:

- evaluate the past activities of regional tourism organizations (RTOs) to identify the activities that have been effective in attracting private investment in tourism to a region;
- redefine the investment attraction priority area of the RTO funding agreement so that it is better aligned with the regional approach in which RTOs operate;
- analyze the programs and investment attraction strategies that other jurisdictions use; and
- develop a plan for supporting private investment in the tourism sector through the Ministry's strategic planning initiative identified in **Recommendation 1**.

MINISTRY RESPONSE

The Ministry accepts this recommendation and will evaluate the past investment attraction activities of Regional Tourism Organizations (RTOs) as well as other jurisdictions to identify the potential activities that would most effectively attract private investments to Ontario. This evaluation will be used to consider potential changes to the investment attraction priority area for RTOs.

The Ministry will also continue to work across government and with government agencies, such as Invest Ontario, to support attracting and leveraging private investment in tourism.

4.1.6 Ministry's Regional Approach to Increasing Tourism Does Not Focus on Destination Development and Is Behind Other Jurisdictions

Other jurisdictions have placed a stronger focus than Ontario on destination development as part of their strategic plans for tourism recovery after the COVID-19 pandemic. Destination development is the strategic planning and creation of activities with a focus on developing the tourism product and experience, as opposed to marketing existing attractions. For example, destination development in Ontario's Niagara Wine Region, the largest wine production region in Canada, involved collaboration between tourism businesses to create a major destination experience highlighting the

region's wineries. Destination development has been identified as a best practice by other jurisdictions and in the tourism sector for growing and creating a sustainable tourism industry.

RTOs are the main provincially funded organizations that lead collaboration within their regions to grow tourism. The Ministry's funding agreements do not require the RTOs to support destination development in their regions, even though, as a potential revision to future funding agreements, it has recognized the benefits that could flow from focusing on destination development as a strategic approach.

In our review of 2021/22 final reports submitted by the 11 RTOs that are funded by the Ministry, we noted that six RTOs have promoted destination development by fostering collaboration between tourism operators to create a new tourism product and experience and the remaining five RTOs did not. The omission of support for destination development from the RTOs' funding agreements is one reason for this inconsistent approach among regions.

One RTO supported the collaboration of six distilleries and various municipal and tourism stakeholders in creating a self-guided tour of the different distilleries located across three municipalities in the tourism region. The tour attracts visitors to each participating distillery and to explore the towns where they are located, and the program provides additional opportunities to increase visits to each region by running contests for visiting multiple distilleries. Another RTO collaborated with a local film festival to collect data on the locations that attendees travelled from and their common interests. Using this data, the film festival introduced new programming, including a new art exhibit, to reflect visitors' interests and attract more tourists with similar interests. The RTO led the strategic collaboration with other tourism businesses, which created new programming and resulted in an increase in visitors to the film festival by about 5% over two years.

Since RTOs are not required to take a destination development approach to supporting tourism in their regions, the alternative that some RTOs have chosen has been to focus on partnerships with individual operators. For example, an RTO helped an organization add a new disc golf experience to its property and also partnered with a performing arts theatre to conduct an operations audit and construct signage to increase awareness and bring visitors to its new theatre locations. While this is effective in supporting tourism in the region, other jurisdictions and the tourism sector have identified moving toward a destination development approach as a best practice to create a sustainable tourism industry.

In 2022, the Ministry proposed changes to the guidance provided to RTOs, to require them to invest more in destination development. However, as of August 2023, the Ministry had not finalized these proposed changes for implementation, as it is still considering further updates.

Other jurisdictions provincially, nationally and internationally have placed a stronger focus on destination development. As noted in **Section 4.1.5**, British Columbia has a $30 million Destination Development Fund to support the development of tourism infrastructure, assets and experiences. British Columbia's 2022–24 strategic framework for tourism includes sustainable growth of visitors as one of its objectives, which prioritizes destination development support and attraction of new investment as one of its strategies. Ireland has a Regional Tourism Development Strategy (2023–27) for Dublin with similar objectives, which aims to support the industry in building a pipeline of future international business. Destination Canada, the federal tourism agency, launched the Tourism Corridor Strategy Program in 2023 with a goal of accelerating the destination development of three selected corridors. It intends to promote interprovincial collaboration across Canada, attract investment and raise awareness of further development opportunities.

RECOMMENDATION 7

To promote destination development and continued collaboration between tourism operators across regions, we recommend that the Ministry of Tourism, Culture and Sport (Ministry):

- analyze programs and destination development strategies that have been adopted in other jurisdictions, including best practices and strategies

developed by various regional tourism organizations (RTOs) in Ontario; and

- use this analysis to evaluate the Ministry's and RTOs' role in destination development, and incorporate the best practices into the guidance provided to RTOs, funding agreements and business plan requirements.

MINISTRY RESPONSE

The Ministry accepts this recommendation and supports a collaborative approach to destination development. In October 2023, the Ministry released an updated program guide to the Regional Tourism Organizations that includes additional guidance on destination development.

The Ministry will continue to review strategies and approaches to destination development and will incorporate additional best practices and strategies into future updates of the guide, funding agreements and business plan requirements, where applicable.

4.1.7 Ministry's Tourism Research Data Is Several Years Delayed, so Tourist Trend Information Is Less Useful to Tourism Operators

Many of the tourism statistics that the Ministry reports are based on tourist trend information from several years prior. As a result, this information is not sufficient or useful for tourism operators that require current data to inform their strategic planning and decision-making.

The Ministry publishes tourism statistics such as number of tourists, tourist spending and economic impact of tourism in Ontario, but as of August 2023, its latest data was based on results prior to December 2021. The Ministry relies on several sources of information from Statistics Canada, some of which are released several years after the period the information relates to, such as the National Travel Survey and Visitor Travel Survey, which survey Canadian and international visitors, respectively, for details of their travel expenditures.

Timely research and data are important to support the tourism industry in making informed decisions. For example, stakeholders use tourism data to decide whether to make investments in tourism infrastructure or events. RTOs can also use this information to help their stakeholders (such as municipalities) communicate the economic impact of tourism in their region for attracting future development.

To obtain more timely tourism data, Destination Ontario and the RTOs have conducted their own research. This includes using information sources other than Statistics Canada to gain insight into travel behaviours. Municipalities and tourism operators use this research data, among other purposes, to understand the demographics of individuals interested in their region and in different activities, which they use to make strategic investments in tourism activities. For example, Destination Ontario commissioned research in 2021 to understand the target audiences for 15 categories of tourism experiences, such as spas, museums and food trails. Detailed audience information was compiled for each category, and provided to tourism operators to inform their marketing strategies and optimize their advertising to best reach and appeal to the intended audience.

Of the 11 provincially funded RTOs, seven have paid for access to more timely data from consulting and research firms about the demographics of tourists to specific communities within their region in the past five years (2018/19 to 2022/23). Some of this information can be collected and distributed on a monthly basis, in contrast to the tourist information that the Ministry publishes several years later. In one example, an RTO provided this research to a municipality within its region. This information was used to identify the type of visitor to target for advertising in order to increase the visits during both peak and non-peak periods. During the peak tourism season, understanding the types of individuals that are likely to travel to the region helps design advertising campaigns that attract more visitors with similar interests. Outside of the peak tourism season, the research provided information that can be used to create new experiences to attract different types of tourists to the city.

In our meetings with the executive directors of the RTOs, some have informed us that obtaining additional research is important to tourism operators in their regions and that the operators rely on the RTOs for this. We have found that the types of research RTOs obtain and the amount they spend on it vary significantly. In total, to conduct their own tourism research, about $0.6 million was collectively spent on average each year from 2018/19 to 2022/23 across the 11 RTOs that receive Ministry funding.

Since it is the responsibility of each RTO to get the research it requires, the research obtained varies by region. The frequency and types of research that RTOs get also vary based on available budget and industry needs. Several of the RTOs use some vendors in common, which represents an opportunity to engage vendors at the provincial level to obtain information that multiple RTOs are seeking out individually.

RECOMMENDATION 8

To provide additional research to support tourism organizations in a timely manner, we recommend that the Ministry of Tourism, Culture and Sport:

- assess the types of research and statistics that each regional tourism organization (RTO) obtains or would like to obtain;
- identify whether certain types of research data are useful for all regions and if cost savings can be achieved by obtaining access to this data provincially; and
- obtain access to this data at the provincial level and provide it to the RTOs on a regular (such as annual) basis.

MINISTRY RESPONSE

The Ministry accepts this recommendation and is working with Regional Tourism Organizations (RTOs) on solutions to providing cost-effective and timely research across the province.

For example, in October 2023, the Ministry established a joint Ministry and RTO research working group to review and evaluate data holdings to seek opportunities for more effective use and cost sharing of data in the immediate and longer term.

4.2 Design and Implementation of COVID-19 Tourism Recovery Program Led to Erroneous Payments and Inconsistent Outcomes

4.2.1 Approximately $1.5 Million of COVID-19 Tourism Support Grants Was Paid to Ineligible or Potentially Fraudulent Applicants

Improvements to the design and implementation of the one-time COVID-19 support funding provided through the Ontario Tourism Recovery Program (Tourism Recovery Program; see **Figure 9**) would have distributed its $98.4 million in grants more effectively to meet the program's original objectives to support the tourism businesses that were significant drivers of tourism in their regions. Additionally, they would have reduced the likelihood of approximately $1.5 million being paid to potentially fraudulent applicants and ineligible applicants according to the funding guidelines.

Out of the 570 total recipients of the Tourism Recovery Program, we identified six ineligible applicants out of the 90 applications we reviewed that received funding they should not have according to the program and its application guidelines (about $1.1 million in total). The Ministry identified an additional eight applicants as potentially fraudulent submissions ($460,000). In total, about $1.5 million was paid to these 14 companies out of the $98.4 million total grant program.

Of the six applicants we found that should not have received funding, two applicants were ineligible because they were solely owned by one corporate shareholder that had also applied for funding. According to application guidelines, this ownership structure could apply for the grant only once, on behalf of the entire group. This resulted in a $200,000 overpayment ($100,000 was paid to each ineligible company). The other four ineligible applicants did not experience the required 50% decrease in revenue in 2020 or 2021 when compared to 2019. These four companies collectively received approximately $880,000.

Figure 9: Ontario Tourism Recovery Program, 2021/22

Source of data: Ministry of Tourism, Culture and Sport

Purpose of funding program	To support for-profit, historically successful Ontario tourism businesses that helped drive employment and visits in their regions and were hardest hit by the COVID-19 pandemic.
Annual or one-time	One-time
Funding year(s)	2021/22
Total funding paid	$98.4 million
# of funding recipients	570
Eligible recipients	For-profit businesses in the accommodations, attractions and transportation sectors.
Example of a funding recipient	An amusement park located in Vaughan, Ontario, that historically attracted over 3 million visitors annually, and experienced a revenue decrease of almost 100% from 2019 to 2020. The company received $695,000 to support its operating costs while it was closed and prevented from operating due to COVID-19 pandemic public health restrictions.

For example, one company reported a decrease in revenue of 52% by comparing its 2021 revenue to its 2020 revenue. If this application had been completed correctly, the company would not have been eligible for funding, as its revenue decreased by only 47.63% when comparing 2021 to 2019 results (the required comparable year), and there was no decrease in revenue when comparing 2020 to 2019 as well. The program required 2019 to be the year for comparison because it was the last year not affected by the COVID-19 pandemic. This company received $695,000 as a result of this error. The Ministry indicated that it considered this applicant to be eligible because its fiscal 2020 revenue (year ended March 31, 2020) was appropriate to demonstrate the pre-COVID-19 pandemic impact. The Ministry's reinterpretation of the eligible revenue decrease in this case was an internal decision made when reviewing businesses' eligibility, and it did not publicly communicate this change in the guideline to other applicants or potential applicants.

In another example, an applicant made an adjustment to its reported revenue that was not consistent for both years being compared. The program guidelines required that total revenue be reduced by non-eligible items such as interest income before calculating whether the revenue decrease reached the 50% threshold. One motel decreased the 2021 revenue it reported in its application by the amount of its food sales to show a 50.02% decrease compared to 2019, but it did not remove food sales from its 2019 total revenue. According to the Ministry's program guidelines, food sales should not be removed in the revenue calculation for either year compared. If the applicant's food sales had been properly included in 2021 revenue, the applicant would have had only a 41.53% revenue decrease, making it ineligible for funding. In reviewing this application, the Ministry did not identify this difference even though the company's reported total revenue did not match the financial information it submitted, which should have led to additional review. This company received approximately $66,000 under this funding program despite not meeting the eligibility criteria.

The Ministry informed us that it would further review the ineligible recipients identified and determine whether to seek repayment.

In addition to the six ineligible applicants we identified that received funding from the Tourism Recovery Program, the Ministry flagged eight other submissions as potentially fraudulent. This was determined after the Ministry started an investigation when a business, which the Ministry reached out to as it had been an applicant to the program, informed the Ministry that it had not actually applied to the program. In total, $460,000 was distributed to the eight companies associated with potentially fraudulent submissions.

These potentially fraudulent applicants were able to receive funding by using incorrect information as part of their applications. While the Ministry had implemented some automated checks, such as comparing the legal business name to the Canada Revenue Agency Business Number, these were not as vigorous as those used in other programs. For example, the federal government's wage subsidy program had automated and manual checks that included comparing employee remuneration information to historical filings with the Canada Revenue Agency. The Ministry has identified this as a best practice for future program design.

RECOMMENDATION 9

To confirm the accuracy of applications and data reported by businesses for funding programs, we recommend that the Ministry of Tourism, Culture and Sport:

- provide training to staff that review the funding applications, focusing on verifying the accuracy of reported financial information against supporting documents, where eligibility is determined using financial data;
- assess the cost-effectiveness of collecting repayments from ineligible applicants, and collect repayment where appropriate; and
- reduce the potential for fraud by verifying applicant information against additional sources of data, such as tax information obtained from the Canada Revenue Agency, when funding programs require submission of financial data, where applicable.

MINISTRY RESPONSE

The Ministry accepts this recommendation and will collaborate with its partners to develop and deliver the required financial training for programs where eligibility is determined using financial data. We will also assess the cost-effectiveness of collecting repayments from ineligible applicants and collect repayment where appropriate.

This recommendation will help further improve the Ministry's delivery of future funding programs, including the development of program criteria, evaluation measures and repayment processes.

The Ministry will consult with the Ministry of Finance regarding the feasibility and applicability of accessing relevant tax data information for program administration.

4.2.2 Design of Tourism Recovery Program Did Not Meet Program Objectives

We noted that while the Tourism Recovery Program was designed to support businesses that were historically profitable and employed larger numbers of people, ultimate program funding decisions did not take this into account. Additionally, about one-quarter of the approximately $98 million in funding that was distributed as part of the Tourism Recovery Program went to 28 groups of companies. This was due to a program design that allowed businesses with multiple owners to receive more funding than similar businesses with only one corporate owner.

Program Funding Was Awarded to Businesses That Were Not Aligned with the Original Program Objectives

The Tourism Recovery Program was initially designed to support historically successful tourism businesses that drive employment and visits in their regions. The Ministry developed a process to score each applicant based on how well it matched these requirements. However, this score ultimately had no impact on whether an applicant received funding or how much it received. Those that better fit the program objectives ultimately had their potential funding reduced, compared to those that did not fit the original funding objectives as closely.

In the application process, the Tourism Recovery Program was described as a competitive funding program to assist businesses that were significant drivers of their regional tourism economies. Factors that the Ministry considered for determining how a business qualified under this condition included the business's demonstrated historical profitability, the number of jobs generated by the business in Ontario and the number of visitors to the business each year. After the application period closed, the Ministry reviewed the applications and, contrary to how it had publicly described the program, it awarded funding to all eligible applicants (that is, eligible businesses that had a 50% or greater decrease in revenue), regardless of the scores awarded under the previous criteria.

We noted that the assessed scores for the 570 funding recipients ranged from seven to 84 out of 100. For example, for the five businesses that scored the lowest (10 or lower), the applicants had historically received fewer than 300 visitors annually and had few employees (less than $50,000 in total salaries and wages paid annually). These five companies received about $120,000 in total but did not meet the original program objectives.

The Ministry informed us that this change in approach from a competitive process was based on direction from the Minister of Tourism, Culture and Sport (Minister) to award funding to as many eligible businesses that were impacted by the pandemic as possible. With the revised decision to award funding to all applicants that experienced a 50% or greater revenue decrease, more businesses received funding than was initially planned. However, this also resulted in eligible applicants receiving less funding than what they would have received under the original program guidelines, since the Tourism Recovery Program had more eligible applicants than the program's $100 million budget could support.

As a result of not applying the scoring criteria for funding decisions and receiving more applicants than the program could fund, the Ministry reduced the amount of funding that certain recipients would receive. Recipients were grouped into four tiers based on the size of their business, as defined by their expenditure on salaries and wages in 2019 (see **Figure 10** for details of the tiers and the initial and revised funding formula for each). Businesses that fell into the two largest tiers (Tier 1, with salaries over $4 million, and Tier 2, with salaries between $2 million and $4 million) had their funding reduced by 30.5% compared to the original program design. For these two tiers, instead of applicants receiving funding equal

Figure 10: Funding Formula for Ontario Tourism Recovery Program

Source of data: Ministry of Tourism, Culture and Sport

Tier	Initial Funding Amount (lower of)		Revised Final Funding Amount (lower of)	
Tier 1: > $4,000,000 salaries and wages	**20%** of revenue loss*	$1,000,000	**13.9%** of revenue loss* (eligible funding reduced by 30.5%)	$695,000
Tier 2: $2,000,000–$4,000,000 salaries and wages		$500,000		$347,500
Tier 3: $1,300,000–$1,999,999 salaries and wages		$250,000	**20%** of revenue loss* (no change from initial program details)	$250,000
Tier 4: < $1,300,000 salaries and wages		$100,000		$100,000

* Revenue loss is calculated by comparing applicants' 2020 or 2021 revenue to their fiscal 2019 revenue.

to 20% of their revenue loss (up to a maximum of $1 million and $500,000, respectively), they received 13.9% of their revenue loss (up to a maximum of $695,000 and $347,500, respectively). These two tiers of applicants generally scored higher on the assessment criteria (on average, Tier 1 applicants scored 71 and Tier 2 scored 62) than businesses in the other two tiers (on average, Tier 3 applicants scored 58 and Tier 4 applicants scored 39), so the recipients that had their funding reduced were deemed to be those more aligned with the program's funding objectives, as they generally attracted more visitors and contributed to more jobs in Ontario.

RECOMMENDATION 10

So that funding decisions for any ongoing or future funding programs align with the programs' design and objectives, we recommend that the Ministry of Tourism, Culture and Sport (Ministry):

- conduct an analysis of existing funding programs to determine whether funding recipients and/or projects have achieved the intended program objectives;
- using the results of the program analysis, develop scoring criteria that can be used to determine which funding recipient is aligned with the program objectives for each competitive funding program that the Ministry is delivering; and
- apply the scoring criteria consistently across all applicants to decide whether funding is awarded to a recipient and the amount of funding awarded.

MINISTRY RESPONSE

The Ministry accepts this recommendation and will continue to work and ensure that funded projects meet program criteria and are evaluated in a consistent manner.

The Ministry will review its existing funding program evaluation templates to ensure that the scoring method supports stated program objectives and priorities, and make any improvements deemed necessary.

The Ministry will continue to develop training for consistent scoring of applications and provide funding recommendations to support high-scoring applicants.

Similar Tourism Businesses Received a Different Number of Grants Based on Different Ownership Structures

The design of the Tourism Recovery Program and application criteria resulted in similar businesses receiving different amounts of funding based solely on differences in their ownership structures. The Ministry's design of the funding program required all businesses to apply individually, except for businesses that were fully owned (100%) by another corporation, in which case they were required to submit one application as a group. The Ministry considered that the accommodations industry frequently included common ownership structures for multiple distinct companies, and determined that it would accept separate applications from companies structured this way. This meant that if two corporations jointly owned three companies, they could apply for three grants, whereas one corporation that owned three companies could apply for only one.

We found that 94 of the 570 recipients (about 16%) were related to one of 28 distinct groups of companies. Companies within each group shared the same management and/or owners. These 28 groups received $22.3 million, or about 23% of total approved funding with this program. Common examples of these groups of applicants include hotel operators that owned more than one hotel property, each of which was incorporated as a separate company and which applied for funding individually. Ultimately, the accommodation sector received $59 million, or 60% of the total funding under the Tourism Recovery Program (see **Appendix 9** for a breakdown of Tourism Recovery Program funding by sector).

We found the following examples of companies that received a different number of grants based on how the application was submitted. Even though all applicants followed the program's rules, the program design resulted in inconsistent funding decisions.

Figure 11: Pictorial Representation of a Group (Group 1) That Received Total Funding of $200,000 from the Ontario Tourism Recovery Program

Prepared by the Office of the Auditor General of Ontario

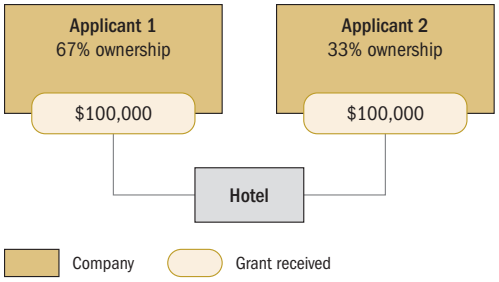
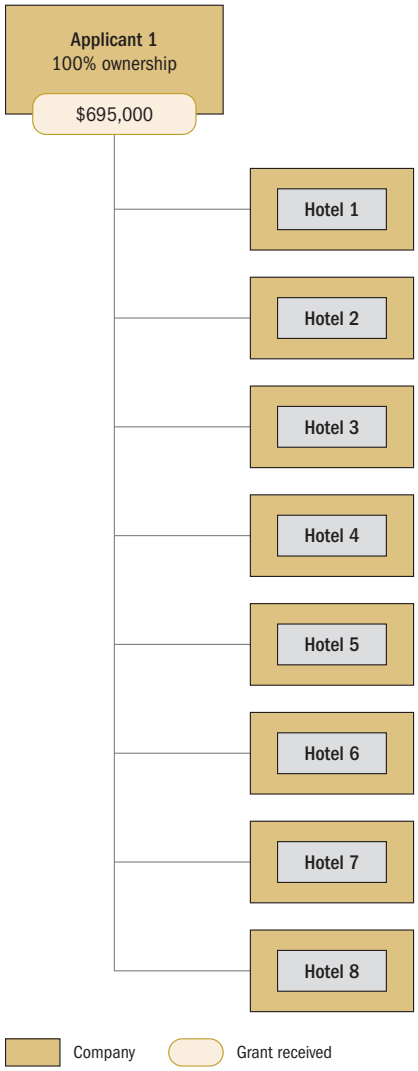


Figure 12: Pictorial Representation of a Group (Group 2) That Received Total Funding of $695,000 from the Ontario Tourism Recovery Program

Prepared by the Office of the Auditor General of Ontario



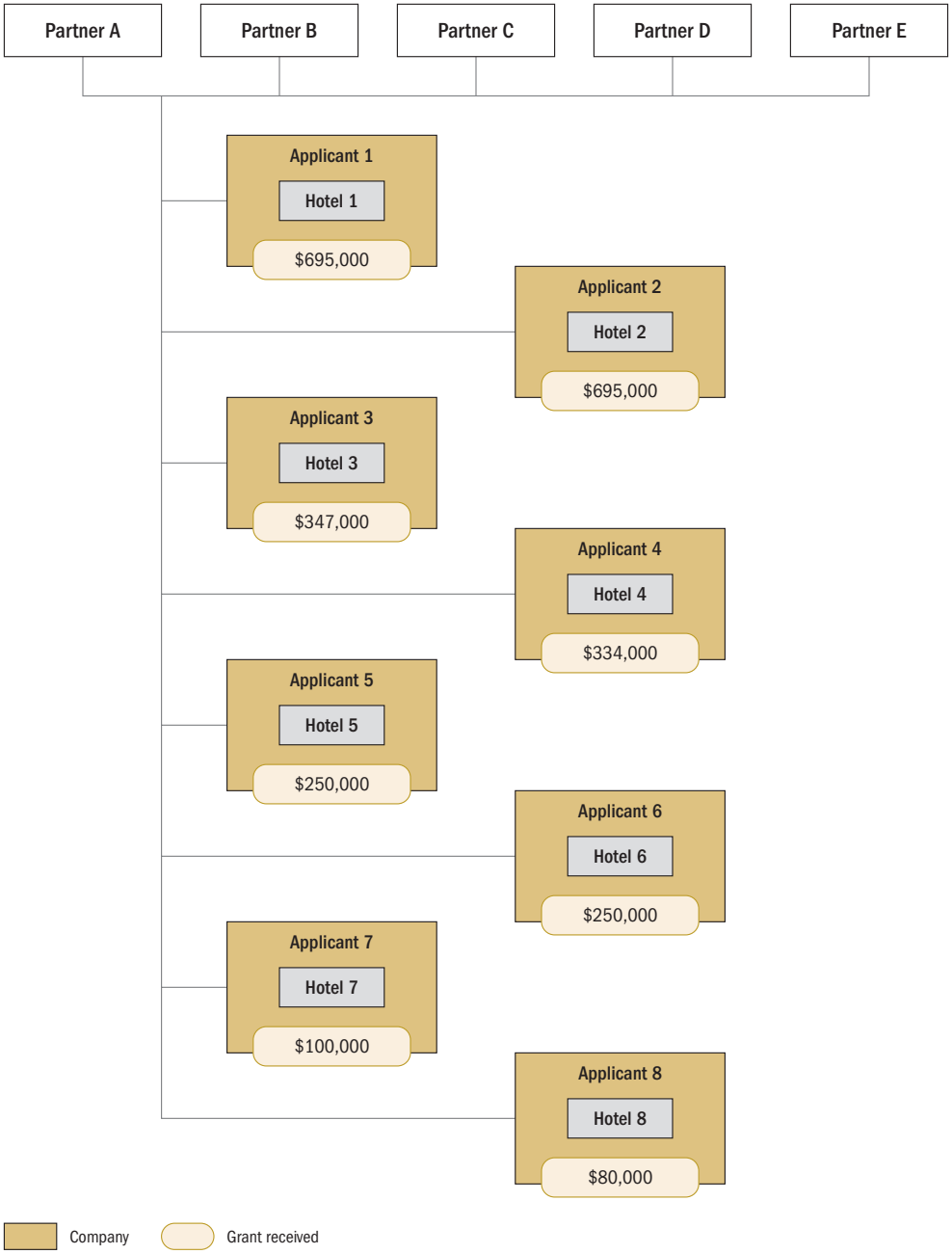
Note: This applicant had more than 20 wholly owned subsidiaries, but only eight have been included for the purposes of this illustration.

- Group 1 (ownership structure illustrated in **Figure 11**) consists of two companies, each receiving a grant of $100,000, for $200,000 in total. These two companies jointly own one hotel property, divided 67% and 33% between them. The first company submitted an application based on its 67% of the hotel's revenue, and was entitled to $100,000, the maximum amount of funding for a Tier 4 applicant (see **Figure 10**). The second company based its application on its 33% of the same hotel's revenue and similarly was entitled to $100,000, the maximum funding amount for a Tier 4 applicant. Both companies submitted applications with the identical hotel name, address and historical number of visitors, differing only in each company's financial statement (67% versus 33% of the operations). If the hotel itself had been incorporated or fully owned by one company, as a Tier 4 applicant it would be eligible for $100,000 of funding, instead of the $200,000 that was paid to the two companies.
- Group 2 (ownership structure illustrated in **Figure 12**) consists of one company that received the maximum $695,000 of funding as a Tier 1 applicant. This company fully owned many subsidiaries that operate in the hotel and tourism sector. On behalf of all its subsidiaries, this parent company received one grant for its application that included the operations of over 20 hotels that experienced a revenue decrease of more than 50% combined. If these subsidiaries had two shareholders instead of one, they would have been able to apply for separate grants for each of the hotels that operated as separate subsidiaries. While we did not have the individual data of each company, based on information submitted by the group we estimated that at a minimum, the group could have received approximately $2.8 million in grant funding had its subsidiaries been allowed to apply separately.

- Group 3 (ownership structure illustrated in **Figure 13**) consists of eight companies, each receiving one grant, for a total of approximately $2.75 million. Each of these companies owned and operated one hotel, eight in total for this group, with the group of hotels sharing the same senior management. As well, from the financial information provided, these companies had many common owners or partners that controlled the companies as a group. This group

Figure 13: Pictorial Representation of a Group (Group 3) That Received Total Funding of $2,751,000 from the Ontario Tourism Recovery Program

Prepared by the Office of the Auditor General of Ontario



Note: There are more than five common partners in this group and not all had ownership of every applicant, but the group shares common senior management. Only five partners have been included for illustration purposes.

received multiple grants because each hotel applied as a separate corporation rather than as a group, which was allowed under the program design. If this group had one corporate owner rather than several (as with Group 2 shown in **Figure 12**), it would have been eligible for only one grant of $695,000.

Even though these three groups of companies operate in a sector (hotels) where the businesses are similar, the program design allowed for inconsistency in how they were required to apply. We found that other grant funding programs that provided business support during the pandemic, such as the Ontario Tourism and Travel Small Business Support Grant, considered affiliated companies as one group: eligible applicants could submit only one combined application for the affiliated group. The Ministry informed us that, other than requiring wholly owned companies to apply as one group, it did not require other affiliated companies to make one joint application because the definition of "affiliated" in past funding programs had caused confusion among applicants. By allowing differing grants to companies based solely on whether the business was solely owned or had multiple owners, the Ministry introduced other complexities for the review process and inconsistency in how much funding was provided to each business compared to the program's original objectives.

Further, as part of applications to the Tourism Recovery Program, the Ministry requested that applicants provide a listing only of shareholders that had over 25% ownership in the company. Other than providing the names of individuals or businesses that owned the company, the applicant did not need to provide important details such as ownership percentage of each owner. Even when the applicant listed only one shareholder, it was not always clear it had only this one shareholder, since the remaining shareholders could have held less than 25% ownership each. Since 100% ownership was a defined criterion in the application form, in order to reduce the risk of fraud or error in the information provided by applicants, the Ministry would have needed to obtain more complete information to facilitate an accurate review of the applications.

Considering that the Tourism Recovery Program was meant to help as many businesses that were significantly impacted by the COVID-19 pandemic as possible, particularly after the program changed from awarding grants to businesses that best fit the Ministry's assessment criteria (as discussed earlier in **Section 4.2.2**), the program design ultimately led to funding decisions that did not fully match the objectives of this program.

RECOMMENDATION 11

To establish and verify funding programs' eligibility criteria so that the criteria better meet the Ministry of Tourism, Culture and Sport's (Ministry) program objectives, particularly where funding for organizations may differ based on ownership and/or management structure, we recommend that the Ministry:

- consider whether it is appropriate for any funding programs' criteria to allow for different funding to be awarded to applicants based solely on their ownership and/or management structure, and document the rationale where it is deemed appropriate; and
- where the funding programs' criteria incorporate different funding to organizations based on their ownership and/or management structure, review whether the Ministry's process for assessing applications has included adequate verification of the information submitted on corporate structures and ownership, and improve the verification process where necessary (such as by requiring applicants to report detailed director and shareholder information and provide corporate documents to verify this information, or by using tax information from the Canada Revenue Agency to verify affiliated corporations).

MINISTRY RESPONSE

The Ministry accepts this recommendation and will work to clarify program criteria to ensure that ownership structures are effectively addressed and

verified when designing programs and reviewing applications going forward.

4.3 Two Similar Annual Funding Programs Do Not Have Clear Objectives, Leading to Duplication of Effort and Ineffective Distribution of Funding

The Ministry has two annual funding programs—the Tourism Economic Development and Recovery Fund (Economic Development and Recovery Fund) and the Pan-Regional Fund—that fund a broad range of tourism projects. Details of the funds are summarized in **Figure 14** and **Figure 15**, respectively. The Economic Development and Recovery Fund's purpose is to support innovative tourism projects and investment, or build the capacity of Ontario's tourism industry. This can include funding the cost of developing strategic and marketing plans, and advancing specific tourism ideas, projects and programs. Similarly, the Pan-Regional Fund is intended to fund tourism and destination development projects that benefit more than one region within Ontario. This can include funding tourism organizations to develop new tourism products and experiences.

Our audit reviewed 21 (out of 65) Economic Development and Recovery Fund recipients and three (out of 14) Pan-Regional Fund recipients between 2020/21 and 2022/23. The Economic Development and Recovery Fund and Pan-Regional Fund have overlapping program objectives, and also overlap with the responsibilities of the provincially funded RTOs. Yet projects are approved on a project-by-project basis without consideration for projects already funded by the other fund, or whether certain projects could be better supported in partnership with the RTOs and the existing funding that other organizations received or receive. As

Figure 14: Tourism Economic Development and Recovery Fund, 2020/21–2022/23

Source of data: Ministry of Tourism, Culture and Sport

Purpose of funding program	To support non-capital projects that encourage the development of new tourism products and tourism investment, or build the capacity of Ontario's tourism industry.
Annual or one-time	Annual
Funding year(s)	2020/21–2022/23
Total funding paid	• Ranged from $0.4 million to $1.5 million annually. • $2.4 million of total funding, 2020/21–2022/23.
# of projects funded	• Ranged from 18 to 28 annually. • 65 projects funded in total, 2020/21–2022/23.
Eligible recipients	Municipalities and destination marketing organizations, Indigenous organizations, Ontario tourism industry associations, not-for-profit organizations with a clear tourism focus, and for-profit tourism organizations.
Example of a funding recipient	Funding to a for-profit tourism business to build a new sugar shack facility and develop an agri-tourism experience to attract tourists. Funding was used for wages, landscape design, development and implementation of the new tourism experience, and retail and supply chain development.

Note: The Tourism Economic Development and Recovery Fund started in 2020/21, but was based on a previous funding program (Tourism Development Fund) that began in 2008. The program objectives are similar, but eligible organizations and project types were expanded for the Tourism Economic Development and Recovery Fund. The program closed in August 2022, and in August 2023, was replaced by the Tourism Development Fund. Program eligibility was modified for the 2023/24 funding year.

Figure 15: Pan-Regional Fund, 2013/14–Present

Source of data: Ministry of Tourism, Culture and Sport

Purpose of funding program	To support tourism and experience development that benefit more than one region in Ontario (pan-regional).
Annual or one-time	Annual
Funding year(s)	2013/14–present (continuing)
Total funding paid	• Ranged from $0.5 million to $1.1 million annually. • $6.6 million of total funding, 2013/14–2022/23.
# of projects funded	• Ranged from 2 to 5 annually. • 32 projects funded in total, 2013/14–2022/23.
Eligible recipients	No specific guidelines available,* but historically has provided funding to tourism associations and not-for-profit tourism organizations.
Example of a funding recipient	Funding to an Indigenous tourism association to develop culturally authentic tourism products and experiences, build strategic partnerships across the province, and conduct a campaign to promote tourism as a career for Indigenous youth.

* While specific guidelines for the funding program were not created, the broad guidelines for the Pan-Regional Fund contained in the 2013 approval note for the program include the following:
- Funding agreements are one-time and are not meant to be year-over-year, and the projects should provide benefits to multiple regions or across the province.
- RTOs are expected to fund pan-regional projects out of their current business plans and allocations.

a result, the funding recipients are not required to work together on complementary projects or projects with similar objectives, although this would promote greater collaboration and more efficient use of program funds.

We noted examples where funding from these two programs was given to sector associations in the tourism industry to partner with organizations to create new tourism experiences. At the same time, tourism operators that were part of those associations applied for and received separate Ministry funding to develop tourism experiences without being required to collaborate with these associations. (See **Appendix 13** for a summary of the examples we identified.) Greater collaboration would have promoted the pooling of resources and knowledge so that funding could be used more effectively by the tourism operators to complete their projects.

When the Ministry completed an internal review of these two funding programs in 2022, it identified the overlap between the two programs and with other Ministry funding as an area for improvement. Following this review, the Ministry made some changes to the programs for 2023/24 (such as a better defined application process), but further improvements can be made to improve the effectiveness of the funding programs by reducing the overlap between the funding programs and promoting more collaboration between recipients.

Cultural and Historic Itineraries: Indigenous Tourism Experiences

One tourism association, Indigenous Tourism Ontario, received $1.6 million from the Pan-Regional Fund between 2016/17 and 2022/23. Indigenous Tourism Ontario is a non-profit, membership-based organization that supports the growth of Indigenous tourism by providing advocacy as well as support and expertise directly to operators. With this funding, Indigenous Tourism Ontario was expected to develop partnerships, including partnerships with RTOs and Indigenous businesses, to create new itineraries centred on Indigenous experiences.

During the same funding period, in 2022/23, a tourism business applied to the Economic Development and Recovery Fund to start an Indigenous cultural and historic experiences bus tour. The application indicated no confirmed financial support from Indigenous Tourism Ontario or the RTO in the region where it operates. The tour operator received $10,000 from the Ministry for research, product development and project management to develop its idea. The recipient was not required to start a new tourism experience with this funding, as its idea was only in the exploratory phase, so the Ministry's investment may not result in any growth in tourism businesses or number of tourists.

In the funding agreement, the Ministry also did not require the tour operator to work with Indigenous Tourism Ontario or an RTO on this idea. Both of these organizations regularly work with other tourism businesses on new ideas to grow tourism and even receive Ministry funding to create similar partnerships to develop new experiences to attract visitors. Partnerships would have provided the tour operator with more expertise and guidance, in addition to the financial support that it received.

Route Champlain/Eastern Ontario: Francophone Tourism Experiences

Another tourism association, La Société Économique de l'Ontario (SÉO), also received Ministry funding through the Pan-Regional Fund. SÉO is a not-for-profit organization that promotes economic development in Ontario's Francophone communities. SÉO received $1.1 million in total funding from 2015/16 to 2022/23. Most of this funding was for the development of Route Champlain and to create tourism products around this area, which is located in eastern Ontario near the Ontario-Quebec border and attracts a Francophone community.

In 2021/22, a Francophone tourism not-for-profit organization also received $20,000 from the Economic Development and Recovery Fund. The funding was to support the completion of a feasibility study for the development of a Francophone theme park in the Prescott and Russell area, which is located close to Route Champlain. The feasibility study looked at other publicly available experiences related to Franco-Ontarian heritage and pioneer villages, and concluded that the development of the theme park would attract a new audience and benefit tourism in the underdeveloped Prescott and Russell area. It would also provide benefits to other nearby well-developed tourism hubs, such as Route Champlain, as it would increase the number of new visitors to the area. The study recommended that this project should move forward. In the funding agreement, the Ministry did not require the organization to collaborate with SÉO in conducting this study, even though SÉO has received funding for developing similar Francophone tourism experiences in recent years.

The recipients of the Pan-Regional Fund, such as Indigenous Tourism Ontario and SÉO, are not required to report back on the outcomes of their partnership activities and stakeholder engagement during the year, such as how these contributed to tourism activities, and the growth in the number of visitors or visitor spending in Ontario (also discussed further in **Section 4.1.3**). In contrast, RTOs, which receive annual funding from the Ministry, are required to report a list of all the partners they have supported in the year, the funding the RTO contributed along with the matched partner funding, and a description of the activities supported or developed with the partnership funds. This specific reporting of partnership activities undertaken in the year outlines to the Ministry how its funding was used and which stakeholders were engaged in the year. These are not made clear in the current reports by Pan-Regional Fund recipients.

More Effective Support for Early-Stage Tourism Projects Delivered by Other Organizations

In addition to funding from the RTOs, businesses and not-for-profit organizations in the tourism sector have other alternatives to the Ministry's Economic Development and Recovery Fund to obtain support to develop their early-stage tourism projects and businesses. For example, the Tourism Innovation Lab is a not-for-profit initiative that receives funding through government grants and also through partnerships with RTOs, DMOs

and other organizations, to help successful applicants start up their new tourism ideas and businesses. The Tourism Innovation Lab provides start-up funding, often $3,000 to $5,000, to successful applicants. This is less than some of the Ministry's Economic Development and Recovery Fund grants, but the Tourism Innovation Lab also provides mentorship to participating individuals and businesses to develop their ideas and connects them to experienced tourism operators, industry experts and other business support resources. This is in contrast to the Economic Development and Recovery Fund, which provides one-time funding that can range from $5,000 to $70,000, but with which the Ministry provides no further mentoring or advice to ensure the project's success. For some of the tourism development projects that the Economic Development and Recovery Fund has supported, other funding and support options may be more suitable, such as through the Tourism Innovation Lab or partnerships with RTOs, so that the fund could use its limited resources to make a greater impact in other ways, such as having more funding available to attract private investment to the tourism sector (as discussed in **Section 4.1.5**).

RECOMMENDATION 12

So that funding decisions made by the Ministry of Tourism, Culture and Sport (Ministry) take into consideration other similar organizations that have already received Ministry funding for similar projects, and to improve collaboration in the tourism sector, we recommend that the Ministry:

- assess whether it has previously funded similar projects when reviewing applications for funding, and require funding recipients to collaborate with others that have similar objectives;
- require sector associations that receive Ministry funding to provide detailed reports on their stakeholder engagement, including details of partnerships similar to the partnership attestations completed by regional tourism organizations (RTOs), with detailed information on how these activities contributed to the growth of tourism in the province; and
- assess how early-stage tourism projects and businesses can be more effectively supported, such as through a province-wide program similar to the Tourism Innovation Lab or through the RTOs, and determine if changes are needed to funding program eligibility criteria to assist these tourism projects.

MINISTRY RESPONSE

The Ministry accepts this recommendation and will continue to work to reduce overlap and inefficiencies in program application and delivery. The Ministry will consider opportunities when reviewing funding applications to promote collaboration with other projects that have similar objectives, and improve reporting requirements from tourism sector associations that are expected to develop partnerships with the Ministry funding they receive. The Ministry will assess opportunities to better support the development of new tourism products.

4.3.1 Pan-Regional Fund Is Not Publicly Advertised, and Awarded Projects Do Not Meet the Original Program Criteria, Resulting in Duplication with Other Funding Programs

The Pan-Regional Fund was established in 2013/14 with $1.5 million of funding allocated to support tourism projects that benefit more than one region in Ontario. More than half of the projects that have received its funding since 2013/14 did not meet one of the program's original criteria for funding, as they were funded for consecutive years, even though the fund was intended to provide funding for only one year. Since it was established, the funding program has not been publicly advertised and there is no formal application process.

RTOs were made aware of this funding in 2013 when the fund was first established and they were provided with broad information on the types of projects that would qualify. Information about the program is not available on the Ministry's website or Transfer Payment Ontario (Ontario's grant system) website,

and announcements are generally not made regarding applications being open or which recipients are awarded funding.

Since 2013, tourism stakeholders may have become aware of this funding program through the RTOs or the Ministry. Stakeholders send their proposals for tourism projects to the Ministry to be reviewed by Ministry staff, who then determine whether to award funding. Once a funding decision is made, a recommendation is submitted to the Minister for final approval. However, without a formal application process, there are no defined criteria that the Ministry uses to evaluate the applications. Aside from the Ministry's approval note in 2013 when the funding program was first established, there is no program guide outlining its objectives and mandate, unlike the Ministry's other annual funding programs.

The broad guidelines for the Pan-Regional Fund contained in the 2013 approval note include the following:

- Funding agreements are one-time and are not meant to be year-over-year, and the projects should provide benefits to multiple regions or across the province.
- RTOs are expected to fund pan-regional projects out of their current business plans and allocations.

Since its inception, the Pan-Regional Fund has supported projects that do not align with the purpose of this program. Some of these overlap with the RTOs' original purpose and current annual funding allocations. For example, in 2021/22, one RTO received $130,000 under the fund to create an Ontario-wide LGBTQ+ tourism product and experience development strategy, and another $160,000 in 2022/23 to deliver this strategy and provide training, partnerships and marketing, in collaboration with four other RTOs. All other RTOs were already expected to collaborate with regions across the province as part of their mandate and through their annual Ministry funding. This was recognized in the initial design of the Pan-Regional Fund, where the Ministry had explicitly indicated that RTOs were expected to continue to fund pan-regional projects out of their business plans and annual RTO funding allocations. However, this RTO was given $290,000 in total to accomplish the purpose for which it is already funded.

Between 2013/14 and 2022/23, 21 of the fund's 32 approvals were to organizations that received funding in consecutive years. This is contrary to the original purpose and program design that specified that the Pan-Regional Fund was for one-time funding agreements. **Appendix 14** lists all funded organizations since 2013, including those that received funding for consecutive years.

The Ministry's internal review of this funding program in 2022 also identified as areas of improvement the lack of a public announcement to open the program for applications, the overlap in scope with RTOs, and the multi-year projects funded. The Ministry is considering potential changes to this funding program in the future.

RECOMMENDATION 13

To improve the effectiveness of the Pan-Regional Fund and establish objectives and outcomes for it, we recommend that the Ministry of Tourism, Culture and Sport:

- develop and publish a program guide for the Pan-Regional Fund that includes the purpose of the funding, expected program outcomes, eligible organizations, application instructions and performance measures; and
- establish a process for receiving applications and apply standard criteria for reviewing the applications to make funding decisions.

MINISTRY RESPONSE

The Ministry accepts this recommendation and is working to implement new approaches for funding key projects in the tourism sector in the next fiscal year. It will include public program guides, eligibility requirements, performance measures and standardized processes for decisions.

4.3.2 Economic Development and Recovery Fund Performance Measures Are Not Specific to Individual Projects and the Reporting Process Is Inadequate to Properly Assess Results after the First Year of the Project

The Ministry has established standard performance measures for all funding recipients of the Economic Development and Recovery Fund to report the results achieved. However, since the Ministry funds a broad range of projects through this one program, the standard performance measures are not always suitable to the type of project. As well, some funded projects may not achieve measurable results for attracting more tourists within the required reporting time frame, usually about one year after funding was provided. See **Figure 16** for a summary of projects funded through the Economic Development and Recovery Fund between 2020/21 and 2022/23.

The Ministry's standard performance measures are:

- increase in number of visitors from over 40 kilometres away (those travelling over 40 kilometres are considered tourists and not locals);
- increase in visitor spending;
- number of jobs created or retained;
- number of businesses/individuals who received training or information; and
- number of new products created or experiences created.

Funding recipients are required to report on these performance measures in their final report to the Ministry to demonstrate how they used the funding and what results they achieved. The final report is generally required to be submitted within one year of the funding agreement being signed, or at most within 18 months.

Some of the projects that received funding include research on new tourism experiences, development of a strategic plan to grow tourism in specific cities, and developing engineering and design plans for a new attraction. These recipients do not have results to report on many of the standard performance measures—such as the number of tourists or tourist spending, jobs and products created—since no new tourism experience has been developed at the time of reporting. Therefore, the Ministry does not obtain

Figure 16: Projects Funded through the Tourism Economic Development and Recovery Fund, 2020/21–2022/23

Source of data: Ministry of Tourism, Culture and Sport

	2020/21[1]		2021/22[2]		2022/23	
	# of approved projects	Total funding for approved projects ($)	# of approved projects	Total funding for approved projects ($)	# of approved projects	Total funding for approved projects ($)
Specific tourism projects and programs	11	453,185	8	158,670	6	156,000
Association conference fees	–	–	3	101,000	5	120,000
Strategic plans	–	–	5	150,900	4	70,000
Association workshops	–	–	–	–	1	50,000
Feasibility studies	6	221,875	1	20,000	1	25,000
Marketing plans	–	–	–	–	1	7,500
Association membership fees	11	776,427	2	125,000	–	–
Total	**28**	**1,451,487**	**19**	**555,570**	**18**	**428,500**

1. In 2020/21, included in the total projects and funding are multi-year projects that have funding paid over two years. This includes five projects with $200,500 of funding paid in 2020/21, relating to approvals from 2019/20. Another six multi-year projects were approved in 2020/21 and paid in 2020/21 and 2021/22, representing $131,300 and $161,000, respectively.
2. In 2021/22, five of the 19 approved projects are multi-year projects ($196,000) with funds distributed in 2021/22 ($106,000) and 2022/23 ($90,000).

appropriate information in the final report to assess the outcomes of the strategic plan, feasibility study or the development of other tourism experiences that it helped fund, or an understanding of how these activities contributed to the tourism activity in the region or province.

In the agreements with recipients of this fund, the Ministry states that it can, at its discretion, follow up with the recipient at two years and five years after project completion to collect data on the performance measures. However, since the program began in 2020/21, the Ministry informed us that two-year performance data had not been requested from any of the nine recipients with longer-term projects (out of 28 total recipients) that were funded in 2020/21 and thus could have been followed up with. The Ministry followed up with the nine recipients in July 2023 for their two-year performance measures, after our Office requested this information.

The projects that we requested additional information for were those relating to strategic plans, feasibility studies or the development of tourism experiences. These types of projects would be expected to have tourism outcomes beyond the initial funding period, such as the number of new visitors once the tourism experience was established and operating, or after the development and implementation of a strategic plan. The Ministry noted the following reasons why a two-year follow-up was not initially completed:

- One of the funded projects was delayed, so the two-year mark was not considered the appropriate time to collect performance results; the Ministry plans to follow up at a later date.
- For eight projects, the Ministry determined that the recipient had provided adequate information in its final report so no follow-up was required. However, we noted three examples where the final report did not include the results of all the performance measures required in its funding agreement with the Ministry. For example, funding was provided to a municipality to create a tourism sector and marketing strategic plan, which includes creating new tourism experiences. At the end of the funding period, the municipality reported that no new tourism products and experiences were created. The Ministry did not request an update from this municipality at the two-year mark to assess further progress on the strategic plan until July 2023, subsequent to our Office requesting the information.

Going forward, to conduct two- and five-year follow-ups of funded projects, the Ministry indicated that it would reach out to recipients to obtain reports as needed, and Ministry staff planned to track the future reporting dates in a calendar. During our audit, in July 2023, the Ministry started to implement a process in Transfer Payment Ontario, the Province's grant funding system, to track projects that require a follow-up and to send out automatic system messages to recipients requesting updated performance measures.

RECOMMENDATION 14

To improve tracking of performance measures, outcomes and impact on tourism and the economy of projects funded through the Tourism Development Fund (formerly called the Tourism Economic Development and Recovery Fund), we recommend that the Ministry of Tourism, Culture and Sport (Ministry):

- review performance measures required from new funding recipients to ensure that they are relevant to the type of project being funded and the outcomes expected; and
- develop formal criteria to determine the types of projects where the Ministry requires two- and five-year follow-ups and specify this information in the application guide and funding agreements, along with the recently added process of sending automated messages in the Transfer Payment Ontario system.

MINISTRY RESPONSE

The Ministry accepts this recommendation and remains focused on aligning performance measurements with the program objectives for the Tourism Development Fund.

The Ministry will continue to work to improve processes for recipients and provide more guidance on performance measurements and report-back requirements. Through these improvements, the Ministry will aim to collect better data to assess the impacts of its funding program.

4.4 Delay in Funding Decisions Hampered the Operations of Tourism Organizations and Effectiveness of Funding Delivered

4.4.1 Late Funding Approvals by Ministry Led to Cancelled Festivals and Events

The Ministry receives applications for its Reconnect Ontario program (see **Figure 17** for a description of the program, now known as Experience Ontario) annually, but does not deliver its funding notifications in time for all the successful applicants to go ahead with their events. With the 2022/23 Reconnect Ontario program (events held between April 1, 2022 and March 31, 2023), organizers cancelled seven events because they received notification from the Ministry that they were approved for funding too late to hold the event. These organizers did not receive their approved Ministry funding as they were unable to plan their events without earlier confirmed Ministry support.

Of the 823 total applications for Reconnect Ontario in 2022/23, 29 event organizers withdrew from the program. We reviewed these applications and found that seven applicants cancelled their events because funding notification came too late. This includes one event that had applied in February 2022 for an event planned for May 2022. This event was expected to generate $1.3 million in tourist spending. This organizer did not receive notification of approval for the $185,000 requested until July 2022, too late to hold this seasonal event. An additional three event organizers did not cancel their events but instead planned them on a smaller scale than originally intended, assuming that the delay meant they would not receive the support requested. As a result of not being notified in a timely manner, they withdrew from the program. This includes one organizer who said that it was no longer possible to stage the event at the size originally planned once the funding announcement finally arrived.

Figure 17: Reconnect Ontario[1] and Marquee Event Fund Programs, 2019/20–Present

Source of data: Ministry of Tourism, Culture and Sport

Purpose of funding program	To support festivals and events to attract visitors to Ontario with local experiences and generate increased tourism spending.
Annual or one-time	Annual
Funding year(s)	2007–present (continuing)
Total funding paid[2]	• Ranged from $15.1 million to $39.0 million annually for 2019/20–2022/23. • $112.4 million of total funding, 2019/20–2022/23.
# of events and festivals funded[2]	• Ranged from 265 to 522 events annually for 2019/20–2022/23. • 1,549 events and festivals funded in total, 2019/20–2022/23.
Eligible recipients	Ontario-based entities that have been in existence since January of the year prior to the start of the funding period. For example, for the April 1, 2022 to March 31, 2023 funding period, the entity must have been incorporated since January 1, 2021 or before. Sole proprietors and partnerships are not eligible, as well as federal or provincial governments and/or their agencies.
Example of a funding recipient	Funding to a not-for-profit organization to hold a Pride Festival that attracts visitors locally and abroad, with activities such as performances, panels, exhibitions, street fair, and a parade.

1. Program was called Celebrate Ontario until mid-2020/21, then changed to Reconnect Festival and Event Program, and in 2022/23 became Reconnect Ontario. For 2023/24, the program name changed to Experience Ontario. Minor changes to the program occurred over these years to fit the changing needs of events and festivals, such as funding criteria to address the impact of the COVID-19 pandemic.
2. Includes those funded as Marquee Events, which are major (national or international) festivals or events with larger operating budgets (over $1 million) that do not occur on an annual or bi-annual basis. For example, the 2023 Tim Hortons Brier (Canadian men's curling championship) received Marquee Events funding and was held in London, Ontario.

Applications for the 2022/23 Reconnect Ontario program were open to the public from January 6, 2022 to February 2, 2022. The Ministry notified applicants of its funding decisions after it had completed its review of all applications received, rather than prioritizing reviews and approvals for events with an earlier start date. We noted that three of the affected applicants that had to cancel their events had planned them early in the Ministry's funding year, which began April 1, 2022. Of the 10 event organizers that withdrew from the program due to late notification from the Ministry, six (including the three who cancelled events) had planned their events to start earlier than the funding announcement on July 28, 2022, which came more than five months after the application period closed. These events were planned to start between May 2022 and July 1, 2022.

The late approvals impacted tourism operators when they were organizing events and festivals to attract tourists to their regions. The Ministry identified the delay in providing funding notifications to applicants as an area of improvement in its 2022 internal efficiency review of Reconnect Ontario. It noted that many events do not have the capacity to proceed without assured funding, and smaller and not-for-profit event organizers need to know if they have been granted funding before they can proceed with their planning. After this internal review, however, the 2023/24 Experience Ontario program still had similar funding notification delays, with recipients receiving funding letters on July 28, 2023, three months after the application period closed on April 28, 2023.

RECOMMENDATION 15

So that Experience Ontario (formerly Reconnect Ontario) funding program notifications are communicated to event organizers prior to the date of their events, we recommend that the Ministry of Tourism, Culture and Sport prioritize application reviews and approvals based on event dates and, in particular, prioritize events held in the first quarter of the fiscal year funding is being sought for.

MINISTRY RESPONSE

The Ministry accepts this recommendation and will work to prioritize and negotiate transfer payment agreements based on when events are taking place.

4.4.2 Delay in Tourism Development Funding Does Not Allow Enough Time for Recipients to Properly Complete Projects

The Ministry's grant programs generally require the recipients to use the funding for eligible expenditures by March 31, the Ministry's fiscal year-end, regardless of when funding was approved and communicated to recipients. This is applicable to the Ministry's Tourism Economic Development and Recovery Fund (available between 2020/21 and 2022/23), which became the Tourism Development Fund starting in 2023/24 (see **Figure 14** for a description of the program). Common projects funded include the development of specific tourism experiences and strategic plans (see **Figure 16** for examples of projects funded through the Economic Development and Recovery Fund). With many of these projects, the recipients (often municipalities or not-for-profit organizations) require adequate time to plan, procure and execute on their ideas. By the time that the Ministry accepts applications and approves projects, not enough time is provided for recipients to complete their projects by March 31, the end of the funding period.

In October 2020, a municipality submitted an application to improve its harbourfront to attract more tourists. Four months later, in January 2021, the Ministry informed the municipality that it was approved for funding in 2020/21 (to be used by March 31, 2021). The municipality notified the Ministry that it could not use this funding in time, as it would require approvals from other funding partners to complete the project, and so could not complete this project in time. The Ministry and the municipality subsequently agreed to funding in 2021/22 for this project.

In August 2023, the Ministry began accepting applications for the Tourism Development Fund.

Stakeholders expressed concerns to us that the timing was not feasible to properly complete their projects. One municipality expressed interest in the funding program, as it was looking to create an action plan to grow tourism at its waterfront. The municipality would need to follow its required procurement processes with this project by engaging a consultant, which typically takes six weeks. After that, it could engage with the community and stakeholders for proper planning to finally develop its action plan. Given that the application period was scheduled to close in September 2023, and funding decisions are often communicated four months after the application period (as with the prior years of the funding program), the municipality expressed concerns that it would not be able to properly complete the project by March 31, 2024, and chose not to apply for the funding.

With this tourism development funding, the Ministry's goal is to support projects that increase tourist visits and spending by creating new tourism experiences, increasing private-sector investment and supporting the tourism industry in new investment. Potential applicants require more time to effectively complete these projects than the Ministry's funding schedule allows, especially to follow the processes required by the municipality and their stakeholders.

RECOMMENDATION 16

So that the Tourism Development Fund provides interested applicants with more time to complete their proposed projects, we recommend that the Ministry of Tourism, Culture and Sport accept applications for the funding program earlier, such as prior to the beginning of the funding period.

MINISTRY RESPONSE

The Ministry accepts this recommendation and will continue to work toward informing applicants of decisions and updates in a timely manner.

In 2023, the Tourism Development Fund adopted a set intake and deadline period versus the previous continuous intake, allowing the Ministry to review applications by a specified deadline.

For future versions of the Tourism Development Fund programs, the Ministry is striving to accept funding applications earlier by aiming to release the program in February or March (which is prior to the funding period) so that successful applicants have the optimum time to complete their projects within the fiscal allotment in the following year (from April to March).

4.4.3 Ministry's Tourism Recovery Program Took over a Year to Deliver Funding to Tourism Businesses

The Tourism Recovery Program (see **Figure 9** for a description of the program) was originally announced in March 2021 as part of the government's 2021/22 Budget and was to provide $100 million of funding to tourism businesses that had experienced significant revenue losses from the COVID-19 pandemic. However, applications did not open until October 2021 and funding recipients were not notified whether their applications were approved until March 31, 2022. This was the last day that they could use the funding, since the funding program required that eligible expenses be incurred between April 1, 2021 and March 31, 2022. No extension was made to the period in which the funding could be used.

This timing contrasts with British Columbia's Major Anchor Attraction Program, which provided one-time funding to major anchor attractions and tour bus companies that service tourism attractions, to help them operate at minimal levels until it was safer to travel and gather again. This funding was first announced in BC's Budget 2021 in April 2021 (similar to Ontario's initial announcement in the 2021 Budget). Eligible tourism organizations could apply between May and June 2021, with a total of $36.8 million in funding provided to grant recipients in July 2021—within two months of the initial announcement. In contrast, Ontario made its announcement in March 2021, opened applications

in October 2021, communicated funding decisions in March 2022, and ultimately paid out funding starting in May 2022—14 months after the initial announcement.

The Ministry informed us that after the initial program announcement, it had to design the eligibility criteria and application requirements, including a website that was used to accept applications through Transfer Payment Ontario (the grant payment website). At the same time, the Ministry reviewed other COVID-19 support programs that were being released by the federal and provincial governments to determine which ones applied to the tourism sector. It then designed the Tourism Recovery Program to include businesses that were significantly impacted by the pandemic but were not eligible for other grant programs. This caused some of the delay, resulting in the Ministry finally accepting applications starting in October 2021. After the application period closed in November 2021, the Ministry learned that there were more applicants than the program had budgeted for, which required further changes to the funding decisions and amounts (see **Section 4.2.2** and **Figure 10**); this caused further delays, with funding notifications being sent to successful applicants on March 31, 2022. In our discussions with tourism stakeholders, we were told that the delay in notification impacted tourism businesses' operating decisions during the pandemic. Some seasonal businesses were not able to fully use the funds by March 31, 2022, and some businesses cancelled or scaled down their planned special events, as they were unsure the funding would be available to support their costs.

RECOMMENDATION 17

So that the timing of tourism program funding is made clear to applicants to these programs, we recommend that the Ministry of Tourism, Culture and Sport:

- inform applicants of when funding decisions are expected to be made as part of the application process; and
- communicate updates when established timelines have not been met.

MINISTRY RESPONSE

The Ministry accepts this recommendation and will continue to work toward informing applicants of funding decisions and provide updates in a timely manner.

Appendix 1: Number of Tourists to Ontario and Tourist Receipts Annually by Place of Origin, 2011–2021

Source of data: Ministry of Tourism, Culture and Sport

	Place of Origin									
	Ontario		Rest of Canada		United States		Other International		Total	
Year	# of Tourists (million)	$ Tourist Receipts[1] ($ billion)	# of Tourists (million)	$ Tourist Receipts ($ billion)	# of Tourists (million)	$ Tourist Receipts ($ billion)	# of Tourists (million)	$ Tourist Receipts ($ billion)	# of Tourists (million)	$ Tourist Receipts ($ billion)
2011	118.3	18.3	7.0	2.2	11.5	3.1	2.2	2.9	139.0	26.5
2012	120.6	19.5	6.7	2.4	11.7	3.3	2.2	2.9	141.2	28.1
2013	**122.1**	19.2	6.1	2.2	10.6	3.1	2.0	4.0	140.8	28.5
2014	120.7	19.2	6.0	2.1	10.4	3.3	2.4	5.2	139.5	29.8
2015	121.4	20.4	6.5	2.4	11.4	3.7	2.6	5.8	141.9	32.3
2016	121.9	21.0	7.1	2.5	12.4	4.6	2.7	6.0	**144.1**	34.1
2017	120.2	21.7	**7.4**	2.8	12.3	4.8	3.0	**6.8**	142.9	36.1
2018[2]	109.0	23.1	7.0	**3.3**	12.6	5.0	3.2	5.3	131.8	36.7
2019	108.0	**23.6**	7.2	3.2	**12.9**	**5.2**	**3.7**	6.0	131.8	**38.0**
2020[3]	72.7	11.1	2.9	0.9	2.1	0.7	0.5	0.9	78.2	13.6
2021[3]	73.4	13.0	3.5	1.7	1.8	0.8	0.5	0.9	79.2	16.4

Note: **Bolded** numbers represent greatest amount for the place of origin between the years presented.

1. See **Appendix 2** for a complete explanation of how tourist receipts are calculated (includes all spending by tourists in Ontario).
2. In 2018, there was a change in methodology of how the travel surveys were conducted by Statistics Canada to collect tourism data. For example, to collect domestic tourism data, a new online survey was started to ask Canadians about their travel spending in the year, as opposed to the prior telephone travel survey that respondents were invited to complete following a different telephone survey of their participation in the workforce. This impacted the reach and response rate of the survey, so the data prior to 2018 is not comparable to data for the years after.
3. The COVID-19 pandemic interrupted Statistics Canada's travel survey collection operations, and therefore data for 2020 and 2021 includes travel estimates produced by Statistics Canada.

Appendix 2: Calculation of Tourism Receipts in Ontario

Source of data: Ministry of Tourism, Culture and Sport (Ministry)

Tourist[1] spending	Tourist spending data[2] is compiled by the Ministry. Tourist spending is itemized into categories for transportation, accommodation, food and beverage, recreation/entertainment, and retail/other.
+	
Spending by non-Ontario residents in Ontario, while passing through Ontario	Spending data[2] of non-Ontarians while they are in Ontario, on their way to visit other provinces or countries.
+	
Spending by Ontarians on Canadian fares for trips outside Canada	Spending data[2] of Ontarians who travel internationally. Only the Canadian fares paid for US or overseas trips are included (i.e., no fares related to trips within Canada, nor fares paid in the US or overseas).
+	
Spending by Ontarians on transport to other provinces with no corresponding visit in Ontario	Spending data[2] of Ontarians travelling within Canada, when spending was incurred within Ontario.
+	
Profits of travel arrangement firms located in Ontario	• Total revenue and cost of goods sold by travel agencies and tour operators is collected by Statistics Canada through the Travel Arrangements Survey. The Ministry calculates the net profit from this information to arrive at the total commissions generated from tourism-related activities. • Amounts spent by tourists on travel arrangements (included in tourist spending) is removed to avoid double counting of that sum in this category.
=	
Tourism Receipts	Spending of tourists in Ontario as well as spending in Ontario for trips outside the province, combined with profits from Ontario travel arrangement firms.

1. A tourist is defined as anyone who travels 40 km or more to a destination for anything other than work or school, going to appointments, or shopping as part of regular activity.
2. Tourism spending data is collected by Statistics Canada through the National Travel Survey and the Visitor Travel Survey. Canadian residents (through the National Travel Survey) and international visitors to Canada (through the Visitor Travel Survey) are surveyed for details of their travel, including amount incurred on different types of expenditures.

Appendix 3: Gross Domestic Product (GDP) and Employment Generated by Tourism in Canada

Source of data: Statistics Canada

	2014[1]				2017				2019				Change from 2014 to 2019[2]	
	Tourism GDP[3] ($ million)	% of Total GDP	Tourism Jobs (000)	% of Total Jobs	Tourism GDP ($ million)	% of Total GDP	Tourism Jobs (000)	% of Total Jobs	Tourism GDP ($ million)	% of Total GDP	Tourism Jobs (000)	% of Total Jobs	% Growth in GDP	% Growth in Jobs
ON	12,155	2	220	3	14,112	2	229	3	15,273	2	247	3	26	12
BC	6,503	3	117	5	8,699	3	136	5	9,281	3	141	5	**43**	**21**
QC	7,211	2	142	4	7,922	2	140	3	8,164	2	136	3	13	(4)
AB	5,284	1	76	3	5,935	2	85	4	5,907	2	86	4	12	**14**
MB	975	2	17	3	1,133	2	17	3	1,178	2	18	3	21	6
SK	995	1	19	3	1,088	1	20	3	1,044	1	22	4	5	**16**
NS	829	2	18	4	936	2	19	4	998	2	21	4	20	**15**
NB	499	2	12	3	588	2	13	4	677	2	15	4	**36**	**28**
NL	417	1	8	3	527	2	8	4	547	2	9	4	**31**	**17**
PE	160	3	5	6	217	4	5	7	221	3	5	7	**38**	**16**
YK	73	3	1	5	99	4	2	7	110	4	2	6	**52**	**42**
NT	83	2	1	5	101	2	1	4	106	2	1	4	**27**	(8)
NU	28	1	<1	2	42	1	1	3	52	1	1	4	**82**	**100**
Canada	**35,211**	**2**	**634**	**4**	**41,398**	**2**	**678**	**4**	**43,556**	**2**	**704**	**4**	**24**	**11**

– percentage growth in GDP and/or percentage growth in jobs between 2014 and 2019 was larger than Ontario's over the same time period.

1. Statistics Canada does not release the provincial and territorial tourism data annually.
2. Percent change is based on actual numbers, not the rounded numbers that appear in the table.
3. Only the direct GDP impact is included in this figure. This differs from the total GDP impact that Ontario estimates tourism contributes to the provincial economy ($36.8 billion in 2019), which includes the indirect and induced impact of re-spending within the economy.

Appendix 4: Ontario Travel Information Centre Locations, August 2023*

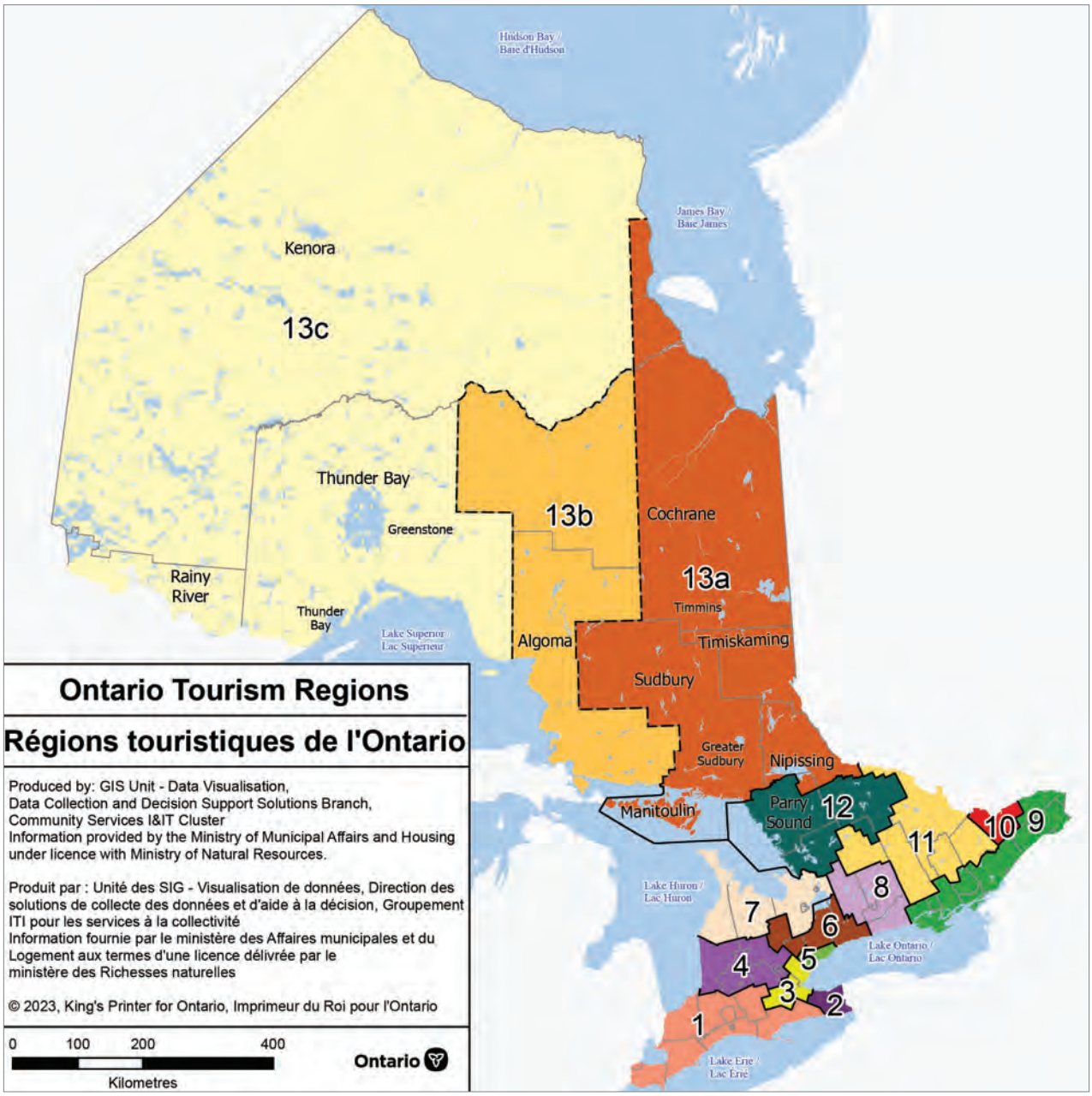
Source of data: Destination Ontario



* In October 2021, the Travel Information Centre in St. Catharines was closed, and in April 2023, the Sarnia location was closed. Both centres operated on a year-round basis.

Appendix 5a: Ontario Tourism Regions

Source of data: Ministry of Tourism, Culture and Sport



Region 1: Southwest Ontario
Region 2: Niagara Canada
Region 3: Hamilton, Halton and Brant
Region 4: Huron, Perth, Waterloo and Wellington
Region 5: Greater Toronto Area
Region 6: York, Durham and Headwaters
Region 7: Bruce Peninsula, Southern Georgian Bay and Lake Simcoe
Region 8: Kawartha Northumberland
Region 9: Southeastern Ontario
Region 10: Ottawa and countryside
Region 11: Haliburton Highlands to Ottawa Valley
Region 12: Muskoka, Parry Sound and Algonquin Park
Region 13a*: Northeastern Ontario
Region 13b*: Sault Ste. Marie – Algoma
Region 13c*: Northwest Ontario

* Region 13 is split into three sub-regions due to its large geographic area. Each sub-region receives its own base funding, but all three sub-regions are managed by one regional tourism organization.

Appendix 5b: Ontario Tourism Regions (Southern Ontario)

Source of data: Ministry of Tourism, Culture and Sport



Region 1: Southwest Ontario
Region 2: Niagara Canada
Region 3: Hamilton, Halton and Brant
Region 4: Huron, Perth, Waterloo and Wellington
Region 5: Greater Toronto Area
Region 6: York, Durham and Headwaters
Region 7: Bruce Peninsula, Southern Georgian Bay and Lake Simcoe
Region 8: Kawartha Northumberland
Region 9: Southeastern Ontario
Region 10: Ottawa and countryside
Region 11: Haliburton Highlands to Ottawa Valley
Region 12: Muskoka, Parry Sound and Algonquin Park
Region 13a*: Northeastern Ontario
Region 13b*: Sault St. Marie – Algoma
Region 13c*: Northwest Ontario

* Region 13 is split into three sub-regions due to its large geographic area. Each sub-region receives its own base funding, but all three sub-regions are managed by one regional tourism organization.

Appendix 6: Ministry of Tourism, Culture and Sport's Funding to Regional Tourism Organizations, 2018/19–2022/23 ($ million)

Source of data: Ministry of Tourism, Culture and Sport

Region		2018/19	2019/20	2020/21	2021/22	2022/23
1	Southwest Ontario	1.9	1.5	1.5	1.5	1.5
2	Niagara Canada	4.0	3.2	3.2	3.2	3.2
3	Hamilton, Halton and Brant	1.3	1.1	1.1	1.1	1.1
4	Huron, Perth, Waterloo and Wellington	1.4	1.2	1.2	1.2	1.2
5	Greater Toronto Area	9.5	3.9	–	9.0	–
6	York, Durham and Headwaters	2.6	2.1	2.1	2.1	2.1
7	Bruce Peninsula, Southern Georgian Bay and Lake Simcoe	2.4	1.9	1.9	1.9	1.9
8	Kawartha Northumberland	1.1	0.9	0.9	0.9	0.9
9	Southeastern Ontario	1.7	1.4	1.4	1.4	1.4
10	Ottawa and countryside	3.4	–	–	6.0	–
11	Haliburton Highlands to Ottawa Valley	1.0	0.8	0.8	0.8	0.8
12	Muskoka, Parry Sound and Algonquin Park	1.4	1.1	1.1	1.1	1.1
13*	Northeastern Ontario, Sault Ste. Marie – Algoma, Northwest Ontario	4.9	3.9	3.9	3.9	3.9
Total		**36.6**	**23.0**	**19.1**	**34.1**	**19.1**

* Region 13 is split into three sub-regions due to its large geographic area. Each sub-region receives its own base funding, but all three sub-regions are managed by one regional tourism organization. Total funding to all three sub-regions is presented together.

Appendix 7: Ministry of Tourism, Culture and Sport's (Ministry's) Action Plan for Economic and Social Recovery, December 2020

Source of data: Ministry of Tourism, Culture and Sport

#	Recommended Action Item	Description
1.	**Redevelop Ontario Place as a world-class, year-round destination**	To encourage investment and attract visitors, redevelop Ontario Place to include sport and entertainment landmarks, public spaces and parks, recreational facilities and trails.
2.	**Build back stronger in our communities**	Invest in the Ontario Trillium Foundation to support community tourism, heritage and culture not-for-profits to sustain short-term operations and create new attractions and events, and to fund municipalities and other not-for profit organizations to make infrastructure investments in sport and recreation facilities to meet local community needs.
3.	**Recognize the contributions of Ontarians**	Make changes to the Ontario Volunteer Service Award to recognize volunteer contributions of Ontarians.
4.	**Broaden Ontario's volunteer base**	Work with the volunteer sector to support the whole-of-government approach in creating a Provincial Emergency Volunteer Unit to recruit volunteers from diverse backgrounds that can help during an emergency.
5.	**Promote safety and excellence in sport**	Support amateur sport partners in key opportunities and instill confidence in parents of a safe-to-play environment for children and youths to be active in sports.
6.	**Restore confidence and strengthen inclusivity in sport, culture, volunteerism and tourism**	Work with sport organizations, arts and cultural institutions and tourism operators to ensure training for staff to deliver safe and quality experiences is available to ultimately deliver unique, authentic tourism experiences and restore confidence in Ontarians to resume these activities.
7.	**Compete for global festivals, events and conferences**	Make strategic investment in festivals, celebrations and sport hosting events, including increasing the capacity for sport hosting to expand the types of events that Ontario attracts.
8.	**Strengthen Ontario's commitment to the creative industries**	Invest in Canadian content, increase film-friendly locations, support the development of crews and talent, and maintain the stability of the cultural media tax credits provided by the Ministry.
9.	**Create regional equity in film and television production**	Work with the film sector to develop a strategy to identify film-friendly locations and build incentives for productions in the underrepresented eastern and southwestern Ontario regions.
10.	**Develop/redevelop skills in creative, tourism and hospitality industries**	Work with the Ministry of Labour, Training and Skills Development and Ministry of Colleges and Universities to reskill those with tourism jobs that were impacted by the pandemic and create training opportunities for growth.
11.	**Capitalize on emerging creative industries markets**	Engage with the digital media and video game sector to help tourism and culture industries enhance their capacity and provide digital experiences to audiences and customers.

#	Recommended Action Item	Description
12.	**Protect Ontario's core cultural institutions**	Provide one-time funding support to the Ontario Arts Council to cover operating losses during the COVID-19 pandemic and prepare for resumption of full programming.
13.	**Reconnect Ontarians**	Offer a travel incentive to Ontarians to encourage local tourism to connect Ontarians to each other and their communities.
14.	**Develop a year-round, globally competitive suite of products**	Led by Destination Ontario and the regional tourism organizations, work with tourism operators to create new experiences that lead to year-round tourism in Ontario.
15.	**Open Ontario up for business and visitors**	Work with Metro Toronto Convention Centre and Ottawa Convention Centre (Shaw Centre) to attract business travel and conventions to Ontario, and modernize the Ontario Travel Information Centres to promote tourism to customers.

Appendix 8: The 10 Recommendations of the Tourism Economic Recovery Ministerial Task Force, June 2021

Source of data: Ministry of Tourism, Culture and Sport

#	Recommendation	Description
1.	**Emphasize safety in everything we do**	When safe to travel, have government and public health officials change messaging from "stay home" to "safe to travel" to instill consumer confidence.
2.	**Give Ontarians an incentive to get out of the home and make new local memories**	Provide a travel incentive to encourage Ontarians to support local businesses in their community with a simultaneous "year of the staycation" campaign.
3.	**Encourage and excite Ontarians to experience Ontario through New "Yours to Discover" days**	Inspire a co-ordinated effort from the whole industry to generate excitement and incent travel on select days to discover Ontario.
4.	**Provide increased stability and opportunities to tourism businesses and organizations**	Introduce multi-year operating funding programs, or expand existing festival and event programs, to assist operators of attractions, sporting events, cultural events and festivals with economic recovery and drive tourism in the medium to long term.
5.	**Bring back conventions and business events to Ontario**	Establish a multi-year Conventions and Business Events Support Fund to support and remain competitive in the business and leisure travel market.
6.	**Make it easier for people to find the packages, products and destinations that suit their budgets, schedules and needs**	Provide direct industry support to create products, attractions and experiences that appeal to everyone and are accessible to all travellers.
7.	**Reduce the amount of time tourism businesses spend on red tape so they can spend more time delivering unforgettable experiences**	Take a cross-ministry approach to collaborate with other ministries to responsibly loosen alcohol laws and review the Municipal Accommodation Tax to optimize revenue generation for the tourism industry.
8.	**Make nature and outdoor experiences part of the province's solution to physical and mental health challenges**	Promote outdoor activities and connect this to the physical and mental benefits that individuals can gain, especially from the increased interest in connecting with the outdoors and nature during the pandemic.
9.	**Create "bite-sized" mobile and scalable experiences during the transition period to a full reopening**	Before Ontario fully reopens, support scalable, mobile experiences, festivals and events (such as roadshow events) before full-scale events can resume.
10.	**Showcase the best of Ontario through packaged itineraries and trails**	Using research and analytics, create well-branded itineraries of existing trails (such as nature, culinary, cycling) to generate interest in new markets and encourage travel across all regions in Ontario.

Appendix 9: Ontario Tourism Recovery Program Funding Recipients by Sector

Source of data: Ministry of Tourism, Culture and Sport

Sector and Business Type	# of Recipients	Total Paid ($)	% of Total Paid
Accommodations			
Hotels, motels, inns and lodges	169	47,732,432	48
Hunting and fishing camps or lodges	130	7,651,533	8
Resorts	18	3,633,620	4
Cottages and cabins	8	331,216	<1
Bed and breakfasts	4	99,768	<1
Campgrounds and recreational vehicle parks	2	28,530	<1
Total	**331**	**59,477,099**	**61**
Attractions			
Convention and conference centres	18	4,648,541	5
Wineries, breweries and cideries	24	3,943,563	4
Performing arts, music and entertainment venues	28	3,088,938	3
Amusement parks, theme parks, water parks and midway operators	13	2,933,295	3
Indoor and outdoor recreational attractions	40	2,866,255	3
Boat tours	21	2,613,812	3
Cinemas (motion picture and video exhibition)	12	2,515,044	3
Zoos, botanical gardens, aquariums and eco- and nature centres	7	1,920,000	2
Ski and snow attractions	5	1,897,500	2
Scenic/sightseeing tours	24	1,883,427	2
Destination spas	3	271,360	<1
Museums, historic and heritage attractions	4	209,076	<1
Farm-based tourist attractions	3	141,000	<1
Total	**202**	**28,931,811**	**29**
Transportation			
Motor coach	32	7,813,524	8
Commercial passenger airlines	5	2,210,870	2
Total	**37**	**10,024,394**	**10**
Total	**570**	**98,433,304**	**100**

Appendix 10: Audit Criteria

Prepared by the Office of the Auditor General of Ontario

1.	The Ministry of Tourism, Culture and Sport's (Ministry's) long-term strategy and supports for the tourism industry are clear, measurable and effective in achieving economic benefits for Ontario.
2.	The Ministry, Destination Ontario and regional tourism organizations work together effectively to support the tourism industry through their mandate, roles and responsibilities, information sharing and co-ordination with each other and stakeholders.
3.	Funding program eligibility criteria were clearly designed and consistently applied to achieve the programs' objectives.
4.	Funding was distributed to eligible recipients in a timely manner.
5.	Reporting requirements from funding recipients were appropriate for the Ministry to conduct an evaluation of the program's impact and outcomes in achieving the objectives, and the evaluation was completed in a timely manner.
6.	Meaningful tourism research and statistics are reported by the Ministry to support the tourism industry in developing strategic and operating decisions and to inform the public.

Appendix 11: Ministry of Tourism, Culture and Sport's (Ministry's) 2016 Tourism Action Plan

Source of data: Ministry of Tourism, Culture and Sport (Ministry)

#	Action Area	Ministry's Planned Actions
1.	Product and Experience Development	Work across government and with partners to develop new lead-generation strategies and a targeted global outreach approach to sell Ontario as a place to invest in tourism.
2.		Use Ontario's attractions to strengthen Ontario's value proposition and strategically target new investment.
3.		Work with the economic development community and across government to explore a business retention and expansion service for the tourism industry.
4.	Tourism Workforce Development	Support the Tourism Industry Association of Ontario's campaign to promote tourism as a career, and encourage stakeholders to work together to implement industry recommendations from the Ontario Tourism Workforce Development Strategy developed by the Tourism Industry Association of Ontario and Ontario Tourism Education Corporation.
5.	Marketing Strategically	Continue to engage with stakeholders to encourage collaboration in marketing decisions to enhance consistency of branding and messaging, and avoid duplication.
6.	Advancing the Tourism Sector	Host an annual Minister's Forum in different regions of the province with tourism industry leaders, operators and stakeholders to provide an opportunity to share progress, innovative ideas and research, and build partnerships.
7.		Review the Ministry's funding programs (including festivals and events grant program, tourism development funding, and regional tourism organizations) to streamline applications and improve alignment to better support communities.
8.		Identify opportunities to advance multicultural, Francophone and Indigenous-led tourism in Ontario by collaborating across government and with industry partners.
9.		Improve regulatory environment for the tourism sector by working across government to address regulatory burdens.
10.	Making Evidence-Based Decisions	Partner with government departments across Canada to share tools and information relating to tourism data collection, evaluation and modelling, and pilot a new survey to collect data from international travellers.
11.		Establish a tourism research community of practice to increase access to and understanding of tourism-related data.
12.		Update the Tourism Regional Economic Impact Model platform to enhance the user experience and develop a more efficient process for updating information to support more evidence-based decision-making.

Appendix 12: Number of Tourists by Region, 2013–2020

Source of data: Ministry of Tourism, Culture and Sport

Region		2013	2014	2015	2016	2017	2013–17 Change	2018[1]	2019	2020
1 Southwest Ontario	# visitors (million)	17.8	16.9	15.9	16.5	16.9	**(0.9)**	16.1	14.6	5.3
	change (%)		(5)	(6)	4	2	**(5)**	n/a[1]	(9)	(64)
2 Niagara Falls	# visitors (million)	12.2	12.7	13.3	13.7	14.2	**2.0**	13.2	12.9	3.5
	change (%)		4	5	3	4	**16**	n/a	(2)	(73)
3 Hamilton, Halton and Brant	# visitors (million)	9.8	10.4	11.1	11.1	11.3	**1.5**	9.8	9.8	4.5
	change (%)		6	7	–	2	**15**	n/a	–	(54)
4 Huron, Perth, Waterloo and Wellington	# visitors (million)	11.0	10.8	11.2	10.9	10.7	**(0.3)**	10.6	11.0	3.9
	change (%)		(2)	4	(3)	(2)	**(3)**	n/a	4	(65)
5 Greater Toronto Area	# visitors (million)	27.9	28.0	28.8	30.1	29.5	**1.6**	28.4	30.2	7.9
	change (%)		–	3	5	(2)	**6**	n/a	6	(74)
6 York, Durham, Hills of Headwaters	# visitors (million)	12.4	11.9	11.4	11.4	9.8	**(2.6)**	9.3	9.6	5.2
	change (%)		(4)	(4)	–	(14)	**(21)**	n/a	3	(46)
7 Bruce Peninsula, Southern Georgian Bay and Lake Simcoe	# visitors (million)	12.6	12.8	12.6	11.7	11.1	**(1.5)**	12.1	11.6	7.0
	change (%)		2	(2)	(7)	(5)	**(12)**	n/a	(4)	(40)
8 Kawartha and Northumberland	# visitors (million)	5.7	5.6	5.7	6.0	6.3	**0.6**	5.2	4.9	4.3
	change (%)		(2)	2	5	5	**11**	n/a	(6)	(12)
9 Southeastern Ontario	# visitors (million)	8.8	8.0	8.1	8.4	8.8	**–**	7.9	7.6	5.8
	change (%)		(9)	1	4	5	**–**	n/a	(4)	(24)
10 Ottawa and countryside	# visitors (million)	9.1	9.0	9.4	9.7	10.2	**1.1**	9.4	9.5	4.0
	change (%)		(1)	4	3	5	**12**	n/a	1	(58)

Region		2013	2014	2015	2016	2017	2013–17 Change	2018[1]	2019	2020
11 Haliburton Highlands to the Ottawa Valley	# visitors (million)	5.1	4.8	5.5	6.0	6.0	**0.9**	4.4	4.5	3.2
	change (%)		(6)	15	9	–	**18**	n/a	2	(29)
12 Muskoka, Parry Sound and Algonquin Park	# visitors (million)	4.3	4.3	4.5	4.9	4.7	**0.4**	3.9	4.5	2.9
	change (%)		–	5	9	(4)	**9**	n/a	15	(36)
13 Northern Ontario	# visitors (million)	8.0	8.3	9.1	8.7	8.5	**0.5**	6.1	5.9	2.3
	change (%)		4	10	(4)	(2)	**6**	n/a	(3)	(61)
Total[2]	# visitors (million)	**144.7**	**143.5**	**146.6**	**149.1**	**148.0**	**3.3**	**136.4**	**136.6**	**59.8[3]**
	change (%)		**(1)**	**2**	**2**	**(1)**	**2**	**n/a**	**<1**	**(56)**

– years a decrease in visitors compared to the prior year.

1. In 2018, there was a change in methodology of how the travel surveys were conducted by Statistics Canada to collect tourism data. For example, to collect domestic tourism data, a new online survey was started to ask Canadians about their travel spending in the year, as opposed to the prior telephone travel survey that respondents were invited to complete following a different telephone survey of their participation in the workforce. This impacted the reach and response rate of the survey, so the data prior to 2018 is not comparable to data for the years after.
2. Total number of visitors by region is different from the total number of visitors to Ontario (**Appendix 1**). This is because a visitor to Ontario may visit multiple regions, which results in the total number of visitors by region being higher than the total number of visitors to Ontario.
3. In 2020, the number of visitors by region was lower than the total visitors in Ontario (about 78 million; see **Appendix 1**) because regional survey data was not collected from March to June 2020 when the National Travel Survey was suspended during the COVID-19 pandemic. Additionally, the 2020 number of visitors includes only domestic visitors. The Visitor Travel Survey (surveying international visitors) was suspended for the year as a result of the COVID-19 pandemic.

Appendix 13: Examples of Projects with Similar Aims That Received Separate Ministry of Tourism, Culture and Sport (Ministry) Funding with No Collaboration Required*

Prepared by the Office of the Auditor General of Ontario

Cultural and Historic Itineraries: Indigenous Tourism Experiences		
	Tourism Association	**Tourism Business**
Organization type	Not-for-profit, membership-based tourism association supporting growth of Indigenous tourism in Ontario.	For-profit tour operator (for example, providing bus tours).
Funding program	Pan-Regional Fund	Tourism Economic Development and Recovery Fund
Funding awarded	$1.6 million from 2016/17 to 2022/23.	$10,000 in 2022/23.
Description of project funded	Develop partnerships, including with regional tourism organizations (RTOs) and its association members, to develop new tourism products and experiences. For example, in 2022/23, this specifically included partnerships to create new itineraries centred on Indigenous experiences.	Research, product development and project management for the development of a new Indigenous Cultural and Historic Experiences bus tour.
Required partnerships	Regional tourism organizations, Indigenous businesses, industry associations.	None.

Route Champlain/Eastern Ontario: Francophone Tourism Experiences		
	Tourism Association	**Tourism Business**
Organization type	Not-for-profit tourism association supporting economic development in Francophone communities.	Not-for-profit Francophone tourism organization.
Funding program	Pan-Regional Fund	Tourism Economic Development and Recovery Fund
Funding awarded	$1.1 million from 2015/16 to 2022/23.	$20,000 in 2021/22.
Description of project funded	Development of Route Champlain (located between Ontario and Quebec) to attract tourism for the large Francophone community in the area. This includes funding to develop a strategic plan and business model, establish partnerships between Route Champlain and nearby tourism organizations, create bilingual tourism products and itineraries, and partnerships with stakeholders such as RTOs.	Conduct a feasibility study for the development of a Francophone theme park in the Prescott and Russell area (located in eastern Ontario, bordering Quebec and close to Route Champlain). Study looked at other publicly available experiences related to Franco-Ontario heritage and pioneer villages and concluded that the development of the theme park would attract a new audience and benefit tourism in the underdeveloped Prescott and Russell area, but also benefit other nearby well-developed tourism hubs (such as Route Champlain), as it would increase new visitors to the area.
Required partnerships	Tourism operators located near Route Champlain, regional tourism organizations and destination marketing organizations, industry associations.	None.

* The tourism associations that received Ministry grants had an expectation to develop partnerships, but the Ministry provided separate funding to tourism organizations to develop similar tourism experiences without requiring collaboration between the two entities.

Appendix 14: Organizations That Received Pan-Regional Fund, 2013/14–2022/23 ($ million)

Source of data: Ministry of Tourism, Culture and Sport

Organizations	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total
Indigenous Tourism Ontario	–	–	–	0.25	–	0.10	0.30	0.30	0.30	0.30	**1.55**
Société Économique de l'Ontario (SÉO)	–	–	0.14	0.30	0.25	0.10	0.10	0.15	–	0.10	**1.14**
Ontario Federation of Snowmobile Clubs	–	–	1.00	–	–	–	–	–	–	–	**1.00**
Direction Ontario	0.30	0.25	–	–	–	–	–	–	–	–	**0.55**
Ontario Restaurant Hotel and Motel Association	–	0.40	–	–	–	–	–	–	–	–	**0.40**
Waterfront Regeneration Trust	–	–	–	0.03	0.16	0.10	0.08	–	–	–	**0.37**
Tourism Industry Association Ontario*	0.17	–	–	–	0.18	–	–	–	–	–	**0.35**
Destination Northern Ontario (RTO 13)	–	–	–	–	–	–	–	–	0.13	0.16	**0.29**
Cruise Ship Industry Group (Midland)	–	–	–	–	0.05	0.20	–	–	–	–	**0.25**
Culinary Tourism Alliance	–	–	–	–	–	–	–	–	0.20	–	**0.20**
Ontario Trails Council	–	–	–	–	–	–	–	–	–	0.16	**0.16**
Shaftesbury Films Inc.	–	0.15	–	–	–	–	–	–	–	–	**0.15**
Ontario Tourism Education Corporation	–	–	–	–	–	–	–	–	0.14	–	**0.14**
Festivals and Events Ontario	–	–	–	–	–	–	–	–	–	0.03	**0.03**
Total	**0.47**	**0.80**	**1.14**	**0.58**	**0.64**	**0.50**	**0.48**	**0.45**	**0.77**	**0.75**	**6.58**

– funding provided to an organization for consecutive years, which should have made the application ineligible according to the original program design.

* In 2013/14, the Tourism Industry Association of Ontario was approved for a total of $170,000 over two years (2013/14 and 2014/15).

Ministry of Public and Business Service Delivery

Travel Industry Council of Ontario

1.0 Summary

The Travel Industry Council of Ontario (TICO) was created by the provincial government in 1997 as a not-for-profit designated administrative authority to regulate travel agents and travel wholesalers in Ontario. TICO is responsible for administering and enforcing the Ontario *Travel Industry Act, 2002* (Act), and its mission is to regulate consumer protection by promoting awareness, education and compliance as part of the efficient and effective regulation of Ontario's travel industry.

TICO is self-funded and overseen by the Ministry of Public and Business Service Delivery (Ministry), which monitors TICO's performance to ensure it is meeting its mandate. In 2019/20, the last fiscal year before the pandemic, TICO reported total revenue of $5.3 million.

Every travel agent and wholesaler with a physical location in Ontario who sells travel services provided by another party must be registered with TICO. As of February 2023, there were 1,701 travel agents and 295 travel wholesalers registered with TICO (together referred to as "registrants").

To ensure that travel agents and wholesalers comply with legislative requirements, TICO undertakes regulatory activities that include inspections and investigations of registrants, and taking enforcement action against those that breach legislative requirements. TICO also attempts to mediate and resolve complaints it receives from consumers about the actions of its registrants, and undertakes efforts to improve awareness of consumer rights and available protections when purchasing travel services from a registrant.

The Act also establishes the requirement for the Travel Industry Compensation Fund (Compensation Fund), which is administered and managed by TICO, and financed by registrants. The Fund is used to reimburse eligible customers who purchased travel services through TICO registrants and subsequently suffered financial losses related to travel services paid for but not received due to the bankruptcy or insolvency of a registrant or an end supplier airline or cruise line.

Our value-for-money audit found that while the travel industry has changed significantly since 1997, TICO's structure and responsibilities have remained largely unchanged. We compared TICO to travel regulators with similar regulatory requirements and found that other jurisdictions utilized consumer protection organizations or broader government organizations whose mandate included significantly more than just regulating sellers of travel. We also found that the majority of Canadian provinces and most US states do not have travel regulators or specific travel seller regulations at all. As well, we found that the Australian government repealed the country's travel seller regulations in 2014 because it determined that due to changes in the travel industry and other existing consumer protections, they were no longer necessary.

Our audit also found that TICO's cost to administer the Compensation Fund may outweigh the benefits it provides to consumers. TICO's estimated annual cost to

administer the Fund for 2022/23 of $1 million is nearly three times more than the average of $350,000 in compensation paid from the Fund to consumers on average over the last 10 years.

As well, using TICO's own recent estimate for its updated fee model for allocating TICO's expenses to the Compensation Fund, we calculated that since 1997 TICO used an estimated $31 million from the Fund to cover its own operating costs.

Significant concerns identified in our audit include:

- **TICO could not demonstrate the justification for holding as much as $2 million in security deposits from registrants.** Under the Act's regulation, TICO is required to collect a $10,000 security deposit from each new registrant. Once the registrant has filed two consecutive financial statements with TICO, TICO is obligated to repay the security deposit if the Registrar has no concerns regarding the registrant's compliance with the Act or its regulation. As of March 31, 2023, we found that 58% of the registrant deposits TICO was holding, which totalled $2 million, were from registrants who had filed at least two consecutive financial statements. On average, these deposits had been held by TICO for approximately seven years. We found that TICO did not have a process to regularly assess whether registrants qualify to have their security deposit returned. In our review of a sample of 20 deposits from active registrants who were eligible to have their deposits returned, we found that in 13, or 65%, of the cases no concerns were documented that would justify continuing to hold the deposits.
- **TICO's registrant risk rating system was not used to effectively oversee registrants.** We identified several issues with how TICO assigns, calculates and utilizes its risk rating system to inform registrant oversight activities. For instance, as of March 2023, TICO had not assigned a risk rating to 37% of registrants. In addition, TICO's compliance policy had no established guidelines for how the risk rating should be used to drive compliance and enforcement activities.
- **30% of TICO registrants had not received a compliance inspection in the last 10 years.** As of March 2023, 30% of the 1,684 registered travel agencies and wholesalers had not been inspected by TICO to assess their compliance with requirements in the last 10 years, including 44 registrants who had not received a compliance inspection for more than 20 years. We also found that TICO has not established how frequently registrants should be inspected based on their assigned level of risk. TICO's inspections of registrants often identify non-compliance. Over the last five years, 32% of compliance inspections conducted by TICO identified instances of non-compliance with the Act and its regulation.
- **The Ministry and TICO have not established a disciplinary process for registrants.** We found that TICO and the Ministry have not developed a mandatory code of ethics for registrants and a corresponding discipline committee that could impose fines and require registrants to fund educational courses for employees in response to violations of such a code. We reviewed a sample of complaints and found that many related to issues that were not covered under the Act but could be covered under a code of ethics, including for example failing to demonstrate reasonable knowledge of the travel services being sold, and failing to protect the best interests of clients. In contrast to TICO, we noted that both the Ontario Motor Vehicle Industry Council and the Real Estate Council of Ontario, which are also delegated administrative authorities, have discipline committees that enforce a code of ethics.
- **TICO did not know whether complaints involving violations of the Act were referred for enforcement action.** We found that TICO did not track the outcomes of the complaints it handles in its information system, including whether they were resolved, whether they

potentially violated the Act and its regulation, or whether they were referred for further investigation or enforcement action. We reviewed a sample of 40 complaint files relating to 15 registrants against whom TICO had received the highest number of complaints over the five years from 2017/18 to 2021/22, and found that 13, or 33%, of the 40 complaints involved potential violations of the Act and its regulation by registrants that were not referred for investigation or enforcement action as required by TICO's complaint-handling policy when potential violations are identified.

- **TICO has used an estimated $31.3 million from the Compensation Fund since 1997 to cover its own operating costs.** TICO has routinely used the Compensation Fund to cover its own operating costs, even though legislative requirements allow only reasonable expenses related to the Fund to be paid from the Fund. We analyzed the Fund's balance, and calculated that from 1997/98 to 2022/23, TICO would have charged the Fund approximately $19.4 million to cover its costs of administering the Fund. Instead, we found that TICO charged the Fund an additional $31.3 million that it used to cover TICO's operating expenses.
- **The cost to administer the Compensation Fund may outweigh the benefits it provides consumers.** Over the 10 years from 2013/14 to 2022/23, TICO's registrants booked over $133 billion in travel services for consumers. Over this same period, we found that, on average, the Fund paid approximately $350,000 in compensation to consumers annually, or less than 0.003% of annual travel services booked by TICO's registrants. TICO's estimated annual cost for 2022/23 to administer the Fund of $1 million is nearly three times more than the $350,000 in compensation paid from the Fund to consumers on average over the last 10 years.
- **TICO had been unable to address gaps in key competencies among Board members.** We noted that TICO developed a Board competency matrix in 2018 consisting of 15 competencies that TICO considers critical to achieving its mandate. TICO has also assessed Board member competencies each year since 2018 to identify areas of weakness. We found that even though the vast majority of TICO's Board members had been replaced since 2018, TICO had been unable to close gaps in four of the 15 key competencies on its matrix: legal, risk management, technology, and human resources.
- **Almost half of Ontarians surveyed who were involved in travel planning for their household were unaware of TICO.** Over the last five years, only 51% of Ontarians that were involved in travel planning indicated that they were either "definitely" or "somewhat" aware of TICO. In addition, only 31% of respondents indicated they were aware of the Compensation Fund. To increase consumer awareness, TICO developed a brochure for consumers with information regarding its regulatory role, registrant requirements, protections available under the Act, and Compensation Fund coverage. However, there is no requirement for registrants to distribute the brochure to consumers. In a survey of registrants conducted by TICO in 2023, only 7% of registrants said they were providing the brochure to all of their customers, and only 13% indicated they were providing the brochure to most customers.
- **The Ministry did not collect sufficient information to monitor and assess TICO's performance in meeting its mandate.** For example, TICO did not have performance indicators and targets that it reported to the Ministry to assess the degree to which it operates on a cost-recovery basis, a requirement under its Administrative Agreement with the Minister. We also found that performance indicators had not been established, or were insufficient, to monitor TICO's operational performance in several key areas where our audit identified operational issues, including in the areas of inspections, security deposits, and complaint-handling.

This report contains 16 recommendations, with 32 action items, to address our audit findings.

Overall Conclusion

Our audit concluded that TICO did not have processes to consistently administer the *Travel Industry Act, 2002* effectively in order to register and regulate travel agents and wholesalers, and to protect consumers when purchasing travel services through a travel agent or wholesaler. TICO, for example, could not demonstrate that it effectively discharged its responsibilities under the Act to mediate and resolve complaints because it does not track the outcomes of the complaints it handles, including whether they were resolved or potentially violated the Act and its regulation, and whether they were referred for further investigation or enforcement action. In addition, we found that TICO's oversight and enforcement activities were not always risk-based. Specifically, TICO had not assigned a risk rating to 37% of its registrants, and it had not established guidelines for how a registrant's risk rating should be used to drive TICO's compliance and enforcement activities.

We also found that TICO was not in alignment with key provisions of the Act and its regulation. The regulator could not demonstrate the justification for holding as much as $2 million in security deposits from registrants who may be eligible to have their deposits returned. On average, these deposits had been held by TICO for approximately seven years. Under the Act's regulation, once the registrant has filed two consecutive financial statements with TICO, if TICO's Registrar has no concerns regarding the registrant's compliance with the Act or its regulation, TICO is obligated to repay the security deposit to the registrant. Further, although the Act and its regulation allow only reasonable expenses that are related to the Compensation Fund to be paid from the Fund, we estimated that since 1997, TICO used over $31 million from the Fund to cover its own operating costs.

Our audit also concluded that TICO was not fully effective in publicly reporting on its administration of the Act. For example, TICO does not include detailed compliance and enforcement information relating to registrants on its public directory, such as violations of the Act or details of enforcement action taken by TICO so that consumers can make more informed decisions about the travel agents they do business with.

Finally, our audit concluded that the Ministry's oversight processes to ensure that TICO effectively administers the Act and fulfils its mandate were not fully effective. For example, we found that performance indicators had not been established, or were insufficient, to monitor TICO's operational performance in several key areas where our audit identified operational issues, including in the areas of inspections, security deposits, and complaint-handling. In addition, the Ministry had not reviewed whether TICO's structure and assigned responsibilities as a regulator were an efficient and cost-effective way to administer and enforce the Act.

TICO OVERALL RESPONSE

The Travel Industry Council of Ontario (TICO) appreciates the recommendations of the Office of the Auditor General of Ontario and the insights and opportunities presented for improvement. TICO is also thankful for the collaborative and productive relationship with the Ministry of Public and Business Service Delivery (Ministry).

TICO's Board, management and the entire team remain steadfast to the obligations and responsibilities reflected in the *Travel Industry Act, 2002*. As one of the first Delegated Administrative Authorities created in 1997, TICO strives to evolve into a modern and progressive regulator, facilitating a marketplace where consumers are confident in their

travel purchases, and travel businesses operate within a trusted and level playing field.

Regardless of the type of travel, all consumers should be provided with the information required to make sound travel purchase decisions. TICO also serves a significant role ensuring Ontario's travel retailers and wholesalers are compliant with provincial travel laws.

The Auditor General's report will assist TICO in enhancing its processes across registration, inspections, complaints, and the administration of security deposits.

TICO acknowledges that further work and solutions are necessary to gather relevant data to enhance risk-based processes, reporting, and solutions.

TICO strives to be innovative and acutely focused on its consumer and registrant awareness initiatives. In a large province, TICO must carefully leverage its resources to reach consumers.

TICO also appreciates the recommendations concerning the industry-financed Compensation Fund and the organization's overall consumer protection mandate. TICO remains open to working with the Ministry and other stakeholders to consider the future travel consumer protection framework for Ontario, always in the public interest. These recommendations align with TICO's goal of always providing and evolving its value proposition to stakeholders.

The pandemic represented a devastating period for Ontario's travel industry. With the travel industry recovery accelerating, there is a clear opportunity for TICO to embrace these recommendations and implement strategies in support of a strong travel consumer protection framework that effectively advances the public interest.

MINISTRY OVERALL RESPONSE

The Ministry of Public and Business Service Delivery (Ministry) would like to thank the Auditor General and his staff for their work on the audit and recommendations. The Ministry welcomes feedback on how the Travel Industry Council of Ontario (TICO) is performing and the Auditor General's recommendations on how to strengthen TICO's operations and the Ministry's oversight of TICO.

The Ministry recognizes the importance of TICO fulfilling its responsibilities to administer and enforce the *Travel Industry Act, 2002* (Act) in a manner that protects consumers.

The Ministry notes that the Auditor General has recommended that the Ministry:

- conduct a comprehensive review of the Act and its regulation, and of TICO's existing mandate, structure and responsibilities; and
- based on that review, propose regulatory updates to make Ontario's regulatory framework more efficient and effective.

In response, the Ministry will carefully consider the observations and recommendations made by the Auditor General, which will inform a proposal for government consideration to undertake a review of the Act and TICO. The Ministry will also analyze the results from TICO's fee and Compensation Fund review process, including stakeholder feedback received in fall 2023, as part of this process. The Ministry will develop an implementation plan, including timelines, which considers this key recommendation, as appropriate.

For those recommendations directed to TICO that are not linked to a potential review of the Act or TICO, the Ministry will request that TICO provide an implementation plan that outlines the specific steps that it plans to take to implement each recommendation. The Ministry will closely monitor and track TICO's progress in addressing the recommendations.

2.0 Background

2.1 Overview of the Travel Industry Council of Ontario

In 1997, the government of Ontario created the Travel Industry Council of Ontario (TICO), a not-for-profit administrative authority under the *Safety and Consumer Statutes Administration Act, 1996*, to regulate travel agents and travel wholesalers in Ontario (together referred to as "registrants"). TICO is responsible for administering and enforcing the Ontario *Travel Industry Act, 2002* (Act). Its mission is to regulate consumer protection by promoting awareness, education and compliance as part of the efficient and effective regulation of Ontario's travel industry.

Every travel agent and wholesaler with a physical location in Ontario that sells travel services provided by another party must be registered with TICO. As of February 2023, there were 1,701 travel agents and 295 travel wholesalers registered with TICO.

TICO primarily funds its operations by collecting registration and other fees from registrants. The organization does not typically receive government funding. However, in response to the COVID-19 pandemic, TICO received temporary operating funding from the Ministry of Public and Business Service Delivery (Ministry) and waived registrant fees from the 2020/21 fiscal year through 2022/23 to provide some relief to registrants. In 2019/20, the last fiscal year before the pandemic, TICO reported total revenue of $5.3 million.

TICO is accountable to the Ministry, which oversees TICO and monitors its performance to ensure it is meeting its mandate. TICO's Board of Directors is accountable for TICO's performance to the Minister of Public and Business Service Delivery (Minister) through the Board Chair.

2.2 Roles and Responsibilities

TICO undertakes a number of activities to administer and enforce the *Travel Industry Act, 2002*, and fulfil its mandate, including:

- registration of travel agents and travel wholesalers (see **Section 2.4**);
- conducting inspections of registrants (see **Section 2.5.1**);
- conducting investigations of suspected breaches of the Act (see **Section 2.5.2**);
- taking enforcement action against registrants when complaints, inspections or investigations identify that they have not complied with legislative provisions (see **Section 2.6**);
- resolving complaints from consumers against registrants or TICO, and complaints from registrants against TICO (see **Section 2.7**);
- administering the Travel Industry Compensation Fund (Compensation Fund), which reimburses eligible customers who paid for, but did not receive, travel services because of the bankruptcy or insolvency of a registrant or end-supplier airline or cruise line (see **Section 2.8**); and
- promoting consumer and public awareness of TICO's mandate and consumer protections available under the Act.

As of June 2023, TICO employed 28 full time-equivalent employees, whose responsibilities include processing registration applications, conducting inspections and investigations, resolving complaints, and responding to inquiries from the public and registrants. See **Appendix 1** for an overview of TICO's organizational structure.

TICO was previously governed by an 11-member Board of Directors comprised of seven industry members appointed or elected by travel industry associations and registrants, and four members appointed by the Minister. **Appendix 2** lists TICO's 11 Board members and their affiliations as of June 2023. As described in **Section 4.4.1**, in August and September 2023, at the conclusion of our audit work, the composition of TICO's Board was modified, reducing it to nine members, a maximum of three of which can be representatives of the travel industry and registrants.

Figure 1: TICO Expenses, 2018/19–2022/23 ($ million)

Source of data: Travel Industry Council of Ontario

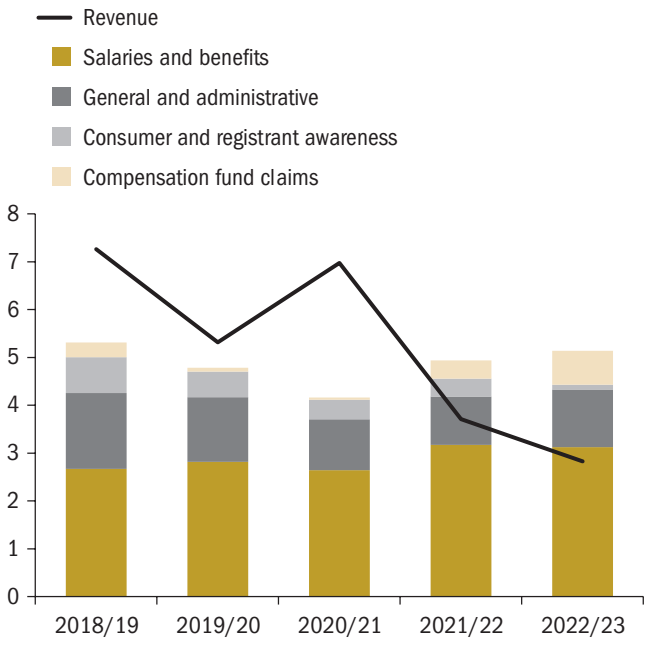
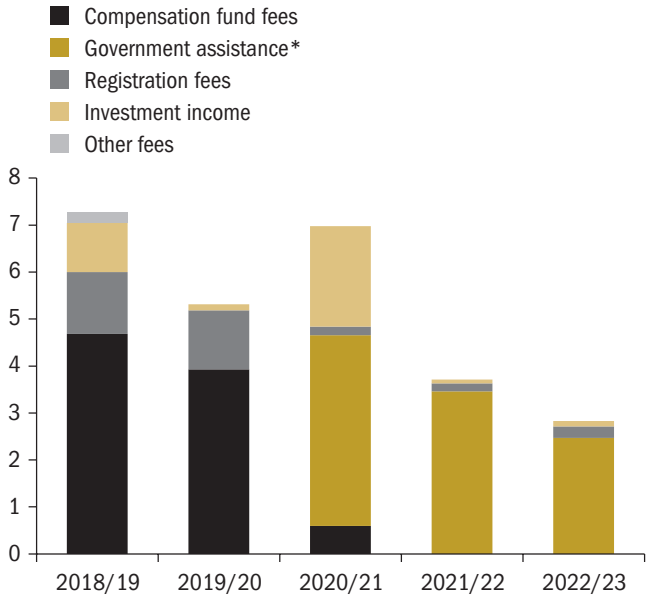


Figure 2: TICO Revenues, 2018/19–2022/23 ($ million)

Source of data: Travel Industry Council of Ontario



* In response to the COVID-19 pandemic, TICO received temporary operating funding from the Ministry and waived registrant fees from the 2020/21 fiscal year through 2022/23 to provide some relief to registrants.

2.3 Revenue and Expenditures

Figure 1 shows TICO's key expenditures over the five years from 2018/19 to 2022/23. About 60% of TICO's expenditures over this period related to the salaries and benefits of its employees. During the same period TICO also spent $2.2 million, or 9%, on consumer and registrant awareness initiatives such as media advertisements.

TICO is a not-for-profit organization that funds its operations by collecting fees from registrants for the services it provides. However, to support the struggling travel and tourism industry during the COVID-19 pandemic, the Ministry provided temporary operating funding to TICO between the 2020/21 and 2022/23 fiscal years so that TICO could continue to operate and fulfil its consumer protection mandate, and waive registration renewal and Compensation Fund fees for registrants. As shown in **Figure 2**, TICO received $4.1 million, $3.5 million, and $2.5 million from the Ministry in 2020/21, 2021/22, and 2022/23, respectively. For 2023/24, TICO returned to a cost-recovery fee structure, as required under the Administrative Agreement between TICO and the Minister.

As shown in **Figure 2**, prior to 2020/21, over 60% of TICO's revenue was generated through fees charged to registrants for the Compensation Fund, and about 20% was from registration fees. As shown in **Figure 3**, TICO charges registrants an initial registration fee based on the number of offices a travel agent or wholesaler has, an annual registration renewal fee based on Ontario gross sales and number of branch offices, and a Compensation Fund fee based on sales made in Ontario.

2.4 Registration of Travel Agents and Wholesalers

Every travel agent and wholesaler with a physical location in Ontario that sells travel services provided by another party must be registered with TICO. Under the Act, travel services are defined as transportation or sleeping accommodation for use by a traveller,

tourist, or sightseer, or other services combined with those transportation or sleeping accommodations.

Figure 4 outlines the process for determining whether registration with TICO is required. **Figure 5** provides a

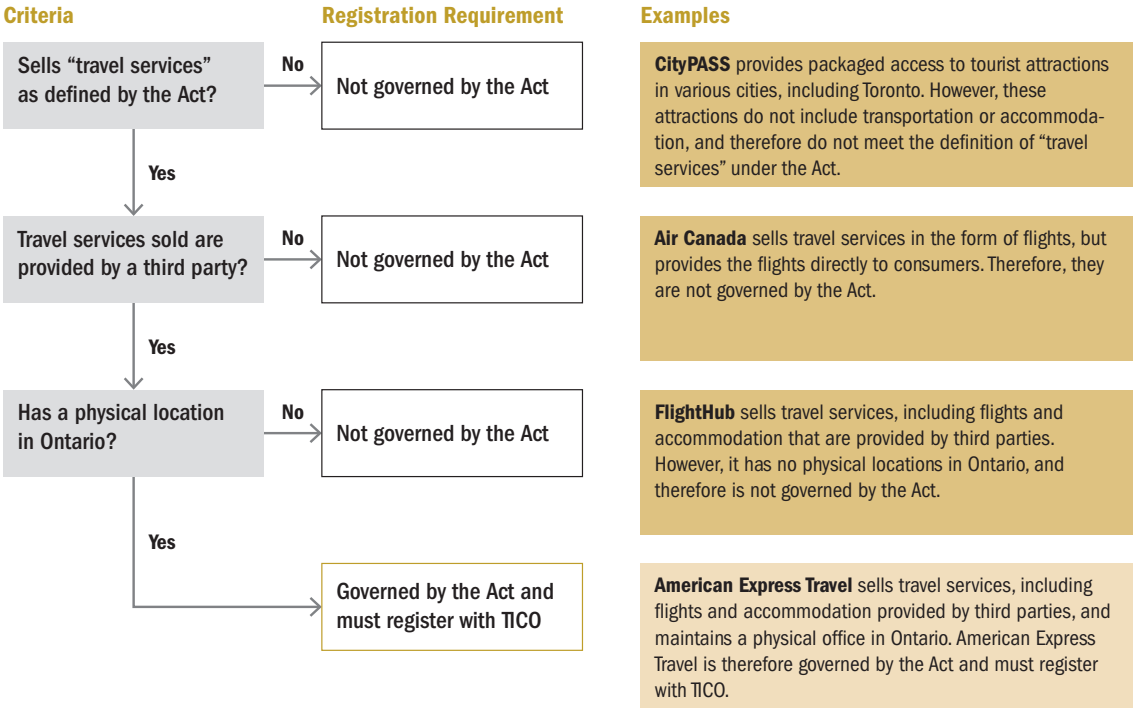
Figure 3: TICO Fee Schedule

Source of data: Travel Industry Council of Ontario

		Fee Charged	Frequency
Initial Registration Fee			
Head office		$3,000	One-time
Branch office		$800	One-time
Renewal Fees by Ontario Gross Sales			
< $2 million		$300	Annual
$2–$5 million		$600	Annual
$5–$10 million		$900	Annual
$10–$50 million		$1,200	Annual
> $50 million		$1,800	Annual
Renewal Fees by Branch			
Branch office (per branch)		$300	Annual
Compensation Fund			
Compensation fund fee	Greater of $25, or 25 cents per $1,000 Ontario gross sales		Semi-annual

Figure 4: Registration Criteria and Examples

Prepared by the Office of the Auditor General of Ontario



description of the two types of registration categories and the related application requirements.

As of February 2023, there were 1,701 registered travel agents (comprised of 1,394 head offices and 307 branch offices) in Ontario and 295 registered travel wholesalers (comprised of 290 head offices and five branch offices). **Figure 6** shows the percentage of TICO registrants by Ontario gross sales at the time of their most recent registration renewal.

Figure 5: Registration Types and Related Requirements

Source of data: Travel Industry Council of Ontario

Type of Registration	Applicant Requirements for Registration
Travel Agent: A party with a physical location in Ontario that sells travel services to consumers that are provided by another party.	• application fee (see **Figure 3**); • a resumé and letters of reference from previous employers; • a designated supervisor/manager, who must have a minimum of three years of travel industry experience and must hold the TICO supervisor/manager certification (described in **Section 2.4**); • a commercially zoned business address or, if operating from a dwelling, a letter of approval from the local municipality; • at least one officer or director who is a resident of Canada; • opening pro forma balance sheet or current financial statements indicating a positive working capital; • security deposit of $10,000; • confirmation of trust accounts (i.e., a letter from a financial institution in Ontario); • disclosures of all particulars regarding any bankruptcies, judgments, and discharges; and • criminal-record check for each owner, officer, director, shareholder and designated manager named on the application.
Wholesaler: A party with a physical location in Ontario that acquires the rights to travel services for the purpose of resale to a travel agent, or that carries on the business of dealing with travel agents or travel wholesalers to sell travel services provided by another party.	• all of the same requirements listed for travel agents above; • a business/marketing plan; and • written approval from TICO's Registrar prior to entering into any risk contracts with air carriers (e.g., bulk purchases of airline seats).

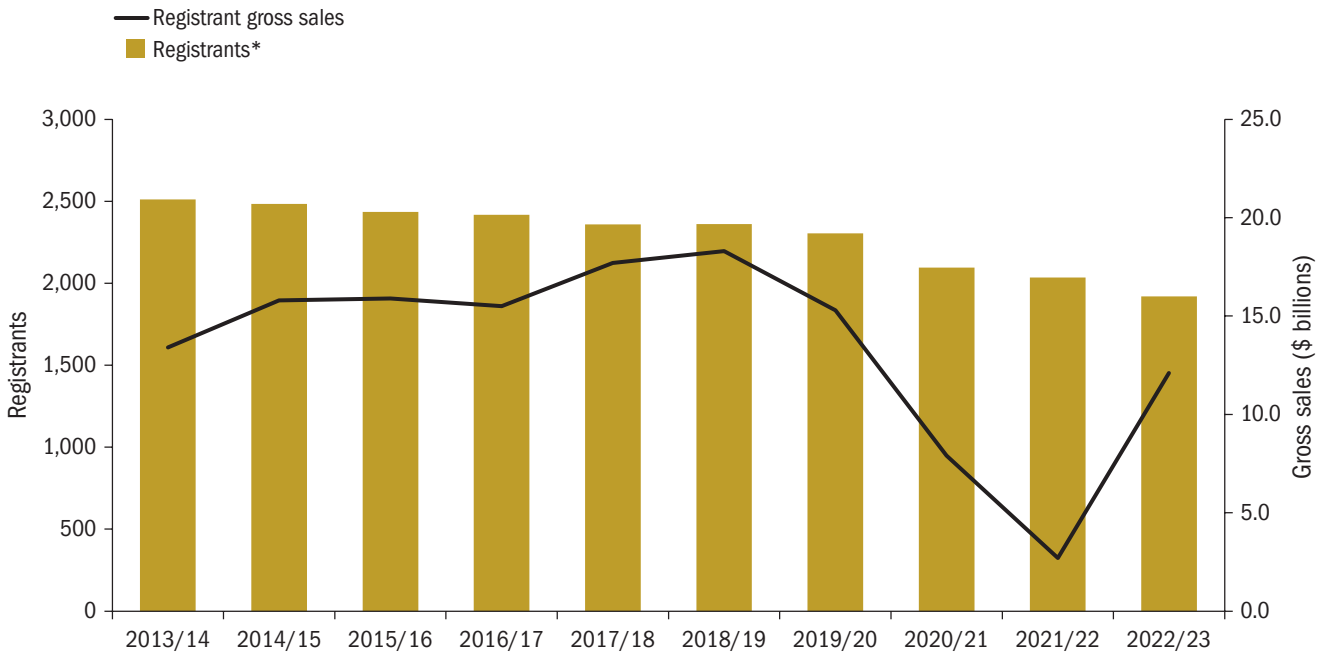
Figure 6: Percentage of Registrants by Ontario Gross Sales at Most Recent Renewal, March 31, 2023

Source of data: Travel Industry Council of Ontario

Ontario Gross Sales	Registrants (%)
< $2 million	72
$2–$5 million	14
$5–$10 million	7
$10–$50 million	5
> $50 million	2

Figure 7: Registrant Count and Ontario Gross Sales of Registrants, 2013/14–2022/23

Source of data: Travel Industry Council of Ontario



* Registrant count as of March 31 of each year.

Figure 7 shows the number of registrants and their Ontario gross sales reported to TICO. As the chart illustrates, in the period prior to the COVID-19 pandemic, the number of registrants was in a slow but steady decline, while the gross sales reported by registrants had actually increased significantly from 2013/14 to 2018/19. This is consistent with the increase in travel and tourism seen in Canada and worldwide.

As shown in **Figure 7**, the COVID-19 pandemic, which began near the end of fiscal year 2019/20, has had a significant impact on the industry. From 2013/14 to 2018/19, the number of registrants decreased by 6%, while registrant gross sales increased by 37%. In contrast, between 2018/19 and 2021/22, the number of registrants decreased by 14% while registrant gross sales declined by 85%, from $18.3 billion to just $2.7 billion. Registrants saw a significant rebound in sales in 2022/23 as the industry began to recover from the pandemic, reaching $12.1 billion, or 66%, of sales prior to the pandemic in 2018/19, while the number of registrants continued to decline.

TICO registrants sell a significant portion of the travel services booked by Ontarians. The $18.3 billion in gross sales reported by registrants in 2018/19 (the last full year before the pandemic) is 48% of the approximately $38.3 billion that Ontario residents spent while travelling in calendar year 2019, according to Statistics Canada's National Travel Survey.

Registrant Employee Certification Requirements

TICO does not have the authority under the Act to register or regulate individual employees of registrants such as salespeople. However, the regulation under the Act does require that travel agents ensure that any employees or contractors who sell travel services to consumers obtain TICO's Travel Counsellor certification. Every travel agent office is also required to have at least one supervisor/manager who, in addition to holding a Travel Counsellor certification, must obtain TICO's Supervisor/Manager certification. Both certifications are obtained by completing an online self-study program and exam. Details of each certification are outlined in **Figure 8.**

Figure 8: Travel Counsellor and Supervisor/Manager Certification Requirements

Source of data: Travel Industry Council of Ontario

	Travel Counsellor	Supervisor/Manager
Prerequisite	None	Travel Counsellor certification
Exam length	90 minutes	60 minutes
Exam questions	50 multiple choice	30 multiple choice
Average passing score	70%	70%
Self-study program topics	• Ontario's *Travel Industry Act, 2002* • TICO's role in the travel industry • Registrant obligations—before the sale • Registrant obligations—after the sale and before customer travels • Travel Industry Compensation Fund	• Registration requirements • Financial and record-keeping requirements • Complaints • Investigations and offences

2.5 Inspections and Investigations

2.5.1 Inspections of Travel Agents and Wholesalers

TICO conducts inspections of travel agents and wholesalers to ensure its registrants conduct business in accordance with the Act and Ontario Regulation 26/05 (regulation), and remain entitled to registration. TICO's compliance team consists of one manager, five inspectors, and an analyst who report to the Chief Operating Officer. Under the Act, TICO's inspectors have unrestricted access to inspect a registrant's business premises, documents, and records (including financial records, past transactions, and bank statements). TICO also assigns a risk rating of low, medium or high to its registrants based on the outcome of a registrant's on-site inspection. **Figure 9** describes the types and timing of inspections conducted by TICO.

Depending on the severity of the issues found, the inspector, at their discretion, can perform a follow-up inspection to verify if the registrant has corrected the identified compliance violations. In cases where an inspector identifies severe compliance violations, the inspector is required to bring the matter to the Chief Operating Officer for review, and the registrant may face a subsequent investigation (described in **Section 2.5.2**) or be subject to further enforcement action (described in **Section 2.6**), including charges under the Act and/or a proposal to revoke or suspend their registration.

Over the last five years, TICO conducted a total of 1,490 inspections. **Figure 10** shows the number of inspections that TICO has conducted in each of the past five years by inspection type.

In addition to inspections, TICO performs a review of each registrant's financial statements annually for compliance with the Act and its regulation. As deemed necessary, TICO also performs remote reviews of registrant compliance with non-financial requirements of the Act and its regulation, such as whether registrant invoices meet disclosure requirements or whether registrant advertising is misleading.

2.5.2 Investigations of Registrants and Non-Registrants

TICO can investigate individuals who act as travel agents or wholesalers in Ontario but fail to register, as well as registrants who have committed or are alleged to have committed violations of the Act and its regulation. While it is not uncommon for TICO to identify that a registrant has violated the Act or its regulation, TICO can revoke or suspend the registration of registrants with more serious or repeated violations and refer the matter to TICO's investigations team for further inquiry. Such violations include mishandling of consumer deposits, dishonest conduct, misappropriation of assets (such as consumer trust funds) and misleading business practices. Investigations that confirm serious

Figure 9: Registrant Inspection Types

Source of data: Travel Industry Council of Ontario

Type	Timing	Scope
Compliance inspection	When deemed necessary	Compliance inspections are conducted in response to issues such as: • concerns identified during registration renewal; • medium or high registrant risk ratings; and • concerns raised through the complaints process.
New registrant inspection	Within six months of registration	The purpose of this inspection is to: • educate new registrants about their obligations under the Act; • verify the registrant's location and display of TICO registration; and • review accounting records, with a focus on trust accounts.
Closure inspection	Within 30 days of closure	These inspections are conducted to ensure terminated, lapsed or suspended registrants are no longer operating. Closure inspections include visiting the registrant's location(s) and searching the Web to confirm operations have ceased or have been suspended.

Figure 10: Number of Inspections Conducted by Type, 2018/19–2022/23

Source of data: Travel Industry Council of Ontario

Inspection	2018/19	2019/20	2020/21	2021/22	2022/23	Total
On-site compliance inspections	180	196	10	12	105	**503**
Remote inspections*	–	8	259	154	59	**480**
New registrant inspections	88	69	–	–	32	**189**
Closure inspections	103	111	2	1	101	**318**
Total	**371**	**384**	**271**	**167**	**297**	**1,490**

* During the COVID-19 pandemic, TICO suspended all on-site inspections. Remote inspections were conducted with a more limited scope. TICO has since resumed conducting full, on-site inspections.

violations of the Act and its regulation can result in enforcement action (described in **Section 2.6**) that can include laying provincial offences charges with penalties of up to two years in prison, and a fine of up to $50,000 for individuals or $250,000 for corporations.

TICO has one investigator who is appointed as a Provincial Offences Officer under the *Provincial Offences Act*. Investigations are initiated as a result of information received from various sources, including referrals from internal departments, such as Compliance and the Compensation Fund program. Complaints from a consumer or registrant can also trigger an investigation. TICO's Chief Operating Officer reviews the preliminary information of the allegation and issues a written order to the Provincial Offences Officer to initiate the investigation. As shown in **Figure 11,** TICO conducted 47 investigations from 2018/19 to 2022/23. Almost two-thirds of these investigations involved investigating whether non-registered entities were actually required to register.

2.6 Enforcement Action

TICO can take various enforcement actions when violations of the Act and its regulation are identified through its inspections and investigations. **Figure 12** lists the type of enforcement action that TICO can take in response to violations.

Figure 11: Investigations Conducted by TICO, 2018/19–2022/23

Source of data: Travel Industry Council of Ontario

Type	2018/19	2019/20	2020/21	2021/22	2022/23	Total
Non-registrant	9	3	1	7	10	**30**
Registrant	3	5	1	3	5	**17**
Total	**12**	**8**	**2**	**10**	**15**	**47**

Figure 12: Types of Enforcement Action Available to TICO

Source of data: Travel Industry Council of Ontario

Enforcement Action	Description
Warning letter	TICO sends warning letters to registrants identifying compliance issues, including a deadline date for the registrant to correct the issue.
Inspections Findings Reports	Inspections Findings Reports are issued to registrants at the conclusion of an inspection outlining the compliance violations noted during the inspection. The registrant is required to sign the report and correct the violations.
Conditions on registration	TICO can impose conditions on a travel agency or wholesaler's registration. For example, it can require the registrant to: • take TICO education webinars; • provide additional security above the $10,000 minimum at initial registration; and • provide monthly trust reconciliations to demonstrate compliance with trust requirements.
Notice of Proposal to revoke or suspend registration	In cases involving a registrant with significant violations against the Act and its regulation, the Registrar has the ability to issue a Notice of Proposal to refuse or suspend registration. Registrants have the right to appeal the proposal to the Licence Appeal Tribunal (LAT), an independent quasi-judicial agency in Tribunals Ontario.
Immediate temporary suspension	In rare but serious cases, the Registrar can issue an immediate 15-day suspension of a registrant. This suspension is used to prevent a registrant who has received a notice to revoke or suspend registration from operating during the appeals process to LAT, as appeals must be made in front of LAT within 15 days.
Provincial offence charges	TICO's Investigator, who is also a Provincial Offences Officer, has the authority to lay charges and prosecute offences in Provincial Court against registrants and non-registrants for breaches of the Act and its regulation. The maximum penalty for an individual who is convicted of an offence under the Act is a fine of $50,000 and/or imprisonment of two years less a day. The maximum fine for a corporation is $250,000.
Bank freeze orders	To protect consumer deposits, TICO can issue an order to freeze the bank accounts of current or former registrants, or non-registrants who sold travel services.
Order of registrar regarding false advertising	The registrar can issue an order to remove, retract or amend false, misleading or deceptive advertising by a registrant.

Figure 13 shows the number of enforcement actions TICO has taken by type from 2018/19 to 2022/23.

2.7 Complaint-Handling

TICO's legislated responsibilities include addressing complaints it receives about the actions of its registrants. A complaint to TICO can be initiated online, or by email, mail or telephone. Registrants are required to provide information about the complaint if requested to do so by TICO. The steps TICO takes to address complaints are outlined in **Figure 14**.

When handling a complaint, the Act allows TICO to attempt to mediate or resolve the complaint between the parties. However, TICO does not have the authority to settle a dispute, or to impose a settlement through the complaints process. In the last five years, TICO closed 1,241 complaints against registrants. **Figure 15** shows the number of complaints handled by TICO in each of the last five years.

Figure 13: TICO Enforcement Actions 2018/19–2022/23

Source of data: Travel Industry Council of Ontario

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
Conditions placed on registration	8	2	3	0	23	**36**
Registration suspensions	1	–	2	1	4	**8**
Registration revocations	7	10	1	7	17	**42**
Persons/organizations convicted of provincial offences*	8	7	3	2	4	**24**

* Trial scheduling was unavailable at provincial offences courts for parts of 2020/21 and 2021/22 due to COVID-19 restrictions, limiting the number of convictions obtained by TICO.

Figure 14: Steps in TICO's Complaints Handling Process

Source of data: Travel Industry Council of Ontario

Step	Description
1. Determine whether the complaint involves possible violation of the *Travel Industry Act, 2002* and its regulation	Complaints that involve possible violation of the Act and its regulation are referred for review to the Inspections/Compliance team, or potentially to Investigations, depending on evidence and severity. Referrals are handled separately to the complaints process.
2. Encourage the complainant to first contact the registrant in an attempt to reach an equitable resolution	Before accepting a complaint, TICO asks consumers to put their complaint in writing to the registrant, explaining why they are not satisfied and how the matter could be resolved to their satisfaction.
3. If the consumer is unable to resolve their complaint directly with the registrant, open a formal complaint	TICO will send a complaint form to the consumer, which must be completed and returned to TICO with all supporting documentation.
4. Contact the registrant	TICO will provide the registrant with a copy of the complaint, quote the applicable sections of the Act and regulation, and request a written reply about the registrant's position on the matter.
5. Close the complaint file	TICO will close the complaint when either a mutual settlement is reached, or when a mutual settlement cannot be reached. In instances where a settlement cannot be reached, TICO advises consumers that they may wish to seek legal counsel and/or pursue their complaint through the legal system.

Figure 15: Complaints Closed, Restitution Collected, and Average Closure Time, 2018/19–2022/23

Source of data: Travel Industry Council of Ontario

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
Number of complaints closed	154	139	605[1]	139	204	**1,241**
Restitution collected from registrants[2]	$77,892	$71,102	$3,112,251[1]	$156,953	$353,682	**$3,771,880**
Average turnaround time for complaints closed (in days)	30	43	55	55	59	

1. TICO experienced a significant increase in the number of complaints it handled as a result of travel restrictions during the COVID-19 pandemic.
2. Restitution includes money returned to consumers, or the dollar value of travel credits received by consumers.

If a complaint alleges more serious violations of the Act and its regulation, TICO may escalate the complaint for enforcement action (described in **Section 2.6**), including laying charges against the registrant, and/or proposing to revoke or suspend their registration. Such violations by the registrant include the following instances:

- false, misleading or deceptive representation of travel services being offered to consumers;
- withholding refunds or travel credits owed to the consumer;
- suspected fraudulent activity by the registrant in a transaction with the consumer;
- charging fees that were not disclosed to the consumer at the time of booking; and
- deducting commissions lost if a trip is cancelled, or charging fees and penalties not disclosed at time of booking from refundable amounts to the consumer.

2.8 The Travel Industry Compensation Fund

Under the Act's regulation, TICO is required to administer, manage and maintain the Travel Industry Compensation Fund (Compensation Fund) to reimburse eligible customers who purchased travel services through a TICO-registered travel agent and subsequently suffered financial losses related to travel services paid for but not received due to the bankruptcy or insolvency of a registrant or an end supplier airline or cruise line. A claim must be filed with TICO within six months after the registrant or end supplier ceases to carry on business. Consumers can file two types of claims against the Compensation Fund:

- Standard Claim: A claim for travel services that were paid for but never received as a result of the failure of a travel agency, travel wholesaler, or an airline or cruise line.
- Trip Completion Claim: A claim for reasonable expenses (e.g. the cost of airfare, car hires or other transportation, accommodation and meals) incurred to complete a trip where a customer or another person has begun a trip that cannot be completed because travel services have not been provided as the result of the closure of a TICO registrant.

Consumers are eligible to claim from the Compensation Fund up to a maximum of $5,000 per person. The maximum payout for claims arising out of an event (e.g., multiple customers involving the same travel agency or airline) is $5 million for standard claims alone, and $7 million for standard claims and trip-completion claims combined. The eligible claim amount per person is pro-rated if the total value of claims exceeds these maximums.

The Compensation Fund does not protect consumers who purchase travel services directly from end suppliers (e.g., airlines, hotels, and cruise lines), or from out-of-province travel agents and wholesalers.

Every TICO registrant is required to participate in the Compensation Fund, which is financed in whole by

registered travel agents and wholesalers. Registrants are required to pay the greater of $25, or 25 cents per $1,000 of Ontario gross sales, on a semi-annual basis.

TICO's Board is responsible for managing the Compensation Fund, and making decisions on claims for eligibility and claim amounts, as set out by the Act's regulation. The Board meets at least five times a year to review and make decisions on claims. The Board can incur reasonable expenses to administer, maintain and protect the Fund, including fees for legal, actuarial, audit services, and consumer awareness and education expenses related to the Fund.

3.0 Audit Objective and Scope

The objective of our audit was to assess whether the Travel Industry Council of Ontario (TICO) has effective and efficient processes in place to:

- administer the *Travel Industry Act, 2002* (Act) to register and regulate travel agents and wholesalers, and to protect consumers when purchasing travel services through a travel agent or wholesaler; and
- measure and publicly report on the effectiveness of its administration of the Act.

In addition, our audit assessed whether the Ministry of Public and Business Service Delivery (Ministry) has oversight processes in place so that TICO effectively administers the Act, including effectively registering and regulating travel agents and wholesalers.

Before starting our work, we identified the audit criteria we would use to address our audit objectives. These criteria were established based on a review of applicable legislation, policies and procedures. Senior management at TICO and the Ministry reviewed and agreed with our objective and associated audit criteria as listed in **Appendix 3**.

We conducted our audit between January 2023 and September 2023. We obtained written representation from TICO's management and the Ministry that, effective November 17, 2023 they have provided us with all the information they were aware of that could significantly affect the findings or the conclusion of this report.

Our audit work at TICO was focused on the period covering TICO's previous five fiscal years, from April 1, 2018 to March 31, 2023. However, in some areas we analyzed data going back as far as TICO's inception in 1997. The focus of our audit was on examining TICO's main areas of responsibility:

- registration of travel agents and wholesalers;
- registrant oversight and enforcement;
- managing and administering the Travel Industry Compensation Fund;
- promoting consumer and public awareness of TICO's mandate and consumer protections available under the Act; and
- board governance.

In conducting our work, we interviewed staff at TICO responsible for issuing and renewing registrations to travel agencies and wholesalers, and conducted walkthroughs of the registration process. We also interviewed TICO staff responsible for resolving complaints against registrants, and conducted walkthroughs of the complaint process. We reviewed how they handled complaints, including evidence gathered and restitution secured for complainants.

To aid in our understanding of TICO's enforcement actions, we also interviewed inspectors and the investigator/provincial offences officer, and reviewed past inspection/investigation records on a sample basis. To observe how TICO conducts its inspections, we accompanied TICO inspectors on inspections of registrants between June and September 2023. We obtained access to TICO's information systems to collect and analyze data for registrations, complaints, inspections and investigations.

To evaluate TICO's governance structure, we engaged in discussions with some current members

of TICO's Board of Directors and TICO's Consumer and Industry Advisory Committee. We also reviewed meeting minutes, Board materials, Board member backgrounds, and Board member skills and competencies, including member appointment records.

We engaged in discussions with representatives of the primary stakeholder groups, including the Association of Canadian Travel Agencies (ACTA), the Canadian Association of Tour Operators (CATO), and the Ontario Motor Coach Association (OMCA).

We conducted jurisdictional scans to identify best practices in other jurisdictions including British Columbia, Quebec, the United States, Australia, and the United Kingdom.

The audit also evaluated the Ministry's oversight function of TICO's operations and performance through a review of past communications, evaluations and reports. In addition, we engaged in discussions with key personnel from the Ministry who regularly interact with TICO staff.

We conducted our work and reported on the results of our examination in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada. This included obtaining a reasonable level of assurance.

The Office of the Auditor General of Ontario applies Canadian Standards on Quality Management and, as a result, maintains a comprehensive system of quality management that includes documented policies and procedures with respect to compliance with rules of professional conduct, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

4.0 Detailed Audit Observations

4.1 Registration of Travel Agents and Wholesalers

4.1.1 TICO Could Not Demonstrate the Justification for Holding as Much as $2 Million in Security Deposits from Registrants

We found that as of March 31, 2023, the Travel Industry Council of Ontario (TICO) was holding as much as $2 million in security deposits collected from travel agencies and wholesalers at the time of their initial registration. It could not demonstrate the rationale for doing so based on the requirements in the Act's regulation.

Under the Act's regulation, TICO is required to collect a $10,000 security deposit from each new registrant. Once the registrant has filed two consecutive financial statements with TICO, the organization is obligated to repay the security deposit to the registrant within a reasonable amount of time if the Registrar has no concerns regarding the registrant's compliance with the Act or its regulation.

TICO's policy states that the Financial Compliance team should determine "on a regular basis" if the registrant qualifies for return of the security deposit. However, we found that TICO's policy did not include a definition of what constitutes a regular basis, and we found that TICO did not regularly assess whether registrants qualify to have their security deposits returned. We also found that TICO does not track in its information system whether the Registrar has concerns about a registrant that would justify continuing to hold their deposit.

We found that as of March 31, 2023, 58% of the $3.4 million in registrant deposits being held by TICO, or $2 million, was from 184 registrants who had filed at least two consecutive financial statements, and therefore could potentially have their deposits returned. Our analysis also found that:

- on average, the $2 million in security deposits had been held for approximately seven years; and
- $510,000 in security deposits were being held from 48 past registrants who were no longer registered with TICO.

Many of these registrants may be unaware that they may be entitled to have their security deposit returned, or may simply have forgotten, and TICO could not consistently demonstrate it had made efforts to return the funds.

We looked at a sample of 20 deposits from active registrants who had already filed at least two consecutive financial statements and found that in 13, or 65%, of the cases no concerns were documented that justified continuing to hold the deposits.

For approximately three years during the COVID-19 pandemic, TICO made the decision to put a pause on returning registrant security deposits due to concerns that the market would cause many registrants to experience financial difficulties and that, therefore, customer deposits might be lost. However, we noted that the Act's regulation does not appear to allow registrant deposits to be held due to expected changes in market conditions. Instead, the regulation specifically states that deposits are to be returned if the Registrar has no concerns about the registrant's compliance with the Act or its regulation, and therefore holding deposits should be assessed on a case-by-case basis.

RECOMMENDATION 1

So that the Travel Industry Council of Ontario (TICO) complies with the *Travel Industry Act, 2002* (Act) and its regulation, and handles registrant security deposits fairly, we recommend that TICO:

- immediately assess all registrant security deposits held for more than two years, and return all deposits where the Registrar has no concerns over the registrant's compliance with the Act and its regulation;
- establish a reasonable target time frame to review and return registrant security deposits where TICO does not have any concerns about a registrant's compliance with the Act and its regulation; and
- develop and implement a process for reviewing and returning registrant security deposits within the established target time frame.

TICO RESPONSE

The Travel Industry Council of Ontario (TICO) agrees with the Auditor General's recommendation to immediately assess all registrant security deposits held for more than two years. TICO has commenced assessing security deposits for return to registrants, and is in the process of updating its policy to include a reasonable target time frame to review and return registrant security deposits where TICO does not have any concerns about a registrant's compliance with the *Travel Industry Act, 2002* and its regulation. Additionally, TICO has already begun work on developing and implementing systems and process enhancements for reviewing and returning registrant security deposits within the established target time frame, which will also be incorporated in its policy.

4.1.2 TICO Has Not Accurately Measured Application Processing Times, and Applications Were Often Delayed

We found that TICO had only recently started tracking how long it takes to process applications for registration, and that its measurement of processing time ignored several factors under its control that could have impacted how quickly an application was processed. We also found that applications were often delayed because they were submitted without all the required information (discussed in **Section 2.4**), and that TICO had limited controls in place to prevent the submission of incomplete applications.

In its 2022 Business Plan, TICO formalized its target to process applications within 30 days of receiving all required documentation from the applicant, and began measuring this processing time as of July 2022. Prior to this, TICO did not track the date it had

received all required documentation from the applicant. TICO reported in its 2022/23 annual report that between July 2022 and the end of the 2022/23 fiscal year on March 31, 2023, it processed 114 applications for registration in an average of 32 days, with 61% of the applications meeting TICO's 30-day target. However, measuring processing times after the receipt of all required documentation does not capture several factors under TICO's control, including:

- how effective TICO is at ensuring applicants are aware of, and include, all the documentation needed in their initial application;
- how long it takes TICO staff to review applications for completeness after they are received;
- how long it takes TICO staff to notify applicants when additional information is required; and
- how quickly TICO staff respond to applicant questions.

We conducted our own analysis of TICO's application processing times using TICO's data showing when applications were opened and closed. Our analysis showed that over the five years from 2018/19 to 2022/23, TICO processed 294 applications for registration in an average of 46 days, with 51% of the applications taking more than 30 days to process, and 18% taking more than 60 days (see **Figure 16)**.

We reviewed a sample of 25 application files that took longer than 30 days to process, and found that due to inconsistencies in when applications were opened in TICO's information systems, the average processing time in **Figure 16** was likely understated. In multiple applications included in our sample, the open date in TICO's system was significantly later than when the application was actually received—over 10 days longer in multiple instances.

Processing applications for registration on a timely basis is important because delays can be costly to applicants. Travel agent and wholesaler applicants are required to include a $3,000 registration fee, as well as a $10,000 security deposit. For smaller travel agencies, such as those that consist of only one individual acting as both the owner and customer-facing agent, this can represent a significant financial investment. Applicants cannot begin selling travel services and recuperating their investment until TICO has approved their application.

Applications for Registration Were Often Sent Incomplete

We reviewed a sample of 25 applications for registration that took longer than 30 days to process, and found that all 25 were initially missing key information or supporting documents required by TICO. Information missing from the sampled applications included financial statements, letters from banks verifying applicants' trust accounts, criminal checks for shareholders, and the names of officers and directors. This resulted in increased time for TICO staff to follow up on and obtain missing information from applicants.

We found that a key reason that applications were incomplete when initially submitted was that the applications are paper-based and could not be submitted electronically. As a result, no controls were in place to prevent an applicant from applying with incomplete information. We also found that TICO's application form did not outline the specific financial information that TICO needs to review and approve an applicant for registration.

Figure 16: TICO New Registrant Application Processing Times, 2018/19–2022/23

Source of data: Travel Industry Council of Ontario

	2018/19	2019/20	2020/21	2021/22	2022/23	5-Year
Number of applications processed	71	62	42	51	68	**294**
Average processing time (in days)	36	36	94	31	45	**46**

Note: Excludes branch office applications.

For example, although TICO requires applicants to have positive working capital (where current assets exceed current liabilities), the application form does not specify what is considered a current asset or current liability. There is no requirement for financial statements submitted with the application for registration to be prepared by an accountant, and applicants compiling financial statement information themselves may not be familiar with what is required. Our review of a sample of 25 applications that took longer than 30 days to process identified that in 20, or 80%, of these cases, applicants either did not submit financial statements, or had to resubmit revised financial statements with the information TICO required to evaluate working capital.

In contrast to TICO, Consumer Protection BC, the organization responsible for licensing travel agents and travel wholesalers in British Columbia, provides a detailed breakdown of the information it requires on its licensing application form to ensure complete and accurate documentation is submitted. For example, Consumer Protection BC highlights specific information it requires to be included on the applicants' balance sheet upon application. This includes highlighting the requirement for applicants to provide details regarding their current assets, current liabilities and equity so that working capital can be evaluated.

RECOMMENDATION 2

So that the Travel Industry Council of Ontario (TICO) can process applications for new travel agent and travel wholesaler registration in a timely manner, we recommend that TICO:

- set targets and measure all components of application-processing times, from when the application is received to when it is closed;
- review and revise its application form so that it is clear to applicants what specific information and supporting documents they are required to provide with their application; and
- perform a cost-benefit analysis of implementing an electronic version of the application process with built-in controls to prevent incomplete applications from being submitted.

TICO RESPONSE

The Travel Industry Council of Ontario (TICO) agrees with the Auditor General's recommendation. TICO will review its registration application process and establish targets and measures for each milestone to achieve greater processing efficiencies and completion in a more timely manner.

TICO has commenced a comprehensive review of its registration application form and accompanying checklist to simplify and provide more clarity about the required supporting documentation and information.

TICO also agrees with the Auditor General's recommendation to conduct a cost/benefit analysis of implementing an online registration process, including innovative built-in controls to prevent incomplete applications from being submitted. The implementation of such a process would decrease the follow-up time required for incomplete applications, increase productivity and turnaround times, and provide an enhanced experience for applicants.

4.1.3 TICO Did Not Verify the Financial Information Submitted by Applicants That It Used to Make Registration Decisions

Although TICO is required to assess whether applicants for registration can meet their financial responsibilities under the Act, we found that TICO did not require applicants to provide supporting documentation or third party-verification for the key financial information they submitted with their application.

TICO assesses whether applicants registering as travel agents or travel wholesalers have sufficient funding to open and operate their business in order to confirm that they can meet all their financial responsibilities under the Act. To make this assessment, TICO requires applicants to submit an opening pro forma balance sheet or current financial statements to confirm the applicant has positive working capital (more short-term assets than short-term liabilities). However, there is no requirement for financial statements submitted with the application for registration

to be audited or reviewed, or to be prepared by an accountant.

Based on our review of a sample of registration applications, we found that TICO did not request supporting documentation to verify the financial information submitted by applicants. We reviewed a sample of 25 registration applications submitted to TICO from 2017/18 to 2021/22 and found that in all cases the financial statements and financial information submitted were not audited or reviewed, limiting the reliance TICO could place on them without obtaining additional supporting documents.

We also found that in 16, or 64%, of these applications, no documentation was provided by the applicant to support the financial information they submitted, and TICO did not request any. For example, in one application we reviewed, TICO approved the registration of an applicant who indicated that they held $1.84 million in assets, including $1.54 million in cash. However, no supporting documentation such as bank statements were provided by the applicant, and no effort was made by TICO to verify these amounts. We noted that in nine, or 36%, of the applications we reviewed, where applicants included additional documentation to support the financial information they submitted, applicants did so voluntarily, without being requested to do so by TICO.

In contrast, we found that the agency responsible for oversight of travel agents in Quebec, the Office de la protection du consommateur, gains assurance over the financial information submitted by applicants by requiring the submission of financial statements—including an opening balance sheet showing working capital of at least $5,000—which have been:

- prepared by an external accountant who is a member of a professional order of accountants recognized in Canada; and
- audited or reviewed.

Increased scrutiny of financial information submitted by applicants can reduce the financial risk of registrants. We found that almost all enforcement actions taken by TICO against registrants from 2018/19 to 2022/23 were related to concerns, violations or misconduct that were financial in nature. These were discovered through TICO's financial review, inspection, and investigations processes when TICO staff have unrestricted access to financial records and statements. Between 2018/19 and 2022/23, for instance, 38 of 42 of the licences revoked, and 35 out of 36 terms and conditions placed on registrants' licences by TICO, were for financial reasons.

RECOMMENDATION 3

To confirm that applicants seeking to register as travel agents or travel wholesalers can reasonably be expected to be financially responsible in the conduct of their business, as required by the *Travel Industry Act, 2002*, we recommend that the Travel Industry Council of Ontario (TICO) require supporting documentation or third-party verification of key financial information submitted by applicants.

TICO RESPONSE

The Travel Industry Council of Ontario (TICO) agrees with the Auditor General's recommendation. TICO will improve its registration application process by strengthening documentation requirements. TICO expects that doing so will provide greater assurance that a new registration applicant is financially viable and has sufficient funds to operate their business.

TICO will ensure that new financial documentation requirements are clearly communicated on its registration application forms and related materials. TICO's Registration Department has already commenced its review of this initiative. In the interim, until a new policy, process and system enhancements are in place, TICO is requesting additional supporting documentation, such as bank statements, on all new registration applications to provide greater assurance.

4.2 Registrant Oversight and Enforcement

4.2.1 TICO's Risk Rating System Was Not Used to Effectively Oversee Registrants

We reviewed TICO's risk rating system for registrants and found that the regulator was not effectively using the ratings to inform its registrant oversight activities. These ratings are an important tool that allow regulators to focus their limited financial and human resources on the oversight of the highest-risk registrants.

TICO implemented a risk rating system in 2012 to assign a risk rating of low, medium or high to each registrant. TICO calculates registrant risk ratings during registrant on-site compliance inspections (described in **Section 2.5.1**). However, we found that as of March 2023, 622 of 1,684 registrants, or 37%, did not have an assigned risk rating. We identified the following significant concerns about how TICO calculates and uses registrant risk ratings:

- One of the factors that TICO staff consider when selecting registrants for compliance inspection is the registrant's risk rating. However, the only time TICO calculates a registrant's risk rating is during such a compliance inspection. As discussed in **Section 4.2.2,** we found that a significant number of registrants have not received a compliance inspection since the risk rating system was implemented in 2012. As a result, registrants who do not have an assigned risk rating are also less likely to be selected for inspection.
- Even when TICO inspected registrants, we found that TICO did not always assign registrants a risk rating. Our analysis identified that 118, or 19%, of the 622 registrants that did not have an assigned risk rating had received a compliance inspection by TICO since the risk rating system was established.
- TICO's compliance policy had no established guidelines detailing how the risk rating should be used to drive compliance and enforcement activities. We found that 30% of registrants assessed as high risk as of March 2023 had not received a compliance inspection in the previous five years.

TICO's Risk Rating System Did Not Consider Key Non-Financial Factors

We found that TICO's risk rating system was overwhelmingly based on financial factors affecting a registrant, such as record-keeping, financial health indicators, financial statement filing and disclosures, and processes for making deposits and reconciling trust accounts. Of the 26 factors TICO's registrant risk rating system considered, 21 were financial in nature. We noted that TICO's risk rating system did not include several key non-financial factors that we would typically expect a regulator to consider, such as a registrant's violations of the Act, and enforcement action taken against a registrant. **Figure 17** lists the five non-financial factors included in the registrant risk rating, and examples of relevant non-financial factors that were not included.

RECOMMENDATION 4

So that the Travel Industry Council of Ontario (TICO) effectively oversees the travel agents and travel wholesalers it registers (registrants), we recommend that TICO:

- review and update its risk rating system for registrants to include an assessment of additional non-financial factors, including the results of past registrant inspections and registrant violations of legislative requirements;
- assign every registrant a risk rating;
- establish a policy for how frequently it should update registrant risk ratings; and
- create guidelines for using registrant risk ratings to guide oversight activities.

Figure 17: Non-Financial Factors Included and Excluded in TICO's Registrant Risk Rating

Source of data: Travel Industry Council of Ontario

Non-Financial Factors Included
• Two or more negative trends—such as closure of branches or high management turnover—noted during the most recent inspection
• Significant customer complaints
• Loss of an important customer or travel counsellor
• Business concentration (greater than 50%) in one market or customer segment
• No manager on site (does not include normal leave such as vacation)
Examples of Non-Financial Factors Excluded
• Recent changes in ownership
• Length of time since previous registrant inspection
• Previous registrant violations of the Act and/or enforcement action taken by TICO
• Employment history or previous misconduct of salespeople or supervisors/managers employed by the registrant
• Management-to-staff ratio
• Years in operation

TICO RESPONSE

The Travel Industry Council of Ontario (TICO) agrees with the Auditor General's recommendation. TICO will take steps to enhance its risk rating assessment process for registrants. This will include adding additional non-financial factors, such as the results and risk rating of past inspections, previous violations and/or enforcement action, and consider environmental and global risks associated with businesses that specialize in specific types of travel and/or destinations.

TICO will complete a risk assessment and assign a risk rating for all registrants and establish corresponding policies and guidelines as to how frequently a registrant's risk rating should be reviewed.

In addition, with the use of technology, TICO will establish the capability to complete an overall comprehensive risk analysis of its registrants to direct TICO's oversight and enforcement activities including a review of capacity and competencies required in the future.

TICO believes that leveraging technology to proactively analyze and identify risk will be instrumental in achieving its consumer protection mandate of a trusted marketplace where consumers can be confident in their travel purchases.

4.2.2 30% of TICO Registrants Have Not Had a Compliance Inspection in the Last 10 Years

We found that TICO had not conducted a full, on-site compliance inspection for 30% of registrants in the last 10 years, and that TICO does not have a policy for how often registrants—especially those rated as high risk—should be inspected.

We analyzed TICO's inspection data and found that, as of March 2023, of the 1,684 registered travel agencies and wholesalers:

- 995, or 59%, had not had a compliance inspection by TICO in the last five years;
- of those, 505, or 30%, had not had a compliance inspection in the last 10 years; and
- 44 registrants had not had a compliance inspection for more than 20 years.

TICO's practice is to conduct on-site compliance inspections primarily in response to issues found during annual reviews of registrant financial statements, in reaction to complaints received about

registrants, or based on the registrant's risk rating. However, as described in **Section 4.2.1,** TICO has not assigned a risk rating to 37% of all registrants. We also found that TICO has not established a policy on how frequently they should inspect registrants based on their assigned level of risk. As of March 2023, 30% of the 107 registrants that TICO rated as high risk had not had a compliance inspection in the last five years.

TICO's inspections of registrants often identify non-compliance. Over the last five years, 32% of compliance inspections conducted by TICO identified instances of non-compliance with the Act and its regulation. Some examples of non-compliance include: not depositing customer deposits into the trust account, not always issuing an invoice for sales made to their customers; not following trust accounting requirements and completing a monthly trust reconciliation.

RECOMMENDATION 5

So that the Travel Industry Council of Ontario (TICO) inspects travel agents and travel wholesalers (registrants) based on their risk to consumers and non-compliance with legislative requirements, we recommend that TICO:

- establish a policy on how frequently it should conduct inspections based on each risk rating assigned to registrants (low, medium and high); and
- inspect each registrant in accordance with the registrant's risk rating.

TICO RESPONSE

The Travel Industry Council of Ontario (TICO) agrees with the Auditor General's recommendation. TICO will update its policies and guidelines to include the frequency that TICO should conduct risk-based registrant site inspections. With an improved risk analysis and risk rating process and appropriate resources, TICO's site inspections will be performed at a greater frequency and have a stronger focus on those registrants that pose the greatest potential risk to consumers.

4.2.3 The Ministry and TICO Have Not Established a Disciplinary Process for Registrants

We found that TICO does not have the authority to take disciplinary action against a registrant when there is a clear case of ethical misconduct by a registrant, unless the registrant has violated the Act.

We noted that there are tools available under the Act that if implemented would permit TICO to discipline registrants for ethical violations. Specifically, the Act states:

- the Minister may establish a code of ethics for registrants;
- TICO's Board may establish a discipline committee to determine whether registrants have failed to comply with the code of ethics established by the Minister; and
- the discipline committee may, if it finds the code of ethics has been violated, order disciplinary action including requiring the registrant to fund educational courses for employees, or impose fines of as much as $25,000.

However, TICO and the Ministry have not pursued the development of a mandatory code of ethics and a corresponding discipline committee.

In contrast to TICO, we noted that two provincial delegated administrative authorities—the Ontario Motor Vehicle Industry Council (OMVIC), which regulates motor vehicle dealers and salespersons, and the Real Estate Council of Ontario (RECO), which regulates real estate brokerages, brokers and salespersons—both had discipline committees that enforce a code of ethics. In cases where OMVIC and RECO's discipline committees find that registrants have violated their code of ethics, they can issue fines and order registrants to take educational courses.

We noted that OMVIC and RECO also publicly posted a summary of registrant disciplinary hearings and their outcomes on their respective websites. The codes of ethics enforced by both OMVIC and RECO include requirements relating to fairness, honesty and integrity in conducting business, disclosure of information, and demonstrating reasonable knowledge, skill,

judgment and competence of registrants in providing services.

Ethical misconduct can be identified through a variety of methods, including inspections, investigations, and the complaints process. However, we noted TICO's inspection, investigation, and complaint data did not contain sufficient detail to identify how often registrants were committing misconduct that could be regulated by a code of ethics. In a review of a sample of complaints, we found many complaints related to issues that were not covered under the Act could be covered under a code of ethics, such as failing to provide courteous and responsive service, failing to demonstrate reasonable knowledge of the travel services being sold, and failing to protect the best interests of clients.

RECOMMENDATION 6

So that the Travel Industry Council of Ontario (TICO) can take disciplinary action against registrants for misconduct that falls outside of the current scope of the *Travel Industry Act, 2002*, we recommend TICO work with the Ministry of Public and Business Service Delivery to:

- create a mandatory code of ethics for registrants; and
- establish a discipline committee and related processes for conducting hearings to determine when registrants have violated the code of ethics, and take disciplinary action when warranted.

TICO RESPONSE

The Travel Industry Council of Ontario (TICO) agrees with the Auditor General's recommendation that a Code of Ethics and Discipline Committee process for registrants may be beneficial for misconduct that falls outside the *Travel Industry Act, 2002*.

TICO believes a similar framework for individual travel salespersons is a strong way to drive positive consumer protection behavior. A system, processes, and structure that includes hearings, policies and procedures that embrace greater education and awareness, and fines, when necessary, for either registrants or travel salespersons will enhance overall consumer protection. TICO will support the Ministry of Public and Business Service Delivery as it considers whether to move forward with this recommendation, and any related regulatory changes. Independently, TICO will review available tools to address any deficiencies.

MINISTRY RESPONSE

The Ministry of Public and Business Service Delivery (Ministry) thanks the Auditor General for this recommendation.

This recommendation would require regulatory changes under the *Travel Industry Act, 2002* (Act).

Following a proposal for government consideration to undertake a review of the Act and the Travel Industry Council of Ontario (TICO) in response to the Auditor General's **Recommendation 16**, this recommendation and any potential regulatory proposals would be assessed for consideration and decision-making, as appropriate.

4.2.4 TICO Did Not Track Whether Complaints Involving Violations of the Act Were Referred for Investigation or Enforcement Action

We found that TICO did not track the outcomes of the complaints it handles in its information system, including data about whether complaints were resolved, whether they potentially violated the Act and its regulation, and whether they were referred for further investigation or enforcement action. TICO therefore could not evaluate how effective its complaint-handling process was at resolving consumer complaints, obtaining restitution for consumers when warranted, and enforcing the Act and its regulation.

In the five years from 2018/19 to 2022/23, TICO handled 1,241 complaints against its registrants, including instances involving possible violations of the Act and its regulation. After a TICO Complaints Officer has processed a complaint that may involve a potential violation of the Act, they can refer the complaint to the compliance department, investigations, or the

Registrar. However, we found that TICO did not track the outcomes of the complaints it handled in its information system.

We reviewed a sample of 40 complaint files relating to 15 registrants with the highest number of complaints over the five years from 2017/18 to 2021/22. We found that 13 of the 40 complaints, or 33%, involved potential violations of the Act and its regulation and were not referred for investigation or enforcement action as required by TICO's complaint-handling policy when potential violations are identified. Examples of these potential violations include:

- A consumer complained that a registrant failed to advise them that a visa was required to enter their destination country. As a result, the consumer was denied boarding on their booked flight. The Act's regulation states that before entering into an agreement with a customer for travel services, registrants must advise the customer about typical information and travel documents such as passports, visas and affidavits that will be needed for each person for whom travel services are being purchased.
- A consumer complained that a registrant failed to verify that the name on the reservation matched the consumer's passport information, resulting in the consumer being unable to board their flight. The Act's regulation states that a travel agent shall, on receiving a ticket, voucher, itinerary or other document that relates to travel services, ensure that the information contained in it is correct.
- A consumer who purchased a travel package from a registrant found after arriving at the airport that no flight reservation had been made for them, and had to purchase new tickets. In this case, the registrant potentially did not meet the requirements of the Act's regulation to either reimburse the customer, provide comparable alternate travel services that are acceptable to the customer, or provide the customer with a voucher, certificate, coupon or similar document that is acceptable to the customer for future redemption toward travel services.

We also found TICO kept poor records of the complaints it handled in its document management system. All 15 registrants in our sample had instances where complaint information was either incomplete or missing from the file altogether. For example, for two registrants that had received 110 combined complaints in the five years from 2017/18 to 2021/22, TICO did not have any records related to the complaints in its system. For another registrant, about which TICO had received 23 complaints over this same period, TICO had records for only two of these complaints in its document management system.

RECOMMENDATION 7

So that complaints against travel agents and travel wholesalers that warrant further investigation or enforcement action are consistently escalated for such action, we recommend that the Travel Industry Council of Ontario (TICO):

- record the outcome of each complaint in TICO's information system, including whether it was referred for investigation and enforcement action, and the results of the action;
- monitor complaint outcomes and referrals to assess whether they are handled appropriately and in accordance with TICO's complaint-handling policy; and
- create a policy outlining the documentation TICO expects its complaint handlers to record in its document management system, and the timeframe in which it expects all such information to be recorded.

TICO RESPONSE

The Travel Industry Council of Ontario (TICO) agrees with the Auditor General's recommendation to enhance its data and information systems to record and track complaint handling outcomes, specific contraventions identified and referrals to TICO's compliance or investigations departments.

TICO will make system enhancements to track enforcement activities and outcomes against each registrant's record that will allow it to monitor

trends. This will also provide the data intelligence necessary for an enhanced risk analysis and risk rating system. Additional enhancements to data and information systems will include new reporting capabilities to monitor complaint handling processes and referrals to ensure complaint handling policies are followed to achieve appropriate outcomes.

TICO also agrees with the Auditor General's recommendation to update its current policies and procedures to include required online storage of supporting documentation and information obtained during its complaint handling process. The updated policy will clarify supporting documentation needed to preserve and establish timelines for Complaints Officers to store information in TICO's document management system.

4.2.5 TICO Does Not Have the Authority to Regulate Individual Travel Salespeople

We found that individual salespeople employed by travel agents and wholesalers who violated the Act could continue to work in the industry because TICO does not have the authority under the Act to regulate these individuals.

As described in **Section 2.4**, the regulation under the Act requires that travel agents ensure that their employees or contractors obtain TICO's Travel Counsellor certification before they can begin selling travel services to consumers. However, under the Act, because TICO's authority is limited to the regulation of registrants, it does not have the authority to regulate the employees and independent contractors of its registrants. In the five years from 2018/19 to 2022/23, over 18,300 people obtained the Travel Counsellor certification from TICO. But because it does not regulate Travel Counsellors, TICO does not track which registrants are employing them.

We reviewed TICO's complaints and identified instances over the last few years where individual travel salespeople caused significant harm to consumers:

- In 2017/18, consumers complained to TICO about a salesperson employed with a TICO registrant who was accepting cash payments and e-transfers for travel bookings. Instead of depositing the funds into the registrant's trust account (to pay for the bookings), the salesperson kept the cash and used credit cards from different unrelated customers to pay for the bookings.
- Similar to the example above, between 2016/17 and 2018/19, registrants reported to TICO a salesperson that had kept cash payments from customers and paid for the bookings using credit cards from unrelated customers. Although the salesperson was caught and terminated by the registrant who employed them, the salesperson was able to find employment at a different registrant and commit the same offence again. Three separate registrants notified TICO that the salesperson had committed this same offence while employed for them during this time period.

In both examples, TICO had no authority to take enforcement action against the individual, and instead only advised the complainants and registrants to contact the police. Upon learning about these matters, we noted that TICO also referred the cases to police, and made efforts to notify TICO registrants about the conduct of these individuals. However, because they do not track where TICO-certified travel counsellors are employed, TICO could not be sure these individuals were not employed by another registrant.

For similar reasons, TICO cannot prevent former owners, officers, directors, or managers of registrants with a history of serious violations of the Act—including those who had their registration revoked—from working as a salesperson for another registrant. For example, TICO revoked the registration of a travel agency for numerous violations of the Act, including:

- consistently misrepresenting travel services to consumers;
- failing to inform consumers of service charges before selling travel services to them; and
- failing to maintain appropriate trust accounting of all monies received from consumers.

TICO subsequently identified through consumer complaints that the owner of the travel agency was

working as a salesperson for another registered travel agency. We also reviewed multiple examples provided by TICO of individuals who later found employment with a registrant after they were convicted in court for selling travel services to consumers without being registered with TICO as required.

The *Strengthening Protection for Ontario Consumers Act, 2017*, which has received Royal Assent, includes amendments to the *Travel Industry Act, 2002*, including giving TICO the authority to register and regulate individual travel salespersons. However, the amendments to the Act are not yet in force, as required changes to the regulation have not yet been made. In December 2019, the government committed to consulting stakeholders on proposed changes to the regulation to support the amendments. However, the Ministry advised us that this work was paused as a result of the COVID-19 pandemic and focus was placed on the impact to the industry and its recovery. As the industry recovers, the Ministry advised us that it is reassessing potential regulatory changes that were being considered prior to the pandemic.

RECOMMENDATION 8

So that Ontario consumers are protected from travel salespersons with a history of misconduct, we recommend the Travel Industry Council of Ontario (TICO) work with the Ministry of Public and Business Service Delivery to advance amendments to the *Travel Industry Act, 2002*—made under the *Strengthening Protection for Ontario Consumers Act, 2017*, but not yet in force—that would give TICO the authority to register and regulate individual travel salespersons.

TICO RESPONSE

The Travel Industry Council of Ontario (TICO) appreciates the Auditor General's timely recommendation. Individual registration of travel salespersons received Royal Assent in December 2017, with the *Strengthening Protection for Ontario Consumers Act, 2017*. Further work on the supporting regulation was delayed primarily due to the devastation of the travel sector during the pandemic. TICO believes that consumer protection will be enhanced if this legislation comes into force. TICO looks forward to working with the Ministry of Public and Business Service Delivery if it moves forward with this recommendation.

MINISTRY RESPONSE

The Ministry of Public and Business Service Delivery (Ministry) thanks the Auditor General for this recommendation.

This recommendation would require regulatory changes under the *Travel Industry Act, 2002* (Act) to be developed before the legislative amendments could be proclaimed.

In December 2019, the government committed to consulting on proposed changes to the regulation under the Act in 2020, including the regulation of individual travel salespersons.

This work was paused due to the COVID-19 impacts on the travel agent and wholesaler sector. In response to the pandemic, the Ministry focused on implementing regulatory changes that helped reduce the burden on registrants and assisted certain travellers, and provided temporary financial support to relieve registrants' fees and support the Travel Industry Council of Ontario (TICO). As a result of these measures, TICO was able to waive registrants' fees and payments for three consecutive years providing much needed relief to the travel sector as it recovers from the impact of the pandemic.

Following a proposal for government consideration to undertake a review of the Act and TICO in response to the Auditor General's **Recommendation 16**, this recommendation and any potential regulatory proposals would be assessed for consideration and decision-making, as appropriate.

4.3 Travel Industry Compensation Fund

4.3.1 TICO Has Used an Estimated $31 Million from the Compensation Fund Since 1997 to Cover Its Own Operating Costs

We found that since its inception in 1997, TICO has routinely used funds from the Travel Industry Compensation Fund (Compensation Fund) to cover operating costs that cannot reasonably be attributed to the Fund. The regulation under the Act permits payments from the Fund only for reasonable expenses related to its administration, maintenance, and promotion of public awareness of the Fund.

The regulation under the Act states that the Compensation Fund is financed through payments required of all registrants, and investment income earned on the balance. The regulation permits TICO to use the Fund to pay for a reasonable allocation of expenses relating to administering and maintaining the Fund, such as wages, Board expenses, accounting fees, expert advisors, and educational and promotional expenses. The regulation requires the remaining money in the Fund to be held by TICO in trust for the benefit of claimants.

However, we found that TICO has used Compensation Fund fees from registrants and investment income to finance its operations. TICO performed a costing analysis in early 2023 for use in the development of a new fee model that indicated that a reasonable allocation of TICO's overhead costs to administer the Fund was 22% of TICO's annual operating expenses for 2022/23. The estimate considered employee and Board time spent administering the Fund, and an allocation for overhead such as rent, IT resources and consumer awareness spending.

Using TICO's 22% allocation rate, we analyzed the Compensation Fund's balance since TICO's inception, and calculated that between 1997/98 and 2022/23 TICO would have charged the Fund approximately $19.4 million to cover the costs of administering the Fund. Instead, we found that TICO charged the Fund an additional $31.3 million that it used to cover TICO's operating expenses. **Figure 18** provides this calculation.

As discussed in **Section 2.3**, the fees TICO charges registrants include fees for registration and registration renewal. TICO's Administrative Agreement with the Minister requires TICO to set fees on a cost-recovery basis. However, we reviewed TICO's financial history and identified that since its inception in 1997, TICO has never generated sufficient revenue from registrants to cover its operating costs and has relied on funds from the Compensation Fund (which registrants pay into) to make up the shortfall. We found that in some years, TICO used money from the Fund to pay for over 60% of TICO's operating expenses.

We noted that TICO's Administrative Agreement with the Minister allows TICO to adjust its fees so that it can operate on a cost-recovery basis. However, we found that despite consistently failing to generate sufficient revenue from registrants, TICO has not adjusted its registration and registration renewal fees since 2011.

Figure 18: Calculation of Restricted Compensation Fund Money Used for TICO Operations

Source of data: Travel Industry Council of Ontario

Compensation Fund Balance as of April 1, 1997	**$4,475,140**	
Compensation Fund Activity, 1997/98–2022/23		
Fees collected	$61,963,156	
Investment income	$22,398,738	
Claims paid and direct expenses	($15,309,205)	
Overhead allocation – 22% of operating expenses	($19,432,564)	
Calculated Fund Balance as of March 31, 2023	**$54,095,265**	A
Actual Fund Balance as of March 31, 2023	**$22,786,930**	B
Compensation Fund Money Spent on Operations	$31,308,335	A – B

We noted that TICO has acknowledged that its fee structure needs updating. In April 2023, TICO received a report from a third-party consultant it engaged that reviewed its current funding model. TICO informed us that it would be using this report to pursue changes to its fees and fee structure.

RECOMMENDATION 9

So that fees paid by registrants to the Travel Industry Compensation Fund (Compensation Fund) are used to compensate consumers who have suffered a financial loss, we recommend that the Travel Industry Council of Ontario (TICO):

- pay from the Compensation Fund only expenses that can reasonably be attributed to the administration, management, maintenance, and protection of the Fund; and
- revise its fee structure to ensure operating costs are sufficiently funded through registration and other fees charged to registrants.

TICO RESPONSE

The Travel Industry Council of Ontario (TICO) agrees with the Auditor General's recommendation to re-align its funding framework so that operating expenses are funded primarily through registration and other regulatory fees paid by registrants.

TICO has begun the development of a clear and fair allocation methodology between the Compensation Fund and other regulatory activities aligned with the regulation. TICO is nearing completion of a review of its fee structure with the travel sector and is committed to ensuring it generates sufficient operating revenues to fund regulatory operations. TICO will also review its accounting for the Compensation Fund to ensure future revenues and expenses are tracked and reported consistent with the regulation and in a manner that promotes fairness and enhanced transparency for all stakeholders.

4.3.2 The Cost to Administer the Compensation Fund May Outweigh the Benefits it Provides Consumers

Based on our review of the Compensation Fund, we found that on average over the last 10 years, the Fund cost approximately three times more to administer than the amount it has paid out to compensate consumers.

The Compensation Fund was established in 1975. At that time, the majority of travel services purchased by Ontarians were paid for with cash or cheque from a travel agent operating out of a store front. The travel agent would then provide these payments to end suppliers of travel services, such as hotels and airlines, on behalf of the consumer. The handling and holding of significant amounts of customer cash created a risk to consumers that they could lose their payments entirely if a travel agency declared bankruptcy.

The Internet has transformed the way Ontarians book and purchase travel services since 1975. According to TICO's 2018 consumer awareness survey (the most recent year this information was captured), up to 80% of travel bookings were being made online, continuing an upward trend.

In addition, according to a 2017 consumer research study, 93% of travel bookings in Ontario were being made using a credit card. Since the vast majority of travel bookings are being made using a credit card, the risk to consumers if a travel agency declares bankruptcy has been reduced for the following reasons:

- Credit card companies typically have policies offering a "chargeback" feature, which reverses a transaction in the event the cardholder has been wronged and the seller will not provide a refund. Consumers who purchase travel through a credit card may be eligible to receive a chargeback in the event that their travel services are not provided due to failure of a travel agent or end supplier.
- When using a credit card, consumers' payments often flow directly to the end supplier, such as a hotel or airline, bypassing the travel agent, so that the agent is never actually in possession of the funds.

Travel agencies are required to hold any money received from customers in a trust account until the end supplier, such as an airline, is paid.

Few Ontarians Benefit from the Compensation Fund

In the 10 years from 2013/14 to 2022/23, the Compensation Fund paid a total of about $3.5 million in compensation relating to 685 claims, or an average of approximately $350,000 in compensation relating to 69 claims per year.

The 685 approved claims represented a success rate for claimants of just 44% relative to the 1,558 claims filed during the 10 years. One reason for the low value of total compensation provided to claimants, and the low success rate of claims, is that the Compensation Fund was intended to be a payor of last resort. A claimant must meet very specific criteria in order to receive compensation from the Fund. **Figure 19** outlines examples of such criteria.

For instance, TICO requires that consumers exhaust all other possible remedies for reimbursement as part of TICO's claims process, and prove they have not received a reimbursement from another party that may be liable to do so. These conditions have meant many claims have been abandoned. Of the 56% of claims that were not approved from 2013/14 to 2022/23, 49% were abandoned or withdrawn by the applicant, while 7% were denied by TICO.

Figure 19: Eligibility Criteria for Compensation Fund Claims

Source of data: Travel Industry Council of Ontario

Conditions That Must Be Met	Criteria Notes
Consumers must have purchased the travel services from a registered Ontario travel agency.	• Purchases made through travel agencies with no physical location in Ontario are not eligible. • Purchases made directly through end suppliers, such as airlines, are not eligible. • In the case of cessation of an airline or cruise line, consumers are only eligible if they made the booking through a TICO registrant. They are not eligible if they booked directly with the airline or cruise line.
Travel services purchased were not provided.	Consumers who are dissatisfied with travel services are not eligible for compensation, even if they receive different travel services than the ones they booked.
A bankruptcy or insolvency of an Ontario registered travel agent, travel wholesaler or cessation of an airline or cruise line led to the travel services not being provided.	Consumers who paid for but did not receive travel services for any other reason are not eligible—for example, due to weather, a strike, mechanical problems, or other unexpected event.
Travel services were paid for with cash or by cheque, credit card or other similar payment method.	Purchases made using credit card points or travel rewards are not eligible.
If a consumer has travel insurance, they must prove it will not cover their claim.	• TICO directs claimants to contact their insurance company to request a reimbursement. • If no refund is provided, a letter from the insurance company confirming that a refund will not be provided must be submitted to TICO with the claim against the Compensation Fund.
If travel services were purchased with credit card, consumers must prove the credit card company will not provide a chargeback.	• TICO requires claimants who paid by credit card for the travel services that were not provided to contact their credit card company to dispute the charges and request a chargeback (credit /reversal of the charge on their account). • If the credit card company refuses a chargeback, TICO requires claimants to obtain a letter from the credit card company stating that a credit refund will not be provided.

The Cost for TICO to Administer the Fund Has Been Significant

While the Fund has paid $3.5 million in compensation to consumers over the 10 years from 2013/14 to 2022/23, TICO registrants booked over $133 billion in travel services for consumers. We found that the Fund's average annual payout to claimants of $350,000 over the last 10 years was significantly less than it cost to administer the Fund. As described in **Section 4.3.1**, TICO estimated in 2023 that the overhead cost to administer the Fund was 22% of TICO's operating expenses, or approximately $1 million in 2022/23. Based on the 22% estimate, the Compensation Fund costs almost three times more to administer than the amount of compensation that it is paying to consumers.

The Ministry and TICO have undertaken several recent reviews that included examining the scope and benefit of the Fund to consumers, and whether it should be maintained or eliminated, including:

- A review of the *Travel Industry Act, 2002* conducted by the Ministry in 2017 concluded that there was a strong consumer rationale for maintaining the Compensation Fund to help claimants when travel insurance or credit card chargebacks were not available, or when credit cards were not used to pay for travel services, among other things.
- A third-party consultant hired by TICO to review its funding and the Compensation Fund produced a report in April 2023 that recommended maintaining the Fund on the basis that consumer protection is core to TICO's mandate, and that they did not find a compelling case to eliminate the Fund.

We noted that neither of these reviews attempted to quantify the cost of administering the Compensation Fund relative to the value of the actual claims being paid. We noted that Australia discontinued a similar travel compensation fund in 2014 after a review commissioned by the Australian Department of the Treasury found that:

- consumers were increasingly purchasing travel services online and directly from end suppliers;
- the administration of the Australian fund was significantly more expensive than the average value of the claims paid;
- Australian consumers were largely unaware of the fund or the protection it offered; and
- consumers could also rely on credit card chargebacks or travel insurance to receive reimbursement.

We noted that just two Canadian provinces, Quebec and British Columbia, operate similar travel compensation funds. Our review of the United States, Australia and the United Kingdom found that the UK operated a similar fund for travel agents who sell air travel, and it appeared California was the only US state operating a similar fund.

RECOMMENDATION 10

So that the Travel Industry Compensation Fund (Compensation Fund) is providing value-for-money for the travel industry and consumers, we recommend the Travel Industry Council of Ontario work with the Ministry of Public and Business Service Delivery (Ministry) to study and determine whether significant risk to consumers still exists to justify the cost of maintaining and administering the Compensation Fund, and whether the Fund can provide a positive net benefit.

TICO RESPONSE

The Travel Industry Council of Ontario (TICO) appreciates the Auditor General's timely recommendation. The Compensation Fund is at the foundation of TICO's consumer protection framework and has assisted tens of thousands of consumers.

Ontario is a diverse province and marketplace and not all consumers purchase travel via credit cards or have access to other remedies. The Fund represents a final opportunity for consumers to seek reimbursement of travel services not provided under certain conditions when these other remedies are not available or fail.

Notwithstanding that some jurisdictions do not have a similar fund, or have decommissioned a fund previously in existence, many countries have similar funds. TICO has undertaken a significant review of its funding model and fee structure, within the current legislative framework, including the Compensation Fund. Should the Ministry commence a future review, TICO is committed to working with the Ministry and determining the net benefit of the Compensation Fund to consumers.

MINISTRY RESPONSE

The Ministry agrees with the Auditor General's recommendation.

The Ministry notes that this recommendation will be addressed with the Auditor General's **Recommendation 16**, which recommends a comprehensive review of the *Travel Industry Act, 2002* (Act) and the Travel Industry Council of Ontario (TICO).

Following a proposal for government consideration to undertake a review of the Act and TICO, any potential regulatory proposals would be assessed for consideration and decision-making, as appropriate.

4.4 TICO's Operations

4.4.1 Although TICO's Role Is to Protect Consumers, Its Board Has Been Dominated by Travel Industry Representatives

Although TICO was established by the Ontario government to administer the Act with the purpose of protecting the public interest, we found that prior to the changes made to the Board's composition in August and September 2023, the vast majority of TICO's Board members were individuals who represented registrants in the travel industry. Because the Board was dominated by industry appointees, we found that TICO also had difficulty filling gaps in Board skills and competency.

At the time of our audit, the TICO bylaw that addressed the composition of the Board prescribed that seven of the 11 directors were to be industry members appointed by industry associations or elected by registrants, as follows:

- two directors appointed by the Association of Canadian Travel Agencies (ACTA);
- two directors appointed by the Canadian Association of Tour Operators (CATO);
- one director appointed by the Ontario Motor Coach Association (OMCA); and
- two directors elected by TICO's registrant members.

The remaining four director positions were to be appointed by the Minister of Public and Business Service Delivery (Minister), who may include representatives of consumer groups, business, government organizations, or such other interest as the Minister determines. As of June 2023, one of the four ministerial appointees was also a travel industry representative. Before that date, eight of TICO's 11 Board members, or 73%, were industry representatives. In addition, TICO's Board Chair, also a ministerial appointee, while not an industry representative at the time they joined the Board, had over 30 years of previous experience in the travel industry, including 18 years of prior experience as a registrant of TICO.

Regulators in Ontario have recently been shifting from industry-dominated boards to boards that focus on required skills, competencies and diverse perspectives:

- Tarion Corporation, a delegated administrative authority which has a mandate to administer the *Ontario New Home Warranties Plan Act*, is governed by a 12-member board that can have no more than four members who are industry representatives.
- In April 2023, the Minister provided orders to the Chair of the Ontario Motor Vehicle Industry Council (OMVIC), the delegated administrative authority that regulates motor vehicle dealers and salespersons, that included that OMVIC ensure that all its board members possess a

positive orientation for proactive consumer protection initiatives, and that no more than 34% of the board members are drawn from the industry.
- The Bereavement Authority of Ontario, a delegated administrative authority that regulates bereavement service providers, has 10 members on its board, four of whom are elected and can have no direct interest in the bereavement sector, and only three of whom must be industry representatives.

On July 25, 2023, after our audit work was substantially complete, TICO's Governance and Human Resources Committee recommended to the Board to adjust the Board's composition. The Board subsequently approved changes that included reducing the number of Board members from 11 to nine, that only three members will be from the travel agent and wholesaler industry, and that industry representatives will no longer be appointed by industry associations but instead will be selected by a Board nominations committee and voted on by registrants.

On August 11, 2023, the Chair of TICO's Board received a letter from the Minister outlining orders to change the composition of TICO's Board. The orders aligned with the motion that the Board passed on July 25, 2023. TICO's revised bylaw reflecting the Board motion and Minister's orders were approved by a vote of its members (registrants) at its Annual General Meeting on September 26, 2023. The revised bylaw establishes TICO's Board composition as follows:

- a maximum of four members appointed by the Minister of Public and Business Service Delivery who may not constitute a majority of the Board;
- a maximum of three members from industry selected by the Board nominations committee and voted on by registrants; and
- the remaining, non-industry members, selected by the Board nominations committee from the general public and voted on by registrants.

At the conclusion of our audit work, the Board's nominations committee had selected both industry and non-industry candidates who were voted on by TICO's registrants to bring TICO's Board composition into alignment with the revised bylaw. As of October 2023, the Board consisted of three members appointed by the Minister, three industry members elected by registrants, and three members from the general public elected by registrants.

Industry Associations Withdrew Board Appointees When Demands Made to the Minister Were Not Met

On July 25, 2023, following a review of TICO's funding model, TICO's Board approved a proposal to change TICO's fee structure aimed at making TICO's operations more sustainable. Anticipating that the Board would approve changes to TICO's fees, ACTA and CATO took the unprecedented action of withdrawing their four combined appointees from TICO's Board. In a joint media release on July 25, 2023, the two industry associations stated they were withdrawing their appointees until they were given the opportunity to meet with the Minister to express their concerns regarding the changes and any potential impacts to registrants.

TICO advised ACTA and CATO that they would have the opportunity to provide feedback on the proposed fee changes during registrant and stakeholder consultations, which are required by the Administrative Agreement between TICO and the Minister. Despite this, ACTA and CATO made the decision to withdraw their appointed Board members, stating they opposed the process and wished to provide input to the Minister before the decision to proceed.

Board members have a fiduciary responsibility to always act in the best interest of TICO. More specifically, members have a Duty of Loyalty, which requires them to place the interests of TICO ahead of all competing interests. Withdrawing appointees until demands are met calls into question whether ACTA- and CATO-appointed Board members could be perceived as acting in the best interests of TICO.

TICO Has Been Unable to Address Gaps in Key Competencies Among Board Members

In 2018, TICO developed and introduced a board competency matrix, and amended its corporate bylaw to include the requirement that all Board members possess at least some of the competencies outlined in the matrix. The matrix consists of 15 competencies

(listed and described in **Appendix 4**) that TICO considers critical to achieving its mandate. Members complete competency self-assessments, and the results of those assessments are analyzed to determine if there are any gaps.

Since the introduction of the board competency matrix in January 2018, TICO Board members have completed five self-assessments evaluating their competency against the matrix. **Figure 20** summarizes the competency gaps identified by TICO based on these self-assessments.

We noted that, as of June 2023, all 11 members of the Board had participated in the most recent self-assessment of Board competency (in September 2022), and that nine Board members were appointed or elected to the Board after the initial self-assessment of Board competency was completed in 2018. Despite identifying gaps in competencies in the Board in 2018, and the fact that the vast majority of the Board is made up of individuals appointed or elected after the initial identification of these gaps, TICO has been unable to appoint directors with four of the missing competencies identified: legal, risk management, technology, and human resources. In addition, after the most recent appointments to the Board, two additional gaps in board experience and financial literacy were identified in the September 2022 assessment.

We noted that TICO's management, as well as the Board Chair, were active in sharing the results of the Board competency assessments, and informing both the Ministry and the three industry associations who appointed Board members (ACTA, CATO and OMCA) of the need to address long-standing gaps in legal, risk management, organizational behaviour, technology, and human resources competencies. In addition, we noted that TICO's Board Chair was active in advising the Ministry that non-industry representatives with diverse backgrounds and a consumer focus were needed from the four ministerial appointments since the remaining seven Board members were appointed

Figure 20: Board Members Identified Competency Gaps Through Self-Assessments

Source of data: Travel Industry Council of Ontario

		Gaps in Competency Identified				
	Competency	**Jan 2018**	**Mar 2019**	**Sep 2019**	**Jun 2021**	**Sep 2022**
1	Industry knowledge and experience					
2	Consumer knowledge	x				
3	Board experience					x
4	Financial literacy					x
5	Legal	x	x	x	x	x
6	Strategy	x				
7	Risk management	x	x	x	x	x
8	Change management	x				
9	Organizational behaviour			x	x	x
10	Technology	x	x	x	x	x
11	Communications					
12	Human resources	x	x	x	x	x
13	Operations					
14	Marketing/public relations					
15	Government knowledge	x				
# of Gaps Identified		**8**	**4**	**5**	**5**	**7**

or elected by industry. Despite these requests, in April 2022, the Minister chose to use an open ministerial appointment to reappoint an industry representative. In addition, we noted Ministry briefing notes prepared for the Minister in February 2022 for two candidates who would go on to be appointed to TICO's Board by the Minister made no reference to Board competency gaps identified by TICO, or whether the skills and experience of the proposed candidates might fill those gaps.

RECOMMENDATION 11

So that the Board of Directors of the Travel Industry Council of Ontario (TICO) effectively executes its responsibilities to oversee the travel industry and protect consumers, we recommend that:

- TICO utilize its board competency matrix and assessments to inform nominations to TICO's Board; and
- the Ministry of Public and Business Service Delivery use advice from the Chair of TICO's Board regarding the suggested skills required by the Board to inform the appointment process, which is done at the discretion and pleasure of the Minister.

TICO RESPONSE

The Travel Industry Council of Ontario (TICO) agrees with the Auditor General's recommendation that TICO utilize its Board competency matrix and assessments to enhance and inform nominations to TICO's Board. This will better enable the Board of Directors to effectively execute its responsibilities to oversee the travel industry and protect consumers.

TICO's recently formed Governance and Nominations Committee prioritized the Board competency matrix as a key focus of its application and vetting process for the elected industry and public director positions.

In the recent industry and public director election process in September and October 2023, TICO has been able to reduce gaps in the Board experience, financial literacy, risk management, organizational behavior, technology, and human resources competencies. TICO aims to further enhance its director recruitment and selection processes and welcomes the opportunity to work with the Ministry of Public and Business Service Delivery to ensure that Board members possess the skills necessary to effectively execute their responsibilities.

MINISTRY RESPONSE

The Ministry of Public and Business Service Delivery (Ministry) agrees with the Auditor General's recommendation. The Ministry recognizes the importance of good governance practices.

On August 11, 2023, Minister's orders were issued to the Travel Industry Council of Ontario (TICO) to facilitate a more efficient and effective governance model that places a stronger focus on TICO's consumer protection mandate.

The Ministry will work with TICO to monitor the impact of these governance changes and will have regard to TICO's Board competency matrix when making appointments to TICO's Board.

4.4.2 Half of Ontarians Surveyed Who Were Involved in Travel Planning for Their Household Were Unaware of TICO

Over the last five years, only 51% of Ontarians who were involved in travel planning for their household were aware of TICO, according to TICO surveys.

We reviewed TICO's annual consumer-awareness surveys conducted from 2019 to 2023. To be included in the surveys, respondents needed to answer "Yes" to the opening qualifying question, "Are you someone who leads or shares the travel planning process for your household?" Despite this requirement, only 23% of respondents during this five-year period indicated they were "definitely aware" of TICO, while 28% said they were "somewhat aware" of TICO. Only 31% of respondents indicated they were aware of the Compensation Fund (described in **Section 2.8**). **Figure 21** shows the results of TICO's consumer-awareness surveys over the last five years, as well as TICO's expenditures relating to consumer awareness.

Figure 21: Results of TICO Consumer Awareness Survey and Consumer Awareness Expenditures, 2019–2023 (%)

Source of data: Travel Industry Council of Ontario

	2019	2020	2021	2022	2023	Total
Survey Responses						
Definitely aware of TICO	34	23	26	29	16	**23**
Somewhat aware of TICO	22	26	32	31	25	**28**
Total Aware of TICO	**56**	**49**	**58**	**60**	**41**	**51**
Aware of Compensation Fund	34	n/a*	30	n/a*	31	**31**
TICO Expenditures on Consumer Awareness Initiatives (as of March 31)	**$725,813**	**$517,958**	**$391,253**	**$360,618**	**$90,644**	**$2,086,286**

* Awareness of the Compensation Fund was not included in the 2020 and 2022 surveys.

As shown in **Figure 21**, TICO's external expenditures on consumer awareness, such as advertising and payments to marketing agencies, have declined by 87%, from nearly $726,000 in 2018/19 to less than $91,000 in 2022/23. The most significant year-over-year decline in external expenditures occurred in 2022/23, when TICO made the decision to stop using a third-party marketing agency and bring marketing activities in-house. As a result, TICO reduced spending on consumer-awareness initiatives in 2022/23 by 75% from the previous year. Offsetting this reduced spending somewhat was TICO's application and approval for Google ad grants for non-profits, from which they received $110,000 US worth of advertising on Google websites at no cost. Nevertheless, as shown in **Figure 21**, we found that the sharp decline in expenditures in 2022/23 coincided with a five-year low of just 16% of survey respondents indicating they were "definitely aware" of TICO.

Registrants Are Not Required to Provide Information About TICO to Consumers

A low-cost direct method of making consumers aware of TICO's role as a regulator would be to provide information to consumers at the time they purchase travel services from registrants. As part of its consumer awareness efforts, TICO developed a brochure for consumers with information regarding its regulatory role, registrant requirements, protections available under the Act, and Compensation Fund coverage. While TICO encouraged registrants to provide this information to customers, there was no requirement for them to do so. In a survey of registrants conducted by TICO in 2023, only 7% of registrants said they were providing the brochure to all of their customers, and only 13% indicated they were providing the brochure to most customers.

In comparison, the Tarion Warranty Corporation, the delegated administrative authority that backstops builder warranties on new construction homes, reaches homebuyers directly by requiring all licensed builders to provide homebuyers with an information package that details a builder's warranty obligations, and the protections available if the builder does not honour their warranty at the time the purchase and sale agreement is signed. Tarion also asks homeowners if they were provided with the information package by their builder when they register online with Tarion.

RECOMMENDATION 12

So that consumers purchasing travel services through registered travel agents are aware of the Travel Industry Council of Ontario's (TICO's) role, and the protections available under the *Travel Industry Act, 2002*, we recommend that TICO work with the Ministry of Public and Business Service Delivery (Ministry) to require that, at the time of purchase, registrants provide purchasers of travel services with information brochures that outline TICO's regulatory role and consumer protections available.

TICO RESPONSE

The Travel Industry Council of Ontario (TICO) appreciates the Auditor General's recommendation to ensure consumers are properly informed when making a travel purchase.

Should the Ministry support an amendment to the regulation under the *Travel Industry Act, 2002*, TICO would be pleased to work with the Ministry toward requiring that registrants provide purchasers of travel services with information brochures that outline TICO's regulatory role and consumer protections available at the time of purchase.

MINISTRY RESPONSE

The Ministry thanks the Auditor General for this recommendation.

This recommendation would require regulatory changes under the *Travel Industry Act, 2002* (Act).

Following a proposal for government consideration to undertake a review of the Act and the Travel Industry Council of Ontario (TICO) in response to the Auditor General's **Recommendation 16**, this recommendation and any potential regulatory proposals would be assessed for consideration and decision-making, as appropriate.

4.4.3 TICO Did Not Publish Detailed Compliance and Enforcement History of Registrants

We found that TICO did not include detailed compliance and enforcement information relating to registrants on its public directory, such as violations of the Act or details of enforcement action taken by TICO, so that consumers could make more informed decisions.

TICO has authority under the Act to disclose information about registrants to the public. TICO maintains a public directory on its website that allows consumers to search for information about a registered travel agency or wholesaler. The public directory includes the name of the registrant, contact information, links to their public website, associated trade names, and branch offices.

We noted that TICO provides limited information about registrant non-compliance with the Act and its regulation on its website. TICO only provides a summary of any pending charges or prior convictions for registrants, and decisions by the Licence Appeal Tribunal, a quasi-judicial agency in Tribunals Ontario. This information is provided on a separate page from the directory, with nothing linking consumers to this information from the registrants' directory listing. TICO's website also lists the names of past registrants who had their registration revoked or suspended for non-compliance.

TICO does not include any information about enforcement action taken against current registrants on its public directory. For example, TICO has issued 36 terms and conditions on registrants' registration over the five years from 2018/19 to 2022/23 for violations that include: working capital deficiencies; failure to file financial statements; and trust accounting issues. However, consumers cannot see whether a registrant has had terms and conditions placed on their registration on TICO's public directory so they can use that information to decide if they wish to do business with the registrant.

In contrast, Consumer Protection BC, the agency responsible for oversight of travel agents and travel wholesalers in British Columbia, publishes detailed compliance and enforcement information for all licensees on its website, including:

- all licensing and enforcement decisions, such as licence suspensions, compliance orders and notices of administrative penalties taken against its licensees; and
- full written reasons for enforcement decisions that detail:
  - sections of the Act and/or regulation that have been violated;
  - a detailed chronological order of events related to the violation;

- individuals involved in the violation; and
- reference to any pertinent evidence relied on by the regulator in making the decision.

RECOMMENDATION 13

So that consumers can make more informed decisions about which travel agents they may choose to purchase travel services from, we recommend that the Travel Industry Council of Ontario (TICO) provide detailed compliance and enforcement information about all registrants on its public directory.

TICO RESPONSE

TICO agrees with the Auditor General's recommendation to provide greater transparency to consumers by including detailed compliance and enforcement information about registrants on its online public registrant directory. TICO is committed to enhancing the information and details regarding its compliance and enforcement activities about its registrants on its online public directory.

TICO believes that greater transparency and disclosure to consumers will allow consumers to make better informed decisions when purchasing travel services. This will also provide greater confidence when purchasing travel services from TICO-registered travel agencies and tour operators.

4.4.4 TICO Has Not Used Data Effectively to Inform and Carry Out Its Regulatory Responsibilities

We found that TICO has not consistently collected, reviewed and analyzed available industry-wide travel data to identify trends and inform its regulatory work. We also found that TICO did not collect some key data relating to several of its regulatory functions to enable it to better inform and evaluate the effectiveness of its regulatory functions. Prominent examples include:

- **Registrant Security Deposits:** As described in **Section 4.1.1**, TICO does not track in its information system whether the Registrar has concerns about a registrant that would justify continuing to hold their $10,000 security deposit after the registrant has filed two consecutive financial statements. TICO therefore cannot easily assess which registrant deposits should be reviewed and potentially returned.
- **Applications:** As described in **Section 4.1.2**, TICO does not track in its information system the date of key milestones in the application process, including the date the application was received, when it was assessed for completeness, or when TICO staff notified the applicant that additional information is required. These limitations prevent TICO from accurately evaluating its performance in processing applications on time.
- **Complaints:** As described in **Section 4.2.4**, TICO does not track the outcomes of the complaints it handles in its information system, including whether they were resolved, whether they potentially violated the Act and its regulation, and whether they were referred for further action. TICO therefore cannot evaluate how effective its complaint-handling process is at resolving consumer complaints, obtaining restitution for consumers where warranted, and enforcing the Act and its regulation.
- **Travel Counsellors:** As described in **Section 4.2.5**, TICO does not track where certified Travel Counsellors work. Tracking this information would allow TICO to monitor whether registrants are employing individuals who have a history of misconduct. TICO could use this information to both inform its regulation of registrants, and to alert registrants about individuals they are employing with a history of misconduct in the industry.
- **Market Statistics:** We noted that TICO does not review or analyze available industry-wide statistics related to travel on a consistent basis to identify trends and inform its regulatory oversight. For example, Statistics Canada conducts the National Travel Survey, which collects domestic and international travel information about Canadian residents. The survey includes

information such as trip counts and spending by category of travel—such as commercial travel, accommodation, and vehicle rentals—that can be filtered by province of residence. We found that TICO has not used this type of information to estimate what portion of the Ontario travel market its registrants represent to better understand the reach and scope of its regulatory activities relating to travel in Ontario.

RECOMMENDATION 14

So that it can better inform its regulatory efforts to protect consumers, we recommend the Travel Industry Council of Ontario (TICO):

- conduct a review of data collection across all core regulatory functions to identify areas where additional data would help improve its regulatory efforts;
- update its information systems to capture data identified by this review; and
- obtain and analyze relevant travel market statistics on a regular basis.

TICO RESPONSE

TICO agrees with the Auditor General's recommendation. TICO will enhance its overall data management requirements and capabilities. TICO collects and stores a large dataset from consumers and registrants and is committed to using this data to help improve its regulatory efforts. While TICO does review certain data from various external travel sources, it is not always systematically maintained nor analyzed. TICO is committed to reviewing its data collection, systems, and processes to ensure it collects data it needs, to identify future data requirements, and to eliminate any redundant data. TICO will also explore third-party data sources, including market statistics, in support of its mandate.

4.5 Ministry Oversight

4.5.1 The Ministry Did Not Collect Sufficient Information to Monitor and Assess TICO's Performance in Meeting Its Mandate

We found that the Ministry did not collect sufficient performance information from TICO to effectively monitor whether TICO was meeting its mandate to protect consumers and regulate travel agents.

Under the Administrative Agreement between the Minister and TICO, the Ministry must agree upon performance indicators with TICO. TICO must provide the Minister with performance targets and results for the performance measures approved by the Minister on an annual basis and upon request by the Minister. However, we found that until 2022/23, measurable targets had not been established for many of the performance indicators in place, limiting the Ministry's ability to assess TICO's performance.

In 2022/23, for example, TICO established a target to process all registration applications within 30 days of receiving all required documentation. Similarly, TICO developed a target to handle and resolve all complaints within 30 days of receiving all required information and supporting documentation. TICO also developed a performance indicator for its inspection processes, and set a target to conduct a financial inspection for a minimum of 10% of registrants during the year.

We found, however, that many key aspects of TICO's operations were not covered by performance indicators. For example, there were no performance indicators and targets in place to assess the degree to which TICO operates on a cost-recovery basis, a requirement under the Administrative Agreement. As indicated in **Section 4.3.1,** our audit found that TICO has never generated sufficient revenue from registrants to cover its operating costs, and has used money from the Compensation Fund to finance its operations. Without performance indicators and targets in this area, the Ministry does not have sufficient information to assess the reasonableness of how much of the Compensation Fund money TICO is using to fund its

operational expenses. As described in **Section 4.3.1**, we found that between 1997/98 and 2022/23, TICO charged the Fund an additional $31.3 million to cover its operating expenses above the rate that its recent costing analysis deemed reasonable.

We also found that performance indicators had not been established, or were insufficient, to monitor TICO's operational performance in several other key areas where our audit identified operational issues. For example, indicators were not in place to monitor whether:

- TICO inspects registered travel agents at least once within a specified period, and assigns a risk rating to them accordingly;
- TICO conducts follow-up inspections within a targeted timeframe after non-compliance is identified;
- security deposits collected by TICO are returned to registrants on a timely basis after two consecutive years with no compliance concerns; and
- consumer complaints were handled correctly or resulted in appropriate outcomes.

RECOMMENDATION 15

So that the Ministry of Public and Business Service Delivery (Ministry) can effectively monitor and assess the Travel Industry Council of Ontario's (TICO's) performance in protecting consumers and regulating travel agents and wholesalers, we recommend that the Ministry work with TICO to revise the performance indicators the Ministry uses to include indicators that more closely monitor TICO's operations, including in the areas of inspections, security deposits, complaint-handling and the Travel Industry Compensation Fund.

MINISTRY RESPONSE

The Ministry thanks the Auditor General for this recommendation. The Ministry takes its oversight of TICO seriously, including effectively monitoring and assessing TICO's performance.

The Ministry will work with TICO to revise the indicators, as needed, informed by the Auditor General's recommendation.

TICO RESPONSE

TICO agrees with the recommendation and will work with the Ministry to enhance the performance indicators it reports to the Ministry, so that the Ministry can more effectively monitor TICO's operations.

4.5.2 The Ministry Has Not Reviewed TICO's Structure and Assigned Regulatory Responsibilities

Although the Ministry conducted a review in 2017 of the *Travel Industry Act, 2002*, we found that the Ministry did not consider whether TICO's structure and assigned responsibilities as a regulator were set up in the most efficient way to administer and enforce the Act. We compared TICO to organizations that regulate sellers of travel services outside of Ontario and found that other jurisdictions utilized consumer protection organizations or broader government organizations whose mandate included significantly more than just regulating sellers of travel services. We also found that many jurisdictions did not have specific travel regulations at all. Australia, for instance, repealed the country's travel seller regulations in 2014 because the government determined that the regulations had become outdated due to changes in the travel industry and other consumer-protection programs.

TICO's Mandate to Solely Regulate Third-Party Sellers of Travel Is Unique

We performed a jurisdictional scan of other Canadian Provinces, Australia, the United Kingdom, and the United States and found that among that group TICO was the only organization dedicated solely to the regulation of travel agents and wholesalers. **Figure 22**

summarizes the regulatory responsibilities of the jurisdictions we found with travel seller regulatory regimes that are most similar to TICO—including providing a compensation fund.

As **Figure 22** shows, regulators in British Columbia, Quebec, California and the UK oversee multiple industries or have significant additional responsibilities beyond regulating third-party sellers of travel. We also found that some US states, such as Florida and Hawaii, required travel sellers to register with broader government organizations (the Florida Department of Agriculture and Consumer Services, and Hawaii's Department of Commerce and Consumer Affairs, respectively). However, these states did not maintain a compensation fund.

The requirements under the Act and its regulation that TICO enforces, as well as the regulation of travel sellers in other jurisdictions, tend to focus on financial requirements and financial risk factors, as well as general business practices and consumer protections that are also relevant to other industries. Therefore, there may be an opportunity to improve efficiency and obtain economies of scale by having a regulator that oversees more industries than just travel agents and wholesalers, as other jurisdictions have chosen to do.

Many Jurisdictions Do Not Specifically Regulate Sellers of Travel

The majority of jurisdictions we reviewed did not have specific legislation, regulations or regulators dedicated to third-party sellers of travel services. Instead, travel agents and wholesalers in these jurisdictions are subject to broader business and consumer protection laws.

Our jurisdictional scan found that other than Ontario, BC, and Quebec, the remaining Canadian provinces did not have specific legislation for the regulation of travel sellers. Based on our review, we also found that few US states required registration/licensing of travel agents and wholesalers. For instance, of the 10 most populous US states, only California and Florida registered or licensed travel agents.

In 2014, the Australian government repealed the country's travel seller regulations and the *Travel Agents Act*. As a result, travel agents in Australia are no longer required to hold a licence, and the Travel Compensation Fund, Australia's parallel to the Travel Industry Compensation Fund, is no longer operational. The repeal of travel seller regulations in Australia was informed by a review commissioned by the Department of the Treasury that—in addition to the findings regarding Australia's Travel Compensation Fund discussed in **Section 4.3.2**—found:

- The travel industry had undergone major changes in its operation. Information and choices available to consumers had improved, while vulnerability to consumer protection issues historically present in the market had been reduced.
- Australia's travel agent licensing framework provided little consumer benefit while imposing regulatory cost on business.
- Australia's travel agent licensing framework was administered and enforced at the state level, which did not reflect the national nature of the travel market.
- For the most part, competitive markets underpinned by generic consumer protection rules, some voluntary accreditation and some private measures provided an adequate and appropriate level of consumer protection in the travel industry.
- There was no longer sufficient justification for industry-specific consumer protection regulation in the sector.

Travel Industry Regulation in Ontario Could Benefit from a Comprehensive Review

As noted in **Section 4.3.2**, the travel industry and the way consumers purchase travel services have changed significantly since TICO was established in 1997. The Internet has opened the travel market for Ontarians so that they can easily book directly with travel suppliers or out-of-province travel agents and wholesalers not regulated by TICO. The risk to consumers purchasing travel services through travel agents also has changed. Travel agents are now in possession of less consumer cash, with up to 80% of travel bookings in Ontario being made online, and 93% of travel bookings are

Figure 22: Responsibilities of Comparable Regulators in Other Jurisdictions

Prepared by the Office of the Auditor General of Ontario

Jurisdiction	Regulator	Compensation Fund	Responsibilities
Ontario	Travel Industry Council of Ontario	Yes	Regulation of Travel Agents and Wholesalers
British Columbia	Consumer Protection BC	Yes	**Regulates:** • **Travel Agents** • Motion Picture Theatres, Distributors and Retailers • Telemarketing • Payday Lending • Home Inspectors • Cemetery and Funeral Services • Debt Collection and Bailiffs • Debt Repayment • High Cost Credit Granting
Quebec	Office de la protection du consommateur	Yes	**Regulates, for example:** • **Travel Agents** • Motor Vehicle Sales and Recycling • Motor Vehicle Extended Warranties • Money Lenders • Debt Collection • Debt Settlement • Health Studios
California	California Department of Justice – Office of the Attorney General	Yes*	The Office of the Attorney General of California is responsible for **California's Seller of Travel Program**. More broadly, the Attorney General of California has a range of duties and responsibilities including those related to: • Public Safety and Law Enforcement • Legal Opinions • Research • Civil Rights • Consumer Protection • Environment and Public Health
United Kingdom	Civil Aviation Authority	Yes	The United Kingdom's Civil Aviation Authority oversees the **Air Travel Organisers' Licensing program**, which protects consumers against the insolvency of UK travel businesses who sell air travel for holiday travel. The Civil Aviation Authority's responsibilities also include the regulation of all UK airports, airport security, and airlines, as well as making decisions on changes to UK airspace.

* California's Travel Consumer Restitution Fund is managed by the Travel Consumer Restitution Corporation.

being made using a credit card, with payments often flowing directly to end suppliers.

The Ministry's last detailed review of the Act, in 2017, specifically considered whether there was still a need for specific travel seller regulation in Ontario. It concluded "there remains a strong consumer protection rationale for maintaining travel-industry specific regulatory requirements."

We found, however, that the 2017 review did not consider whether TICO's structure and assigned responsibilities as a regulator were an efficient and cost-effective way to administer and enforce the Act. We also found that the Ministry's review did not include a comparison of TICO's structure and assigned responsibilities to regulators in other jurisdictions.

Our jurisdictional scan of travel seller regulatory regimes identified the following four broad categories for the structure and mandate of regulators (described in more detail above):

1. No specific regulation of travel sellers (Australia and the majority of Canadian provinces and US States).
2. A standalone organization dedicated solely to the regulation of travel agents and wholesalers (Ontario).
3. A standalone broader consumer protection organization with significant additional responsibilities beyond regulating third-party sellers of travel (BC and Quebec).
4. Regulating travel sellers as a responsibility of a broader government organization with significant additional responsibilities (California, UK, Florida, and Hawaii).

We noted that the Ministry had previously committed to developing a plan for another comprehensive review of the Act and consideration of the role of TICO more broadly.

RECOMMENDATION 16

So that the regulatory framework of the travel industry in Ontario is better aligned with the changing industry landscape and associated industry risks to consumers, we recommend that the Ministry of Public and Business Service Delivery (Ministry):

- conduct a comprehensive review that includes a detailed comparison of the *Travel Industry Act, 2002* and its regulation to similar laws in other jurisdictions, as well as a review of the existing mandate, structure and responsibilities of the Travel Industry Council of Ontario (TICO); and
- based on that review, propose regulatory updates to make Ontario's regulatory framework more efficient and effective.

MINISTRY RESPONSE

The Ministry agrees with the Auditor General's recommendation.

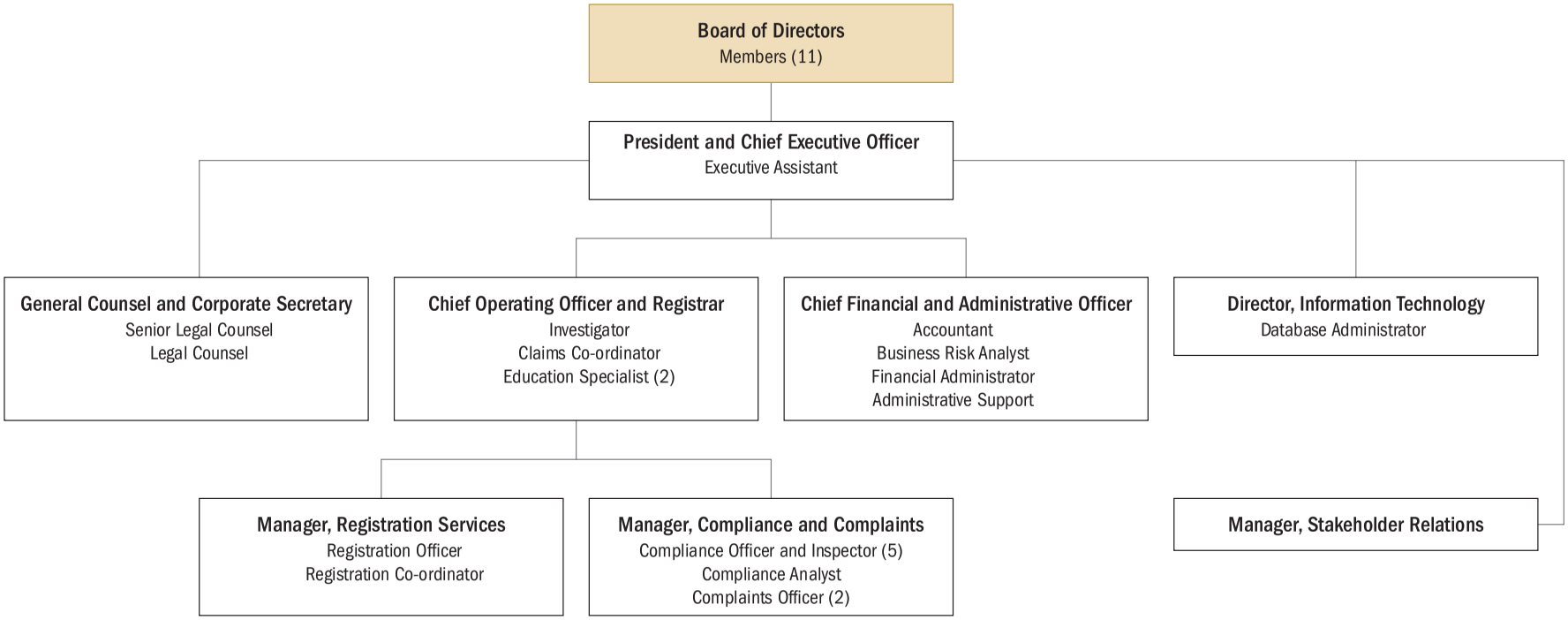
The Ministry will carefully consider the observations and recommendations made by the Auditor General in this report to inform a proposal for government consideration to undertake a review of the *Travel Industry Act, 2002* (Act) and the TICO.

The Ministry will also analyze the results from TICO's fee and Compensation Fund review process, including stakeholder feedback received in fall 2023, as part of this process.

The Ministry's proposal for government consideration will take into account this recommendation to enable an effective and efficient approach to the regulation of the travel industry in Ontario.

Appendix 1: TICO Organizational Structure, as of June 2023

Source of data: Travel Industry Council of Ontario



Appendix 2: Members of the Board of Directors, June 2023

Source of data: Travel Industry Council of Ontario

Members of the Board of Directors		
Michael Levinson – Chair **YouNeedaStrategy.com** Toronto Appointed by the Minister	**Scott Stewart – Vice Chair** **Blowes & Stewart Travel Group** Peterborough Appointed by the Minister	**Angella Blanas** Toronto Appointed by the Minister
Zaid Lama **Evolv Capital Partners** Oakville Appointed by the Minister	**Ted Goldenberg** **Chapman Cultural Tours Ltd.** Richmond Hill Appointed by the Ontario Motor Coach Association	**Mike Foster** **Nexion Travel Group** London Appointed by the Association of Canadian Travel Agencies
Monica Johnstone **Uniglobe Travel Innovations** Mississauga Appointed by the Association of Canadian Travel Agencies	**Nicole Bursey** **Transat Tours Canada** Toronto Appointed by the Canadian Association of Tour Operators	**Joanne Dhue** **Sunwing** Toronto Appointed by the Canadian Association of Tour Operators
Douglas Ellison **Ellison Travel & Tours** Exeter Elected by Registrants	**Robert Townshend** **Total Advantage Travel & Tours** Toronto Elected by Registrants	

Note: In August and September 2023, at the conclusion of our audit work, the composition of TICO's Board was modified, reducing it to nine members. As of October 2023, the Board consisted of three members appointed by the Minister, three industry members elected by registrants, and three members from the general public elected by registrants.

Appendix 3: Audit Criteria

Prepared by the Office of the Auditor General of Ontario

1. Effective processes are in place to address complaints on a timely basis, and compliance or enforcement action is taken where appropriate against registered travel agents and wholesalers, and those required to be registered in accordance with the *Travel Industry Act, 2002* (Act) and its regulation.
2. Timely and effective processes are in place so that travel agents and wholesalers meet their registration and other requirements under the Act and its regulation.
3. Effective and timely inspection and investigation processes are in place to support the Travel Industry Council of Ontario's (TICO's) compliance and enforcement functions so that travel agents and wholesalers comply with the Act and its regulation.
4. Processes are in place to effectively manage human and financial resources to fulfill TICO's mandated responsibilities.
5. Effective processes are in place to administer eligible claims to the Ontario Travel Industry Compensation Fund in accordance with the Act and its regulation and on a timely basis.
6. Systems and processes permit the collection and use of timely and complete information to allow TICO to carry out and publicly report on its mandated responsibilities.
7. An effective governance structure and processes are in place to oversee TICO so that it fulfills its mandated responsibilities.
8. The Ministry has effective processes to oversee TICO, and monitor and address TICO's performance in protecting consumers and regulating travel agents and wholesalers.

Appendix 4: TICO Board Competency Matrix

Source of data: Travel Industry Council of Ontario

Competency	Definition
Industry knowledge and experience	The member has experience with or can demonstrate knowledge or expertise of the travel industry. This may include an understanding of trends, challenges and opportunities, or unique dynamics within the sector that are relevant to TICO.
Consumer knowledge	The member has knowledge of and/or experience with consumer protection frameworks and is dedicated to promoting and protecting the interests of consumers. The member has a good understanding of the drivers behind consumer behaviour and has an appreciation of the insights from behavioural sciences regarding how humans actually behave and make decisions. Understanding consumer behaviours and underlying drivers enables the member to contribute to the enhancement of consumer protection initiatives. In TICO's context, insights into how consumers and registrants behave, including purchase decisions, can assist the organization in making informed decisions that protect the public, promote industry compliance and inform more effective and representative policy decisions for the organization.
Board experience	The member has experience with, or can demonstrate knowledge or expertise in, board matters. The member has a clear understanding of the distinction between the role of the board versus the role of management. Governance experience could be acquired through prior board or committee service or reporting to/or working with a board as an employee, or through an accredited organization (e.g., Institute of Corporate Directors).
Financial literacy	The member has the ability to comprehend TICO's internal and external financial statements, including familiarity with financial reporting requirements for registrants. The member has an understanding of generally accepted accounting principles (GAAP), knowledge and/or equivalent experience with financial planning, budgets and analysis, including an underlying appreciation for financial key performance indicators, risk management and investment portfolio concepts. The member has an understanding of internal controls and general controls within an information technology environment.
Legal	The member has experience in law and compliance and/or experience providing legal/ regulatory advice and guidance within a regulatory organization.
Strategy	The member has the ability to generate and apply strategic thinking in regard to the unique business insights and opportunities of relevance to TICO, as well as the ability to support, promote, and ensure alignment with the organization's vision and values. The member has the ability to understand how an organization must evolve considering internal and external trends and influences.
Risk management	The member has knowledge and experience in enterprise risk management with a practical understanding of operational, environmental and reputational risks. The member has an understanding of the Board's role in the oversight of risk management principles and practices in the context of good corporate governance.
Change management	The member has sound knowledge of and/or experience with change management principles and frameworks. The member has either led major change within a business environment or has provided strategic insight to management to facilitate a significant transition. The member has demonstrated the capacity to adjust and balance priorities to effect change and to provide leadership in adapting goals, plans, systems and processes to respond effectively to business transformations. The member is a change leader and has assisted management in planning, implementing and evaluating transformation strategies to improve organizational performance while respecting existing business culture.

Competency	Definition
Organizational behaviour	The member has the ability to understand a business' internal culture and how that culture may facilitate or hinder productivity in the achievement of organizational goals. Organizational behaviour is the study of human behaviour in organizational settings. It investigates the impact that individuals, groups, and structure have on behaviour within organizations for the purpose of applying such knowledge toward improving an organization's effectiveness.
Technology	The member has information technology experience, with knowledge of current and emerging technologies, current risk and regulatory requirements as they would specifically apply to TICO's strategic, regulatory and operating environment; including information security risk. The member has experience and knowledge in leading or significantly influencing technology infrastructure and/or applications with a solid understanding of emerging technologies, including social networking, artificial intelligence, blockchain, cloud and data analytics.
Communications	The member has the ability to both listen effectively and articulate ideas, opinions, rationales, and comments in a clear, concise manner. This includes accepting accountability for engaging in frank, open and honest discussions, valuing a diversity of opinions and perspectives, with a view to making well-informed decisions and seeking to achieve in-group consensus in the best interest of TICO. The member is comfortable using online communications technology (email, online meetings, conference calls, Web portal, etc.). The member has the ability to listen and communicate effectively—the ability to articulate, be succinct, set the right tone, etc.
Human resources	The member has experience with human resource issues in a corporate environment with relevant knowledge of regulatory requirements, performance management, leadership, development/talent management, succession planning and compensation decision-making, including ensuring alignment between compensation plans and corporate strategy.
Operations	The member has experience with—or is able to demonstrate knowledge or expertise in—sound management and operational business processes and practices. This competency may include an understanding of topics such as managing complex projects, leveraging information technology, planning and measuring performance, and allocating resources to achieve outcomes.
Marketing/public relations	The member has experience with, or can demonstrate knowledge or expertise in, communications, public relations or interacting with the media. This may include knowledge of effective advocacy and public-engagement strategies, developing key messages, crisis communications, or social media and viral marketing.
Government knowledge	The member has an understanding of government structure, mechanics and decision-making processes and/or experience with or knowledge of the delegated administrative authority model. The member has an understanding of the strategic priorities of government and the relationship between those priorities and the work of TICO. The member has knowledge of the political environment and public policy, including how to promote effective government relations.

York University

York University Operations and Capital

1.0 Summary

Established in 1959, York University (York) has over 52,000 students enrolled in degree programs, making it Canada's third-largest university.

York has two campuses in Toronto (Keele and Glendon) and a third scheduled to open in fall 2024, in Markham, Ontario. York is an interdisciplinary research and teaching university, with accessible admission thresholds that provide higher education opportunities to a broader range of students. Historically, the university has built a reputation in liberal arts education and in professional studies such as business, law and education. Fifty-nine percent of students attend one of two faculties: Liberal Arts and Professional Studies, or Health.

Like other Ontario universities, York has faced challenges over the past five fiscal years, including a government-mandated 10% province-wide tuition reduction and freeze that began in 2019/20, and disruptions as a result of the COVID-19 pandemic. At the end of fiscal year 2022/23, York emerged with a positive net asset position amounting to $1.9 billion and was in a sound financial position at the time of our audit.

Even so, there are cautions as the university's in-year surplus amounts have consistently declined over the past five fiscal years. Since 2018/19, in-year surpluses decreased by 87% ($143.5 million) overall, from $164.2 million in 2018/19 to $20.8 million in 2022/23. The change was driven, largely, by a $147.5 million (19.7%) increase in salaries and benefits. Although almost 250 new positions were added, primarily to academic staff and faculty members, tuition revenue and government grant funding remained relatively flat.

The university's financial performance has also been adversely impacted by the in-year deficits realized by many of York's faculties. In 2022/23, six of York's 10 faculties had an in-year deficit ranging from a low of $1.4 million at the Lassonde School of Engineering to a high of $14.5 million at the Faculty of Arts, Media, Performance and Design. Four faculties (Arts, Media, Performance and Design; Glendon College; Environmental and Urban Change; and Education) have run in-year deficits in each of the past five fiscal years.

York fell into the Ministry of Colleges and Universities' medium-risk category on two of the three financial indicators related to debt, consistently over the last five years (2018/19–2022/23), and for the third indicator, for the last two years. York has reached a level of debt that could have negative impacts on the university in future if it is not appropriately monitored and managed. York's debt totalled $600 million, half of which will come due by 2044. We found the university had a repayment plan for that half but not for the remaining amount, due by 2060.

Our audit also assessed key operations, capital decision-making and governance structures at York. The following are our significant findings:

- **York has continued to offer many academic programs with low demand and enrolment, despite continued financial deficits.** Our review of undergraduate program enrolment found that York continued to deliver programs with low enrolments year after year, a major contributor to faculties operating in deficit positions. Across the university in 2023, 23% of undergraduate programs had 20 or fewer students enrolled. Over the past five fiscal years (2018/19–2022/23), enrolment decreased by at least 10% in 58 (43%) of York's 135 undergraduate programs. For example, in Glendon College, 17 (81%) of its 21 undergraduate programs had enrolment go down by at least 10% in the last five years from 2018/19 to 2022/23, while the faculty had in-year deficits in each year over the same period. We noted that, in 2022/23, Glendon had the second-lowest student-to-faculty ratio in the university (16.1 students for each tenure-stream professor, compared to the university average of 31.6). While a lower student-to-faculty ratio enhances the student's experience, it is costlier. The university told us it needed to subsidize some programs and faculties to sustain a range of activities that contributed to fulfilling the university's academic mission, overall reputation, and impact on society and the economy, as well as to meet emerging needs of industries and employers. While there are valid reasons for maintaining certain programs and courses regardless of the demand or required investment, there is an opportunity for York to adjust or restructure its program offerings to improve financial sustainability.
- **York is exposed to the risk of tuition revenue decline, due to its reliance on tuition revenue from a limited number of countries (namely, China and India).** International students accounted for 18% of York's total enrolment and almost half its tuition revenue. Some faculties relied more substantially on international student tuition than others. For example, the university's largest faculty, Liberal Arts and Professional Studies, relied most heavily on international student tuition revenue. In 2022/23, 61% of tuition revenue at that faculty came from international students. Students from India and China totalled 5,062 and represented 57% of all international students enrolled at York. Reliance on only a few nations' students for revenue exposes a university to the risk that external factors, like a global economic downturn or foreign policy shifts, could suddenly and significantly impact its financial health, if international student enrolment from these countries declines. At the time of our audit, for example, relations between Canada and India were frayed due to political tensions and India had suspended visa services, preventing Canadian nationals from obtaining Indian visas. Should reciprocal action be taken by Canada, or Indian students were made to return to India, there could be a significant impact to York. We calculated that York would forego approximately $46.5 million, or almost 8%, of total annual tuition revenue if all of the Indian students currently enrolled at York were made to return to India.
- **York's deferred maintenance backlog has left many of its buildings and infrastructure in increasingly poor condition**. York's deferred maintenance backlog grew 109%, from $459 million to $1.04 billion, between January 2019 and January 2023. The industry norm is for institutions to spend 1.5%–2.5% of the current replacement value of assets on deferred maintenance each year. To achieve this standard, York would need to spend $56–$93 million annually. By contrast, the university spent on average only $18.9 million on deferred maintenance over the past five fiscal years. In September 2022, the Land and Property Committee of the Board developed a five-year plan to manage the backlog, but the committee decided to make

only $22 million available each year. Despite the growing maintenance backlog, we found York had directed substantially more resources toward constructing new capital buildings and expansion projects—$745.3 million over the past five fiscal years compared to $94.7 million on deferred maintenance. This has left both the Keele and Glendon campuses in a state of critical disrepair.

- **York did not prepare full business cases for major capital projects before proceeding with them, including fully assessing the financial viability of those projects.** We reviewed seven major capital projects and found that in four of them, with total costs of $206.2 million, no financial evaluation at all had been undertaken. For example, there was no assessment of the expected income to be generated from these investments over the long-term, or the length of time required to recover the funds to be spent. For three other major capital projects we reviewed, there was a partial and problematic financial analysis. To illustrate, a new campus in the City of Markham was under construction during our audit and was expected to cost $260.5 million when completed in fall 2024. The university had conducted a profitability forecast; however, the analysis did not consider how long it would take to recover the initial capital cost of $260.5 million to construct the building. Based on York's financial profitability projections, we calculated that it would recover its initial capital investment in 2038/39.
- **Increase in size of senior administration despite stable enrolment and tuition revenue.** Between 2018/19 and 2022/23, the university experienced minimal increases in full-time equivalent (FTE) enrolment of 0.3%, a 1.2% increase in combined domestic and international tuition revenue (including government grants), and a 3% increase in total revenue. Yet, over the same time period, the size of the senior administration team increased by 37% and the amount of related compensation (salary, benefits, bonuses and stipends) increased by 47%. This was due primarily to the creation of an additional Vice-President (VP) position and several Assistant Vice-President (AVP) positions, resulting in total compensation for each group increasing by 48% and 73%, respectively. A VP was added with the creation of York's new Equity, People and Culture Division, while the number of AVP positions grew from 14 to 25, combined with a 20% average salary increase over five years. With the exception of approval granted by the Board for the VP and three AVP positions with the establishment of the Equity, People and Culture Division, the Board did not review and approve the other new AVP positions, and was not provided information on their impact and changes to the senior administration structure. The reasons for the new AVP positions included re-classifications for retention purposes, and restructuring and expanding university departments and functions.
- **York's results were lower on many performance indicators, such as those related to its graduates' academic and employment success, compared to other Ontario universities.** While York achieved most of the Ministry-established targets for 2022/23 as stipulated in its Strategic Mandate Agreement, it missed its target (and performed below the provincial average) for attracting research revenue from private-sector sources. York also performed below the provincial average in graduation rate; graduate employment rate in a related field; graduate employment earnings; community local impact on student enrolment; research funding and capacity (that is, the ability to secure federal research grants); and experiential learning. Further, when compared to similar Ontario universities, York's 2022/23 results were below the average in all metrics, with the exception of Institutional Strength/Focus—the proportion of enrolment in an institution's defined program areas of strength.

This report contains 13 recommendations, with 29 action items, to address our audit findings.

Overall Conclusion

Our audit concluded that York University was financially sustainable, with a positive net asset balance of $1.9 billion at the end of fiscal year 2022/23. However, the university did experience declining in-year financial surpluses during the 2018/19–2022/23 period, led by relatively flat enrolment and tuition revenue and increasing faculty and staff salaries and benefits. The majority of York's faculties (six of 10) have been operating with expenses that exceed their revenues. Restructuring its program offerings is one way for York to potentially improve its financial sustainability.

We concluded that York focused on capital expansion while neglecting a growing deferred maintenance backlog, which totalled over $1 billion by the end of 2022/23. The capital expansion was financed largely by debt, through a series of 40-year debentures. York has now reached its capacity for debt, thereby limiting future capital projects, as well as the potential to reduce its deferred maintenance. York's debt repayment plan, beginning in 2042, includes payment for only half the total debt. As well, comprehensive business cases need to be consistently prepared for all major capital projects to inform the Board of Governors as to whether a project warrants financial investment.

In 2022/23, international students represented 18% of the student population at York and accounted for 49% of the university's tuition revenue. Like other post-secondary institutions in Ontario, York has grown financially dependent on international students from China and India. This dependence poses significant financial risk to the university should an unforeseen event occur and international student enrolment from these countries declines.

Finally, although York has achieved its targets for all but one of the Ministry of Colleges and Universities' key performance indicators, including those in the Strategic Mandate Agreement between York and the Province, the university's performance lags behind the provincial average for comparable universities in key metrics such as graduation rate, graduation employment rate in a related field and graduate employment earnings.

OVERALL YORK UNIVERSITY RESPONSE

York University appreciates the work of the Auditor General and his staff and thanks them for their collaborative approach to undertaking this audit. The *York University Act* attributes specific responsibilities to the President and each body in our bicameral system of governance. Our mandate is reflected in our mission and vision, guiding our access strategy to increase the percentage of students with university education, program development to meet societal needs, research and innovation activities, and strategic partnerships. While we are committed to continually strengthening our outcomes based on agreed-upon targets, comparisons to institutions with different histories and mandates will have limitations.

York anticipated many of the recommendations of the Auditor General, and we look forward to exploring opportunities to further codify the initiatives already underway. Our growth in areas of science, technology, entrepreneurship, engineering, and health, requires ongoing refinement of capital and deferred maintenance plans to ensure that we maximize the realization of our University Academic Plan in a financially sustainable way.

These efforts are important given the decrease in tuition in 2019/20 and the subsequent tuition freeze, which, as noted in the audit report, resulted in an estimated revenue loss of approximately $335 million. Compounding this situation is the increase of new regulations and responsibilities, ranging from sexual violence prevention, Indigenous and equity initiatives, to sustainability and carbon reductions. This context necessitates our continued focus on attracting an increasingly diverse and global population of international students.

2.0 Background

2.1 Overview

Ontario's universities aim to ensure that students get a high-quality education and skills needed to get good jobs and provide Ontario's businesses with a skilled workforce and the talent they need to thrive and prosper. Universities also aim to advance society through the research that they conduct.

York University (York) was established in 1959 under the *York University Act* in response to the growth in Toronto's metropolitan area.

Today, York is the third-largest university in Canada based on enrolment, after the University of Toronto and the University of British Columbia. With over 52,000 students, including about 9,000 international students from 182 countries, it has one of Canada's largest and most diverse student populations.

York is an interdisciplinary research and teaching university, offering degrees in 10 faculties. The three faculties of Liberal Arts and Professional Studies, Health, and the Schulich School of Business made up 68% of degrees granted in the five-year period 2017/18–2021/22. **Figure 1** provides York's institutional profile.

York has two Toronto campuses and is scheduled to open a third campus in Markham, Ontario, in fall 2024. Almost 97% of students (51,200) are enrolled in programs at the university's Keele campus, located in North York. The Glendon campus, located in midtown Toronto, offers primarily liberal arts programs in both French and English to about 1,600 students.

Across these campuses, York employs over 5,000 full-time faculty and staff and an additional 2,400 part-time academic and administrative staff. Seventy-five percent of both full-time and part-time staff are members of the university's 14 unions (eight representing academic staff and six representing non-academic staff). Additionally, York employs 3,680 students in part-time positions (such as tutors, mentors, assistants and university ambassadors) and in its ancillary operations (such as the bookstore and athletic centre).

Figure 1: Profile of York University, 2022/23

Prepared by the Office of the Auditor General of Ontario

Established		March 26, 1959
Main campus		Keele Campus
# of campuses		2[1]
Faculties		10
Undergraduate programs		135
Graduate programs		121
FTE[2] students enrolled (domestic and international)		47,031
International students enrolled (head count)		8,832
Graduation rate[3]		70.7%
Total revenue in 2022/23		$1.3 billion
Ministry operating grant for 2022/23		$302 million
Average undergraduate tuition for all programs	Domestic students	$7,245
	International students	$32,962
Average graduate tuition for all programs	Domestic students	$6,648
	International students	$29,959

1. The Keele and Glendon campuses are both located in Toronto. A third campus in Markham is scheduled to open in fall 2024.
2. A full-time equivalent (FTE) measure attempts to standardize a student's actual course load against the normal course load for a full-time student.
3. Refers to the 2014 student cohort that graduated by 2021.

2.1.1 Organizational Structure of York University

Like most Ontario universities, York University's governance structure is bicameral; it has a Board of Governors (Board) and a Senate, both of which derive their distinct powers from the *York University Act*.

York's Board and the President oversee the operational and financial management of the university. The Board of Governors is considered the corporate and/or legal entity with authority to make bylaws, resolutions and regulations. The Board has legal responsibility and authority over the conduct, management and control of property, revenues, expenses, business and other operations, whereas the Senate is responsible for decision-making about educational policy, with the Board's approval.

See **Appendix 1** for York University's organizational chart.

Board Composition and Appointment Process

The maximum membership for the Board is 32 members, comprising 24 (75%) external members who are chosen by the Board members themselves and eight (25%) internal members, including the President, Chancellor and six other members, chosen by stakeholder groups within the university, such as the Student Senator Caucus or Senate. Members chosen by the stakeholder groups are, for example, professors, students or non-academic staff who bring in various perspectives—although their fiduciary duty is to the university overall. At the time of our audit, there were 25 members and seven vacancies on the board. The Board has an additional 33 honorary members who are entitled to attend Board meetings but do not have voting rights.

See **Appendix 2** for the membership of the Board of Governors and **Appendix 3** for a listing and description of Board committees.

Senate Composition and Operations

York's Senate is responsible for the academic policy of the University. Its powers include setting standards for admission, establishing and modifying programs, determining graduation requirements, university academic planning, regulating examinations and, along with the approval of the Board, establishing new academic units and endowing research and teaching chairs.

The Senate includes appointed and elected members, including ex-officio members. The maximum allowable size of the Senate is 169 members. At the time of our audit, it was composed of 159 members, including faculty members (94), students (22), ex-officio members (22), committee chairs (5) and others (16).

See **Appendix 3** for a listing and description of committees used by the Senate to fulfill its mandate.

York University Development Corporation (YUDC)

York University Development Corporation (YUDC) is a wholly owned subsidiary of York University and provides real estate property advisory, development and management services to the university. YUDC also owns and manages York Lanes, a commercial building on campus with a retail mall and office complex. The York Lanes land site is leased from the university under a 65-year lease.

Over the past five fiscal years ending in 2022/23, YUDC earned $28.6 million in revenue. The majority (71%) of that revenue related to rental income from tenants at York Lanes (that is, non-related parties), while the remainder (29%) was income from the university (that is, a related party) for consulting and other project services provided by YUDC. Over the same time period, YUDC paid third-party service providers about $3 million for services such as legal, land-use planning and urban design, procurement advisory, architectural design, and civil engineering. About 35% ($1.1 million) of these payments was for legal services. See **Appendix 4** for YUDC's latest balance sheet and income statement.

YUDC's Board of Directors is composed of seven members: three work in the university's administration and four are private-sector business leaders (three of these are presently serving or have served on the York University Board of Governors).

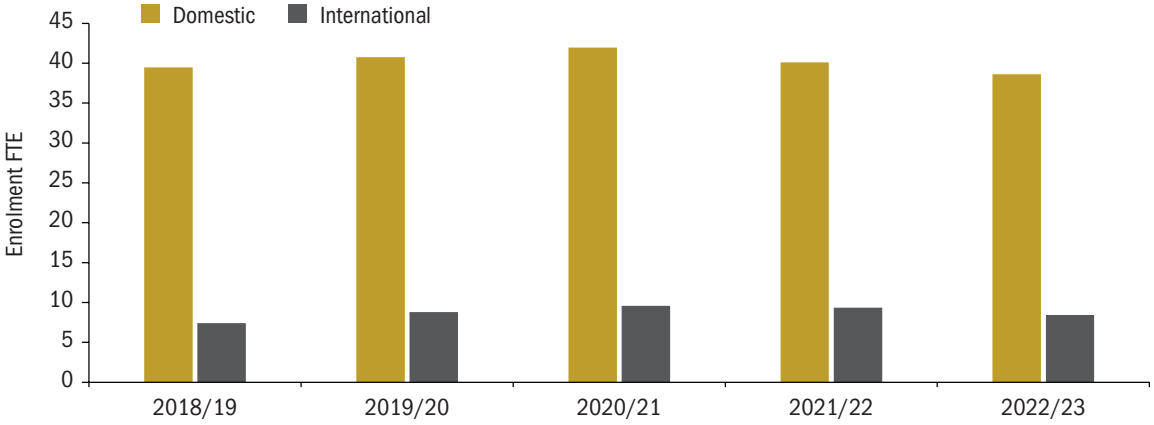
2.1.2 Enrolment and Tuition

Enrolment at York University in 2022/23 totalled 52,791 students, or 47,031 in full-time-equivalent (FTE) students, which refers to students taking a full-time course load of five courses. Part-time or non-standard enrolment can be captured in terms of a student's proportion of a full-time course load in each term. Domestic students represented 82% of FTE enrolment at York and international students represented 18% of FTE enrolment. **Figure 2** shows the five-year trend in total enrolment and a breakdown of domestic and international FTE students over the five fiscal years from 2018/19 to 2022/23.

Figure 3 provides a breakdown of enrolment by faculty. York University has 10 faculties, and almost 60% of FTE students are enrolled in two of those faculties—the Faculty of Liberal Arts and Professional Studies and the Faculty of Health.

Figure 2: Breakdown of Domestic and International FTE Students at York University, 2018/19–2022/23* (000)

Source of data: York University



* In 2019/2020 and 2020/2021, most courses were offered virtually due to the COVID-19 pandemic. This resulted in more students returning to studies or continuing their studies, and it also resulted in students registering at a higher course load than they may have previously.

Figure 3: Full-Time-Equivalent Student Enrolment by Faculty, 2022/23

Source of data: York University

Faculty		# of FTEs	% Enrolment
1	Liberal Arts and Professional Studies	17,660	38
	Liberal Arts	11,484	25
	Professional Studies*	6,176	13
2	Health	9,724	21
3	Engineering (Lassonde)	4,449	10
4	Science	4,211	9
5	Business (Schulich)	2,924	6
6	Arts, Media, Performance and Design	2,537	5
7	Education	2,076	4
8	Glendon	1,396	3
9	Law (Osgoode)	1,403	3
10	Environmental and Urban Change	651	1
Total Enrolment		**47,031**	**100**

* Professional Studies includes programs in commerce, information technology, accounting, human resources, social work, and disaster and emergency management.

Figure 4: Average Domestic and International Tuition Fee by Faculty, 2022/23*

Source of data: York University

Faculty	Domestic ($)	International ($)
Undergraduate		
Law (Osgoode)	24,802	38,023
Business (Schulich)	8,647	34,219
Engineering (Lassonde)	8,641	30,727
Liberal Arts and Professional Studies	6,776	33,518
Arts, Media, Performance and Design	6,402	32,680
Education	6,118	32,756
Environmental and Urban Change	6,118	32,756
Health	6,118	32,756
Science	6,118	32,756
Glendon	6,118	32,756
Average for undergraduate	**7,245**	**32,962**
Graduate		
Business (Schulich)	28,044	52,678
Graduate Studies	3,718	17,152
Average for graduate	**6,648**	**29,959**

* Tuition fee averages are weighted based on proportional FTE enrolment data for 2022/23.

Tuition Fees

On January 17, 2019, the Ontario government announced a 10% reduction in post-secondary tuition fees beginning in 2019/20, which it extended each year through the end of 2023/24, with limited fee increases for only domestic out-of-province students of 3% in 2021/22 and 5% in 2022/23 and 2023/24. The tuition reduction and tuition freeze did not apply to international students, as international tuition rates are not regulated by the Province.

In 2022/23, tuition fees at York averaged $7,245 for undergraduate domestic students. In comparison, the average undergraduate tuition fee that year across all Ontario universities for domestic students was $7,920.

For international students, 2022/23 fees at York averaged $32,962 per undergraduate, a 24% increase over the average from 2018/19. In comparison, the average tuition fee in 2022/23 across all Ontario universities for undergraduate international students was $45,242, which was 29% higher than tuition for such students in 2018/19.

In an effort to attract international undergraduate students to stay on for graduate studies, since 2018/19, York has increased its graduate school tuition fees by only 9%, a much lower rate of increase than the 21% average increase at other Ontario universities. See **Figure 4** for domestic and international tuition fees by faculty for York.

The Ministry of Colleges and Universities had established a panel to provide advice and recommendations on a long-term tuition fee policy for all Ontario universities that considers access to and quality of the learning experience. In November 2023, the panel recommended a 5% tuition fee increase, effective September 2024, and annual increases of at least 2% thereafter. The panel also recommended a 10% increase in funding per student by the Ministry, with 2% annual increases thereafter. At the time of our audit, the Ministry had not made a decision on the panel's recommendations.

2.2 Funding and Financial Information

2.2.1 Financial Position

Over the past five fiscal years, from 2018/19 to 2022/23, York University has had an accumulated surplus (positive net asset position) at the end of each fiscal year, ranging from a low of $1.6 billion (in 2018/19) to a high of $1.9 billion (in 2020/21 and 2022/23). York has generated an in-year surplus in each year of the five-year period, ranging from a low of $20.8 million (in 2022/23) to a high of $164.3 million (in 2018/19). Over the five years, total revenue increased by 3% and total expenses increased by 16%.

In 2022/23, 85% of York's revenue was generated from a combination of student tuition fees (55%) and government grants and contracts (30%), while salaries and benefits accounted for 69% of expenditures that year, followed by operating costs (13%). See **Appendix 5** for York's finances for the five-year period 2018/19–2022/23. To see how the Ministry has assessed York's financial sustainability over the years, refer to **Section 2.4.3**.

2.2.2 Funding from the Ministry of Colleges and Universities

The Ministry provides operating and capital funding to universities through transfer payments. As seen in **Figure 5,** over the past five fiscal years ending in 2022/23, the Ministry provided to York University, on average, $296.2 million each year for operating purposes and $6.7 million each year for capital.

2.2.3 Activity-Based Budgeting

Faculties are divisions within a university concerned with a particular area of knowledge. Departments are units within a faculty that are responsible for overseeing and managing a specific academic discipline or field of study. Programs refer to a structured and organized set of courses, classes and educational activities offered by a university to students pursuing a specific area of study or field of knowledge.

Beginning in fiscal year 2017/18, York moved to an activity-based budget/costing model that provides detailed information on the revenues, expenses and financial position for each of its 10 faculties. Under this model, revenue is attributed to the units generating it: most notably, York's academic faculties. They receive the total amount of revenue they generate, predominately from government grants and tuition associated with the faculty's enrolments, and are required to contribute to shared service costs such as student services, libraries and facilities.

The difference between a unit's budgeted gross revenue and its allocated shared service costs (the unit's net revenue) is the available budgeted amount

Figure 5: Ministry Grants for York University Operating and Capital Costs, 2018/19–2022/23 ($ million)

Source of data: Ministry of Colleges and Universities

	2018/19	2019/20	2020/21	2021/22	2022/23	5-year average	5-year change (%)
Operating[1]							
York	297.0	295.8	294.5	291.6	301.9	296.2	1.6
All Ontario universities	3,587.0	3,612.2	3,636.8	3,607.1	3,658.7	3,620.4	2.0
Capital							
York	10.4[2]	4.1	5.7	6.5	7.0	6.7	(32.7)
All Ontario universities	130.5	53.4	90.0	93.0	110.7	95.5	(15.2)

1. The amount of operating funding from the Ministry is based primarily on domestic full-time equivalent (FTE) enrolment and programs. The amounts presented are net of the $750 International Recovery Fee per international student.
2. In 2018/19, York University received funding for major capital, greenhouse gas and retrofit projects, in addition to facilities renewal (funding for deferred maintenance). From 2019/20–2022/23, the university only received funding for facilities and training equipment renewal.

for its direct costs, the most significant being salary and benefit costs. Activity-based budgeting places responsibility on each individual faculty for its respective finances—which incentivizes faculties to treat the programs and courses they offer as sources of revenue and to reduce their share of service costs by, for example, economizing the space each uses. In an effort to promote financial sustainability, transparency and accountability, many established universities in Ontario have implemented activity-based budgeting, including the University of Toronto, Queen's University, McMaster University, University of Waterloo and University of Windsor.

Faculties unable to independently financially sustain themselves have the option to submit a proposal to the Provost's Office requesting financial assistance to support their operations. A faculty that obtains approval for operating support is required to develop an action plan to improve its financial performance. Such faculties must also provide annual updates to the Provost on the progress made on their action plans.

2.3 Deferred Maintenance

York University's current asset management of buildings and infrastructure is updated with an annual on-site verification by third-party consultants of 25% of the buildings. Every fifth year, linear infrastructure (such as roads, walkways and electric power lines) is assessed. The assessment also takes into consideration whether whole equipment replacements are more beneficial compared to continuous repair or due to aged infrastructure that can no longer be supported through component replacement. As of January 2023, York's current replacement value for the buildings and linear infrastructure on both campuses (Keele and Glendon) totalled $3.3 billion. The outstanding deferred maintenance was $1.04 billion.

2.4 York University Performance Metrics

2.4.1 Strategic Mandate Agreements With the Ministry of Colleges and Universities Now Incorporate Performance Metrics

Each university has a Strategic Mandate Agreement (SMA) with the Ministry of Colleges and Universities, which was first entered into for the period 2014–2017 (SMA1), then updated for 2017–2020 (SMA2). Its current iteration is for the period 2020–2025 (SMA3).

Prior to this, most operating funding had been based on enrolment, with only a small portion of funding tied to university performance. The new agreements include a grant based on performance compared to established targets for 10 metrics. The metrics are intended to measure institutions' effectiveness in addressing labour market needs, enhancing the skills and competencies of students, and strengthening Ontario's economic competitiveness. SMAs have thus become a component of the Ministry of Colleges and Universities' accountability framework for the post-secondary education system.

The Ministry originally planned to provide 25% of provincial operating funding based on these 10 metrics beginning in 2020/21. However, due to the COVID-19 pandemic, the use of metrics to determine performance-based funding was postponed for three years, to provide financial stability for universities and allow for the pandemic's impact to be better understood. Ten percent of Ministry operating funding for universities will be linked to their performance on metrics in 2023/24 and this will rise in future years.

As discussed in our 2022 audit report, *Financial Management in Ontario Universities*, shifting to a performance-based allocation would not have significantly changed the amount of funding universities received. For example, York would have received $5 million, or 1.7% less than the total funding it received in 2021/22.

Refer to **Appendix 6** for descriptions of the performance metrics, York University's results and the provincial average for SMA3 (2020–2025).

2.4.2 Other Ministry Key Performance Indicators

Since 1998, the Ministry of Colleges and Universities has been collecting information on Ontario universities outside of the metrics noted in the SMAs, but with some overlap. The Ministry's purpose in collecting information for other indicators is to support universities with institutional planning, program development and marketing. **Figure 6** shows York University's results and the related provincial averages for these additional indicators using the most recent results available. The Ministry has not established targets for these additional indicators.

Figure 6: Ministry Key Performance Indicator Results for Universities, 2021/22

Source of data: Ministry of Colleges and Universities

Key Performance Indicator	York	Provincial Average
Graduation rate[1]	70.7%	78.9%
Graduate employment rate (full-time and part-time)[2]		
6 months after graduation	85.4%	90.4%
2 years after graduation	91.1%	94.3%
Job relatedness (full-time and part-time)[2]		
Skills match[3]		
6 months after graduation	77.0%	83.0%
2 years after graduation	81.0%	87.0%
Subject matter match[4]		
6 months after graduation	69.0%	73.0%
2 years after graduation	72.0%	77.0%
Average annual salary of graduates employed full-time[2]		
6 months after graduation	$46,297	$50,504
2 years after graduation	$54,382	$60,254
Graduates' occupations[2]		
Business, finance and administration occupations	27.1%	23.2%
Education, law and social, community and government-services related occupations	29.8%	27.2%
Health occupations	7.9%	13.6%
Natural and applied sciences and related occupations	8.1%	15.6%
Sales and service occupations	14.3%	9.5%
Others – such as management, art/culture, sport/recreation, trades/transport, natural resources and manufacturing	12.7%	10.9%
Ontario Student Assistance Program loan default rate	2.9%	1.8%

– York's performance was below the provincial average.

1. The percent of individuals who started university in 2014 and graduated within seven years (i.e., by 2021).
2. Data used to calculate indicators collected from the 2019 Ontario University Graduate Survey.
3. Refers to whether the work is "closely or somewhat related" to the skills developed at university.
4. Refers to whether the work is "closely or somewhat related" to the subject of the program of study completed.

Figure 7: York University Financial Health Indicator Results, 2018/19–2022/23

Source of data: York University

Health Indicator	Ministry Low-Risk Threshold[1]	2018/19	2019/20	2020/21	2021/22	2022/23	2021/22[5] Large Universities Average[2]	2021/22[5] Provincial Average[3]
Net income/loss ratio (%)	≥ 1.5	12.8	9.9	6.0	2.3	1.6	3.9	2.7
Net operating revenue ratio (%)	≥ 7	15.1	11.7	11.5	8.8	**5.0**	9.2	10.1
Primary reserve (# of days)	≥ 90	180	220	225	200	191	226	131
Interest burden ratio (%)	≤ 2	**2.4**	**2.5**	**2.7**	**2.5**	**2.3**	1.6	1.7
Viability ratio (%)	≥ 60	110.4	115.2	120.8	112.7	114.0	199.4	139.0
Debt ratio[4] (%)	≤ 35	**33.0**	**34.4**	**33.9**	**36.1**	**37.2**	35.1	44.7
Debt-to-revenue ratio[4] (%)	≤ 35	**39.0**	**47.1**	**47.9**	**47.6**	**45.3**	38.6	40.8
Working capital[4] (#)	≥ 1.25	**1.22**	1.55	2.85	1.89	1.41	1.98	1.54

– York performed below the sector average in 2021/22. **Bolded** data indicates York did not meet the Ministry's low-risk threshold.

1. Thresholds are based on the financial accountability oversight framework the Ministry began to implement in April 2023. Prior years' benchmarks differed.
2. Includes Ontario universities with more than 30,000 students: McMaster University, University of Ottawa, University of Toronto, Toronto Metropolitan University, University of Waterloo, Western University and York University.
3. Average of all universities in Ontario.
4. A new measure for 2022/23. Calculated retroactively.
5. Latest available comparator data.

2.4.3 Ministry Financial Health Indicators

Since 2014/15, the Ministry of Colleges and Universities has calculated measures of financial sustainability, referred to as Financial Health Indicators (FHIs), for Ontario's universities. Refer to **Appendix 7** for an explanation of each indicator, including the calculation and corresponding Ministry threshold. **Figure 7** includes the trend in York University's indicator results for the period 2018/19–2022/23 compared to other large Ontario universities. The Ministry recently developed a new financial accountability oversight framework for universities that came into effect in April 2023. The FHIs in the new framework include eight financial accountability ratios to monitor the financial health of Ontario universities and their credit ratings, including five previously calculated ratios and three new ones.

If an institution's ratios/metrics are below the defined threshold, they will fall into one of the Ministry's low-, medium- or high-action plan bands. The low-action band requires only communication; the medium-action band requires an internal recovery plan; and the high-action band requires intervention by an independent advisor and an assisted-recovery plan. The Ministry plans to calculate and apply the new framework to universities in late 2023, based on their 2022/23 FHI results, following which the requirements of the action bands will take effect.

Ministry Financial Health Risk Assessment

From 2017/18 to 2020/21, prior to the new framework, the Ministry assigned a risk category of high, medium or low to each university based on an assessment of the FHIs. There were no established criteria used to assign risk categories, and the Ministry assigned the risk category based on judgment using performance trends. York University was assessed as low risk overall in each of the five years from 2017/18 to 2020/21.

3.0 Audit Objective and Scope

The objective of our audit was to assess whether York University has effective systems, processes and governance practices in place to ensure that:

- academic programs are delivered and resources, including capital, are acquired economically and efficiently to enable long-term financial sustainability;
- relevant legislation, regulations, agreements and policies are in place and adhered to; and
- operational effectiveness is measured, assessed and publicly reported on in compliance with legislation and best practices.

In planning for our work, we identified the audit criteria we would use to address our audit objectives. These criteria were established based on a review of applicable legislation, policies and procedures, internal and external studies, and best practices. Senior management at York University reviewed and agreed with the suitability of our audit objectives and related criteria, as listed in **Appendix 8**.

We conducted our audit from January to September 2023, and obtained written representation from York University on November 21, 2023, and the Ministry of Colleges and Universities on November 20, 2023, that effectively they had provided us with all the information they were aware of that could significantly affect the findings or the conclusion of this report.

We assessed key operations including York's financial position, the sustainability of academic offerings across York's faculties, major capital projects and deferred maintenance, performance measurement, as well as other areas impacting students' daily lives, including campus safety and mechanisms for complaints. We also examined governance structures at York University, including processes for Board decision-making, and Board and committee competencies, to determine whether the university facilitated the delivery of academic programming in a financially sustainable manner. We also assessed whether the university performed comprehensive capital planning and adhered to broader-public-sector procurement policies. We examined the role and effectiveness of the York University Development Corporation in the capital planning process of York, as well as its governance structure and independence.

The audit did not focus on academic-related matters, such as the quality of education provided by the university. We also did not review the oversight activities of the university's Senate. The audit also did not include the Ministry's oversight of universities other than in instances where the Ministry had the opportunity to provide support for any significant failings of York that we identified. Audit work on the Ministry's oversight of universities was part of the scope of our special audit of Laurentian University (2022) and our 2022 value-for-money audit, *Financial Management in Ontario Universities*.

We conducted our work primarily at York University in Toronto. We met with members of the university's senior management team and Board of Governors.

We met with other stakeholders to gain an understanding and perspective on the university's operations, including representatives of the Ontario Association of Physical Plant Administrators, to discuss deferred maintenance in the university sector and at York University, and the Ontario Financing Authority, to discuss potential savings on debt servicing costs that universities could take advantage of, as well as a representative of the York University Faculty Association (YUFA).

We held discussions with the Ministry of Colleges and Universities to obtain clarity on data and information reported to it by York, plans for a long-term tuition fee policy and its financial risk rating of York.

We conducted research of other Canadian universities to determine how York compared in areas including performance measures, credit ratings, debt per student, and governance policies such as whistleblowing.

We engaged an expert to assess York's governance structures and practices.

We conducted our work and reported on the results of our examination in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements issued by the Auditing and Assurance Standards Board of the Chartered

Professional Accountants of Canada. This included obtaining a reasonable level of assurance.

The Office of the Auditor General of Ontario applies Canadian Standards on Quality Management and, as a result, maintains a comprehensive system of quality management that includes documented policies and procedures with respect to compliance with rules of professional conduct, professional standards, and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

4.0 Detailed Audit Observations

4.1 Financial Sustainability and Debt Levels

4.1.1 With Financial Performance Declining, York Has Reached Its Debt Capacity

York University generated a net income consistently over the past five fiscal years, 2018/19– 2022/23. However, during this time, its annual net income continuously decreased by a total of 87% ($143.5 million), from $164.2 million in 2018/19 to $20.8 million in 2022/23 (**Appendix 5**).

York's declining financial performance was primarily the result of increased salary and benefit expenses while revenue stagnated. Revenue stagnated due to relatively consistent enrolment levels (see **Figure 2** in **Section 2.1.2**) and mix of domestic and international students, combined with the domestic tuition freeze imposed by the Ministry of Colleges and Universities since the 2019/20 school year.

York's decline in net income was also reflected in its net income/loss ratio and net operating revenue ratio, which have been steadily decreasing for the past five years (see **Figure 7**).

Declines in these metrics suggest that York should more closely manage its expenses, relative to its revenue base, to ensure that it will continue to generate positive cash flows in the long run and be financially sustainable.

When compared to the average for large universities (those with enrolment greater than 30,000), we found that York underperformed on all Financial Health Indicators (FHIs) in 2021/22 (the most recently available provincial comparison of FHIs of universities). Compared to the average for all universities in Ontario, York underperformed in five of the eight indicators. The university exceeded the provincial average with regard to its primary reserve, its debt ratio and its working capital ratio.

While its financial performance was declining, York accumulated a significant amount of debt through the issuance of unsecured long-term debt (debentures) for capital purposes. Over the five-year period 2018/19–2022/23, York took on $100 million in debt, in addition to the $500 million it had borrowed prior to this period. During the five-year period, York consistently did not meet the Ministry's low-risk thresholds on two indicators related to debt: the debt-to-revenue ratio and interest burden ratio. York met the Ministry's low-risk threshold for the debt ratio until 2020/21, but exceeded it in both 2021/22 and 2022/23 (see **Figure 7**).

Being highly leveraged poses risks for the university, including creating budget constraints and limiting York's ability to invest in or use debt to address necessary areas, such as reducing its increasing deferred maintenance balance on buildings and infrastructure. It also limits the ability of the university to finance future capital projects with the use of debt, such as in the case of a potential medical school being considered in the City of Vaughan, for which York recently put a proposal forward to the provincial government.

At April 30, 2023, York's debt totalled $600 million, which consisted of five unsecured debentures maturing between 2042 and 2060. These debentures are to be paid in full at the time of maturity, rather than gradual payments over the life of the loan. The debt was obtained to complete several renewal and expansion (new build)

projects. See **Figure 8** for information about York's outstanding debentures and other long-term debt.

In its annual review of financial metrics in February 2023, the Finance and Audit Committee of the Board noted that, to be in the Ministry's low-risk (< 35%) threshold for the debt-to-revenue metric, York's revenue would need to increase by approximately $500 million (about 40% more than the revenue generated in 2021/22), or, alternatively, the debt would need to be reduced.

Beginning January 1, 2022, York implemented a long-term debt policy that requires adherence to financial ratios that are reviewed annually by the Finance and Audit Committee of the Board. According to the policy, in order for York to preserve its financial health and creditworthiness, it must maintain certain key financial ratios. As seen in **Figure 9**, in 2022/23 York breached the thresholds of its own policy for both debt per FTE and the debt ratio.

4.1.2 York Had Only a Partial Plan in Place for Repayment of Debt

York established an internally restricted sinking fund in 2004 to repay 50% of the total balance of long-term debt, which is enough to pay down its first two debentures when they become due ($200 million due in 2042 and $100 million due in 2044). As at April 30, 2023, the sinking fund was valued at $93.4 million.

York leadership estimates that if its annual contributions to the sinking fund continue until 2041/42 ($74.8 million in total) and earn the same rate of return as its Endowment Fund has over the last 21 years, it has a 90% probability to meet the obligation to repay the first two debentures totalling $300 million when they come due. To determine if York's debt level would be considered low risk by the Ministry of Colleges and Universities, we calculated that when the current value of the sinking fund is deducted from the value of the debt, the debt ratio would drop slightly to 34.6% compared to 37.2%, as shown in **Figure 7**; however, this would still leave the university at the Ministry's low-risk threshold of 35%.

The Finance and Audit Committee of the Board is to review the value of the sinking fund every two years relative to the projected target and to consider recommendations to increase the sinking fund to ensure funds are sufficient to repay the principal. York is maintaining a sinking fund that currently could repay 16% of the total balance of long-term debt as of April 30, 2023, but, as mentioned above, the sinking fund is projected by York (90% chance) to be 50% of the value of all

Figure 8: York University Debt, as at April 30, 2023

Source of data: York University

	Term (years)	Date of Maturity	Interest Rate (%)	Principal ($ 000)	Interest Expense in 2022/23 ($ 000)
Debentures					
2042	40	March 7, 2042	6.48	200,000	12,960
2044	40	May 4, 2044	5.84	100,000	5,841
2054	40	February 26, 2054	4.46	100,000	4,458
2056	40	May 26, 2056	3.58	100,000	3,579
2060	40	April 1, 2060	3.39	100,000	3,394
Mortgages					
Bethune	50	May 1, 2023	7.25	64	7
Atkinson	50	November 1, 2023	7.63	138	13
Term Loan					
Deposit Note	20	October 31, 2023	4.50	124	11
Total				**600,326**	**30,263**

Figure 9: Ratios Contained in York University's Long-Term Debt Policy

Source of data: York University

Key Financial Ratio	Description	Threshold	April 2022 Results	April 2023 Results
Debt per student FTE ($)	Divides debt by the total number of full-time-equivalent (FTE) students registered at the university and reflects debt capacity relative to university size.	< 12,250	12,149	**12,764**
Viability ratio (%)	Measures the proportion of long-term debt that could be settled using unrestricted assets.	> 80	112.7	114.0
Interest coverage (years)	Measures the number of years that interest payments can be made with currently available earnings.	> 2.5	3.0	3.0
Surplus to revenue (five-year rolling average) (%)	An indicator of the extent to which an entity's revenues contribute to its net assets.	> 2	6.6	6.5
Debt ratio (%)[1]	Measures the extent of an entity's leverage and shows the proportion of an entity's assets financed by debt.	< 35	**48.7**	**49.2**
Debt-to-revenue ratio (%)[1]	Measures an entity's ability to repay debt.	< 50[2]	47.6	45.3
Interest burden ratio (%)[1]	Measures the proportion of total expenses supporting the annual cost of servicing debt.	< 4[2]	2.5	2.3

Note: **Bolded** data indicates York did not meet its threshold.

1. Financial ratio established by York is similar to the Financial Health Indicator established by the Ministry of Colleges and Universities.
2. Threshold established by York is more lenient than the threshold established by the Ministry for its similar Financial Health Indicator.

debentures, or $300 million, by maturity of the first debenture in 2042 (**Figure 8**). No plan has been made about whether the university will maintain the sinking fund following the repayment of the first $300 million in debentures, to cover the value of the additional three debentures due between 2054 and 2060, which also total $300 million. Although we noted at the time of our audit that York had internally restricted reserves totalling $1.4 billion as of April 30, 2023, there was no certainty that these reserves would be available to repay the debentures when they come due. We assessed that about $450 million was uncommitted and could be available for use. The remainder of the internally restricted reserves were attributed to items such as contractual commitments to employee groups, employee pension benefits, land-appraisal valuations and funding for committed capital projects.

RECOMMENDATION 1

To reduce the university's financial risk and to ensure the university's ability to repay its debt at time of maturity, we recommend that York University:

- develop and implement a strategy to be compliant with the Ministry of Colleges and Universities' Financial Health Indicator low-risk thresholds, including for the debt ratio, debt-to-revenue ratio and interest burden ratio; and
- develop a plan to ensure it is able to meet the obligations of all debentures when they come due.

YORK UNIVERSITY RESPONSE

York accepts the recommendation that it develop and implement a strategy to ensure that we are

compliant with the Ministry's Financial Health Indicator low-risk thresholds for individual metrics in addition to the sustainability category overall. York will develop a plan to move all Financial Health Indicator to below low-risk thresholds over time. Through revenue increases, the debt/revenue ratio will move below the 35% low-risk threshold, and through expenditure reductions, the interest burden ratio will move to below the 2% low-risk threshold. The university is actively planning for both revenue growth and expenditure reduction and anticipating that a new tuition framework that unlocks frozen domestic tuition will aid in the former.

York will also develop a plan to ensure it is able to meet the obligations of all debentures when they come due.

4.2 Many of York's Faculties Operate at a Deficit

Like many other universities, York offers a diverse learning environment, and it is understood that not all academic programs will necessarily be financially self-sustaining. There are reasons beyond financial to offer academic courses. However, for a university to maintain operations and continue providing academic services, its academic programs as a whole must be financially sustainable after accounting for Ministry operating grant funding. In the absence of additional external support, such as from investments or private benefactors, the profits from courses that generate higher revenue must compensate for those that run losses. York told us it needed to subsidize some programs and faculties to sustain a range of activities that contributed to fulfilling the university's academic mission, overall reputation, and impact on society and the economy, as well as to meet emerging needs of industries and employers.

Of York's 10 faculties, four sustained themselves financially during the five-year period 2018/19–2022/23. These were the Schulich School of Business, Osgoode Hall Law School, the Faculty of Health, and the Faculty of Liberal Arts and Professional Studies. Four other faculties (Arts, Media, Performance and Design; Glendon College; Environmental and Urban Change; and Education) ran continuous in-year deficits during this period. The Faculty of Science had in-year deficits in four of the five years, and the Lassonde School of Engineering had one in-year deficit during the five years.

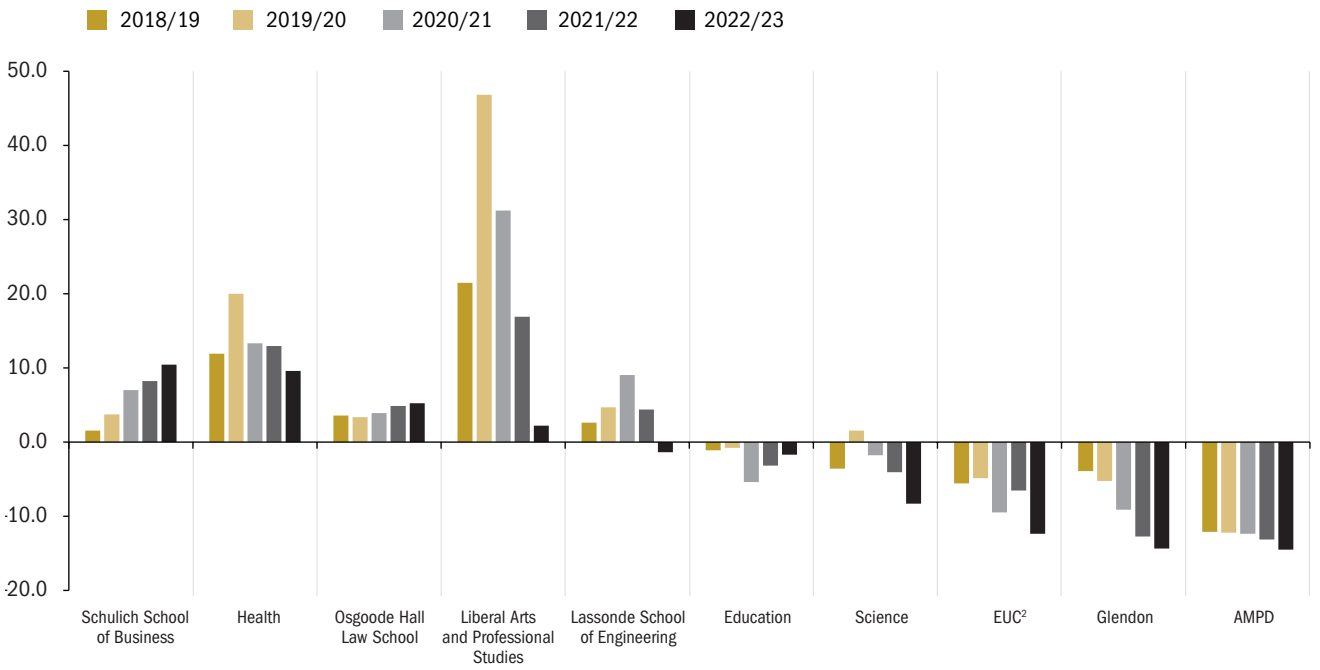
In 2022/23, six of York's 10 faculties had an in-year deficit ranging from a low of $1.4 million at the Lassonde School of Engineering to a high of $14.5 million at the Faculty of Arts, Media, Performance and Design. **Figure 10** shows the five-year trend in financial sustainability for each of York's faculties.

A major contributing factor to the poor financial performance of some faculties was the large number of programs with low demand and low enrolment that continued to be offered. For all of York's faculties combined, in 2022/23, 50 (37%) of their 135 undergraduate programs had 50 or fewer students enrolled, and 31 (23%) programs had 20 or fewer students enrolled. This was not unusual; similar levels of low enrolment occurred in previous years. See **Figure 11** for the number of undergraduate programs offered with low enrolment at each faculty.

The activity-based budgeting/costing model (discussed in **Section 2.2.3**) that began to be implemented as of fiscal year 2017/18 provides York with information about the financial contribution of each of its faculties, as seen in **Figure 10**. It does not track the costing of individual departments or programs within the faculties. As a result, York does not know which departments or programs are running losses and which are profitable or breaking even. We recognize that costing by individual department or by program would pose some key challenges, such as determining how to allocate shared service costs accurately for individual departments and programs. Similarly, determining how to allocate faculty time and compensation to specific programs could be difficult because faculty members often contribute to multiple programs and engage in research and administrative duties in addition to teaching.

Figure 10: Trend in Financial Sustainability[1] by Faculty, 2018/19–2022/23

Source of data: York University



1. Information excludes the contributions/payments faculties made to a common university fund and funding support faculties received. From 2017/18–2021/2022, seven of 10 faculties automatically received support from profits of other faculties to maintain their revenues at previous levels and help ease the transition to activity-based costing (from an incremental costing model). Starting in 2022/23, faculties had to submit proposals for approval by the Provost for operating support. Three faculties received operating support funds: EUC ($6 million), Glendon ($9.4 million) and AMPD ($15 million).
2. This faculty was created in fall 2020 through a merger of the former Faculty of Environmental Studies and the Department of Geography in the Faculty of Liberal Arts and Professional Studies. Revenues and expenses related to the Department of Geography are included in the Faculty of Liberal Arts and Professional Studies in 2018/19 and 2019/20 (i.e., prior to the merger) and in the Faculty of Environmental and Urban Change from 2020/21 to 2022/23 (i.e., after the merger).

Figure 11: Undergraduate Programs with Low Enrolment, by Faculty, 2022/23

Source of data: York University

Faculty	# of Programs in 2023	# of Programs in 2022/23		# of Programs for at Least 3 Years from 2018/19–2022/23	
		with ≤50 students	with ≤20 students	with ≤50 students	with ≤20 students
Liberal Arts and Professional Studies	52	18	14	14	12
Glendon	21	15	6	11	7
Science	18	8	6	8	4
Engineering (Lassonde)	13	1	1	1	1
Arts, Media, Performance and Design	10	2	1	1	1
Health	9	1	1	1	0
Environmental and Urban Change*	8	5	2	3	1
Education	2	0	0	0	0
Law (Osgoode)	1	0	0	0	0
Business (Schulich)	1	0	0	0	0
All Faculties	**135**	**50**	**31**	**39**	**26**

* This faculty was created in fall 2020 through a merger of the former Faculty of Environmental Studies and the Department of Geography in the Faculty of Liberal Arts and Professional Studies. Results for some programs within the new faculty are based on two years of data (2021/22–2022/23). For purposes of this analysis, enrolment in geography programs since 2018/19 has been included in the Faculty of Environmental and Urban Change.

To help inform decisions about program delivery, identify opportunities for increased efficiency and effectiveness in its departments, and improve the financial performance of faculties with continued in-year deficits, it would be prudent for York to know which departments or programs were running losses and which were profitable or breaking even. At the time of our audit, the Faculty of Liberal Arts and Professional Studies was developing a methodology to track the financial contribution of each of its departments.

Between 2016 and 2023, in response to declining enrolment and in an effort to offer programs that provided a better financial contribution, York discontinued 22 undergraduate programs. Despite these efforts, our review found that the university continued to deliver many programs with low enrolment.

As seen in **Figure 12**, enrolment decreased by at least 10% in 58 (43%) of York's 135 undergraduate programs, from 2018/19 to 2022/23. The decreases did not have a negative impact on enrolment for the university overall; in fact, overall there was a net increase of 349 students.

Below we examine in more detail the reasons behind the consistently poor financial performance by the faculties of Glendon College; Arts, Media, Performance and Design; and Environmental and Urban Change.

4.2.1 Declining Enrolment and Proportionately High Salary Expenses Were Creating Financial Pressure on Glendon College

Glendon College (Glendon) has its own campus, located about 20 kilometres from the university's main Keele campus. This faculty's focus is bilingual liberal arts education. Although Glendon's financial challenges date back to at least 2012, beyond the scope of this audit, we found that Glendon's key challenges for financial sustainability were declining enrolment, set against the high cost of staffing relative to the number of students. Glendon had the highest faculty and

Figure 12: Current Undergraduate Programs Where Enrolment Decreased from 2018/19 to 2022/23

Source of data: York University

	# of Programs		
Faculty	Total (2022/23)	With Decreased Enrolment	Enrolment Decreased ≥ 10% (FTE)
Liberal Arts and Professional Studies	52	34	24
Liberal Arts	44	32	23
Professional Studies	8	2	1
Glendon	21	18	17
Science	18	8	7
Engineering (Lassonde)	13	1	1
Arts, Media, Performance and Design	10	7	4
Health	9	6	3
Environmental and Urban Change*	8	2	2
Education	2	0	0
Business (Schulich)	1	0	0
Law (Osgoode)	1	0	0
Total	**135**	**76**	**58**

* This faculty was created in fall 2020 through a merger of the former Faculty of Environmental Studies and the Department of Geography in the Faculty of Liberal Arts and Professional Studies. For purposes of this analysis, enrolment in geography programs since 2018/19 has been included in the Faculty of Environmental and Urban Change.

support staff salaries and benefits as a proportion of total costs of all faculties in 2022/23 at 59%, which is 14% higher than for all faculties combined (45%).

From 2018/19 to 2022/23, full-time equivalent (FTE) enrolment at Glendon declined by 32% (650 students), from 2,046 students to 1,396. As seen in **Figure 12**, 17 (81%) of Glendon's 21 undergraduate programs had enrolments go down at least 10% in the last five years, and in seven (33%) programs, student enrolment decreased by at least 50 students over the same time period. The enrolment decline resulted in an $8.9 million (23%) decrease in revenue from tuition and government grants. Yet salaries, the faculty's largest expense, increased 2% over those five years.

We found that in 2022/23, Glendon had the second-lowest student-to-faculty ratio in the university (16.1 students for each tenure-stream professor, compared to the university average of 31.6). In turn, Glendon had the second-highest salaries-cost-per-student, $23,588, which was almost twice as much as the average cost for the university, $11,818. While a lower student-to-faculty ratio enhances the student's experience, it has added to the financial pressure Glendon is experiencing.

York's leadership attributed Glendon's declining enrolment to factors such as external competition stemming from Ontario's four publicly funded French-language institutions (two universities and two colleges) and eight French-language and bilingual institutions offering university programs (including York), as well as internal competition from the Faculty of Liberal Arts and Professional Studies at York's Keele campus, which offers similar programs and courses as Glendon, though these programs are not bilingual.

In 2021, York hired a third-party consultant (Nous Group) to help find solutions to improve the faculty's financial position. In their report, Nous Group noted that humanities enrolments have been trending downwards for the past 10 years, and while social science enrolment remains strong, it has also slowed (and even slightly declined in Ontario). Students have moved away from liberal arts over time toward STEM (science, technology, engineering and mathematics) and business fields of study.

In March 2023, Glendon developed a proposal for internal consultation and discussion to restructure its academic departments from 14 to four. Also, as of May 2023, the faculty had started the process of harmonizing degrees and streamlining program course requirements, with eight programs suspending admissions starting in fall 2023 and fall 2024. Glendon has proposed to implement its restructuring plan starting in September 2024, subject to all applicable approvals from the Board and Senate, in addition to collective agreement provisions being satisfied. According to Glendon's most recent budget, the faculty is projecting in-year deficits for the next three years, 2023/24–2025/26, ranging from $4.4 million (2025/26) to $7.3 million (2024/25). These amounts did not fully include the impacts from restructuring.

See **Appendix 9** for trends in key financial, enrolment and faculty information at Glendon College from 2018/19 to 2022/23.

4.2.2 High Costs of Performance and Studio Space and Declining Enrolment Contributed to the Weak Financial Position of the Faculty of Arts, Media, Performance and Design

York University's School of the Arts, Media, Performance and Design (AMPD) offers undergraduate and graduate degree programs in media arts, visual arts, music, dance, theatre, design, film and video, among other programs. Since at least 2018/19, the faculty's financial performance has continuously declined as in-year deficits grew by 20% ($2.4 million), from $12.1 million in 2018/19 to $14.5 million in 2022/23.

During this period, enrolment (FTE) at AMPD declined by 9% (261 students) from 2,798 students to 2,537. As seen in **Figure 12**, four (40%) of AMPD's 10 undergraduate programs experienced a decline in enrolment of at least 10% over the last five years. This contributed to tuition and grant revenue decreasing by 5% ($2.2 million), without a corresponding decrease in expenses. In fact, salaries increased by 6% ($2 million) over the five years ending 2022/23.

York's management attributed the faculty's deficits in part to the unique need for performance and studio space, specialized equipment, technicians and small class sizes required to learn the subject matter. We found that in 2022/23, the salaries cost per student at AMPD was 18% higher ($2,069 per student higher) than the average cost for the university, and AMPD's student-to-tenure-stream-professor ratio (28.6 students per faculty) was slightly below the university's overall ratio of 31.6. More significantly, AMPD had the university's highest allocated space costs per student ($3,682 per student), more than twice as high as the university average ($1,760 per student).

A 2023 space utilization audit report prepared by an external consultant noted that the teaching of AMPD's curriculum requires intensive space for specialized instruction, which also houses industry-standard technologies (for example, film sound stages; performance theatres with digital theatrical lighting grids, digital audio systems and an orchestra pit; recording studios; dance, music, painting and drawing studios; a foundry, carpentry and wardrobe shops; photography and print media labs; in addition to research labs for sound immersion and mixed/hybrid reality technologies).

The faculty was using the findings from the 2023 space utilization audit to develop a plan for improved use of space, and it also hired a consultant to develop an international recruitment strategy. AMPD had yet to conduct a comprehensive review of its financial performance or develop a comprehensive strategy to improve it.

See **Appendix 9** for the trends in key financial, enrolment and faculty information at AMPD from 2018/19 to 2022/23.

4.2.3 Environmental and Urban Change's Declining Financial Performance Attributed to Low and Stagnant Enrolment, Coupled with High Program Costs

York University's Faculty of Environmental and Urban Change (EUC) offers undergraduate and graduate degree programs in environmental studies, environmental science, sustainable environmental management and geography, among other programs. EUC was established in 2020 through a merger of the former Faculty of Environmental Studies and the Department of Geography in the Faculty of Liberal Arts and Professional Studies. This restructuring involved moving the Department of Geography out of the Faculty of Liberal Arts and Professional Studies, and the creation of new programs. The faculty's enrolment has decreased by 20% (164 FTE students) since it was established in fall 2020.

The Faculty of Environmental and Urban Change's in-year deficit grew by $6.8 million, from $5.6 million in 2018/19 to $12.4 million in 2022/23. Low enrolment and the lack of enrolment growth, coupled with high costs to run programs (most notably salaries and allocated shared service costs), combined to cause EUC's negative and declining financial performance.

From 2018/19 to 2022/23, enrolment (FTE) at EUC and the former Faculty of Environmental Studies declined by 2% (12 students), resulting in a commensurate decrease in revenue from tuition and government grants of 1% ($100,000). However, there was no corresponding decrease in expenses. In fact, salaries—the largest expense—increased by 52% ($5.1 million) over those five years. This increase occurred in 2020/21, the year the merger between the former Faculty of Environmental Studies and the Department of Geography in the Faculty of Liberal Arts and Professional Studies took place, when the salaries from the Department of Geography shifted from the Faculty of Liberal Arts and Professional Studies to the new faculty. The proposal for the creation of the faculty through the merger noted that full-time faculty would remain constant and part-time faculty would increase slightly, by 2% annually.

We found that in 2022/23, EUC had the lowest student-to-faculty ratio of any York faculty (14.6 students for each tenure-stream professor, compared to the university-wide average of 31.6). Correspondingly, EUC had the third-highest salaries cost per student of $22,951 per student, which was almost twice as much as the $11,818 per student university average.

Furthermore, we found that in 2022/23, EUC had the second-highest allocated space costs per student ($3,485), almost twice as high as the $1,760 per student norm. See **Appendix 9** for the trends in key financial, enrolment and faculty information at EUC for 2018/19–2022/23.

The faculty has yet to conduct a full financial review and develop a comprehensive plan to improve its financial performance. York stated that a full review of the faculty would be undertaken if needed.

RECOMMENDATION 2

To strive for better financial sustainability across all faculties, combined as well as individually, we recommend that York University:

- complete an analysis of profitability at the academic program and department level;
- regularly analyze and monitor department and program enrolment and profitability trends within all faculties; and
- for programs that are not profitable, develop strategies for improvements in program design, course planning and resource allocation or assess whether to stop program intake and phase out the program.

YORK UNIVERSITY RESPONSE

York's management agrees that understanding the financial health and impact of individual programs and academic units is necessary to plan for the institution's overall financial sustainability, and will complete an analysis of financial sustainability at the academic program and department level. The funding available for individual programs does not always reflect their costs of delivery, or the scale of activity that is possible in specialized areas of knowledge and practice. As such, a degree of internal redistribution of revenues is necessary in order to provide sufficient breadth, diversity and quality of learning opportunities to serve the knowledge needs of students and of the province.

The university has undertaken deeper analyses of revenue and cost profiles in select faculties and units, generally in response to enrolment and/or budget challenges in specific areas. These initiatives will be expanded to apply more proactively across all faculties based on common indicators of program health and embedded in the university's Strategic Enrolment Management and York University Quality Assurance Procedures frameworks.

Where a program or unit cannot realistically cover all of its operating costs independently, the university will determine whether and how the program should be maintained for academic quality and reputation reasons, with a plan to cross-subsidize it from other revenue sources.

4.3 Enrolment Trends and Reliance on International Students

4.3.1 Increasing Reliance on Tuition Revenue from International Students Poses Significant Financial Risk to the University

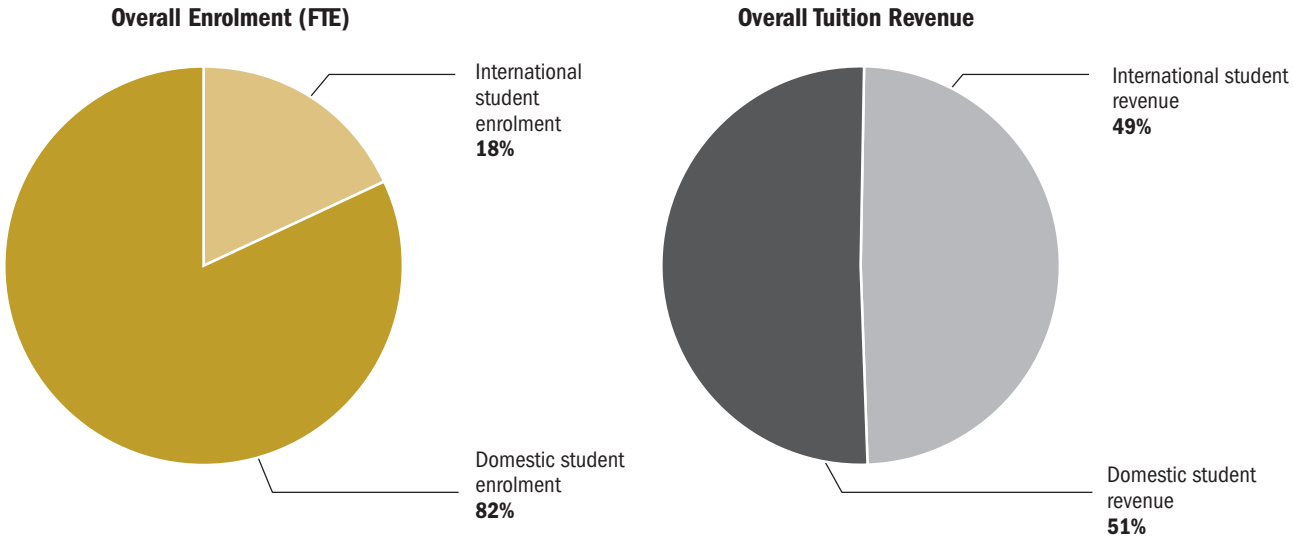
International students play an important role in Ontario universities. They increase the social and cultural diversity of campus life and programs, contribute to the local economy, and may potentially end up working in Ontario or obtaining permanent residency after graduation.

In 2022/23, international students represented 18% of the student population at York, which is comparable to Ontario's other large universities. According to data provided by the Ministry of Colleges and Universities, in 2021/22, the six Ontario universities with FTE student enrolment over 40,000 had the following percentages of international students:

1. University of Toronto (29%)
2. University of Waterloo (23%)
3. University of Ottawa (22%)
4. York University (20%)
5. Western University (15%)
6. Toronto Metropolitan University (10%)

Figure 13: Proportion of Domestic and International Student Enrolment and Tuition Revenues (FTE) in 2022/23

Source of data: Ministry of Colleges and Universities and York University



The recruitment of international students has helped York grow and offset the cost of operations. According to an analysis performed by York, the university missed out on $333.6 million in potential tuition revenue because of the Ontario government's 2019 decision to reduce domestic tuition fees by 10% then freeze them at that rate until at least 2023/24. York's analysis of potential revenue built in a 3% annual tuition increase from 2019/20 to 2023/24.

Over the past five years, York's reliance on international student tuition revenue has increased, partly in response to the Ministry of Colleges and Universities' tuition reduction and freeze. As a portion of total FTE enrolment, international students went from 16% in 2018/19 to 18% in 2022/23; revenue from international tuition as a portion of total tuition revenue increased from 38% ($209.3 million) in 2018/19 to 49% ($293.4 million) in 2022/23. **Figure 13** shows the proportion of tuition revenues and enrolment (FTE) from international and domestic students.

To provide stability both for the Ministry of Colleges and Universities and for universities in terms of the amount of operating funding provided, Ministry funding is based on an agreed-upon enrolment target for domestic students. The target is specified in an enrolment contract between the Ministry and the university. York receives its agreed-upon funding so long as the five-year rolling average of its domestic enrolment remains within 3% of the target. If York's average domestic enrolment is more than 3% over its enrolment target, no additional funding is given for those additional students. If the average enrolment is more than 3% below the target, the Ministry recovers grant funding by an amount equivalent to the average enrolment below the 3% threshold. For the sake of its financial sustainability, therefore, it is important for York to meet its targets for domestic and international student enrolment.

The university targets an international enrolment of 20%, and in 2022/23, it was just under this target at 18% (19% in 2021/22). At the faculty level, we found the proportion varied widely, with international students making up a low of 1% in the Faculty of Education to a high of 27% in the Faculty of Engineering for 2022/23.

In five faculties—Liberal Arts and Professional Studies; Science; Engineering (Lassonde); Business (Schulich); and Arts, Media, Performance and Design—over half of tuition revenue came from international students. The university's largest faculty, Liberal Arts and Professional Studies, relied most heavily on international student tuition revenue. In 2022/23, 61% of tuition revenue at that faculty came from international students.

Significant reliance on international students for revenue is a key risk to York if international student enrolment were to suddenly decline, especially where international enrolment is dependent on few regions (discussed in **Section 4.3.2**). For example, in the event that students from certain key regions are not permitted to study in Canada, there could be a significant negative impact on the financial situation of the university.

4.3.2 York University Was Overreliant on Few Geographic Regions for International Students

As seen in **Figure 14**, in 2022/23, students from China and India made up 57% of York's international student enrolment. In each of the five years from 2018/19 to 2022/23, China was the source country for the largest proportion of international students. Yet, enrolment by Chinese students has dropped 20% from 2018/19 levels. On the other hand, enrolment of students from India has doubled at York from 2018/19 levels. As noted in our 2021 audit, *Public Colleges Oversight*, the increase in the percentage of international students from India was due to several factors, including that:

- the English language is widely used in India, and many students have sufficient English fluency to be accepted into and complete an Ontario program;
- India has the world's second-largest population, with about 60% under the age of 30;
- India's middle class is among the fastest growing in the world; and
- entry into India's labour market is increasingly difficult for a growing number of graduates.

Overreliance 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. This was seen in 2018 at Ontario Tech University in Oshawa, Ontario, after relations between Canada and Saudi Arabia deteriorated, leading the Saudi government to recall its scholarship-funded students from Canada. That led to an estimated $3 million loss in anticipated tuition fee revenue for Ontario Tech University.

More recently, at the time of our audit, relations with India were frayed due to political tensions and, as a result, Canadian diplomats were required to return to Canada from India and visa services had been suspended, meaning Canadian nationals could not apply for tourist, student or employment visas or get them processed for entry. Although Canada continued to process visas, including student visas for Indians coming to Canada, there was a risk reciprocal action could be taken. If international students were made to return to India or if visa services for international students from

Figure 14: Top Five Countries of Origin of International Students, 2018/19–2022/23

Source of data: York University

	2018/19		2019/20		2020/21		2021/22		2022/23		Change
Country	#	%	#	%	#	%	#	%	#	%	(%)
China	4,537	54.1	4,988	52.0	5,144	51.3	4,652	47.2	3,618	41.0	(20)
India	724	8.7	1,012	10.6	1,116	11.1	1,324	13.5	1,444	16.3	99
Iran	204	2.4	337	3.5	442	4.4	530	5.4	600	6.8	194
Nigeria	437	5.2	487	5.1	517	5.2	456	4.6	414	4.7	(5)
Bangladesh	220	2.6	283	2.9	310	3.1	347	3.5	349	3.9	59
Other[1]	2,264	27.0	2,486	25.9	2,498	24.9	2,541	25.8	2,407	27.3	6
Total	**8,386**	**100.0**	**9,593**	**100.0**	**10,027**	**100.0**	**9,850**	**100.0**	**8,832**	**100.0**	**5**

1. Includes students from 150–157 different countries each year.

India were to be suspended by Canada, it would have a significant impact on York University. We calculated that, based on the current number of international students from India enrolled at York and the average annual international tuition fee, York would forego approximately $46.5 million, or almost 8% of total annual tuition revenue if all of the Indian students currently enrolled at York were made to return to India.

In York's enterprise risk management report to the Board in May 2022, university leadership acknowledged the risks related to significant reliance on a high concentration of international enrolment from few global markets, in a small group of programs. One of the immediate steps taken by the university was the approval of a revised international recruitment structure enabling new supports in countries such as Vietnam and several African countries to help offset the losses from the decline of students from China. To this end, another of the targets from York's enrolment management plan (2023–2028) was to reduce the share of international students from China from 50% to 33% by 2028. There has been a continuous decrease in the share of students from China over the last two years, but York has not yet reached the target it set. Although not aligned with the growth in enrolment or revenue, York also has a stated goal in its enrolment management plan to increase the proportion of international enrolment of any three countries outside India and China from between 7% to 10% of total international enrolment in each country. In an attempt to recruit from countries other than China, York has contracted with two agencies to provide recruiting:

- Effective March 1, 2022, York contracted with an agency to provide student recruitment services to attract students from any country outside Canada (excluding China), through its 120 student placement offices in over 30 locations around the world. The payment for services is commission based. Since the contract began, 20 students have been recruited and enrolled for an average cost of $4,901 per student paid to the agency.
- In September 2022, York entered into a contract to provide services starting July 2023 with another agency to provide in-country representation in Vietnam, Nigeria and French Sub-Saharan Africa, as well as recruitment services in Latin America and the Middle East, and digital marketing services in southeast Asia. York pays monthly fees to the agency based on the type of service offered, ranging from $2,500 US to $7,336 US.

The government of Canada's International Education Strategy 2019–2024 aims to draw students from around the world to universities across Canada. The strategy, which aims to diversify the education sector, boost Canada's innovation capacity and promote global ties, prioritizes targeting students from countries including Brazil, Colombia, France, Indonesia, Mexico, Morocco, the Philippines, Thailand, Turkey, Ukraine and Vietnam, many of which align with where York is targeting its representation.

RECOMMENDATION 3

To reduce the risk to the financial sustainability of the university as a whole, in the event that international enrolment from one nation or region were to suddenly decline, we recommend that York University:

- develop faculty-level targets for an optimal level of international student enrolment;
- develop a contingency plan for faculties found to be overly dependent on international student tuition revenue; and
- regularly monitor whether recruitment strategies are resulting in the admission of international students from diverse countries.

YORK UNIVERSITY RESPONSE

The university agrees with the recommendation which is partially aligned with York's new Internationalization and Global Engagement Strategy 2022–2027. We will dedicate the necessary resources to fully implement our strategy to enhance

international student recruitment, experience, and success; to monitor the success of the strategy in attracting an increasingly diversified population of international students; and to adjust and refine the strategy based on results.

The university will also compile data on the proportion of international students in each faculty, relative to the university average, and the mix of source countries from which they draw international students, to assist in identifying risks and developing contingency plans in faculties that are more dependent on international students, or that have a high concentration of students from one country or region. The data will be incorporated in our enrolment updates for the university Senate and Board.

4.4 Major Capital Projects and Deferred Maintenance

4.4.1 York Did Not Prepare Full Business Cases for Major Capital Projects, Including Fully Assessing Their Financial Viability

When deciding to invest significant funds in major capital projects, a comprehensive business case should be developed, including an assessment of need, an analysis of options, risk assessments and a cost estimate. Financial profitability analyses should also be included, to estimate the expected profit to be generated from the investments over the long-term, whether they are reasonable in comparison with the cost of borrowing needed to pursue them, and the length of time required to recoup the funds expended in the investment. The purpose of doing so is to determine whether a project warrants the financial investment given its feasibility and potential benefits. While a formal business case may not be practical or needed for every capital project, we would expect such an analysis be completed for major projects with expected costs of tens of millions of dollars. See **Appendix 10** for a list of York's major capital projects between 2017/18 and 2022/23, including their sources of financing.

We examined seven major capital projects with costs ranging from $11 million to $261 million that York University undertook in the past six fiscal years, to determine whether the university had completed a comprehensive business case before moving forward with the projects. We found that, for all projects, York had developed a rationale of the need for the project and an estimate of project costs. However, other important considerations—such as an analysis of alternative building designs, risk assessment with associated mitigating strategies, or a financial viability assessment—were not completed. In three of seven projects we reviewed, some components of a financial analysis were conducted, but in the remaining four projects, with total costs of $206.2 million, no financial analysis or evaluation was undertaken. Our summary of this assessment is seen in **Figure 15**.

For example, in one capital project (Sherman Health Science Research Centre Building Expansion, including construction of a neuroscience facility), originally expected to cost $43.5 million, the rationale for the project was provided to the Board. Firstly, as a condition of federal operating grant funding (through the Canada First Excellence Research Fund) that the university received in 2016, York committed to building an extension to its existing Sherman Health Science Research Centre; and secondly, more office and clinical space was needed for a growing staff and faculty complement that was dispersed across multiple buildings, reducing their ability to function as an interdisciplinary team and work collaboratively. As of May 2023, the expected costs for this project increased 25% ($11 million) to $54.5 million. University management attributed the increase to commodity cost inflation and rising construction costs. Despite the project's magnitude, no financial profitability forecast was done to consider whether the investment was expected to generate sufficient revenues, such as research revenue or tuition revenue from increased student enrolment, to cover the expected additional costs. No other type of financial viability analysis was completed. The analysis also did not consider how the use of debt, which funded 51% of the project, would impact the university's financial position.

Figure 15: Sample of Major Capital Projects at York University

Prepared by the Office of the Auditor General of Ontario

Key Components of a Comprehensive Business Case	Schulich School of Business Building Expansion	Science Building Renewal	Lions Stadium Conversion	School of Continuing Studies Building	Sherman Health Science Research Centre Building Expansion	Markham Campus	Vari Hall Addition
Rationale/needs assessment	✓	✓	✓	✓	✓	✓	✓
Analysis of alternative building designs				✓			
Risk assessment and mitigating strategies						✓	
Cost estimate	✓	✓	✓	✓	✓	✓	✓
Project timeline and implementation plan					✓	✓	
Evaluation and monitoring plan							
Financial profitability forecast			✓	✓		✓	
Net present value analysis							
Internal rate of return							
Return on investment							
Payback period			✓	✓			
Total Costs ($ million)	**50.1**	**50.6**	**11.1**	**70.4**	**54.5[1]**	**260.5[1]**	**51.0**
Year Project Completed	**2018**	**2019**	**2022**	**2023**	**Q4 2024/ Q3 2025[2]**	**2024[2]**	**n/a[3]**

1. Estimated total project costs.
2. Estimated completion date.
3. At the completion of audit fieldwork, university management notified us that it would not be proceeding with the project.

The new campus that was being constructed in the City of Markham during our audit also lacked a fulsome cost analysis. The university had conducted a financial profitability forecast for the project; however, the analysis did not consider how long it would take to recover the initial capital cost of $260.5 million to construct the building. Instead, the university only factored in projected annual revenues and costs to operate the campus, such as faculty, administrative and interest costs, but not the initial capital cost.

Based on York's financial profitability projections, we calculated York would recuperate the cost of its initial capital investment in 2038/39 (year 15), as opposed to York's projection of recovering its costs in 2032/33 (year nine). When investing in expensive large-scale projects, alternative scenarios to assess the project's financial performance over time should be considered. Additionally, key metrics, such as the time to recover the investment, should be calculated and compared to internal targets to better evaluate the project's viability.

Tools that could be used by York to evaluate the financial viability of future projects include the following:

- Net present value—the present value of future cash flows compared with the initial investment.
- Internal rate of return—the expected compound annual rate of return that will be earned on a project or investment. Generally speaking, the higher an internal rate of return, the more desirable an investment is to undertake.
- Return on investment—the amount of return on a particular investment, relative to the investment's cost, calculated as the ratio of the investment's net profit (or loss) over its initial cost or outlay.
- Payback period—the amount of time it takes to recover the cost of an investment.

RECOMMENDATION 4

To guide decisions on whether or not to proceed with major capital projects, we recommend that, for all future projects, York University:

- prepare a comprehensive business case for each major capital project to help management and the Board of Governors make fully informed decisions on whether or not to proceed with major capital projects; and
- include all key information and indicators in the business case, including the internal rate of return, return on investment and payback period, to assess the financial viability of major capital projects.

YORK UNIVERSITY RESPONSE

The university agrees with the recommendation. York has been moving to the development of more comprehensive business cases for all capital projects as part of the Capital Plan process, as is evident in the decision to pause the Vari Hall project, which is included in the auditor's capital projects review. We will assess our processes in light of the specific actions included in **Recommendation 4**.

4.4.2 Capital Projects We Reviewed Exceeded Their Originally Approved Budget Amounts

We examined the budgets of seven major capital projects (noted in **Section 4.4.1**) and found that six of them had experienced significant budget increases beyond their originally approved amounts. As seen in **Figure 16**, the increases ranged from a low of 10% ($4.9 million) to a high of 63% ($19.7 million). For the six projects combined, there had been a $95.8 million increase over the original budget at the time of our audit.

We reviewed project memos provided to the Board or Land and Property Committee to determine management's reasons for increasing project budgets. We found that 44% ($41.7 million) of the budget increases were attributed to inflationary escalation in construction costs (materials and labour) that occurred across the construction sector during the COVID-19 pandemic, and that have continued since then. The other 56% ($54.1 million) of budget increases were for various reasons, including adjustments to the original scope of the project and increased duration and complexity of projects. For example, the School of Continuing Studies project scope increased by 21%, from $50.5 million to $61.2 million, with the addition of a new floor on the building that included additional classrooms in response to a projected increase in the number of international students. In the case of the Science Building Renewal project, increases were mainly caused by the budget initially being based on high-level cost estimates that were not entirely accurate, temporary labs and new permanent facilities that were required but not budgeted for, and because the complexity of the required demolition was underestimated in the initial budget.

We also found that, although contingencies were included in approved budgets for projects identified in **Figure 16** to allow for costs associated with unforeseen events (such as design unknowns), risks (such as changes in construction costs due to market fluctuations from the time the cost estimate was prepared to when the project was tendered, or additional costs incurred during the construction phase) and changes in project scope, the contingency funds were not enough to absorb the additional project costs.

Figure 16: Comparison of Budgeted to Actual Costs for Major Capital Projects with Budget Increases ($ million)

Source of data: York University

Project	Date Project Initially Approved	Original Approved Budget	Approved Budget Increase	Most Recent Approved Budget	% Increase	Actual Project Costs
Science Building Renewal	Jun 2016	48.0	4.9	52.9	10	50.6
School of Continuing Studies Building	Feb 2018	50.5	22.2	72.7	44	70.4
Lions Stadium Conversion	Feb 2018	8.2	3.0	11.2	37	11.1
Sherman Health Science Research Centre Building Expansion	Feb 2019	43.5	11.0	54.5	25	n/a[1]
Markham Campus	Oct 2019	225.5	35.0	260.5	16	n/a[1]
Vari Hall Addition[2]	May 2021	31.3	19.7	51.0	63	n/a
Total Approved Budget		**407.0**	**95.8**	**502.8**	**24**	

1. Project was not completed at the time of our audit.
2. At the completion of audit fieldwork, university management notified us that it would not be proceeding with the project. As a result, management did not seek Board approval for the budget increase.

RECOMMENDATION 5

To improve financial planning for major capital projects, enhance the accuracy of budgets and prevent future cost/budget escalations on major capital projects, we recommend that York University:

- conduct a thorough analysis, including a risk assessment, during the project planning phase, in establishing a comprehensive budget that considers all potential costs, including appropriate contingencies and scoping requirements;
- regularly compare budgeted amounts against actual costs/expenditures to identify variances/discrepancies early to enable necessary corrective action; and
- review previous projects to understand factors and root causes contributing to budget increases, and incorporate lessons learned on future projects.

YORK UNIVERSITY RESPONSE

York accepts the recommendation and its component parts. In planning for future capital projects, York intends to ensure that the analysis conducted has considered risks associated with the project and associated contingency amounts for inclusion in the budget.

York currently compares budgeted amounts for capital projects to actual costs and reports regularly to both the Land and Property Committee and the Finance and Audit Committee of the Board, seeking budget adjustment when and if needed. York will regularly review project contingency assumptions and include an analysis and assessment of the sufficiency of budgets and contingencies when seeking approval for a new project through these two Board committees.

A recent report (April 2023) to the committees describing the economic environment for capital projects is evidence that factors contributing to the budget increases are investigated, with the intent of incorporating lessons learned into the planning for future capital projects.

4.4.3 York's Deferred Maintenance Backlog Has Left Many Buildings and Systems in Poor Condition

Deferred maintenance refers to repairs to infrastructure and assets that are postponed and backlogged. The industry norm is for institutions to spend 1.5%–2.5% of the current replacement value of assets on deferred maintenance each year. To achieve this standard, York would need to spend $56–$93 million every year. We

found that York has spent substantially less: an average of only $19 million on deferred maintenance each year for the period 2018/19–2022/23.

Between the 2019 and 2023 calendar years, York's deferred maintenance backlog more than doubled, from $459 million to $1.04 billion. In comparison, its spending to reduce the backlog increased only 36%, from $16 million in 2019 to $22 million in 2023.

Despite the growing maintenance backlog, we found that York made the decision to direct substantially more resources to either pursue or construct new buildings and on expansion and renovation projects. Specifically, over the past five fiscal years (2018/19–2022/23), York committed $745.3 million on new buildings and major capital expansion compared to $94.7 million spent on deferred maintenance activities (of which 28% was from the Province's Facilities Renewal Program).

In September 2022, the Land and Property Committee of the Board of Governors developed a five-year plan (2022/23–2026/27) to manage the backlog; however, it only made approximately $22 million available per year for the forecasted plan. This plan was discussed with the Board of Governors in October 2022, and no further changes were made to the initial plan. In the same meeting, capital projects related to all three campuses were also discussed.

The Facilities Condition Index (FCI) is the industry-standard measurement for determining the condition of facilities. It is calculated by dividing the total cost of existing needed repairs and maintenance on assets by the current replacement value of those assets. FCI is categorized on a standard scale for the university sector, ranging from good to critical:

- Good (0%–10%)—Facilities will look clean and functional. Limited and manageable component and equipment failure may occur.
- Fair (11%–20%)—Facilities are beginning to show signs of wear. More frequent component and equipment failure will occur.
- Poor (21%–30%)—Facilities will look worn with apparent and increasing deterioration. Frequent component and equipment failure may occur.
- Critical (above 30%)—Facilities will look worn with obvious deterioration and equipment failure occurring frequently. Health and safety issues could be present.

We reviewed facilities condition information collected by the university and found that, as of January 2023, the FCI rating for the university as a whole increased from 19% (fair) in 2019 to 36% (critical) in 2023. When reviewing the conditions by campus, we saw that both campuses had worsened over time but that the Glendon campus was in slightly poorer condition. The FCI for Keele campus has increased from 18% to 36% and the FCI for the Glendon campus has increased from 34% to 40%, over the last five years.

Some buildings are in much worse shape than others. As of May 2023, the FCI for individual buildings ranged from 0% to 125%, and seven academic buildings were in either a poor or critical state. See **Figure 17** for York's deferred maintenance balance and FCI by campus as of January 1, 2023.

Figure 17: Deferred Maintenance Balance and Facility Condition Index (FCI) by Campus, January 1, 2023

Source of data: York University

	Keele Campus		Glendon Campus		
	Total Deferred Maintenance ($)	FCI (%)*	Total Deferred Maintenance ($)	FCI (%)*	Total ($)
Total deferred maintenance	957,747,222	36	82,200,879	40	1,039,948,101
Student enrolment 2022/23 (FTE)	45,636		1,395		47,031
Deferred maintenance per student ($)	**20,987**		**58,925**		**22,112**

* An FCI above 30% is considered to be in critical condition.

We found that York conducted little preventative/scheduled maintenance of its assets, but rather completed most repairs after an asset failed or malfunctioned (such as emergency repairs). Our review of work orders for maintenance expenditures found that, during the five-year period January 1, 2019 to January 1, 2023, 88% of work orders ($59 million) were reactive in nature and only $7 million in work orders were for preventative maintenance.

RECOMMENDATION 6

To maintain assets in good condition, reduce emergency repair costs, and avoid further deterioration of its buildings and the risk of serious health and safety issues, we recommend that York University:

- develop and implement a formal strategy to reduce its deferred maintenance backlog, including prioritizing capital resources toward deferred maintenance instead of new builds and expansion; and
- prioritize preventative maintenance.

YORK UNIVERSITY RESPONSE

York agrees with this recommendation and is planning to begin: i) reviewing our total deferred maintenance estimates; ii) developing a roster of priority deferred maintenance projects based on industry standards, including bathrooms, classrooms, housing (residences) and university buildings; and iii) including deferred maintenance among many competing priorities for an increase in spending from the university fund to strengthen our ability to address the backlog. We are aware that further funds are needed for deferred maintenance and will balance spending on deferred maintenance and capital projects to be able to effectively respond to new program needs that reflect shifts in the labour market as well as research and innovation. As part of our overall long-term asset management strategy, the administration's approach will be multi-faceted and balanced to include a long-term deferred maintenance plan with specific metrics, including FCI and the target ratio between spending on preventative maintenance versus deferred maintenance; and our capital plan to support the future directions of the university, incorporating the elements in **Recommendations 4** and **5**. In addition, we will report annually to the Board on the long-term deferred maintenance plan including actual results against metrics.

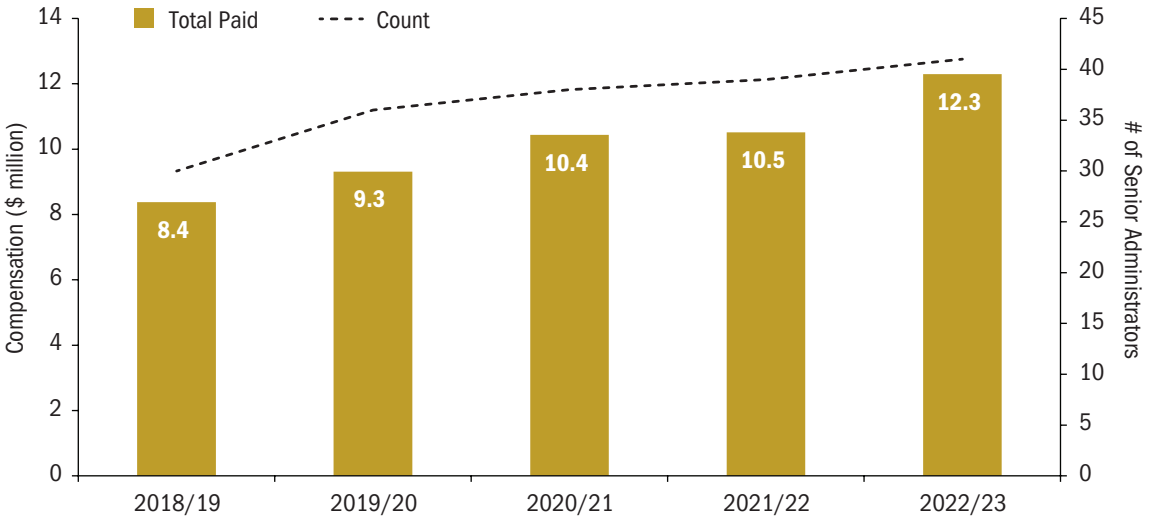
4.5 Increase in Size of Senior Administration Outpaced York's Enrolment and Tuition Revenue

York's senior administration includes the positions of President, Vice-Presidents (including the Provost), Vice/Deputy Provosts, Associate/Assistant Vice-Presidents, Chief of Staff, Registrar, University Secretary, General Counsel and the University Librarian. While a university with sustained growth in revenue and/or enrolment may choose to increase its senior administration to better manage that growth, this was not the case at York. Between 2018/19 and 2022/23 the university experienced stable levels in enrolment (FTE) with only a 0.3% increase, yielding a 1.2% increase in tuition revenue (including government grants) and a 3% increase in total revenue. However, as shown in **Figure 18**, over the same time period, the size of the senior administration team and its compensation (salary, benefits, bonuses and stipends) increased by 37% and 47%, respectively.

Over the five-year period, primarily due to the additional positions, there was a 73% increase in the salaries paid to Associate/Assistant Vice-Presidents (AVPs). In addition, over the same five-year period, there was a 48% increase in total salaries paid to Vice-Presidents, primarily due to the creation of a new Vice-President position to lead the Division of Equity, People and Culture. The largest increase in salaries was also at the Assistant/Associate Vice-President level, where the average salary increased by 20% from 2018/19 to 2022/23. AVP positions increased from 14 to 25. Twelve positions have been created or

Figure 18: Size of Senior Administration* and Related Compensation Expenses, 2018/19–2022/23

Source of data: York University



* Senior Administration encompasses employees in the following roles: President, Vice-President (including the Provost), Vice/Deputy Provost, Associate/Assistant Vice-President, Chief of Staff, Registrar, University Secretary, General Counsel and University Librarian.

reclassified to an AVP role, and one AVP role (AVP Faculty of Liberal Arts and Professional Studies) was removed in 2019/20:

- Three of the AVP positions were created under York's new Equity, People and Culture Division (AVP Labour Relations, AVP Indigenous Initiatives, AVP Faculty Affairs).
- An additional two AVP positions were created to assume new roles, including the AVP University Service Centre and AVP Ancillary Services.
- Seven of the new AVP roles were created or reclassified to take on expanded responsibilities in their current role, based on recommendations from the Vice-Presidents at the university.

With the exception of approval granted by the Board for the VP and three AVP positions under the establishment of the Equity, People and Culture Division, the Board was not required to be involved during the creation or reclassification of the other nine new AVP positions, and hence was not provided information on their impact and changes to the senior administration structure. However, given the collective change in the number and added costs related to the new AVP positions, it would have been prudent to inform the Board and get its input. The reasons for the new AVP positions included for retention purposes, and restructuring and expanding university departments and functions.

RECOMMENDATION 7

To maintain a level of senior administrator compensation reflective of enrolment and revenue growth, and to ensure the Board of Governors has oversight of changes and impacts at senior levels that have an ongoing financial impact on the university, we recommend that York University provide to the Board of Governors information supporting the need for Associate/Assistant Vice President positions for re-assessment, including the nine most recently created and re-classified positions.

YORK UNIVERSITY RESPONSE

Although the *York University Act* does not stipulate that Associate/Assistant Vice-President positions be approved by the Board of Governors, York will provide the Board with information necessary to understanding the structure and scale of university leadership positions, including recently established positions.

4.6 York Did Not Have a Comprehensive Whistle-Blower Policy for Disclosure of All Types of Wrongdoing

In 2010, York University instituted a policy referred to as the Fraud, Theft, or Misappropriation of University Assets Policy (policy). It was originally developed to address acts of non-academic fraud by employees, agents, contract staff and volunteers. According to the policy, employees who disclose concerns about unethical conduct and fraudulent behaviour that they observe or encounter in the context of university activities must be able to do so without fear of reprisal.

The policy is not a comprehensive whistle-blower policy, as it is limited to theft, fraud and misappropriation of university assets. Other forms of harmful wrongdoing and unethical behaviour—such as sexual harassment, abuse of power, abuse of drugs and/or alcohol use—are not included in the policy.

We reviewed other policies at the university relating to the student code of conduct, workplace harassment and violence, as well as sexual violence. The policies reviewed did not offer protection against reprisal for the complainant, except for the sexual violence policy, which recognized the importance of confidentiality in order to provide an environment in which victims can disclose sexual violence and obtain support. On the other hand, the Code of Student Rights and Responsibilities states that anonymous complaints will not be taken forward and the identity of the harmed party or complainant will not be kept confidential unless personal safety is at risk.

We reviewed the websites of 10 large Canadian universities and noted that four of them had publicly posted whistle-blower protection policies. These four universities (University of Alberta, Western University, McGill University and Laval University) had comprehensive policies that covered safe disclosure of both improper use of university assets or financial activity as well as other unethical behaviour. For example, the policy at Laval University described how the whistle-blower is protected against retaliation and explained the process (including details of what should be included in the submission form, a sample form, how and where to report, as well as the expected timeline for a response).

RECOMMENDATION 8

To promote integrity and detect misconduct, we recommend that York University:

- create and implement a whistle-blower policy that covers both the improper use and/or misuse of university assets, as well as other unethical behaviour, and includes a definition of what types of activities can be reported and how and to whom they can be reported; and
- create awareness of the policy amongst all students, staff and faculty.

YORK UNIVERSITY RESPONSE

The university accepts the recommendation. While York's Policy on Fraud, Theft and Misappropriation of University Assets covers the improper and/or misuse of university assets, as well as some other kinds of unethical behaviour, York commits to bring before its Board of Governors for approval a new Whistleblower Policy, along with a related procedure and to inform and educate members of the University Community to foster awareness of the policy among students, staff and faculty.

4.7 York Has Achieved Lower Results than Other Ontario Universities in Graduation Rate, Employment and Earnings, and in Attracting Research Revenue

As described in **Section 2.4**, there are three sets of performance indicators tracked by the Ministry of Colleges and Universities:

- performance indicators within the Strategic Mandate Agreement (SMA);
- the Ministry's internally tracked key performance indicators; and

- Financial Health Indicators (as discussed in **Section 4.1.1**).

As seen in **Appendix 6**, in relation to its SMA, York achieved all but one of the Ministry-established targets in 2022/23. The target missed was its ability to attract research revenue from private-sector sources.

Although York met its established targets, it performed below the provincial average in most of the metrics, including graduate employment rate in a related field; graduation rate; community local impact on student enrolment; research funding and capacity (federal tri-agency funding secured); experiential learning; and graduate employment earnings.

Similarly, in the Ministry-tracked key performance indicators (see **Figure 6** in **Section 2.4.2**), York was below the provincial average in all metrics tracked for the 2021/22 school year (except graduates' occupations), the most recent set of results provided by the Ministry.

York told us that because each university has unique circumstances and priorities, it evaluates its performance and contribution to the sector based on year-over-year improvements and comparisons to the other universities that are categorized as comprehensive institutions within the province (University of Windsor, Toronto Metropolitan University, University of Guelph, University of Waterloo and Carleton University). We compared the 2022/23 SMA results by comprehensive universities in Ontario and noted that York was below the average in all metrics with the exception of Institutional Strength/Focus, defined as the proportion of enrolment in an institution's defined program area(s) of strength (see **Figure 19**).

Moreover, when we compared the graduation rates of individual York programs to programs at other comprehensive universities, we found York performed below the average in most programs. In half of the programs, York's graduation rates were below the average by at least 10%, as seen in **Figure 20**.

According to York, its performance metric results are impacted by its accessible admission policies, which aim to provide opportunities to a broader range of students, as well as its focus as a university on liberal arts and professional programs (business, law, education).

Figure 19: York University Strategic Mandate Agreement Metrics and Results, Compared to Average of Comprehensive[1] Universities, 2022/23

Source of data: Ministry of Colleges and Universities

Metric	York	Comprehensive University Average
Graduate employment rate in a related field (%)	84.8	89.3
Institutional strength/focus (%)	53.0	45.5
Graduation rate (%)	70.7	76.7
Community/local impact of student enrolment[2] (%)	2.9	16.5
Economic impact[3] (institution-specific)	43	n/a
Research funding and capacity: federal tri-agency funding secured (%)	3.4	3.5
Experiential learning (%)	49.5	72.6
Research revenue attracted from private-sector sources ($ million)	16.5	24.4
Graduate employment earnings ($)	51,548	53,755

– Indicates York's performance below the average of other comprehensive universities.

1. Universities categorized as comprehensive according to Research Infosource Inc., which completes a ranking of Canada's top research universities. Comprehensive universities are those considered to offer a wide range of undergraduate and graduate programs. Universities in Ontario included as comprehensive include York University, University of Windsor, Toronto Metropolitan University, University of Guelph, University of Waterloo and Carleton University.
2. The university's enrolment as a proportion of the population of the community where the university is located.
3. York's metric is the number of start-up ventures supported by the university. The metric used and unit of measurement vary by institution.

Figure 20: York University Graduation Rates by Program, 2021[1] (%)

Source of data: Ministry of Colleges and Universities

Program	York	Comprehensive University Average[2]
Agriculture and Biological Sciences	72.2	77.8
Business and Commerce	79.3	78.5
Computer Science	56.3	67.5
Engineering	67.9	78.2
Fine and Applied Arts	67.7	68.1
Humanities	66.5	69.0
Kinesiology, Recreation and Physical Education	65.6	81.9
Mathematics	51.1	70.0
Other Arts and Science	45.4	65.2
Other Health Professions	62.5	72.1
Physical Sciences	61.6	71.5
Social Sciences	65.7	71.9
Education (Teacher Training)	98.9	98.8[3]
Law	98.6	93.2[3]
Overall Graduation Rate	**70.7**	**76.7**

– York performed below the average of other comprehensive universities.

1. Graduation rates are 2021 (2014 cohort) rates: individuals who started university in 2014 and graduated within seven years.
2. Universities categorized as comprehensive according to Research Infosource Inc., which completes a ranking of Canada's top research universities. Comprehensive universities are those considered to offer a wide range of undergraduate and graduate programs. Universities in Ontario included as comprehensive include York University, University of Windsor, Toronto Metropolitan University, University of Guelph, University of Waterloo and Carleton University.
3. Only York University and University of Windsor included in average as no data is available from other universities.

For example, in regard to obtaining research funding through the federal government's tri-agency, York has had to rely more heavily on proposals to the Social Sciences and Humanities Research Council, even though more funding is available through the Natural Science and Engineering Research Council and the Canadian Institutes for Health Research. As for its lower graduation rate, York noted that over 67% of its students work part-time to financially support their studies and therefore may take longer to graduate.

There are some initiatives underway aimed at increasing the graduation rate. For example, in the Kinesiology program in 2023, the faculty's student advising unit implemented a new initiative to connect with at-risk students and provide counselling support as a proactive approach to address retention. The Faculty of Science has launched three new undergraduate programs in recent years (Mathematical Finance, Mathematical Biology and Data Science) to differentiate its offerings from other Greater Toronto Area universities and attract high-achieving students. Also, to ensure teaching quality is high and students are motivated to continue studies through to graduation, the faculty implemented a panel consisting of tenured teaching stream members who conduct teaching reviews of any PhD students or postdoctoral associates applying for teaching positions in the department. Applicants are required to achieve a threshold score to be assigned courses by the Chair.

RECOMMENDATION 9

To promote continuous improvement in the metrics contained in the university's Strategic Mandate Agreement and other performance measures tracked by the Ministry of Colleges and Universities, we recommend that York University:

- put in place strategies and timelines to improve performance in areas where it has underperformed; and
- regularly evaluate the effectiveness of the strategies in improving performance in the metrics and adjust the strategies accordingly.

YORK UNIVERSITY RESPONSE

York agrees with the recommendation for improving processes and timelines in place for evaluating performance, identifying strategies for improvement and evaluating the effectiveness of those strategies on an annual basis to support continuous improvement. York's position is that historical factors unique to each institution impact metric baselines, and therefore its focus is on continual improvement measured against those baselines rather than comparisons to other universities.

To address this recommendation, York plans to articulate strategies and timelines to strengthen outcomes, focusing on those Strategic Mandate Agreement metrics where York has not consistently met the targets established by the Ministry, or has met them with smaller margins. With regard to all performance metrics, the university will regularly evaluate the effectiveness of its strategies and adjust accordingly to enhance desired improvements and adjust as needed.

4.8 York Has Been Proactive in Preventing Cyberattacks, but Further Employee Awareness Is Needed

Since 2018, York has been the victim of three cyberattacks, which resulted in unauthorized access and/or modification to information contained in York's systems. The cyberattacks demonstrated the importance of having a high level of cybersecurity controls in place. Most notably, in May 2020 there was a ransomware attack affecting many of the university's servers and endpoints (workstations/laptops), which caused the university to shut down many of its computer systems and services to reduce potential damage. The shutdown meant many student services, including portals where students could access Ontario Student Assistance Program applications, tuition fees and grades, were not accessible for days.

There has been a decrease in all categories of cybersecurity incidents from 2021 to 2022. According to the university, this was due to the implementation in 2021 of two-factor authentication controls (a password plus emailed/texted code needed to log in) for all staff, faculty and student users (currently over 90,000 people).

From our audit we found that York had a third-party firm undertake penetration testing of its systems, to test and secure its data systems from potential exposure and/or misuse. At the time of our audit, York had a plan in place to address the weaknesses noted by the third-party cybersecurity firm.

Cybersecurity training was available to all York employees through its employee learning portal. However, the training was not mandatory. We calculated that over the five calendar years, 2019–2023, an average of only 3% of full-time salaried employees took the cybersecurity training.

RECOMMENDATION 10

To reduce the risk of exposure of its systems and to protect student and faculty data from external attackers, we recommend that York University make cybersecurity awareness training mandatory for all employees with York University accounts.

YORK UNIVERSITY RESPONSE

York accepts this recommendation and will work within the labour context to implement mandatory training on cybersecurity awareness. In the meantime, York will continue with its programs of providing awareness content, simulations, and training to all employees and will track compliance.

4.9 Measures for Campus Safety Have Reduced High-Risk Incidents

Campus safety is fundamental for learning, working and the well-being of students, faculty and staff. The safety of a campus may also factor into a prospective student's decision about which university to attend.

Overall, from 2018 to 2022 there was a 9% increase in the number of incidents reported to York's security services. However, the increase is attributable to low-risk incidents, such as general complaints/concerns (98% increase), noise complaints (191% increase), causing disturbance (93% increase), and trespassing to property (74% increase).

High-risk incidents decreased over the same period. For example, incidents affecting quality of life (such as hate crimes, bomb threats and disorderly behaviour) decreased 36% between 2018 and 2022. Crimes against persons (a category that includes assault, robbery, harassment and threats) decreased 43%.

Reported incidents can fluctuate from year to year for a variety of reasons and can be impacted by major events such as labour disruptions, the COVID-19 pandemic and large-scale events on campus. However, we noted that, since the 1990s, the university has taken several measures to address such incidents, including controlling access to buildings, enhancing lighting, installing safety equipment like emergency phones, and providing safe evening and night-time escort services, among other measures.

From 2018 to 2022 there was also a 90% (340 to 647) increase in reported instances of persons experiencing homelessness in unauthorized areas seeking shelter on campus, and in some cases causing disturbances. The university has established partnerships with the City of Toronto Streets to Homes program, Agincourt Community Services Association and Focus Toronto to provide support to these individuals. As part of these efforts, city outreach teams made scheduled and unscheduled visits to the campus to intervene, providing social services and necessary resources. In addition, the university collaborated with Toronto Police Service neighbourhood officers to assist individuals who were homeless and required support.

4.10 Overall Governance Could Be Enhanced by Improved Policies and Procedures

Our review and assessment of the effectiveness of York University's Board of Governors (Board), including a review of Board policies, minutes, meeting materials, as well as interviews and surveys of Board members, confirmed strengths in the university's governance practices. Some of the positive aspects noted were that the Board-approved Strategic Plan, the Enterprise Risk Management system, the use of Board Committees for specified purposes, the leadership of the Chair, and the experience of Board members were all identified as contributing to effective governance, functioning and leadership. Areas for improvement are described in the sections below.

4.10.1 Executive Committee of the Board Allowed Too Much Leeway to Make Decisions on Behalf of the Full Board

We found that the Executive Committee's responsibilities, as outlined in its Terms of Reference, are broad and vague, giving it the ability to make decisions on behalf of the full Board without consulting with, or providing pertinent information to, the other governors prior to decisions being made. This means that a small group of eight Board members were able to make significant decisions without input from the remaining 17 Board members. The Terms of Reference state that: "The Executive Committee may review any matters relating to the property, revenue, business and affairs of the University prior to the submission of such matters to the Board…and the Executive Committee may make such recommendations to the Board with respect to such matters as it may deem appropriate."

In addition, we found that, under the Board bylaws, the Board had the power to delegate any of its powers to the Executive Committee. These were broad powers, which had the potential to undermine the authority of the Board. The Executive Committee should have the ability to make decisions on behalf of the full Board, but only in emergency scenarios that are so

time-sensitive that it is not feasible to convene a special Board meeting, either virtually or in person.

Even though we found in practice that the Executive Committee exercised this power selectively, we did note that it was used in Executive Committee meetings held in 2022. In the 18 references to "approved decision" in Board meeting minutes, only 13 were approved by the full Board and the remaining five were approved solely by the Executive Committee. The rationale in those five instances was not documented, as York noted that Board policy does not require the Executive Committee to minute the reasons for holding a special meeting or exercising special authority on behalf of the Board. However, the university told us the rationale for such decisions is explained orally by the Chair of the Board at the next open session.

For example, in March 2022, the Executive Committee approved that senior administration would have the power to negotiate increases in funding for faculty members to support their activities in fulfillment of their professional responsibilities to the university. In November 2022, the Executive Committee gave authority to senior administration to negotiate a mediated settlement in favour of the university, for a litigation relating to Keele Campus's heating and cooling steam system, without Board involvement.

The vagueness in the terms of reference of the Executive Committee allows for discretion to be given to the Chair and the rest of the Executive Committee to identify urgent matters and make decisions unilaterally without approval of the full Board. This is not necessary in today's era, where Board meetings can be convened quickly and virtually.

RECOMMENDATION 11

To allow for decision-making and accountability to reside with the full Board, as opposed to only the Executive Committee, in all instances other than emergencies, we recommend that York University:

- revise the Terms of Reference of the Board of Governors' Executive Committee to have the ability to make decisions on behalf of the full Board only when matters are so time-sensitive that it is not feasible to convene a special Board meeting; and
- in these instances, fully document the rationale for making such an exception.

YORK UNIVERSITY RESPONSE

York agrees with this recommendation. The Governance Committee of the Board initiated a discussion with an aim to review the terms of all Board committees, including the Executive Committee. The current provisions of the bylaws of the Board, which state that "the Executive Committee shall have the power and authority to act for the Board in relation to any urgent matter which, in the opinion of the Chair or Vice-Chair, time does not permit the calling of a regular or special meeting of the Board," will be brought for discussion before the Governance Committee with an aim to clarify and reinforce the provisions.

York commits to fully documenting the rationale that underpins any decision taken on behalf of the Board in the minutes of the Executive Committee and of the Board. York will continue the practice of having the Chair of the Board report to the open session of the Board on all matters resolved by the Executive Committee in the Board's stead.

4.10.2 York Does Not Annually Assess for Gaps in the Competencies of Board Members

A competency matrix is a tool used to map the required skills and abilities of a board. It helps a board understand the required skills, what skills its members possess, and where it could use more skills training, education and/or expertise.

York has developed a skills matrix showing each Board member's competencies and experience in the skills required for the Board to govern effectively. An analysis of the most recent skills matrix at the time of our audit (June 2022) showed that the Board self-assessed as having a significant level or moderate level of competency in the key areas required of a board, as identified in our 2022 *Financial Management in Ontario Universities* report and as shown in **Figure 21**.

Figure 21: York University Board of Governors' Self-Assessment on Key Competency Matrix Skills, 2021/22

Prepared by the Office of the Auditor General of Ontario

Competency as Described in Financial Management in Ontario Universities Audit (2022)	York University Equivalent	Competency Level		
		Significant (%)	Moderate (%)	Low (%)
Finance and Accounting	Finance and Investment	56	28	16
Executive Management	Business	64	20	16
Risk Management	Risk Management	48	28	24
Cybersecurity/Information Technology	Technology	16	52	32

Although the Board has a good level of competency across key areas, a gap analysis has not been regularly completed, such as annually, to ensure that people with current and anticipated future skills requirements are present on the Board. A gap analysis would identify existing competencies as compared to the desired level of competency in each area.

We analyzed York's annual Board skills matrices from 2017/18 to 2021/22, and noted that at least one-third of governors had assessed themselves as low competency in areas such as marketing and communication, law, real estate, science, health, research and innovation, and technology. For these skills, the proportion of members with low competency worsened or did not significantly change over the five-year period.

We also found that internal (staff and faculty) Board members may not serve on three particular Board committees: Executive Committee, Finance and Audit Committee, and Governance and Human Resources Committee. York's rationale for this is to avoid potential conflicts of interest; however, this may prevent the inclusion of added value and expertise that is available to the Board but is not being utilized. In the case of a potential conflict of interest, the Board member could recuse themselves, as is done by external members of York's Board.

RECOMMENDATION 12

To track and identify gaps in the necessary competencies of the Board of Governors (Board), and to have a more explicit, transparent and robust competencies-based selection process for Board members (both new and the renewal of incumbents), we recommend that York University's Board of Governors:

- annually identify the desired level of competency in each governance area, and complete a gap analysis of skills and competencies of the Board and all Board committees;
- develop a strategy to address identified gaps in the skills matrix of the Board; and
- allow internal Board members with the requisite expertise and demonstrated character to serve on any committee where they would add the most value. Where a conflict of interest arises, they may recuse themselves from the agenda item.

YORK UNIVERSITY RESPONSE

York agrees with this recommendation. York has established a Board Skills Matrix that is normally renewed, and a new Skills Gap Analysis conducted, when a sufficient number of members have joined or left the Board. This may not occur every year. As Board members' skills may evolve from year-to-year through their professional experiences or ongoing professional education provided by York, an annual review of the skills matrix and a skills gap analysis will be of value. York commits to conduct a review of its Board Skills Matrix and conduct a Skills Gap Analysis annually.

York also commits to reviewing the impact of allowing internal members (students, senators and non-faculty staff) to be made members of all Board committees, taking into consideration the potential for a high number of conflicts of interest

on some committees, namely the Finance and Audit Committee, the Governance and Human Resources Committee and the Executive Committee.

4.10.3 Improvement Needed in Establishing Policies to Define and Monitor Accountability and Compliance with Governance Standards

The Board is accountable for the university's operations and compliance with governance standards. To this end, it is important that it have clear policies and a method of monitoring compliance with those policies.

We found that York publicly shared many policies and documents, such as the Board bylaws, the President's Annual Report on the university's progress against its strategic objectives, as well as the university's audited financial statements. Board minutes of the portion of its meetings conducted in the public session were also made available to the public. However, we found there were improvements that could be made to enhance the Board's commitment to accountability and to monitoring compliance with policies.

- The Board did not have a charter/terms of reference. The Board relied exclusively on the *York University Act* and its bylaws to articulate the Board's duties and responsibilities, such as terms around various appointments, borrowing money, establishing faculties, protocol of meetings, and the structure of the Board and its committees. It did not have a written mandate explicitly acknowledging its responsibility for approving and adopting a university strategy. It would therefore be prudent to develop a charter/terms of reference going beyond the bylaws to outline its core roles and responsibilities and what is expected of members of the Board (such as mandate, composition, duties and responsibilities, and authority). We also found the terms of reference for Board committees to be very brief, including only their overall mandates and key duties. The committees should receive further direction on specific responsibilities, delegation of authority and relevant expertise to be maintained. For example, the charter for the Governance and Human Resources Committee did not contain reference to a board skills matrix, oversight of the President or succession planning, as would be expected.
- Workplans for the Board and its committees consisted only of meeting dates and times. However, more useful would be workplans that incorporated the duties and responsibilities of the Board and committees, outlining when in the fiscal year they would be addressed (such as financial statement approvals and budget plan reviews). This would help to ensure that Board and committee meeting schedules allocated sufficient time for decisions to be considered, discussed and reviewed.
- York has some elements of a code of conduct for Board members, such as its policy on conflict of interest for members of the Board of Governors and a policy on the acceptance of gifts. In addition, each member signed an acknowledgement and undertaking of confidentiality that stated a Board member "must adhere to the highest level of conduct in carrying out their duties and responsibilities as a Governor, which include the obligation to act honestly, in good faith and in the best interests of the University and to avoid conflicts of interest." However, the university does not have a comprehensive code of conduct for Board members. Key elements that should be included in such a code of conduct for Board members would be Board member responsibilities, conflict of interest, confidentiality, compliance with laws and regulations, code of ethics, financial stewardship and oversight, meeting attendance, conduct and participation, review and enforcement, training and orientation, annual acknowledgement, public disclosure, and reporting and compliance mechanisms.
- Additionally, the Board members of York University's subsidiary, York University Development Corporation, were not required to sign or fill out any annual declarations of professionalism,

confidentiality or conflict of interest. We would expect that a more comprehensive and detailed code of conduct would be applied that included written standards designed to promote integrity, deter wrongdoing, and provide clarity and compliance of expectations of Board member conduct. Such a code could include duties of loyalty and care, confidentiality, and conflicts of interest beyond the legal minimum to incorporate perceived and potential conflicts of interest.

RECOMMENDATION 13

To strengthen its Board's policies and procedures, we recommend that, before the end of 2024, York University:

- adopt an explicit and comprehensive charter for the Board, going beyond the bylaws to outline its core roles and responsibilities and what is expected of members of the Board (mandate, duties and responsibilities, governance, functioning, culture);
- adopt a Board-specific code of conduct, including confidentiality, conflicts of interest and attendance expectations, along with a remedial process and compliance monitoring; and
- develop more extensive workplans incorporating all duties and responsibilities of the Board and committees and outlining when in the fiscal year they will be addressed.

YORK UNIVERSITY RESPONSE

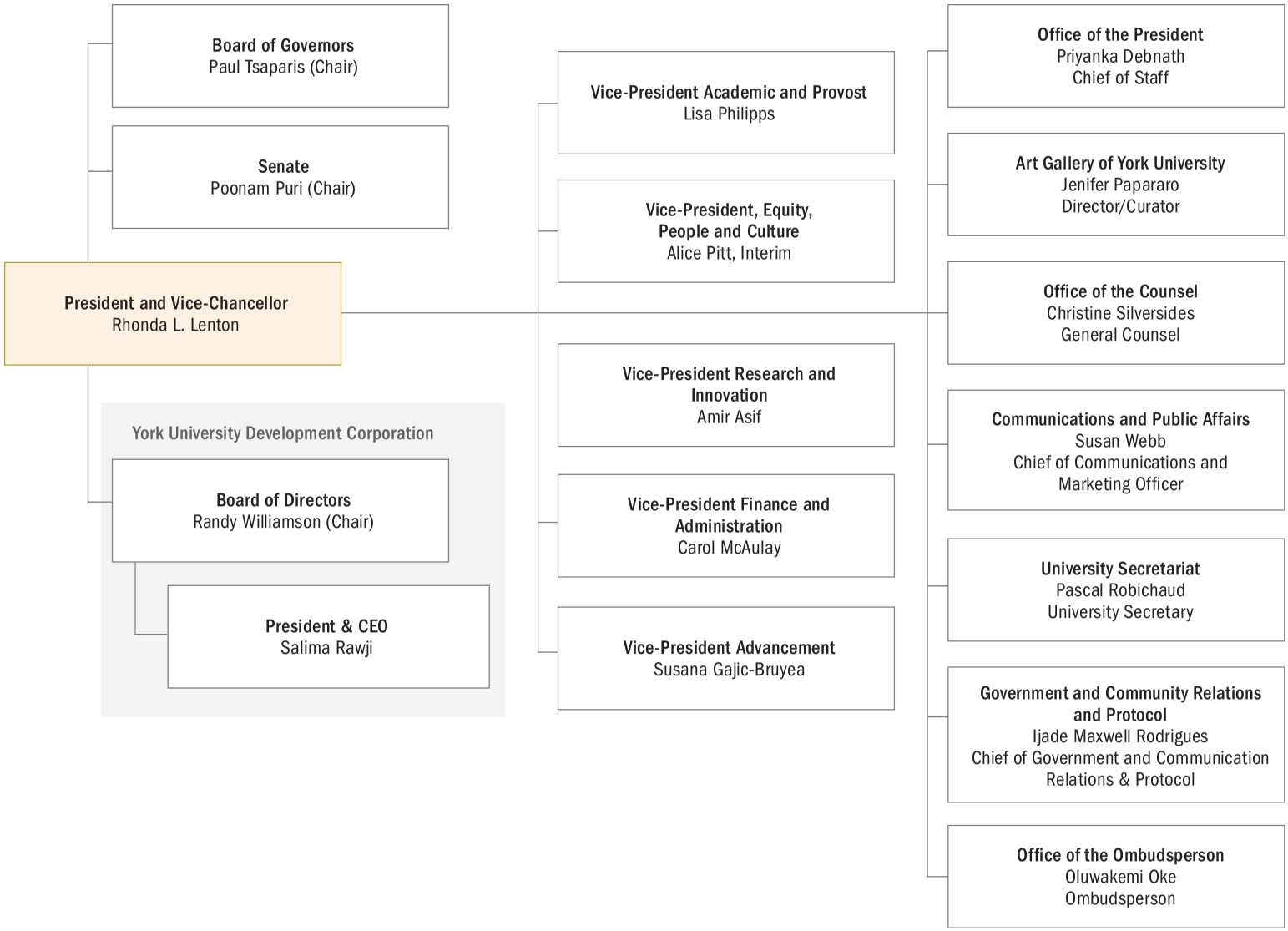
York agrees with this recommendation. Key elements of terms of reference for the Board exist under the *York University Act* and within the Board bylaws. As part of its review of Board Committee terms, York will recommend to the Board the establishment of terms of reference for itself that will include elements recommended by the Auditor General and align with Canadian university governance best practices.

Members of the Board are currently subject to several policies that, taken together, are equivalent to a Code of Conduct. In response to the Auditor General's recommendation, York will develop a Code of Conduct for members of the Board folding into a single document all provisions of policies that apply to members of the Board and conduct a review and augment this document to ensure that all key elements identified by Canadian best practices are included in the Code of Conduct.

York prepares an annual table of projected items of business for the Board and each of its committees. York commits to going one step further and establishing an annual workplan for the Board and each of its committees and to bring those plans forth for discussion and approval at the start of each governance year.

Appendix 1: York University Organizational Chart

Prepared by the Office of the Auditor General of Ontario



Appendix 2: York University Board of Governors and Committee Membership, March 2023

Prepared by the Office of the Auditor General of Ontario

Board Membership[1]					Board Committees						
	Board Member	Board Member Type	Occupation	Start Date	Executive	Academic Resources	External Relations	Finance and Audit	Governance and Human Resources	Investment[2]	Land and Property[3]
Officers											
1	Paul Tsaparis	External – Chair	Board member at Teranet, Metrolinx, Indspire, Ontario Health, Chair of the Council of Chairs of Ontario Universities	10/4/2010	C	✓	✓	✓	✓	✓	✓
2	Kathleen Taylor	Chancellor (ex officio)	Chair of Altas Partners; Board Trustee Chair, Hospital for Sick Children; Member, C.D. Howe Institute's National Council	1/1/2023							
3	Rhonda Lenton	President and Vice-Chancellor (ex officio)	President and Vice-Chancellor, York University	7/1/2017	✓	✓	✓	✓	✓	✓	✓
Other Members											
4	Antonio Di Domenico	External	Partner at Fasken LLP	1/1/2018	✓	C	✓				
5	Bobbi-Jean White	External	Partner at KPMG LLP	1/1/2017	✓	✓		C			
6	Francesca Accinelli	Alumni	Vice-President, Promotion, Communications and International Relations, Telefilm Canada	7/1/2018	✓	✓	C				
7	Jacques Demers	External	Managing Partner at AGAWA Partners and AGAWA Fund Management Inc; Chairman & Secretary at Demers Partners	9/1/2015	✓					C	
8	Konata Lake	External	Partner at Torys LLP	10/1/2016	✓				C		
9	Mary Traversy	External	Former COO of Canada Post	1/1/2020	✓			✓	✓	✓	C
10	Sham Madhok	Alumni	Independent consultant, former Associate Partner at PwC	7/1/2022				✓	✓		
11	Joanie Cameron Pritchett	Non-academic employee	York University staff	7/1/2019		✓					✓
12	Stefanie Lamonaca Caputo	Non-academic employee	York University staff	7/1/2021		✓	✓				
13	Carole Malo	External	Founder, Stratford Ventures Inc., consulting business in infrastructure, energy, health and public-private partnerships	2/27/2019				✓		✓	

Board Membership[1]					Board Committees						
	Board Member	Board Member Type	Occupation	Start Date	Executive	Academic Resources	External Relations	Finance and Audit	Governance and Human Resources	Investment[2]	Land and Property[3]
14	David Garg	External	Senior Vice-President, Corporate Development and Investor Relations, Sun Life	2/27/2019				✓		✓	
15	Dee Patterson	External	Co-founder, Lambay Group Inc.; Board member, Elexicon Energy Inc.; Board member, RFA Bank of Canada	2/1/2019					✓		
16	Eugene Roman	External	Principal at Design.ai. Ltd.	7/1/2017				✓	✓		
17	Helen Polatajko	External	Board Chair, Tafelmusik Baroque Orchestra; Board member, Canadian Dental Service Plans Inc. (CDSPI); Former CIO, Canada Mortgage and Housing Corporation	10/2/2018				✓	✓		
18	Ken Silver	External	Former President and CEO, CT Real Estate Investment Trust	10/2/2018						✓	✓
19	Loretta Lam	External	Founder and chief strategist of Focus Communications Inc.	3/10/2017			✓				
20	Nadine Spencer	External	CEO, BrandEQ Group Inc.	5/4/2021			✓		✓		
21	Narendra Singh	External	Former Chief of Staff and Chief of Pediatrics at Humber River Hospital; President and Founder of Guyana Help the Kids Charity	2/27/2019		✓	✓				
22	Jose Etcheverry	Member elected by Senate	Professor, Faculty of Environmental Studies	7/1/2019						✓	✓
23	Marie-Hélène Budworth	Member elected by Senate	Associate Professor, Faculty of Liberal Arts & Professional Studies	7/1/2022		✓	✓				
24	Ariana Mah	Student	Undergraduate student	7/1/2022		✓	✓				
25	David Semaan	Student	Graduate student	7/1/2021		✓				✓	
	Pascal Robichaud[4]	University Secretary	Secretary, York University	1/1/2020							

C – Chair of committee ✓ – Committee member

1. All members of the Board of Governors presented in this table have voting rights, with the exception of the University Secretary. There are 33 honorary members who are not presented here and do not have voting rights.
2. Guy Burry, an honorary Board member, is also a member of the Board's Investment Committee, as a non-voting member.
3. Marshall Cohen, an honorary Board member, is also a member of the Board's Land and Property Committee, as a non-voting member.
4. Not a voting member of the Board.

Appendix 3: Committees of the Board of Governors and the Senate

Source of data: York University

Board Committees

1. **Academic Resources:** oversees and reports to the Board on all academic resource matters and such other academic matters as are within the authority of the Board.
2. **Executive:** has the power and authority to act for the Board in relation to the following matters:
    - Any appropriation outside the approved budget not in excess of 1% of the approved budget for any fiscal year.
    - Any urgent matter which, in the opinion of the Chair or Vice-Chair of the Board, time does not permit the calling of a regular or special meeting of the Board.
    - Represent the Board in meetings with the Senate, or its representatives.
    - Any matter arising during the summer months which, in the judgement of either the Chair of the Board, a Vice-Chair of the Board, or, in their absence, the President, does not warrant the calling of a special meeting of the Board.
    - May review any matters relating to the property, revenue, business and affairs of the university prior to the submission of such matters to the Board.
3. **External Relations:** provides advice and recommendations on matters related to institutional advancement (donations) and initiatives to enhance the university's overall reputation, mission and strategic objectives.
4. **Finance and Audit:** oversees the financial framework and management of the university, its structure of risk mitigation and its legal and regulatory compliance and accountability.
5. **Governance and Human Resources:** oversees the nomination of governors for the Board on behalf of the Executive Committee, monitors the Board's governance processes and recommends amendments, and oversees the University's human resources frameworks, strategies and policies.
6. **Investment:** provides advice and oversight to the Board and the university regarding investment responsibilities for all invested funds, including both endowed and non-endowed assets, with the exception of the Pension Fund and Student Investment Fund.
7. **Land and Property:** oversees the planning, development and management of the university's land and buildings.

Senate Committees

1. **Executive:** responsible for coordinating the work of Senate and its committees, monitoring the organization and structure of Senate and other bodies, ensuring that equity considerations are integrated into the Senate and its committees, serving as Senate's liaison with external bodies, and overseeing nominations and elections processes.
2. **Academic Policy, Planning and Research:** responsible for consultations and recommendations to the Senate on academic plans, policies, and initiatives.

3. **Academic Standards, Curriculum and Pedagogy:** responsible for facilitating the review and approval of program curriculum and academic standards, advancing teaching policies and initiatives.
4. **Appeals:** hears appeals of Faculty committee decisions on petitions concerning academic regulations, grade re-appraisals and charges of academic dishonesty.
5. **Awards:** administers awards, prizes and medals under the Senate's jurisdiction, to promote, recognize and celebrate achievements in teaching, learning, service and research.
6. **Tenure and Promotion:** serves as the President's Advisory Committee on promotions and tenure.
7. **Tenure and Promotion Appeals:** hears appeals from relevant committees to deny tenure, delay promotion to a professor, or deny advancement to candidacy.

Appendix 4: Audited Financial Position of York University Development Corporation, 2022/23

Source of data: York University Development Corporation

Balance Sheet

Assets		
Current Assets	**$**	**%**
Cash	3,846,375	27
Accounts receivable	1,464,105	10
Current portion of loan receivable	61,118	1
Prepaid expenses	33,745	0
Total Current Assets	**5,405,343**	
Loan receivable	1,542,556	11
Tenant allowances	193,761	2
Free-rent receivable	328,095	2
Property, plant and equipment, net	5,533,725	40
Future income tax assets, net	995,097	7
Total Assets	**13,998,577**	**100**
Liabilities and Shareholder's Equity		
Current Liabilities	**$**	**%**
Accounts payable and accrued liabilities	1,717,324	9
Current portion of loan payable	658,386	4
Total Current Liabilities	**2,375,710**	
Security deposits	120,964	1
Employee future benefits	248,800	1
Loan payable	15,906,215	85
Total Liabilities	**18,651,689**	**100**
Shareholder's Deficiency		
Share Capital (1 common share)	**$**	**%**
Total Shareholder's Deficiency	**(4,653,112)**	**–**
Total Liabilities and Shareholder's Deficiency	**13,998,577**	

Income Statement

	York Lanes ($)	Corporate ($)	Total ($)	%
Revenue				
Rental	3,823,190	–	3,823,190	73
Consulting fees	–	826,602	826,602	16
Active project fees	–	249,857	249,857	5
Transaction fees	–	184,871	184,871	3
Interest and other	–	140,623	140,623	3
Total Revenue	**3,823,190**	**1,401,953**	**5,225,143**	**100**

Income Statement

	York Lanes ($)	Corporate ($)	Total ($)	%
Expenses				
Management consulting and administrative fees	–	2,013,330	2,013,330	39
Operating costs	1,324,592	–	1,324,592	26
Land rent	486,323	–	486,323	9
Amortization of property, plant and equipment	639,258	7,717	646,975	12
Amortization of tenant allowances	55,296	–	55,296	1
Interest on loan payable	677,584	–	677,584	13
Total Expenses	**3,183,053**	**2,021,047**	**5,204,100**	**100**
Income (Loss) Before Taxes	**640,137**	**(619,094)**	**21,043**	
Recovery of future income taxes			(2,891)	–
Net Income for the Year			**18,152**	**–**

Appendix 5: Audited Financial Position of York University, 2018/19–2022/23 ($ 000)

Source of data: York University

	2018/19		2019/20		2020/21		2021/22		2022/23		Change
Revenue Source	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**%**
Student fees	694,215	54.3	714,247	56.3	741,478	59.5	731,460	58.3	726,448	55.2	4.6
Grants and contracts	418,075	32.7	387,219	30.5	388,177	31.1	390,580	31.1	398,830	30.3	(4.6)
Investment revenue	33,141	2.6	37,265	2.9	36,202	2.9	26,889	2.1	56,117	4.2	69.3
Fees, recoveries and other income	38,615	3.0	37,257	2.9	27,612	2.2	28,752	2.3	36,687	2.8	(5.0)
Sales and services	69,118	5.4	64,692	5.1	26,872	2.1	43,207	3.5	67,219	5.1	(2.7)
Amortization of deferred capital contributions	17,467	1.4	18,163	1.5	18,250	1.5	18,522	1.5	19,548	1.5	11.9
Donations	8,496	0.6	9,836	0.8	8,221	0.7	15,303	1.2	12,186	0.9	43.4
Total Revenue	**1,279,127**	**100**	**1,268,679**	**100**	**1,246,812**	**100**	**1,254,713**	**100**	**1,317,035**	**100**	**3.0**
Expense Item	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**%**
Salaries and benefits	746,684	67.0	772,384	67.5	806,909	68.9	846,290	69.1	894,138	69.0	19.7
Operating costs	166,430	14.9	158,629	13.9	132,189	11.3	151,918	12.4	170,370	13.1	2.4
Scholarships and bursaries	91,854	8.2	98,195	8.6	123,530	10.5	116,119	9.5	116,530	9.0	26.9
Amortization of capital assets	46,133	4.1	48,484	4.2	48,360	4.1	49,142	4.0	51,847	4.0	12.4
Interest on long-term debt	26,110	2.4	27,222	2.4	30,269	2.6	29,511	2.4	28,240	2.2	8.2
Other*	37,584	3.4	38,431	3.4	30,411	2.6	32,469	2.6	35,070	2.7	(6.7)
Total Expenses	**1,114,795**	**100**	**1,143,345**	**100**	**1,171,668**	**100**	**1,225,449**	**100**	**1,296,195**	**100**	**16.3**
Surplus/(Deficit)	**164,332**		**125,334**		**75,144**		**29,264**		**20,840**		**(87.3)**
Net Assets – Opening Balance	1,448,903		1,590,128		1,663,197		1,889,104		1,816,312		25.4
Adjustments to opening balance for employee benefit remeasurements	–		–		–		–		(28,257)		–
Employment benefit remeasurement	(53,257)		(48,313)		54,693		(58,076)		18,196		–
Contributions related to land and artwork	47		–		–		–		–		–
Net investment gain/(loss)	24,344		(8,113)		92,465		(47,925)		25,102		3.1
Contributions to externally restricted endowments	5,759		4,161		3,605		3,945		7,342		27.5
Net Assets – Ending Balance	**1,590,128**		**1,663,197**		**1,889,104**		**1,816,312**		**1,859,535**		**16.9**

* Includes taxes and utilities and cost of sales.

Appendix 6: York University Performance Metrics Results for 2020/21–2022/23, in Accordance with the Strategic Mandate Agreement[1]

Source of data: Ministry of Colleges and Universities[2]

Legend: *Italics* indicate York met its target but performed lower than the provincial average
– York met both its target and the provincial average
– York did not meet its target and performed worse than the provincial average

	2020/21			2021/22			2022/23		
York University	**Prov. Avg.**	**Target**	**Actual**	**Prov. Avg.**	**Target**	**Actual**	**Prov. Avg.**	**Target**	**Actual**
Graduate Employment Rate in a Related Field Proportion of graduates of undergraduate (bachelor or first professional degree) programs employed full-time who consider their jobs either "closely" or "somewhat" related to the skills they developed in their university program, two years after graduation. Source of data: Ministry of Colleges and Universities, Ontario Graduate Survey	90.1%	82.7%	*84.9%*	89.9%	83.1%	*86.7%*	89.5%	84.4%	*84.8%*
Institutional Strength/Focus Proportion of enrolment in an institution's defined program area(s) of strength. Source of data: Ministry of Colleges and Universities, University Statistical Enrolment Report	40.8%	49.2%	50.8%	41.5%	49.5%	52.8%	41.8%	49.1%	53.0%
Graduation Rate Proportion of all new, full-time, year one university students of undergraduate (bachelor or first professional degree) programs who commenced their study in a given fall term and graduated from the same institution within seven years. Source of data: Ministry of Colleges and Universities	73.4%	68.5%	68.4%	73.8%	68.1%	67.2%	76.4%	67.5%	*70.7%*
Community/Local Impact of Student Enrolment Institutional enrolments share in the population of the city (cities) or town (towns) in which the institution is located. Source of data: Ministry of Colleges and Universities, University Statistical Enrolment Report	13.3%	2.8%	*2.9%*	13.6%	2.8%	*2.9%*	13.9%	2.9%	*2.9%*
Economic Impact (Institution-Specific)[3] Number of start-up ventures supported by York University. The metric used and unit of measurement vary by institution. Source of data: Ministry of Colleges and Universities	N/A	14	41	N/A	36	39	N/A	40	43

Legend: *Italics* indicate York met its target but performed lower than the provincial average

– York met both its target and the provincial average

– York did not meet its target and performed worse than the provincial average

York University	2020/21			2021/22			2022/23		
	Prov. Avg.	Target	Actual	Prov. Avg.	Target	Actual	Prov. Avg.	Target	Actual
Research Funding and Capacity: Federal Tri-Agency Funding Secured Amount and proportion of funding received by institution from federal research granting agencies (Social Sciences and Humanities Research Council (SSHRC), Natural Sciences and Engineering Research Council (NSERC), Canadian Institutes of Health Research (CIHR)) in total tri-agency funding received by Ontario universities. Source of data: Tri-Agency Institutional Programs Secretariat	4.9%	3.3%	*3.3%*	5.0%	3.3%	*3.4%*	5.0%	3.3%	*3.4%*
Experiential Learning[4] Number and proportion of graduates in programs who participated in at least one course with required Experiential Learning (EL) component(s). Source of data: Ministry of Colleges and Universities	–	–	–	67.9%	41.1%	*50.9%*	71.3%	46.6%	*49.5%*
Research Revenue Attracted from Private-Sector Sources[4] Research revenue attracted from private-sector sources. Source of data: Council of Ontario Finance Officers (COFO)	–	–	–	$58.3M	$14.4M	*$20.8M*	$61.2M	$17.7M	$16.5M
Graduate Employment Earnings[4] Median employment earnings of university graduates, two years after graduation. Source of data: Educational and Labour Market Longitudinal Platform, Statistics Canada	–	–	–	$51,863	$43,869	*$49,421*	$52,937	$46,401	*$51,548*
Skills and Competencies[5] National Survey of Student Engagement (NSSE) higher-order learning engagement indicators within the academic challenge theme; it is an aggregate of four NSSE questions. The metric result is the difference between first year and fourth year student results. Source of data: National Survey of Student Engagement (NSSE)	–	–	–	–	–	–	–	–	–

1. The Ministry of Colleges and Universities collected data for six of the 10 metrics in 2020/21, and nine of the 10 metrics in 2021/22 and 2022/23.
2. The provincial average does not include information for two universities (Northern Ontario School of Medicine and Université de l'Ontario Français).
3. Metric is institution-specific, hence no provincial average can be determined.
4. Reporting on these metrics began in 2021/22.
5. Reporting on this metric began in 2023/24.

Appendix 7: Ministry Financial Health Indicators, 2022/23

Source of data: Ministry of Colleges and Universities

Financial Health Indicator	Calculation	Description	Low-Risk Threshold[1]
Performance Measures			
Net income/(loss) ratio	Total Revenues – Total Expenses / Total Revenues	Measures the percentage of an institution's revenues that contribute to net assets. A negative value indicates that revenues are not covering expenses.	1.5% or above
Net operating revenue ratio	Cash Flow from Operating Activities / Total Revenues	Measures cash flow from operating activities as a proportion of revenues.	7% or above
Liquidity Measures			
Primary reserve (# of days)	Expendable Net Assets x 365 days / Total Expenses	Measures the number of days an institution could function using its unrestricted assets (reserves), assuming there are no other sources of revenues.	90 days or above
Working capital[2]	Current Assets / Current Liabilities	Measures an entity's ability to fulfill short-term obligations with current assets.	1.25 or above
Sustainability Measures			
Interest burden ratio	Interest Expense / Total Expenses – Depreciation	Measures the proportion of total expenses supporting the annual cost of servicing debt.	2% or below
Viability ratio	Expendable Net Assets / Long-Term Debt	Measures the proportion of long-term debt that could be settled using unrestricted assets.	60% or above
Debt ratio[2]	Total Liabilities - Deferred Capital Contributions / Total Assets	Measures the extent of an entity's leverage and shows the proportion of assets financed by debt.	35% or below
Debt to revenue ratio[2]	Long-Term Debt / Total Revenue	Measures an entity's ability to repay debt.	35% or below

1. Thresholds are based on the financial accountability oversight framework that began to be implemented in April 2023. Prior years' benchmarks differed.
2. A new measure for 2022/23.

Appendix 8: Audit Criteria

Prepared by the Office of the Auditor General of Ontario

1. There is regular internal reporting on financial operations including cash flow, and audited financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP).
2. Processes and procedures ensure restricted funds, including endowments and donations, are appropriately segregated, accounted for and used only for the purposes intended.
3. A robust capital planning process exists, and significant capital expenditures are approved following a thorough cost-benefit analysis that takes into consideration an estimate of all associated revenues and costs. Capital projects are procured in accordance with policies and best practices that ensure value-for-money and avoid conflicts of interest.
4. The Board collectively has the skills and knowledge, and is provided sufficient and timely information, to effectively oversee operations.
5. Compensation and expenses of senior administrative staff are in accordance with Government of Ontario directives and comparable to other institutions, and there exists the right balance between faculty and administration.
6. Faculty, staff and student grievances and complaints are managed in an effective and timely manner to support the University's operations and to minimize costs.
7. Processes and procedures are in place to effectively manage campus health and safety issues in a timely manner and to proactively prevent incidents from taking place.
8. Admission and enrolment processes are in place to ensure that entry requirements for domestic and international students are comparable; international students entering university have met standards for English proficiency; there exists an appropriate mix between domestic and international students; agreements with recruiters are designed to attract the best international student candidates; and the fee schedule is applied consistently to all international students in the same program.
9. The suite of graduate and undergraduate programs is established and maintained with due regard for the financial sustainability of the university and its mandate.
10. Meaningful performance measures and targets are established, monitored and compared against actual results and publicly reported to ensure that the intended outcomes are achieved, and corrective actions are taken on a timely basis when issues are identified.

Appendix 9: Trends in Key Financial, Enrolment and Faculty Information at Select Faculties, 2018/19–2022/23

Source of data: York University

Glendon College

	2018/19	2019/20	2020/21	2021/22	2022/23	Change (%)
Enrolment						
Domestic students, FTE	1,836	1,738	1,600	1,387	1,261	(31)
International students, FTE	210	208	188	147	134	(36)
Total	**2,046**	**1,946**	**1,788**	**1,534**	**1,395**	**(32)**
Tuition ($ million)	**18.3**	**17.2**	**15.7**	**13.4**	**11.9**	**(35)**
Domestic tuition	12.9	11.1	10.0	8.8	7.9	(39)
International tuition	5.4	6.1	5.7	4.6	4.0	(26)
Government grants ($ million)	**20.1**	**19.7**	**19.1**	**18.5**	**17.6**	**(12)**
Total	**38.4**	**36.9**	**34.8**	**31.9**	**29.5**	**(23)**
Salaries ($ million)						
Faculty	20.7	20.4	20.0	20.8	19.1	(8)
Other	11.6	12.2	12.3	12.6	13.8	19
Total	**32.3**	**32.6**	**32.3**	**33.4**	**32.9**	**2**
As a % of total expenses	63	65	65	66	66	
In-year surplus/(deficit) ($ million)*	**(3.9)**	**(5.2)**	**(9.1)**	**(12.7)**	**(14.4)**	**269**
Salaries per student, Glendon ($)	15,765	16,745	18,084	21,785	23,588	50
Salaries per student, all faculties ($)	10,123	10,276	10,166	11,015	11,818	17
Difference ($)	**5,642**	**6,469**	**7,918**	**10,770**	**11,770**	
Student-to-Faculty Ratio						
Student-to-tenure-stream faculty ratio, Glendon	22.93	20.21	20.09	17.24	16.06	(30)
Student-to-tenure-stream faculty ratio, all faculties	35.08	35.15	35.46	33.69	31.64	(10)
Difference	**(12.15)**	**(14.94)**	**(15.37)**	**(16.45)**	**(15.58)**	

* Excludes operating funding support received and contributions Glendon made to a common university fund. From 2017/18 to 2021/2022 Glendon automatically received $4.2 million each year to maintain its revenues at previous levels and help ease the transition to activity-based costing (from an incremental costing model). In 2022/23 Glendon received $9.4 million in operating support based on a proposal it submitted for approval by the Provost. From 2018/19 to 2022/23 Glendon contributed $4.8 million to the common university fund.

Arts, Media, Performance and Design (AMPD)

	2018/19	2019/20	2020/21	2021/22	2022/23	Change (%)
Enrolment						
Domestic students, FTE	2,477	2,441	2,374	2,200	2,090	(16)
International students, FTE	321	392	457	482	447	39
Total enrolment, FTE	**2,798**	**2,833**	**2,831**	**2,682**	**2,537**	**(9)**
Tuition ($ million)	**26.5**	**27.1**	**29.4**	**29.1**	**27.7**	**5**
Domestic	18.2	16.0	15.1	14.0	13.1	(28)
International	8.3	11.1	14.3	15.1	14.6	76
Government grants ($ million)	**18.6**	**18.5**	**17.7**	**16.9**	**15.2**	**(18)**
Total	**45.1**	**45.6**	**47.1**	**46.0**	**42.9**	**(5)**
Salaries ($ million)						
Faculty	22.7	21.9	21.8	22.1	22.2	(2)
Other	10.5	12.7	12.9	13.4	13.0	24
Total salaries	**33.2**	**34.6**	**34.7**	**35.5**	**35.2**	**6**
Total salaries, % of total expenses	50	52	52	53	54	
In-year surplus/(deficit) ($ million)*	**(12.1)**	**(12.2)**	**(12.4)**	**(13.1)**	**(14.5)**	**20**
Salaries per student, AMPD ($)	11,850	12,217	12,256	13,247	13,886	17
Salaries per student, all faculties ($)	10,123	10,276	10,166	11,015	11,818	17
Difference ($)	**1,727**	**1,941**	**2,090**	**2,232**	**2,068**	
Student-to-Faculty Ratio						
Student-to-tenure-stream faculty ratio, AMPD	30.35	28.15	25.96	26.72	28.60	(6)
Student-to-tenure-stream faculty ratio, all faculties	35.08	35.15	35.46	33.69	31.64	(10)
Difference	**(4.73)**	**(7.00)**	**(9.50)**	**(6.97)**	**(3.04)**	

* Excludes operating funding support received and contributions AMPD made to a common university fund. From 2017/18 to 2021/2022 AMPD automatically received $14.2 million each year to maintain its revenues at previous levels and help ease the transition to activity-based costing (from an incremental costing model). In 2022/23 AMPD received $15.0 million in operating support based on a proposal it submitted for approval by the Provost. From 2018/19 to 2022/23 AMPD contributed $5.9 million to the common university fund.

Environmental and Urban Change (EUC)

	2018/19	2019/20	2020/21	2021/22	2022/23	Change (%)
Enrolment						
Domestic students, FTE	596	562	699	594	563	(6)
International students, FTE	66	75	117	107	88	33
Total enrolment, FTE	**662**	**637**	**816**	**701**	**651**	**(2)**
Tuition ($ million)	**5.2**	**5.3**	**7.4**	**6.4**	**5.6**	**8**
Domestic	3.6	3.2	3.9	3.3	3.1	(14)
International	1.6	2.1	3.5	3.1	2.5	56
Government grants ($ million)	**7.4**	**7.2**	**7.7**	**7.2**	**6.9**	**(7)**
Total	**12.6**	**12.5**	**15.1**	**13.6**	**12.5**	**(1)**
Salaries ($ million)						
Faculty	6.0	5.4	9.5	8.7	8.4	40
Other	3.9	4.7	6.3	6.1	6.6	69
Total	**9.9**	**10.1**	**15.8**	**14.8**	**15.0**	**52**
Total (% of total expenses)	52	54	58	57	56	
In-year surplus/(deficit) ($)*	**(5.6)**	**(4.9)**	**(9.5)**	**(6.5)**	**(12.4)**	**121**
Salaries per student, EUC ($)	14,992	15,886	19,331	21,154	22,951	53
Salaries per student, all faculties ($)	10,123	10,276	10,166	11,015	11,818	17
Difference ($)	**4,869**	**5,610**	**9,165**	**10,139**	**11,133**	
Student-to-Faculty Ratio						
Student-to-tenure-stream faculty ratio, EUC	18.73	18.87	17.72	15.80	14.58	(22)
Student to tenure-stream faculty ratio, all faculties	35.08	35.15	35.46	33.69	31.64	(10)
Difference	**(16.35)**	**(16.28)**	**(17.74)**	**(17.89)**	**(17.06)**	

* Excludes operating funding support received and contributions EUC made to a common university fund. From 2017/18 to 2021/2022 EUC automatically received $4.2 million each year to maintain its revenues at previous levels and help ease the transition to activity-based costing (from an incremental costing model). In 2022/23 EUC received $6.0 million in operating support based on a proposal it submitted for approval by the Provost. From 2018/19 to 2022/23 EUC contributed $1.9 million to the common university fund.

Appendix 10: Major Capital Projects and Source of Funding, 2017/18–2022/23 ($ million)

Source of data: York University

Completion Date	Capital Project	Project Type	Source of Funding					Total Project Costs
			External Funds				Internal Funds	
			Government	Donations	External Debt	Student Levy	Internal Reserves	
Sept 2017	Co-generation Plant Renewal	Infrastructure Renewal	11.4	–	5.3	–	0.8	**17.5**
Jan 2018	Schulich School of Business Building Expansion	New Build	15.0	21.9	10.2	–	3.0	**50.1**
Dec 2018	Student Centre II	New Build	–	–	–	70.8	–	**70.8**
Jun 2019	Science Building Renewal	Building Renewal	23.2	–	23.7	–	3.7	**50.6**
Dec 2021	Lassonde Capacity Expansion	Renovation	–	–	–	–	8.0	**8.0**
Jan 2022	Podium Waterproofing	Deferred Maintenance	3.3	–	–	–	4.3	**7.6**
Mar 2022	Atkinson Tower Renovation	Renovation	–	–	–	–	6.4	**6.4**
Dec 2022	10 Year Housing Renewal Upgrade Residences	Building Renewal	–	–	–	–	63.8	**63.8**
Dec 2022	Lions Stadium Conversion	New Build	–	0.2	–	–	10.9	**11.1**
Jan 2023	School of Continuing Studies Building	New Build	–	–	–	–	70.4	**70.4**
Dec 2023[1]	Classroom Renewal	Deferred Maintenance	2.8	–	–	–	17.2	**20.0**[2]
Dec 2023[1]	Washroom Renewal Upgrades	Deferred Maintenance	8.8	–	–	–	4.7	**13.5**[2]
Dec 2023[1]	Farquharson Life Sciences, Lumbers & Petrie Science	Renovation	–	–	–	–	9.6	**9.6**[2]
Q4 2023[1]	Winters & McLaughlin	Renovation	–	–	–	–	7.5	**7.5**[2]
Q4 2024/Q3 2025[1]	Sherman Health Science Research Centre Building Expansion	New Build and Renovation	–	–	27.6	–	26.9	**54.5**[2]
Spring 2024[1]	Markham Campus	New Build	25.0	15.4[3]	135.0	–	85.1	**260.5**[2]
Q1 2025[1]	Goldfarb Gallery	New Build	–	5.9	–	–	7.6	**13.5**[2]
Q1 2026	Vari Hall Addition[4]	Expansion and Renovation	–	–	–	–	51.0	**51.0**
Spring 2026[1]	Student System Renewal Program	Information Technology	–	–	11.5	–	108.6	**120.1**[2]
Total			**89.5**	**43.4**	**213.3**	**70.8**	**489.5**	**906.5**

– projects selected for our review.

1. Date project expected to be complete.
2. Total project costs expected upon completion.
3. York has a fundraising goal of $50 million for this project. By 2022/23, $15.4 million had been received or pledged. The amount of the donations raised will reduce the internal funds used for the project.
4. At the completion of audit fieldwork, university management notified us that it would not be proceeding with the project.

Review of Government Advertising

Government Advertising Dropped Significantly After Decrease in COVID-19 Advertising

The Office of the Auditor General of Ontario has been reviewing government advertising and related government spending annually since 2005, when the *Government Advertising Act, 2004* (Act) was proclaimed.

In the fiscal year ending March 31, 2023, the government spent $33.72 million (see **Figure 1**) on advertising, less than half of what was spent the previous fiscal year ($69.33 million). One reason for the drop in spending was a substantial decrease in advertising campaigns about COVID-19. In the 2021/22 fiscal year, COVID-19 vaccination advertising and related initiatives totalled $45.68 million, or 66% of all government advertising. In 2022/23, however, Ministry of Health advertising spending dropped to less than $3 million on all its campaigns. For example, COVID-19 guidance and winter vaccine advertising campaigns totalled less than $300,000 in 2022/23.

Figure 2 shows the long-term trend in government advertising expenditures over the last 15 years, from 2008/2009 up to and including March 31, 2023. While the government's total spending on advertising in 2022/23 amounted to $33.72 million, our Office reviewed $28.86 million in costs for 74 submissions including 923 advertisements. Some types of digital

Figure 1: Advertising Expenditures, Reviewable and Exempt from Our Office's Review

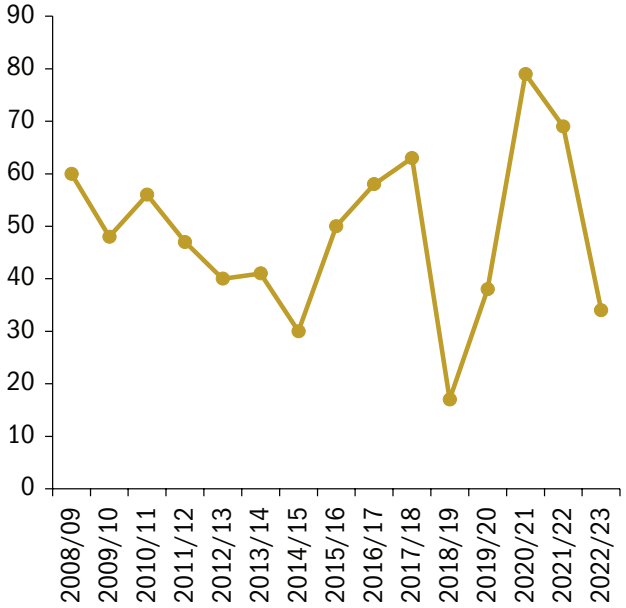
Prepared by the Office of the Auditor General of Ontario

Government Advertising	Cost ($ million)
Reviewed by the OAGO as required by the *Government Advertising Act, 2004*	28.86
Not reviewed due to Ontario Regulation 143/15 covering social media[1]	4.06
Not reviewed due to Ontario Regulation 143/15 covering search-marketing services[1]	0.80
Total	**33.72**

1. Ontario Regulation 143/15 under the Government Advertising Act, 2004 limits what types of digital advertising our Office can review.

Figure 2: Trend in Government Advertising Expenditures 2008/09–2022/23 ($ million)

Source of data: Ontario ministries and Advertising Review Board



advertising, including advertising on social media platforms and through search-marketing services, have been exempt from our review since a 2015 amendment to the Act. In 2022/23, digital advertising in these media totalled $4.86 million.

The top 10 advertising campaigns by expenditure for the 2022/23 fiscal year are listed in **Figure 3**. These campaigns accounted for $29.93 million (or 89%) of the total expenditure on advertisements in 2022/23. Our Office reviewed content created for reviewable forms of media for these campaigns, such as television, radio and website advertisements, but did not review content created for social media and search-marketing services because these are exempted by regulation from our review.

Our Office took issue with two campaigns totalling $24.89 million—close to three quarters (74%) of the total dollars spent on government advertising in 2022/23. Elements of both campaigns would have been considered partisan advertising by our Office under the original Act. Changes made to the Act in 2015, however, narrowed the definition of "partisan," and we were required to find these ads in compliance with the Act.

The cost of advertising campaigns we report on includes both the purchase of advertising media and production costs. See the **Appendix** for a breakdown of reviewable advertising costs by each government ministry.

Our Office's Review Under the *Government Advertising Act, 2004*

The Act, which took effect in late 2005, required the government to submit advertisements to the Auditor General for review to ensure, among other things, that they were not partisan. Only advertisements that passed this review could run.

This Act originally gave the Auditor General discretionary authority to determine what was partisan. Under this system, our Office took issue with a very small proportion (less than 1%) of ads, and approved the overwhelming majority of the thousands of advertisements submitted to us. When significant amendments to

Figure 3: Top Ten Advertising Campaigns by Cost, 2022/23

Topic	Ministry	Expenditure* ($ million)
Building a Better Health Care System	Finance	20.80
A Plan to Catch Up	Education	4.09
Cancer Screening	Health	1.14
Breaking Free	Health	0.82
Winter Driving	Transportation	0.69
Service Ontario, Always ON	Public and Business Service Delivery	0.64
Make it Local, Economic Recovery	Agriculture, Food and Rural Affairs	0.53
Learn and Stay Grant	Colleges and Universities	0.49
Housing Supply	Municipal Affairs and Housing	0.45
Cervical Cancer Screening	Health	0.28
Total		**29.93**

* Expenditure totals include both reviewable and non-reviewable media.

the Act were introduced by the government in 2015, we cautioned that these changes would weaken the Act and open the door to publicly funded partisan and self-congratulatory government advertisements on television and radio, in print and online.

The amendments to the Act imposed a specific and narrow definition of "partisan" as the only measure we could use in our review of advertisements. Essentially, the Auditor General cannot find an advertisement partisan under the Act as long as the advertisement avoids:

- using the name, voice or image of an elected official, or the logo of a political party;
- directly identifying and criticizing a recognized party or member of the Assembly; or
- including, to a significant degree, a colour associated with the governing party.

Our approval is still required under the amended Act before an advertisement can run; however, this approval is almost always automatic. The only other condition that must be met is that the advertisement states it was paid for by the government of Ontario.

Our Office continues to identify those advertisements that would not have passed our review under the original version of the Act.

Campaigns We Took Issue With in 2022/23

In the fiscal year 2022/23, we documented concerns about one campaign submitted to our Office by the Ministry of Finance, and another submitted by the Ministry of Education. Under the previous version of the Act, these ads and their respective websites would not have passed our review.

Our Office concluded that the primary objective of these ads and/or information on their respective websites was to foster a positive impression of the government. A description of these two ad campaigns follows.

- **Building a Better Health Care System campaign.** Submissions from the Ministry of Finance for the Building a Better Health Care System campaign would not have passed our review under the former version of the *Government Advertising Act, 2004* for either its ad content or information on the website referenced in the campaign ads.

  While some ads in the campaign included new information about health care services such as "pharmacists can now write and renew certain prescriptions," of the 443 ads submitted, 181 would have been classified as partisan for their content. The ads we took issue with included statements such as "we're reducing wait times for surgeries," "we're building 3,000 more hospital beds" and "we're adding and upgrading nearly 60,000 long-term care beds", without context or evidence to back up these claims. As well, information on the website referenced in the campaign's ad content included statements about "recruiting thousands of health care workers."

  According to a document submitted to our Office, the campaign was meant "to build awareness of the Province's plan to improve Ontario's health care system," to "educate Ontarians about the array of health care resources available to them and the changes being implemented to improve access to quality health care," and to "(build) confidence in the province's health system and (empower) people to protect themselves so the province and economy can remain open to support the people of Ontario in many aspects of daily life including work, health and family."

  This Ministry of Finance campaign represented $20.80 million in advertising spending—the highest dollar value campaign in 2022/23. It accounted for about 62% of the government's $33.72 million total spending on advertising in the fiscal year.

- **A Plan to Catch Up campaign.** The ads in this campaign directed Ontarians to a website that included messages that would not have passed our review under the former version of the *Government Advertising Act, 2004*. The website content included statements about "hiring 3,000 more staff in schools" but offered no context or

evidence to back up the claims. It also included statements about the government's position that might have been intended to influence public perceptions of teachers and/or their bargaining agents during contract negotiations, such as "providing teachers with a fair and reasonable pay raise" and "updating hiring practices to meet the needs of students first."

The purpose of the campaign, according to a document submitted to our Office, was to raise awareness among Ontario parents and the general public that Ontario has a plan to support students coming out of the pandemic that will prepare them for the jobs of tomorrow. The ads would "demonstrate an understanding that COVID-19 has been hard on many students" and that it would be "important for students to be in class with their peers so that they get the full school experience that includes extra-curriculars."

The advertising campaign, which cost more than $4 million, had the second-highest cost of all campaigns in 2022/23.

We were required to find both campaigns in compliance, due to the narrow definition of "partisan" in the current Act. When we issued our compliance opinions, however, we noted our reservations to both submitting ministries.

See **Figure 3** for the top 10 campaigns by cost of 2022/23.

Other Issues of Interest

Digital Advertising Dominated; Some Government Campaigns Ran Using Only Social and/or Search Marketing

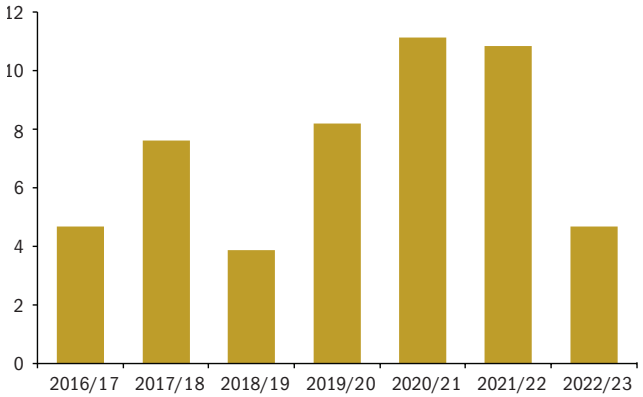
Our authority to review digital advertising came into effect along with other changes made to the Act in June 2015. Digital advertising includes video, text, images and any combination of these that the government proposes to pay to have displayed on a website or digital screen. Ontario Regulation 143/15 under the Act limits what types of digital advertising we can review. Our Office can review only digital ads displayed on a website "other than a social media website such as Facebook or Twitter." As well, ads displayed as a result of the government using a search-marketing service, such as Google Ads, are not subject to our review.

In the 2022/23 fiscal year, the government spent a total of $4.86 million on digital ads that were excluded from our review. This included $4.06 million on ads that ran on social media sites and $0.80 million on search-marketing services. In 2021/22, the government spent $10.85 million on ads on social media sites and search-marketing services, or about 16% of the $69.33 million spent on all advertising that year. In 2022/23, the government spent $4.86 million on these types of ads, or just over 14% of the $33.72 million in total spending. **Figure 4** shows the trend in government spending on exempted digital advertising over the last seven fiscal years.

While the percentage of total spending on exempted media was down slightly overall, for the first year, a number of ministries ran relatively low-cost campaigns using only social media and/or search-marketing services. For example, the Ministry of Labour, Immigration, Training and Skills Development ran a search-marketing services campaign for about $28,000 to inform people coming from Ukraine to Ontario, and

Figure 4: Government Spending on Digital Advertising Exempt from Auditor General Review ($ million)

Source of data: Advertising Review Board, Ministry of Public and Business Service Delivery and other Ontario ministries.



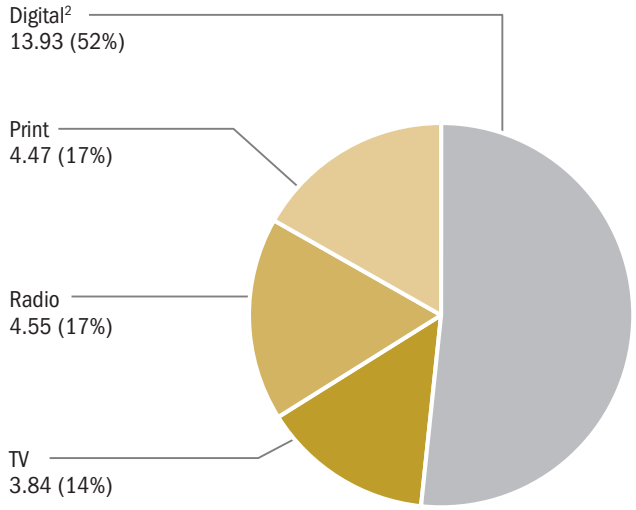
the residents and businesses interested in supporting them, of available resources and supports. As another example, the Ministry of Natural Resources and Forestry ran social-media-only information campaigns on flood safety, rabies awareness, an Indigenous Youth Work Exchange Program and a Stewardship Youth Ranger Program for a total cost of just over $22,000.

In 2022/23, spending on all digital advertising, including exempted social media and search-marketing services, accounted for $13.93 million compared to $12.87 million for all other types of advertising. (Neither total includes agency fees.) See **Figure 5** for a breakdown of spending by medium.

Similar to 2020/21, the government's use of, and spending on, all digital advertising in 2022/23 was more than all of its spending on TV, radio and print advertising combined. In our view, given this significant trend, our Office should be required to review all digital ads the government pays for, without exception.

Figure 5: Advertising Expenditures[1] by Medium ($ million)

Source of data: Ministry of Public and Business Service Delivery and other Ontario ministries



1. Agency fees are not included. Out-of-home advertisements, which include billboards, transit posters, etc., was reported as a $400 expenditure.
2. Includes media costs of all digital and social media advertising, and search-marketing services (including those types that are exempt from our review).

Overview of Our Compliance Function

What Falls Under the Act

The *Government Advertising Act, 2004* (Act) applies to advertisements that government offices—specifically, government ministries, Cabinet Office and the Office of the Premier—propose to pay to have published in a newspaper or magazine, displayed on a billboard, displayed digitally in a prescribed form or manner, or broadcast on radio or television, or in a cinema. It also applies to printed matter that a government office proposes to pay to have distributed to households in Ontario by unaddressed bulk mail or another method of bulk delivery. Advertisements meeting any of these definitions are known as "reviewable items" and must be submitted to our Office for review and approval before they can run.

The Act requires government offices to submit all reviewable items to our Office. They cannot publish, display, broadcast or distribute the item until the head of that office (usually the deputy minister) receives notice, or is deemed to have received notice, that the advertisement has been found in compliance with legislation.

If our Office does not render a decision within the five business days set out in regulation, then the government office is deemed to have received notice that the item complies with the Act and may run it.

If our Office notifies the government office that the item is not in compliance with the Act, the item may not run. However, the government office may submit a revised version of the rejected item for another review.

Compliance approvals are valid for the life of the proposed media campaign.

In addition, all proposed ads planned for broadcast on television and in a cinema, along with bulk-distributed printed materials (householders), must be submitted in early versions for a preliminary review in each language in which the government intends to run them. After receiving a preliminary approval, the proposed advertisements must be resubmitted to our Office in their final form for approval. (Under the original Act, preliminary reviews were voluntary, and usually only ads in English were submitted for preliminary review.)

The Act excludes from our review advertisements for specific government jobs (but not generic recruitment campaigns) and notices to the public required by law. Also exempt are advertisements on the provision of goods and services to a government office, and those regarding urgent matters affecting public health or safety.

The advertising done by government agencies is also exempt from the Act and thus our review. However, agencies' ads could be captured by the Act under a 2005 agreement with the government that gives us the authority to review third-party advertising if all three of the following criteria apply:

- A government office provided the third party with funds intended to pay part or all of the cost of publishing, displaying, broadcasting or distributing the item.
- The government office approved the content of the item.
- The government granted the third-party permission to use the Ontario logo or another official provincial visual identifier in the item.

Revised Criteria for Proposed Advertisements

In conducting its review, the Auditor General's Office now determines only whether the proposed advertisement complies with the amended Act. The following are the requirements with which the advertisement must comply:

It must include a statement that it is paid for by the government of Ontario.

It must not be partisan. The revised Act says an item is "partisan" only if it:

- includes the name, voice or image of a member of the Executive Council or of a member of the Assembly (unless the item's primary target audience is located outside of Ontario);
- includes the name or logo of a recognized party;
- directly identifies and criticizes a recognized party or a member of the Assembly; and/or
- includes, to a significant degree, a colour associated with the governing party.

We have no authority to consider any other factors, such as factual accuracy, context or tone, to determine whether an item is partisan.

Other Review Protocols

Since assuming responsibility for the review of government advertising in 2005, our Office has worked with the government to clarify procedures to cover areas where the Act is silent. What follows is a brief description of the significant areas that have been clarified over the years.

Websites Used in Advertisements

Although government websites were not specifically referred to in the original Act, we took the position that a website or similar destination whose link is used in an advertisement is an extension of the advertisement. Following discussions, our Office came to an agreement with the government soon after the legislation was passed that the first page, or "first click," of a website cited in a reviewable item would be included in our review.

We continue to consider the content only of the first click, unless it is a gateway page or lacks meaningful content, in which case we review the next page. We

examine the page for any content that does not meet the standards of the amended Act. For example, the page must not include a minister's name or photo, or the name or logo of a recognized party.

Social Media Used in Advertisements

The government has significantly increased its presence on social media platforms over the last decade. Our Office receives advertisements for approval that at times use icons leading the user to the government's presence on various social media, such as Facebook and Twitter.

Although the original Act was silent on the use of social media, we reached an agreement with the government in 2012 that we would perform an initial scan of any social media page cited in an ad to ensure that the standards of the Act were being followed, in the same way that we examine websites referenced in ads. We recognize that content changes frequently and can be beyond the control of the government office, so our limited review focuses only on the content that the government office controls.

However, the government's social media accounts and any content that its administrators post to it do not constitute reviewable advertising under the Act.

The Future of Our Office's Role in Government Advertising

Amendments to the Act in 2015 did away with our Office's discretionary authority to determine what constitutes partisan advertising. These amendments weakened the Act, potentially paving the way for publicly paid partisan advertising by government. We will continue to identify those advertisements that would not have passed our review under the former version of the Act.

RECOMMENDATION 1

We recommend that the previous version of the *Government Advertising Act, 2004* that was in force from January 30, 2006, to June 3, 2015, be reinstated, but also include an amendment that adds digital advertising as a reviewable medium.

TREASURY BOARD RESPONSE

The government continues to ensure the Office of the Auditor General reviews and approves advertising spends under the guidelines as set out in the Act.

The government reviews all advertising paid for by the Province to ensure it is delivered in the most efficient and cost-effective manner, to maximize value for taxpayers.

The government is not proposing any amendments to the Act at this time.

RECOMMENDATION 2

We recommend that the government revoke Ontario Regulation 143/15 under the *Government Advertising Act, 2004* to enable the Office of the Auditor General of Ontario to review all digital advertising paid for by the government, without exception.

TREASURY BOARD RESPONSE

Under the *Government Advertising Act*, the Office of the Auditor General of Ontario continues to review and approve all advertising spends as set out in the Act.

Paid social advertising often forms part of any government marketing campaign. Social assets created for the campaigns provide the same message and look and feel as those created for print, multicultural, video and digital banner ads, which are all reviewable under the Act.

The government is maintaining the status quo at this time.

Appendix: Expenditures for Reviewable Advertisements Under the *Government Advertising Act, 2004*, April 1, 2022–March 31, 2023[1]

Source of data: Ontario government ministries

Ministry[2]	# of Submissions	# of Items	Agency Fees and Production Costs ($)	Media Costs ($)					Total ($)
				TV and Cinema	Radio	Print	Digital	Out-of-Home[3]	
Agriculture, Food and Rural Affairs	9	69	121,754	27,064	772,246	59,974	26,927	–	**1,007,965**
Colleges and Universities	2	6	–	–	–	1,290	219,809	–	**221,099**
Economic Development, Job Creation and Trade	3	8	6,421	–	–	–	90,792	–	**97,213**
Education	11	67	809,305	922,869	1,279,635	367,641	367,300	–	**3,746,750**
Finance	11	447	5,954,166	2,888,531	2,106,181	3,977,641	5,997,938	–	**20,924,457**
Health[4]	8	172	–	–	–	–	1,654,163	–	**1,654,163**
Labour, Immigration, Trade and Skills Development	2	8	8,220			9,964	98,603	–	**116,787**
Natural Resources and Forestry	5	14	1,260	–	2,885	12,986	9,281	400	**26,812**
Public and Business Service Delivery	3	22	–	–	–	–	173,235	–	**173,235**
Solicitor General	5	6	–	–	746	1,770	2,671	–	**5,187**
Tourism Culture and Sport	13	78	5,925	–	19,220	41,957	227,059		**294,161**
Transportation	2	26	18,250	–	373,704	–	201,385	–	**593,339**
Total	**74**	**923**	**6,925,301**	**3,838,464**	**4,554,617**	**4,473,223**	**9,069,163**	**400**	**28,861,168**

1. The *Auditor General Act* requires our Office to report annually on expenditures for advertising and printed matter reviewable under the *Government Advertising Act, 2004 (Act)*. In order to verify the completeness and accuracy, we may review selected payments and supporting documentation. We may also examine compliance relating to the section of the Act dealing with submission requirements and use of advertisements during the Auditor General's review.
2. Only government ministries that incurred advertising costs are included.
3. Includes billboards, transit posters, etc.
4. Data does not include submissions made in 2022/23 where costs were to be incurred in 2023/24 only. Financial data includes costs incurred in 2022/23 relate to extensions granted for 2021/22 submissions.

The Standing Committee on Public Accounts

1.0 Role of the Public Accounts Committee

The Public Accounts Committee (PAC), more formally known as the Standing Committee on Public Accounts, is empowered to review and report to the Legislative Assembly its observations, opinions and recommendations on reports from the Auditor General and on the Public Accounts. These reports are deemed to have been permanently referred to the PAC as they become available. The PAC examines, assesses and reports to the Legislative Assembly on a number of issues, including the economy and efficiency of government and broader-public-sector operations, and the effectiveness of government programs in achieving their objectives.

Under sections 16 and 17 of the *Auditor General Act*, the PAC may also request the Auditor General to examine any matter in respect of the Public Accounts or undertake a special assignment on its behalf.

The PAC holds hearings throughout the year when the Legislature is in session relating to matters raised in our Office's reports and may present its observations and recommendations from hearings in its reports to the Legislative Assembly.

2.0 Appointment and Composition of the Public Accounts Committee

Members of the Public Accounts Committee (PAC) are appointed by a motion of the Legislature. The number of members from any given political party reflects that party's representation in the Legislative Assembly. All members except the Chair may vote on motions, while the Chair votes only to break a tie. The PAC is normally established for the duration of the Parliament, from the opening of its first session immediately following a general election to its dissolution. Based on the Standing Orders, the Chair of the Public Accounts Committee is a member of the official opposition and the Vice-Chair is a member of the government party. Historically, as a practice, both the Chair and Vice-Chair of the PAC were members of the official opposition until changes were made to the Standing Orders in 2021.

In accordance with the Standing Orders of the Legislative Assembly and following the June 2022 election, PAC members were appointed on August 10, 2022. The Chair and Vice-Chair were elected on August 22, 2022, at the Public Accounts Committee's first meeting of the

43rd Parliament. There were membership changes on August 23, 2022 and September 26, 2023. The Public Accounts Committee membership is as follows:

- **Tom Rakocevic**, Chair, New Democrat (effective August 22, 2022)
- **Donna Skelly**, Vice-Chair, Progressive Conservative (effective August 22, 2022)
- **Will Bouma**, Progressive Conservative (appointed August 10, 2022)
- **Rick Byers**, Progressive Conservative (appointed August 10, 2022)
- **Lucille Collard**, Liberal (appointed August 10, 2022)
- **Stephen Crawford**, Progressive Conservative (appointed August 10, 2022)
- **Rudy Cuzzetto**, Progressive Conservative (appointed August 10, 2022)
- **France Gélinas**, New Democrat (appointed August 10, 2022)
- **Logan Kanapathi**, Progressive Conservative (appointed August 10, 2022)
- **Laura Smith**, Progressive Conservative (appointed August 10, 2022)
- **Lise Vaugeois**, New Democrat (appointed August 23, 2022)

3.0 Auditor General's Advisory Role with the Public Accounts Committee

In accordance with section 16 of the *Auditor General Act*, at the request of the Public Accounts Committee (PAC), the Auditor General, who may be accompanied by senior staff, attends the PAC meetings to assist with its reviews and hearings relating to our Office's reports and Ontario's Public Accounts.

As reported in last year's Annual Report, there have been a number of changes with respect to the Auditor General's relationship with the PAC. On November 14, 2022, the PAC met in closed session and subsequently passed a motion that the Auditor General and staff of the Office of the Auditor General of Ontario only appear before the PAC as witnesses upon invitation for the purpose of briefing the PAC and answering questions about the Office's reports, or, where PAC agrees, to provide supplementary briefings. It was also adopted by the PAC that when a meeting is held in closed session, the attendance of the Auditor General and supporting staff shall be limited to that portion of the meeting when they have been invited to appear as witnesses.

The Office of the Auditor General will continue to work with the PAC to support the achievement of its mandate and will provide this support in the manner preferred by the Committee. However, the changes made over the last year are a departure from the longstanding practice whereby the Auditor General has attended all PAC meetings in their entirety as an advisor (not a witness) and was included on all correspondence shared with the PAC as it was provided to the Committee (such as updates from auditees). The 2022 changes have limited the Office's ability to support the PAC in its work. For instance, the Auditor General no longer attends meetings when the Committee conducts report writing and therefore cannot answer the Committee's questions in real-time related to the audit or subject matter, give advice on writing effective recommendations to address audit issues or ensure recommendations are directed to the appropriate entities. At present, the Office follows up on the status of the PAC's recommendation on the Committee's behalf. However, the exclusion of the Auditor General from the report writing further limits the ability of the Office to understand the intent and context of the PAC's recommendations.

4.0 Public Accounts Committee Procedures and Operations

The Public Accounts Committee (PAC) meets weekly when the Legislative Assembly is sitting and, with the approval of the House, meets at any other times of its choosing. When the Legislature returned from the 2022 general election, the meeting day for the Public Accounts Committee was changed from Wednesdays to Mondays. Meetings have been held on Wednesdays since 2008.

All meetings are generally open to the public except for those dealing with setting the PAC's agenda and the preparation of its reports. All PAC proceedings that are open to the public are recorded in Hansard, the official substantially verbatim report of debates, speeches and other Legislative Assembly proceedings.

The PAC identifies matters of interest from our reports and conducts hearings on them. It typically reviews value-for-money reports, the Public Accounts chapter and follow-up reports. Normally, each of the political parties annually selects three to six audits or other sections from our current or past audits for PAC review.

At each hearing, the Auditor General and a Research Officer from the Legislative Research Service brief the PAC on the applicable report. A briefing package is prepared by the Research Officer that includes the responses to report recommendations from the relevant ministry, Crown agency or broader-public-sector organization that was the subject of the audit or review. The PAC typically requests senior officials from the auditee(s) to appear at the hearings and respond to the PAC's questions. Because our reports deal with operational, administrative and financial matters (rather than policy), ministers are generally not asked to attend as witnesses. Once the PAC's hearings are completed, the Research Officer may prepare a draft report pursuant to the PAC's instructions, as the PAC typically reports its findings and recommendations to the Legislative Assembly.

In addition, the Clerk, at the direction of the PAC, requests those auditees of audit reports that were not selected for hearings to provide the PAC with an update of the actions taken to address our recommendations and other concerns raised in our reports.

5.0 Meetings Held

The Public Accounts Committee (PAC) held 19 meetings between November 2022 and October 2023. Topics addressed at these meetings included court operations, outpatient surgeries, the criminal court system, highway planning and management, climate change adaptation, management of invasive species, the Ontario Motor Vehicle Industry Council, the Ontario Lottery and Gaming Corporation, conserving the Niagara Escarpment, the Financial Services Regulatory Authority and the Ontario Energy Board. Ten of these meetings included hearings in which government and broader-public-sector witnesses were called to testify before the PAC and responded to questions regarding observations contained in our Office's reports. Other meetings were spent on PAC business, writing the PAC's reports, or hearing briefings from the Auditor General.

6.0 Reports of the Public Accounts Committee

The PAC issues reports on its work for tabling in the Legislative Assembly. These reports summarize the information gathered by the PAC during its meetings, and include the PAC's comments and recommendations. Once tabled, all PAC reports are publicly available through the Clerk of the Committee or online at **ola.org**, as well as on our website at **auditor.on.ca**.

PAC reports typically include recommendations and a request that management of the ministry, agency or broader-public-sector organization provide the PAC Clerk with responses within a stipulated time frame. As of October 31, 2023, the PAC had tabled five reports in the Legislature since we last reported on its activities in our 2022 Annual Report:

- **February 21, 2023:** Ontario Motor Vehicle Industry Council (*2021 Annual Report* of the Office of the Auditor General of Ontario) Standing Committee on Public Accounts
- **February 21, 2023:** COVID-19 Personal Protective Equipment Supply (*2021 Annual Report* of the Office of the Auditor General of Ontario) Standing Committee on Public Accounts
- **February 21, 2023:** COVID-19 Economic Response and Supports for Businesses (*2021 Annual Report* of the Office of the Auditor General of Ontario) Standing Committee on Public Accounts
- **February 21, 2023:** Condominium Oversight in Ontario (*2020 Annual Report* of the Office of the Auditor General of Ontario) Standing Committee on Public Accounts
- **September 25, 2023:** Chapter 2: Court Operations (Volume 3: *2019 Annual Report* of the Office of the Auditor General of Ontario) Standing Committee on Public Accounts

These reports addressed audits from our *2019*, *2020* and *2021 Annual Reports*.

In our follow-up volume this year, we include follow-up reports on the recommendations made by the PAC in five reports that were tabled in 2021 and early 2023: Condominium Oversight, COVID-19 Economic Supports, COVID-19 Personal Protective Equipment, Ontario Motor Vehicle Industry Council and Tarion Warranty Corporation.

In each of these follow-up reports, you will find:

- the recommendations contained in the Public Accounts Committee's report;
- the auditee's responses to the Public Accounts Committee's recommendations; and
- a table summarizing the status of each action from the Public Accounts Committee's recommendations (for example, fully implemented, or in the process of being implemented).

7.0 Canadian Council of Public Accounts Committees

The Canadian Council of Public Accounts Committees (CCPAC) consists of delegates from federal, provincial and territorial public accounts committees across Canada. CCPAC holds a joint annual conference with the Canadian Council of Legislative Auditors to discuss issues of mutual interest.

The 44th annual conference was held in person in Whitehorse, Yukon on September 10 to 12, 2023. Next year, the 45th annual conference will be held in Québec City, Québec.

Office of the Auditor General of Ontario Operations Report

The Office of the Auditor General of Ontario (Office) serves the Legislative Assembly and the citizens of Ontario by conducting value-for-money, financial, information technology, governance and special audits, reviews and investigations, and reporting on them. In so doing, the Office helps the Legislative Assembly hold the government, its administrators, government agencies, Crown-controlled corporations and grant recipients accountable for how prudently they spend public funds, and for the value they obtain for the money spent on behalf of Ontario taxpayers.

The work of the Office is performed under the authority of the *Auditor General Act*. In addition, under the amended *Government Advertising Act, 2004*, the Auditor General is responsible for reviewing and approving certain types of proposed government advertising for compliance with this act. Also, we have a requirement to report on certain government reporting under the *Fiscal Sustainability, Transparency, and Accountability Act, 2019*, and in a year in which a regularly scheduled election is held, the Auditor General is required to review and deliver an opinion on the reasonableness of the government's multi-year fiscal plan with its expectations for the financial performance of the Province over the next three fiscal years.

On April 1, 2019, the *Restoring Trust, Transparency and Accountability Act, 2018* transferred many of the responsibilities of the former Office of the Environmental Commissioner of Ontario to the Office of the Auditor General of Ontario. A Commissioner of the Environment, appointed by the Auditor General, works as an Assistant Auditor General reporting directly to the Auditor General. The Office conducts audits of government programs that impact the environment under the same processes as the Office's value-for-money audits and has additional reporting responsibilities with respect to the operation of the *Environmental Bill of Rights, 1993*. The Office is also able to report on energy conservation, greenhouse gas emissions reductions and any other environmental subjects the Auditor General considers appropriate to conduct work on and report on to the Legislative Assembly.

All five acts can be found at **www.e-laws.gov.on.ca**.

General Overview

Value-for-Money Audits

About 70% of the Office's work relates to value-for-money auditing, which assesses how well a given "auditee" (the entity that we audit) manages and administers its programs or activities. Value-for-money audits delve into the auditee's underlying operations to assess the level of service being delivered to the public and the relative cost-effectiveness of that service. The Office has the authority to conduct value-for-money audits of the following entities:

- Ontario government ministries;
- Crown agencies;
- Crown-controlled corporations;
- designated administrative authorities; and
- organizations in the broader public sector that receive government grants (for example,

agencies that provide mental-health services, children's aid societies, community colleges, hospitals, long-term-care homes, school boards and universities).

The *Auditor General Act* (Act)—in subclauses 12(2)(f)(iv) and (v)—identifies the three criteria to be considered in a value-for-money audit:

- Money should be spent with due regard for economy.
- Money should be spent with due regard for efficiency.
- Appropriate procedures should be in place to measure and report on the effectiveness of programs.

The Act requires that the Auditor General report on any instances he may have observed where these three value-for-money criteria have not been met. More specific criteria that relate directly to the operations of the particular ministry, program or organization being audited are developed for each value-for-money audit.

The Act also requires that the Auditor General report on instances where the following was observed:

- Accounts were not properly kept or public money was not fully accounted for.
- Essential records were not maintained or the rules and procedures applied were not sufficient to:
  - safeguard and control public property;
  - effectively check the assessment, collection and proper allocation of revenue; or
  - ensure that expenditures were made only as authorized.
- Money was expended for purposes other than the ones for which it was appropriated.

Assessing the extent to which the auditee complies with the requirement to protect against these risks is generally incorporated into both value-for-money audits and "attest" audits (discussed in the Attest Audits section). Other compliance work that is also typically included in value-for-money audits includes determining whether the auditee adheres to key provisions in legislation and the authorities that govern the auditee or the auditee's programs and activities.

The establishment of government programs and activities is the result of government policy decisions. Thus, our value-for-money audits focus on how well management is administering and executing government policy decisions, uses best practices and is aware of practices in other jurisdictions. It is important to note, however, that in doing so we do not comment on the merits of government policy. Rather, the Legislative Assembly holds the government accountable for policy matters by continually monitoring and challenging government policies through asking questions during legislative sessions and conducting reviews of legislation and expenditure estimates.

In planning, performing and reporting on our value-for-money audit work, we follow the relevant professional standards established by the Chartered Professional Accountants of Canada. These standards require that we have processes for ensuring the quality, integrity and value of our work. Some of the processes we use are described in the following sections.

Selecting What to Audit

The Office audits significant ministry programs and activities, organizations in the broader public sector, Crown agencies, Crown-controlled corporations and designated authorities. Audits are selected using a risk-based approach. Since our mandate expanded in 2004 to allow us to examine organizations in the broader public sector, our audits have covered a wide range of topics in sectors such as health (hospitals, long-term-care homes, Community Care Access Centres and mental-health service providers); education (school boards, colleges and universities); and social services (children's aid societies and social-service agencies), as well as several large Crown-controlled corporations.

In selecting what program, activity or organization to audit each year, we assess how great the risk is that an auditee is not meeting the three value-for-money criteria mentioned previously, plus environmental considerations, and the potential negative consequences of those risks to the public it serves. Some of the factors

we consider in making this assessment include the following:

- the impact of the program, activity or organization on the public;
- the total revenues or expenditures involved;
- the complexity and diversity of the auditee's operations;
- the results of previous audits and related follow-ups;
- recent significant changes in the auditee's operations; and
- the impact of the program, activity or organization on the environment.

We also consider work conducted by the auditee's internal auditors, and may rely on, or reference, that work in performing our audit. Depending on what that work consists of, we may defer an audit or change our audit's scope to avoid duplication of effort. In cases where we do not reduce the scope of our audit, we still use and reference the results of internal audit work in our audit report.

Setting Audit Objectives, Audit Criteria and Assurance Levels

When we begin an audit, we set an objective for what the audit is to achieve. We then develop suitable audit criteria to evaluate the design and operating effectiveness of key systems, policies and procedures to address identified risks. Developing these criteria involves:

- extensive research on work done by recognized bodies of experts;
- other organizations or jurisdictions delivering similar programs and services;
- management's own policies and procedures;
- applicable criteria used in other audits; and
- applicable laws, regulations and other authorities.

To further ensure their suitability, the criteria we develop are discussed with the auditee's senior management at the planning stage of the audit.

The next step is to design and conduct tests so that we can reach a conclusion regarding our audit objective, and make relevant and meaningful observations and recommendations. Each audit report has a section titled "Audit Objective and Scope," in which the audit objective is stated and the scope of our work is explained. As required under the Act, we also report on circumstances where information was either difficult to obtain or not available for our review.

We plan our work so that we can obtain and provide assurance at an "audit level"—the highest reasonable level of assurance we can obtain. Specifically, an audit level of assurance is obtained by interviewing management and analyzing information that management provides; examining and testing systems, procedures and transactions; confirming facts with independent sources; and, where necessary because we are examining a highly technical area, obtaining independent expert assistance and advice. We also use professional judgment in much of our work.

Standard audit procedures are designed to provide a reasonable level of assurance that the audit will identify significant matters and material deviations. Certain factors make it difficult for audit tests to identify all deviations. For example, we may conclude that the auditee had a control system in place for a process or procedure that was working effectively to prevent a particular problem from occurring, but that auditee management or staff might be able to circumvent such control systems, so we cannot guarantee that the problem will never arise.

With respect to the information that management provides, under the Act we are entitled to access all information and records necessary to perform our duties.

Infrequently, the Office will perform a review rather than an audit. A review provides a moderate level of assurance, obtained primarily through inquiries and discussions with management; analyses of information provided by management; and only limited examination and testing of systems, procedures and transactions. We perform reviews when:

- it would be prohibitively expensive or unnecessary to provide a higher level of assurance; or
- other factors relating to the nature of the program or activity make it more appropriate to conduct a review instead of an audit.

Communicating with Management

To help ensure the factual accuracy of our observations and conclusions, staff from our Office communicate with the auditee's senior management throughout the value-for-money audit or review. Early in the process, our staff meet with management to discuss the objective, criteria and focus of our work in general terms. During the audit or review, our staff meet with management to update them on our progress and ensure open lines of communication.

At the conclusion of our on-site work, we brief management on our preliminary results. A conditional draft report is then prepared and provided to and discussed with the auditee's senior management, who provide written responses to our recommendations. These are discussed and incorporated into the draft report, which the Auditor General finalizes with the deputy minister or head of the agency, corporation or grant-recipient organization, after which the report is published as part of the Auditor General's Annual Report. In compliance with Chartered Professional Accountants Canada Standards, letters of representation are signed by senior management confirming they have provided and disclosed to our Office all relevant information pertaining to the audit.

Special Reports

As required by the Act, the Office reports on its audits in an Annual Report to the Legislative Assembly. In addition, under section 12(1), the Office may make a special report to the Legislature at any time, on any matter that, in the opinion of the Auditor General, should not be deferred until the Annual Report.

Two other sections of the Act authorize the Auditor General to undertake additional special work. Under section 16, the Standing Committee on Public Accounts (Committee) may resolve that the Auditor General examine and report on any matter regarding the Public Accounts. Under section 17, the Legislative Assembly, the Committee or a minister of the Crown may request that the Auditor General undertake a special assignment. However, these special assignments are not to take precedence over the Auditor General's other duties, and the Auditor General can decline such an assignment requested by a minister if he believes it conflicts with other duties.

On May 16, 2023 we tabled in the Legislative Assembly a special report, *The State of the Environment in Ontario* and on June 20, 2023 we tabled another special report, *What Gets Measured Gets Managed: Ministries' Performance Measurement, Program Evaluation and Annual Reporting*.

On January 11, 2023, the Auditor General of Ontario received a joint letter from all three Ontario Opposition Party leaders requesting a value-for-money audit and an assessment of the financial and environmental impacts of government's decision to remove lands from the Greenbelt. On August 9, 2023, our *Special Report on Changes to the Greenbelt* was tabled in the Legislative Assembly.

Attest Audits

Attest audits are examinations of an auditee's financial statements. In such audits, the auditor expresses their opinion on whether the financial statements present information on the auditee's operations in accordance with Canadian generally accepted accounting principles.

Compliance audit work is also often incorporated into attest audit work. Specifically, we assess the controls for managing risks related to improperly kept accounts; unaccounted-for public money; lack of record keeping; inadequate safeguarding of public property; deficient

procedures for assessing, collecting and properly allocating revenue; and unauthorized expenditures.

The Auditees

Every year, we audit the consolidated financial statements of the Province and the financial statements of many agencies of the Crown. Specifically, subsections 9(1), (2) and (3) of the Act require that:

- the Auditor General audit the accounts and records of the receipt and disbursement of public money forming part of the Province's Consolidated Revenue Fund, whether held in trust or otherwise;
- the Auditor General audit the financial statements of those agencies of the Crown that are not audited by another auditor;
- public accounting firms appointed as auditors of certain agencies of the Crown perform their audits under the direction of the Auditor General and report their results to the Auditor General; and
- public accounting firms auditing Crown-controlled corporations deliver to the Auditor General a copy of the audited financial statements of the corporation and a copy of the accounting firm's report of its findings and recommendations to management (typically contained in a management letter).

Our *Annual Report* chapter on the Public Accounts of the Province of Ontario discusses this year's attest audit of the Province's consolidated financial statements. We do not typically discuss the results of our attest audits of agencies and Crown-controlled corporations in this report unless a significant issue arises and it would be appropriate for all Members of the Provincial Parliament to be aware of this issue. Agency legislation normally stipulates that the Auditor General's reporting responsibilities are to the agency's board and the minister(s) responsible for the agency. Our Office also provides copies of our independent auditors' reports and of the related agency financial statements to the deputy minister of the associated ministry, as well as to the Secretary of the Treasury Board.

During the course of an attest audit of an agency, we identify areas for improvement and provide our recommendations to the agency's senior management in an audit findings report. We then discuss our recommendations with senior management and update the report to reflect the results of our discussions. After the draft report is cleared and the agency's senior management have responded to it in writing, we prepare a final report, which is discussed with the agency's audit committee (if one exists). We bring significant matters to the attention of the Legislature by including them in our Annual Report.

Within the Public Accounts chapter, Part 1 of **Exhibit 1** lists the agencies that were audited during the 2022/23 audit year. The Office also contracts with public accounting firms to serve as our agents in auditing a number of these agencies. Part 2 of **Exhibit 1** and **Exhibit 2** lists the agencies of the Crown and the Crown-controlled corporations, respectively, that were audited by public accounting firms during the 2022/23 audit year. **Exhibit 3** lists significant organizations in the broader public sector whose accounts are also audited by public accounting firms and included in the Province's consolidated financial statements.

Independence

The Auditor General and staff of the Office are independent of the government and its administration. This independence is an essential safeguard that enables the Office to fulfill its auditing and reporting responsibilities objectively and fairly.

The Auditor General is appointed to a 10-year, non-renewable term, and can be dismissed only for cause by the Legislative Assembly. Consequently, the Auditor General maintains an arm's-length distance from the government and the political parties in the Legislative Assembly, and is thus free to fulfill the Office's legislated mandate without political pressure.

The Board of Internal Economy, an all-party legislative committee that is independent of the government's administrative process, reviews and approves the Office's budget, which is subsequently laid before the Legislative Assembly. As required by the Act, the

Office's expenditures in the 2022/23 fiscal year were audited by a firm of chartered professional accountants, and the audited financial statements of the Office were submitted to the Board and must be tabled in the Legislative Assembly. The audited statements and related discussion of expenditures for the year are presented at the end of this section.

Confidentiality of Working Papers

In the course of our reporting activities, we prepare draft audit reports and findings reports that are considered an integral part of our audit working papers. Under section 19 of the Act, these working papers shall not be laid before the Legislative Assembly or any of its committees. As well, our Office is exempt from the *Freedom of Information and Protection of Privacy Act* (FIPPA). This means our draft reports and audit working papers, including all information obtained from an auditee during the course of an audit, are privileged and cannot be accessed by anyone other than our Office under FIPPA, thus further ensuring confidentiality.

Code of Professional Conduct

The Office has a Code of Professional Conduct to ensure staff maintain high professional standards and keep up a professional work environment. The Code is intended to be a general statement of philosophy, principles and rules regarding conduct for employees of the Office. Our employees have a duty to conduct themselves in a professional manner, and to strive to achieve in their work the highest standards of behaviour, competence and integrity.

The Code explains why these expectations exist, and further describes the Office's responsibilities to the Legislative Assembly, the public and our auditees. The Code also provides guidance on disclosure requirements and the steps to be taken to avoid conflicts of interest. All employees are required to complete an annual conflict-of-interest declaration and undergo a police security check upon being hired and every five years thereafter.

Office Organization and Personnel

The Office is organized into portfolio teams to align with related audit entities and to foster expertise in the various areas of audit activity. The portfolios, somewhat based on the government's own ministry organization, are each headed by a Director, who oversees and is responsible for the audits within the assigned portfolio. Directors report to Assistant Auditors General, who in turn report to the Auditor General. Reporting to the Directors and rounding out the teams are Audit Managers and other audit staff, as illustrated in **Figure 1.**

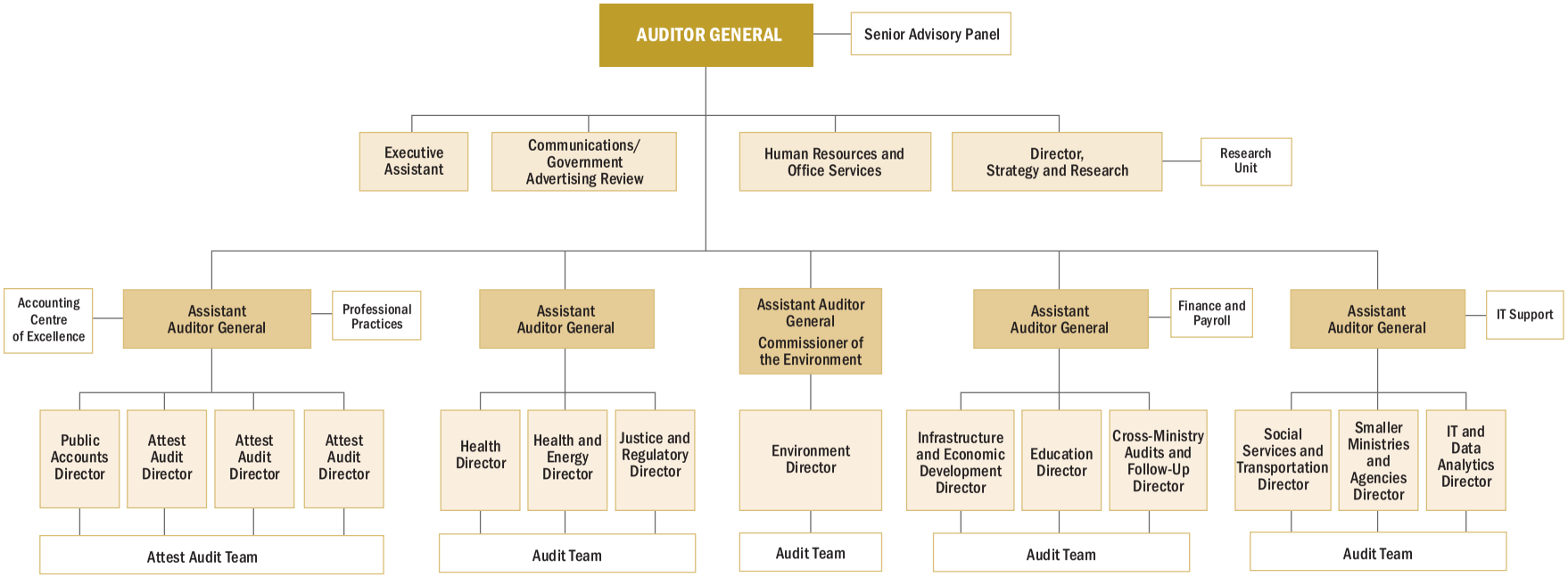
The Auditor General and the Assistant Auditors General make up the Office's Executive Committee. The Auditor General, the Assistant Auditors General, the Audit Directors, the Director of Human Resources and Office Services, the Director of Communications and Government Advertising Review, the Director of Information Technology, the Director of Strategy and Research and the Director of Finance make up the Office's Senior Management Committee.

The Auditor General's Panel of Senior External Advisors

The Auditor General's Panel of Senior External Advisors (Panel) was established in early 2017 to provide strategic advice to the Auditor General on his Office's work. The Panel is governed by Terms of Reference that outline its mandate, objective, membership, scope of work, and other terms and conditions. The members of the Panel meet at least twice per year and may meet on other occasions when necessary. During 2023, the Panel met once, reviewing reports and related material prior to those meetings.

Figure 1: Office Organization, November 30, 2022

Prepared by the Office of the Auditor General of Ontario



The Panel comprises of a broad cross-section of professionals and experts outside of the Office. Members are selected by the Auditor General based on their capacity to provide the Auditor General with the highest-quality advice in matters pertaining to the Panel's mandate.

Panel members are appointed for a term of three years and are eligible for reappointment at the discretion of the Auditor General. The Panel currently includes 11 members:

- **Tim Beauchamp**, former Director, Public Sector Accounting Board
- **Ann Cavoukian**, Executive Director, Global Privacy and Security by Design Centre and former Information and Privacy Commissioner of Ontario
- **Deborah Deller**, former Clerk of the Legislative Assembly of Ontario
- **Burkard Eberlein**, Professor, Public Policy, York University (Schulich)
- **Julie Gelfand**, former Federal Commissioner of the Environment and Sustainable Development, Office of the Auditor General of Canada
- **Peter Mansbridge**, former Chief Correspondent for CBC News and Anchor of The National
- **David Marshall**, former President, Workplace Safety and Insurance Board
- **William Robson**, Chief Executive Officer, C.D. Howe Institute
- **Carmen Rossiter**, Program Director, Centre for Governance, Risk Management and Control, York University (Schulich)
- **Wayne Strelioff**, former Auditor General of British Columbia and former Provincial Auditor of Saskatchewan
- **Christopher Wirth**, Lawyer, Keel Cottrelle LLP

Quality Assurance Review Process

Professional standards require that auditors establish and maintain a system of quality controls to help ensure that professional and legal standards are met and that audit reports are appropriate in the circumstances. Quality assurance reviews form an essential component of this system by providing a basis for determining whether quality control policies are appropriately designed and applied. The Office has implemented a system of internal quality assurance reviews and is also subject to external quality assurance reviews by both the Chartered Professional Accountants (CPA) of Ontario and the Canadian Council of Legislative Auditors.

The internal quality assurance review process consists of reviews of completed audit files on a cyclical basis by Office staff. Individuals chosen for this role are conversant with and have up-to-date knowledge of the application of professional accounting and assurance standards and have no other involvement with the audit. The selection of audit files for quality assurance review is based on criteria designed to provide the Office with reasonable confidence that professional standards and Office policies are being met. The selection criteria include, but are not limited to, the risk associated with the engagement (such as complexity or public sensitivity) and the results of previous quality assurance reviews.

In addition to internal file reviews, audit challenge teams are established for each value-for-money audit conducted. These teams include the Auditor General, all Assistant Auditors General, and a Director and Manager from a separate audit portfolio who review and question audit teams' audit planning reports and final reports.

The Office is also subject to review by the Chartered Professional Accountants of Ontario (CPA Ontario), which conducts a triennial practice inspection of our Office to assess whether, as practitioners of public accounting, we are adhering to the professional standards set out in the Chartered Professional Accountants of Canada Handbook and CPA Ontario's Member's Handbook. This practice inspection involves an assessment of the Office's quality controls and a review of a sample of completed audit files selected by CPA Ontario.

As well, through our participation in the Canadian Council of Legislative Auditors, our Office undergoes external quality assurance reviews on a regular basis.

These reviews are conducted by experienced professional auditors from other jurisdictions across Canada. In addition to providing assurance that quality control systems are well designed and effective, this process also facilitates the sharing and exchange of information and experience, and encourages and supports continued development of auditing methodology, practices and professional development.

Canadian Council of Legislative Auditors

The Canadian Council of Legislative Auditors (CCOLA) shares information about, and supports the continued development of, auditing methodology, practices and professional development among legislative audit offices at the federal and provincial levels. Its membership consists of the federal Auditor General and Auditors General of each of the 10 Canadian provinces. Legislative auditors from outside of Canada can have either "Associate Member" status with full voting rights, or "Observer Member" status, which does not afford voting rights. The CCOLA currently has one Associate Member (the Auditor General of Bermuda) and one Observer Member (the Auditor General of the Cayman Islands).

An annual conference is held jointly with the annual meeting of the Canadian Council of Public Accounts Committees (CCPAC). CCPAC consists of delegates from federal, provincial and territorial public accounts committees across Canada. The conference brings together legislative auditors and members of the Standing Committees on Public Accounts from the federal government, provinces and territories, and provides an excellent opportunity for sharing ideas, exchanging information and learning about best practices for Standing Committees on Public Accounts in Canada. This year, the 44th annual conference was hosted by the Yukon Legislative Assembly in Whitehorse, from September 10 to 12, 2023. Next year, the 45th annual conference is planned to be held in Québec City, Québec.

Inquiries from the Public and Members of Provincial Parliament

The Office of the Auditor General (Office) receives inquiries from the public, Members of Provincial Parliament and the civil service through letters, fax, email, phone, and starting in 2021 an online webform. Each inquiry is reviewed on a case-by-case basis and is logged to ensure that the information is recorded, and that we can track inquiries received and responses provided.

During the 2022/23 fiscal year, the Office received 1,299 public inquiries. Included in these were 11 inquiries from 10 MPPs. The Office conducts an annual overall review of public inquiries to assess trends and recurring issues and to help inform our audit selection process.

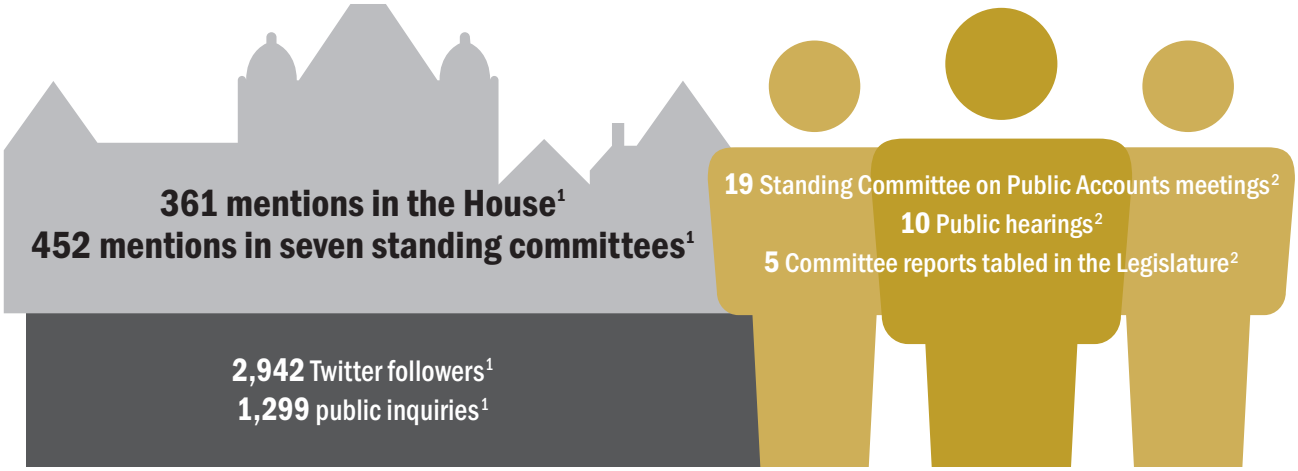
Activities and Results Produced by the Office This Year

Our Office had another productive year, effectively utilizing technology and project management, and benefiting from great teamwork. Refer to **Figure 2** for an at a glance view of our Office's activities this year and the results that were produced.

While operating within our budget, during the 2023 calendar year we completed 12 value-for-money audits; three special reports; a report on the Operation of the *Environmental Bill of Rights, 1993*; 27 follow-up reports on previous value-for-money audit reports, including seven follow-up reports on environmental value-for-money audits; three follow-up reports on previous special reports; and five follow-up reports on reports issued by the Standing Committee on Public Accounts. We also expanded our tracking of the status of previous recommendations made by following up on the 2,415 actions we recommended in our Annual Reports of 2016, 2017, 2018, 2019 and 2020.

Figure 2: Office of the Auditor General of Ontario, Activities and Results—At a Glance

Prepared by the Office of the Auditor General of Ontario



- Provided clean opinion of the 2022/23 Public Accounts of the Province
- Forty-one agency financial audits completed during the audit cycle
- Completed 15 external financial statement file reviews
- Reviewed provincial debt filing documentation
- Completed one review on ministries' performance measurement, program evaluation and annual reporting
- Completed a report on the State of the Environment in Ontario
- Completed follow-ups on 27 value-for-money audits (VFMs) and three special reports
- Tracked the status of 2,415 actions we recommended in our Annual Reports from 2016 to 2020
- Completed 13 VFMs and three special reports
- Completed the *Special Report on Changes to the Greenbelt*
- Completed a report on the operation of the Standing Committee on Public Accounts and follow-up work on five reports tabled by the Committee in 2022/23
- Completed our *2023 Annual Report* on the Operation of the *Environmental Bill of Rights, 1993*
- Completed a report on compliance with the *Government Advertising Act, 2004*

1. Data for the 2022/23 fiscal year.
2. Data from activities occurring since our last Annual Report (Dec 1, 2022–Nov 30, 2023).

We completed the audit of the Province's consolidated financial statements and the statements of 41 Crown agencies, as well as completing 15 external financial statement file reviews. We met our key financial statement audit deadlines in 2022/23 while continuing to invest in staff training to ensure adherence to accounting and assurance standards and methodology for conducting attest audits. We provided an unqualified audit opinion on the 2022/23 Public Accounts released on August 29, 2023. Our report on the Public Accounts of the Province includes a discussion of accounting issues identified during that audit.

We also met our review responsibilities under the *Government Advertising Act, 2004* (see Review of Government Advertising in this 2023 Annual Report), and met our responsibility under the *Environmental Bill of Rights, 1993* (EBR) through the issuance of our report on the Operation of the *Environmental Bill of Rights, 1993*.

According to Hansard, the official transcript of House and committee proceedings, there were 361 mentions of the Auditor General in the House and 452 mentions in seven Standing Committees in 2022/23. Further details on our activities with the Standing Committee on Public Accounts are outlined in our report The Standing Committee on Public Accounts in this *2023 Annual Report*.

We connected with members of the public through our website, Twitter, phone, email and letters. In 2022/23, we had 2,942 Twitter followers. As mentioned earlier in this section, we also received 1,299 public inquiries through email, phone, letters and fax.

The activities and results produced by our Office this year would not have been possible without the hard work and dedication of our staff, as well as of our agent auditors, contract staff and our Panel of Senior Advisors.

Strategic Plan 2020–2024

In 2020, our Office developed a new Strategic Plan for the five-year period 2020–24. **Appendix 1** details the key goals and objectives of the Plan.

Financial Accountability

The following discussion and our financial statements present the Office's financial results for the 2022/23 fiscal year. Our financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards. In accordance with these standards, we have presented a breakdown of our expenses in terms of the main activities our Office is responsible for: value-for-money and special audits, financial statement audits, pre-election 2022 multi-year fiscal plan review and reviews of government advertising. This breakdown is provided in Note 8 to the financial statements and indicates that 71% of our time was used to perform value-for-money and special audits, a stated priority of the Standing Committee on Public Accounts, and 27% to complete the audits of the annual financial statements of the Province and 41 of its agencies. The remaining time was devoted to our statutory responsibilities under the *Government Advertising Act, 2004* and the *Fiscal Sustainability, Transparency, and Accountability Act, 2019*.

Figure 3 provides a comparison of our approved budget and expenditures over the last five years.

Figure 3: Five-Year Comparison of Spending (Accrual Basis) ($ 000)

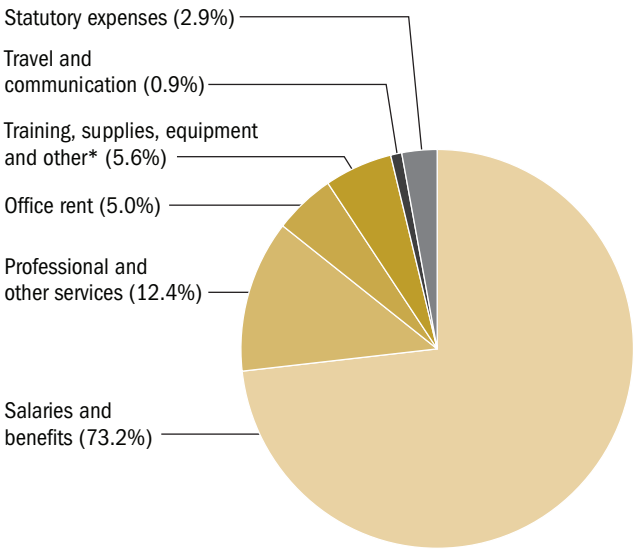
Prepared by the Office of the Auditor General of Ontario

Category	2018/19	2019/20	2020/21	2021/22	2022/23
Approved budget	**20,613**	**26,318**	**26,084**	**25,949**	**26,920**
Actual expenses					
Salaries and benefits	14,269	18,329	19,187	20,361	19,037
Professional and other services	2,510	2,812	2,644	2,831	3,216
Office rent[1]	1,080	1,444[1]	1,166	1,183	1,305
Training, supplies, equipment and other[2]	945	1,115	1,189	1,237	1,452
Travel and communications	337	549	177	155	238
Statutory expenses	630	509	407	880	754
Total	**19,771**	**24,758**	**24,770**	**26,647**	**26,002**
Unused appropriations[3]	**612**	**217**	**1,092**	**93**	**96**

1. Includes rent for former Environmental Commissioner of Ontario space that was sublet effective April 1, 2020.
2. "Other" includes amortization of capital assets.
3. These amounts are typically different than the excess of appropriation over expenses as a result of non-cash expenses (such as amortization of capital assets, deferred lease inducements and employee future benefit accruals).

Figure 4: Spending by Major Expenditure Category, 2022/23

Prepared by the Office of the Auditor General of Ontario



* "Other" includes amortization of capital assets.

Figure 5: Actual Expenses for 2022/23 and 2021/22 ($ 000)

Prepared by the Office of the Auditor General of Ontario

Actual Expenses	2022/23	2021/22	% Change
Salaries and benefits	19,037	20,361	(6)
Professional and other services	3,216	2,831	14
Rent	1,305	1,183	10
Training, supplies, equipment and amortization	1,452	1,237	17
Travel and communication	238	155	53
Statutory expenses	754	880	(14)
Total	**26,002**	**26,647**	**(2)**

Figure 4 presents the major components of our spending during the 2022/23 fiscal year, and shows that salary and benefit costs for staff accounted for just over 73% of spending, while professional and other services, along with office rent, comprised most of the remainder. These proportions have been relatively stable in recent years. **Figure 5** presents the year-over-year percentage change of actual expenditures between 2021/22 and 2022/23. Overall, our expenses decreased slightly from the previous year.

Salaries and Benefits

In 2022/23, our salary and benefit costs were 6% lower compared to those in 2021/22. The decrease was a result of staff turnover and senior staff retirement during the 2022/23 fiscal year.

Professional and Other Services

Professional and other services include both contracted CPA firms and contract specialists that assisted in our value-for-money audits and financial statement audits of Crown agencies and the Province. In 2022/23, these services accounted for 12% of total expenses and increased by 14% compared to the prior fiscal year.

Given the more complex work this year on our VFM audits, peak-period deadlines for our report on the Review of the Pre-Election 2022 Multi-Year Fiscal Plan and finalizing the financial statement audits of Crown agencies and the Province, we relied more heavily on experts and contracted professionals to assist us.

Contract costs for the CPA firms with which we work remained high because of the higher salaries they pay their staff. We continue to competitively test the market for such services as contracts expire.

Office Rent

In 2022/23, our office rent increased by 10% compared with the previous fiscal year. This was due to the impact over the entire fiscal year of an increase in rent from the new Office lease, which commenced on November 1, 2021.

Travel and Communications

Our travel and communications costs increased by 53% from the previous year due to increased travel by staff in 2022/23 compared to the prior fiscal year, when the COVID-19 pandemic restricted travel.

Training, Supplies and Equipment (Including Amortization)

In 2022/23, our training, supplies and equipment costs increased by 17% compared to the previous year. This increase was mainly a result of additional value-added training to managers, supervisors and other staff members. The Office's training program consists of a combination of in-house and external courses that enable staff to progress and meet their professional obligations by maintaining and enhancing their competencies.

Statutory Expenses

Statutory expenses include the Auditor General's salary and fees for contracted experts. Statutory expenses decreased by 14% from the previous year as specialized advisory services and legal expenses and related experts' fees for the Special Report on Laurentian University had been incurred in the 2021/22 fiscal year.

Appendix 1: 2020–2024 Strategic Plan at a Glance

Prepared by the Office of the Auditor General of Ontario

Goal	REPORTING
	Provide accurate and objective information through timely and relevant reports (including recommendations) and audit opinions.

Objectives

1. Ensure our stakeholders continue to value our assurance and advice on the reliability of financial statements.
2. Our value-for-money (VFM) audits, including environmental VFM audits, are accurate and objective and are valued by our stakeholders.
3. Stakeholders continue to refer to our work and request our services.
4. Provide appropriate information to assist the Standing Committee on Public Accounts (PAC) in performing its mandate.
5. The government implements changes that address the issues raised in our reports.
6. Comment on legislation that impacts our mandate.
7. Effectively fulfill our limited responsibilities under the *Government Advertising Act, 2004* (GAA).
8. Effectively fulfill our responsibilities under the *Environmental Bill of Rights, 1993* (EBR).
9. Effectively fulfill our mandate to review and comment on the Multi-Year Fiscal Plan on Ontario's Finances when it is issued.
10. Respond to public inquiries in a timely manner and continue to be accessible to the public.
11. Expand the Office's role in assessing public-sector governance and promote best practices.

Goal	PEOPLE, LEARNING AND DEVELOPMENT
	Provide a high-performing, diverse and inclusive team environment with ongoing professional training and development.

Objectives

1. Conduct strategic human-resources (HR) planning that is dynamic and reflects both the current and future needs of the Office.
2. Human-resources (HR) policies are aligned with the Office's values and are clearly and consistently communicated and applied.
3. Attract and recruit diverse, highly skilled and motivated professionals.
4. Train and retain a diverse, highly skilled and motivated team of professionals.
5. Promote career development and proactively manage succession in a way that provides opportunities for staff across the organization.
6. Promote a sense of community within the Office through strong professional relationships.
7. Attract and engage credible contractors, agent auditors and subject-matter expert advisors to provide specialized expertise and support our work.

Goal	OPERATIONS
	Allocate resources efficiently and effectively and measure results.

Objectives

1. Audit operations incorporate best practices in processes, methods and tools.
2. Optimize resources to ensure the capacity of the Office to respond to the requirements of our stakeholders.
3. Continuously improve the efficiency of the Office through the effective and consistent use of technology.
4. Reduce the environmental footprint of the Office to demonstrate leadership in environmental sustainability.
5. Continuously improve the effectiveness of Communications practices.
6. Ensure that Office accommodations and equipment are properly managed and maintained.

Goal	ENGAGEMENT
	Engage Members of the Provincial Parliament and the public in our work. Establish and maintain relationships with professional organizations, private-sector accounting firms, academic institutions and other independent Officers of the Legislature.

Objectives

1. Engage with citizens to raise awareness of the Office's mandate and reports.
2. Our reports are available, accessible and engaging for stakeholders.
3. Develop a social media plan for the Office that expands our communication capabilities, while effectively managing the image of the Office.
4. Advance our professional relationships with public-sector organizations, academic institutions, private-sector accounting firms, professional organizations and relevant stakeholders.

Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Office of the Auditor General of Ontario are the responsibility of management of the Office. Management has prepared the financial statements to comply with the *Auditor General Act* and with Canadian public sector accounting principles.

Management maintains a system of internal controls that provides reasonable assurance that transactions are appropriately authorized, assets are adequately safeguarded, appropriations are not exceeded, and the financial information contained in these financial statements is reliable and accurate.

The financial statements have been audited by the firm of Adams & Miles LLP, Chartered Professional Accountants. Their report to the Board of Internal Economy, stating the scope of their examination and opinion on the financial statements, appears on the following page.

Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General
August 23, 2023

Gus Chagani, CPA, CA
Assistant Auditor General
August 23, 2023

Adams + Miles

Adams + Miles, Chartered Professional Accountants
Toronto: 2550 Victoria Park Avenue, Suite 501; M2J 5A9
Mississauga: 5975 Whittle Road, Suite 240; L4Z 3N1
Office: 416 502-2201

INDEPENDENT AUDITOR'S REPORT

To the Board of Internal Economy of
Legislative Assembly of Ontario

Opinion
We have audited the accompanying financial statements of The Office of the Auditor General of Ontario (the Office), which comprise the statement of financial position as at March 31, 2023, and the statements of operations and accumulated surplus (deficit), changes in net financial debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Office of the Auditor General of Ontario as at March 31, 2023, and the results of its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Office in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Auditor General Act is repealed, or the government intends to cease the Office's operations, or it has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Office's financial reporting process.

INDEPENDENT AUDITOR'S REPORT – cont'd

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the 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 our 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 our 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 Office's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Office to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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 that we identify during our audit.

Adams & Miles LLP

Chartered Professional Accountants

Licensed Public Accountants

Toronto, Canada

August 23,2023

Office of the Auditor General of Ontario

Statement of Financial Position
As at March 31, 2023

	2023 $	2022 $
Financial assets		
Cash	3,470,937	2,846,039
Harmonized sales taxes recoverable	262,971	357,295
Prepaid expenses	1,508,779	860,415
	5,242,687	4,063,749
Financial liabilities		
Accounts payable and accrued liabilities [Notes 4 and 5(B)]	3,695,994	3,540,033
Accrued employee benefits obligation [Note 5(B)]	1,972,927	1,996,000
Due to Consolidated Revenue Fund (Note 9)	189,316	93,050
Deferred lease inducement (Note 10)	589,267	657,920
	6,447,504	6,287,003
Net financial debt	(1,204,817)	(2,223,254)
Non-financial assets		
Tangible capital assets (Note 3)	1,912,078	2,108,576
Accumulated surplus (deficit)	707,261	(114,678)

Commitments (Note 6)
Measurement uncertainty [Note 2(F)]

See accompanying notes to financial statements.

Approved by the Office of the Auditor General of Ontario:

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

Gus Chagani, CPA, CA
Assistant Auditor General

Office of the Auditor General of Ontario

Statement of Operations and Accumulated Surplus (Deficit)
For the Year Ended March 31, 2023

	2023 Budget [Note 7(A)] $	2023 Actual $	2022 Actual $
Expenses			
Salaries and wages	17,035,500	15,410,015	15,689,353
Employee benefits (Note 5)	4,531,600	3,627,458	4,671,300
Professional and other services	2,357,900	3,215,518	2,831,316
Office rent (Note 6)	1,306,000	1,305,261	1,183,304
Amortization of tangible capital assets	-	697,461	753,852
Travel and communication	471,600	237,504	155,040
Training and development	160,400	276,107	154,338
Supplies and equipment	384,800	478,831	329,288
Statutory	672,100	753,540	879,649
Total expenses [Notes 7(B) and 8]	26,919,900	26,001,695	26,647,440
Revenue			
Consolidated Revenue Fund – Voted appropriations [Note 2(B)]	26,919,900	26,919,900	25,949,400
Excess (deficiency) of revenue over expenses		918,205	(698,040)
Less: returned to the Province [Notes 2(B) and 9]		96,266	93,050
Net operations surplus (deficit) [Note 7(B)]		821,939	(791,090)
Accumulated (deficit) surplus, beginning of year		(114,678)	676,412
Accumulated surplus (deficit), end of year		707,261	(114,678)

See accompanying notes to financial statements.

Office of the Auditor General of Ontario

Statement of Changes in Net Financial Debt
For the Year Ended March 31, 2023

	2023 Budget [Note 7(A)] $	2023 Actual $	2022 Actual $
Net operations surplus (deficit)	-	821,939	(791,090)
Purchase of tangible capital assets	-	(500,963)	(166,995)
Amortization of tangible capital assets	-	697,461	753,852
Decrease (increase) in net financial debt	-	1,018,437	(204,233)
Net financial debt, beginning of year	(2,223,254)	(2,223,254)	(2,019,021)
Net financial debt, end of year	(2,223,254)	(1,204,817)	(2,223,254)

See accompanying notes to financial statements.

Office of the Auditor General of Ontario

Statement of Cash Flows
For the Year Ended March 31, 2023

	2023 $	2022 $
Operating transactions		
Net operations surplus (deficit) [Note 7(B)]	821,939	(791,090)
Amortization of tangible capital assets	697,461	753,852
Amortization of deferred lease inducement	(68,653)	(47,402)
Accrued employee benefits obligation [Note 5(B)]	(370,073)	549,000
	1,080,674	464,360
Changes in working capital		
Decrease (increase) in harmonized sales taxes recoverable	94,324	(222,691)
Increase in prepaid expenses	(648,364)	(325,970)
Increase (decrease) in due to Consolidated Revenue Fund	96,266	(1,215,656)
Increase in accounts payable and accrued salaries and benefits (Note 4)	502,961	351,168
	45,187	(1,413,149)
Cash provided by (used in) operating transactions	1,125,861	(948,789)
Capital transactions		
Purchase of tangible capital assets	(500,963)	(166,995)
Increase (decrease) in cash	624,898	(1,115,784)
Cash, beginning of year	2,846,039	3,961,823
Cash, end of year	3,470,937	2,846,039

See accompanying notes to financial statements.

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2023

1. Nature of Operations

In accordance with the provisions of the *Auditor General Act* and various other statutes and authorities, the Auditor General, through the Office of the Auditor General of Ontario (the "Office"), conducts independent audits of government programs, of institutions in the broader public sector that receive government grants, and of the fairness of the financial statements of the Province and numerous agencies of the Crown. In doing so, the Office promotes accountability and value-for-money in government operations and in broader public sector organizations.

Additionally, under the *Government Advertising Act, 2004*, the Office is required to review specified types of advertising, printed matter or reviewable messages proposed by government offices to determine whether they meet the standards required by the Act.

Under both Acts, the Auditor General reports directly to the Legislative Assembly.

Under the *Fiscal Sustainability, Transparency and Accountability Act, 2019*, in an election year the Office is also required to report on the reasonableness of a multi-year fiscal plan prepared by the Ministry of Finance.

On April 1, 2019, the *Restoring Trust, Transparency and Accountability Act* transferred many of the responsibilities of the former Environmental Commissioner of Ontario to the Office. The Office conducts audits of government programs that impacts the environment under the same processes as the Office's value-for money audits and has additional reporting responsibilities with respect to the operations of the *Environmental Bill of Rights, 1993*.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian public sector accounting standards. The significant accounting policies are as follows:

(A) ACCRUAL BASIS

These financial statements are prepared on an accrual basis whereby expenses are recognized in the fiscal year that the events giving rise to the expense occur and resources are consumed.

(B) VOTED APPROPRIATIONS

The Office is funded through annual voted appropriations from the Province of Ontario. Unspent appropriations are to be returned to the Province's Consolidated Revenue Fund. As the voted appropriation is prepared on a modified cash basis, an excess or deficiency of revenue over expenses arises from the application of accrual accounting, including the capitalization and amortization of capital assets, the deferral and amortization of the lease inducement and the recognition of employee benefits expenses earned to date but that will be funded from future appropriations.

The voted appropriation for statutory expenses is intended to cover the salary of the Auditor General as well as the costs of any expert advice or assistance required to help the Office meet its responsibilities under the *Government Advertising Act* and the *Fiscal Sustainability, Transparency and Accountability Act*, or to conduct special assignments under Section 17 of the *Auditor General Act.*

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2023

2. Summary of Significant Accounting Policies (Continued)

(C) TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at historical cost less accumulated amortization. Amortization of tangible capital assets is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Computer hardware	3 years
Computer software	3 years
Furniture and fixtures	5 years
Leasehold improvements	The remaining term of the lease

(D) FINANCIAL INSTRUMENTS

The Office's financial assets and financial liabilities are accounted for as follows:

- Cash is subject to an insignificant risk of change in value so carrying value approximates fair value.
- Due to Consolidated Revenue Fund is recorded at cost.
- Accounts payable and accrued liabilities are recorded at cost.
- Accrued employee benefits obligation is determined by an independent actuary based on management's best estimate assumptions using the projected benefits method prorated on service for the severance plan and prorated on banked days for the vacation time bank plan. Adjustments to these costs arising from changes in estimates and actuarial experience gains and losses are amortized over the estimated average remaining service life of the employees on a straight-line basis.

The Office is not exposed to any interest rate, currency, liquidity or credit risk arising from its financial instruments due to their nature.

(E) DEFERRED LEASE INDUCEMENT

The deferred lease inducement is amortized as a reduction of rent expense on a straight-line basis over the term of the lease.

(F) MEASUREMENT UNCERTAINTY

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Items requiring the use of significant estimates include: useful life of tangible capital assets and accrued employee benefits obligation [Note 5(B)].

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates. These estimates and assumptions are reviewed periodically, and adjustments are reported in the Statement of Operations and Accumulated Surplus (Deficit) in the year in which they become known.

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2023

3. Tangible Capital Assets

	Computer hardware $	Computer software $	Furniture and fixtures $	Leasehold improvements $	2023 Total $
Cost					
Balance, beginning of year	2,165,036	355,060	1,111,861	2,037,637	5,669,594
Additions	429,998	68,298	2,667	-	500,963
Disposals	(136,036)	(37,284)	-	-	(173,320)
Balance, end of year	2,458,998	386,074	1,114,528	2,037,637	5,997,237
Accumulated amortization					
Balance, beginning of year	1,643,831	253,593	603,420	1,060,174	3,561,018
Amortization	380,850	63,572	159,947	93,092	697,461
Disposals	(136,036)	(37,284)	-	-	(173,320)
Balance, end of year	1,888,645	279,881	763,367	1,153,266	4,085,159
Net Book Value, March 31, 2023	570,353	106,193	351,161	884,371	1,912,078

	Computer hardware $	Computer software $	Furniture and fixtures $	Leasehold improvements $	2022 Total $
Cost					
Balance, beginning of year	2,144,980	499,910	1,103,965	2,037,637	5,786,492
Additions	158,070	1,029	7,896	-	166,995
Disposals	(138,014)	(145,879)	-	-	(283,893)
Balance, end of year	2,165,036	355,060	1,111,861	2,037,637	5,669,594
Accumulated amortization					
Balance, beginning of year	1,421,378	331,862	431,414	906,405	3,091,059
Amortization	360,467	67,610	172,006	153,769	753,852
Disposals	(138,014)	(145,879)	-	-	(283,893)
Balance, end of year	1,643,831	253,593	603,420	1,060,174	3,561,018
Net Book Value, March 31, 2022	521,205	101,467	508,441	977,463	2,108,576

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2023

4. Accounts Payable and Accrued Liabilities

	2023 $	2022 $
Accounts payable	954,290	323,688
Accrued salaries and benefits	1,948,704	2,076,345
Accrued employee benefits obligation	793,000	1,140,000
	3,695,994	3,540,033

Accounts payable relates largely to normal business transactions with third-party vendors and is subject to standard commercial terms. Accruals for salaries and benefits and employee benefits obligation are recorded based on employment arrangements and legislated entitlements.

5. Obligation for Employee Future Benefits

Although the Office's employees are not members of the Ontario Public Service, under provisions in the *Auditor General Act*, the Office's employees are entitled to the same benefits as Ontario Public Service employees. The future liability for benefits earned by the Office's employees is included in the estimated liability for all provincial employees that have earned these benefits and is recognized in the Province's consolidated financial statements. In the Office's financial statements, these benefits are accounted for as follows:

(A) PENSION BENEFITS

The Office's employees participate in the Public Service Pension Plan (PSPP) which is a defined benefit pension plan for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPP, determines the Office's annual payments to the fund. As the sponsor is responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Office. The Office's required annual payment of $1,339,883 (2022- $1,410,432), is included in employee benefits expense in the Statement of Operations and Accumulated Surplus (Deficit).

(B) ACCRUED EMPLOYEE BENEFITS OBLIGATION

The Office provides severance pay equal to one week's salary for each year of service, up to 26 weeks. Severance pay is not available to contract employees and employees who are terminated with cause. Severance pay is also not available to employees who resign, if they were hired after December 31, 2011. For employees hired on or before December 31, 2011 that resign, the severance payment will be based on years of service accrued and salary up to December 31, 2011. Effective January 1, 2022, consistent with the practices at the Legislative Assembly, severance payment on retirement will be based on the salary at retirement for permanent employees who have completed at least five years of continuous service. Prior to the change on January 1, 2022, the severance payment on retirement had been based on the employee's salary and years of service up to and as of December 31, 2015.

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2023

5. Obligation for Future Employee Benefits (Continued)

(B) ACCRUED EMPLOYEE BENEFITS OBLIGATION (CONTINUED)

The obligation is determined in an actuarial valuation report dated April 2023 based on the following key assumptions:

- Estimated average remaining service life of 15 years (2022 – 15 years).
- Retention rates based on employees' length of service with the Office – employees with longer service are expected to have higher retention rate.
- Discount rate of 4.1% per annum (2022 – 2.5%).
- Salary escalation rate of 2.75% per annum (2022 – 2.75%).
- Benefits for severance and compensated absences are to be paid out to each employee upon their eligibility for full retirement.
- Future accrual of vacation time bank of 3.7 days per year for each eligible employee.

The total liability for these costs is reflected in the accrued employee benefits obligation as follows:

	2023 $	2022 $
Total liability for severance and vacation credits	2,765,927	3,136,000
Less: Due within one year and included in accounts payable and accrued liabilities	793,000	1,140,000
Accrued employee benefits obligation	1,972,927	1,996,000

The costs of severance, compensated absences and unused vacation entitlements earned by employees during the year are included in employee benefits in the Statement of Operations and Accumulated Surplus (Deficit) as follows:

	2023 $	2022 $
Current year benefit cost	312,638	565,000
Actuarial (gains) and losses	(13,638)	-
Cost of plan amendments	-	783,000
	299,000	1,348,000

Severance benefits of $501,300 (2022 - $458,300) were paid during 2023. Unamortized actuarial gains were $190,927 as of March 31, 2023 (2022 - $nil).

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2023

5. Obligation for Future Employee Benefits (Continued)

(C) OTHER NON-PENSION POST-EMPLOYMENT BENEFITS

The cost of other non-pension post-retirement benefits is determined and funded on an ongoing basis by the Ontario Ministry of Public and Business Service Delivery and accordingly is not included in these financial statements.

6. Commitments

The Office has an operating lease to rent premises which expires on October 31, 2031. The minimum rental commitment is as follows:

	$
2023/24	724,200
2024/25	724,200
2025/26	724,200
2026/27	747,100
2027/28	779,100
2028/29 and beyond	2,718,600

The Office is also committed to pay its proportionate share of realty taxes and operating expenses for the premises amounting to approximately $760,000 during 2023 (2022- $780,000).

7. Budget and Public Accounts Volume 1 – Basis of Presentation

(A) BUDGET

The Office's Budget was prepared using accounting policies prescribed by the Board of Internal Economy, under which purchases of tangible capital assets are expensed in the year of acquisition rather than being capitalized and amortized over their useful lives. The Budget also excludes the accrued obligation for employee future benefits, prepaid expenses and deferred lease inducement recognized in these financial statements. Following are the adjustments required to restate the Budget using Canadian public sector accounting standards:

	2023 $	2022 $
Total budgeted expenses approved by the Board of Internal Economy	26,919,900	25,949,400
Purchase of tangible capital assets	(225,000)	(225,000)
Amortization of tangible capital assets	651,598	763,802
Amortization of deferred lease inducement	-	(18,797)
	426,598	520,005
Total budgeted expenses restated using Canadian public sector accounting standards	27,346,498	26,469,405

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2023

7. Budget and Public Accounts Volume 1 – Basis of Presentation (Continued)

(B) PUBLIC ACCOUNTS VOLUME 1

The Office's Statement of Expenses presented in Volume 1 of the Public Accounts of Ontario was prepared on a basis consistent with the Budget. A reconciliation of total expenses reported in Volume 1 to the total expenses reported in these financial statements is as follows:

	2023 $	2022 $
Total expenses per Public Accounts Volume 1	26,823,634	25,856,350
Purchase of tangible capital assets	(500,963)	(166,995)
Amortization of tangible capital assets	697,461	753,852
Change in accrued employee benefits obligation	(370,073)	549,000
Prepaid expenses	(648,364)	(325,970)
Amortization of deferred lease inducement	-	(18,797)
	(821,939)	791,090
Total expenses per the Statement of Operations and Accumulated Surplus (Deficit)	26,001,695	26,647,440

8. Expenses by Activity

	2023				
	Salaries and benefits	Other operating expenses	Statutory expenses	Total	%
Value for money and special audits	13,861,185	3,947,226	590,778	18,399,189	70.8
Financial statement audits	4,894,534	2,177,469	47,380	7,119,383	27.4
Multi-year fiscal plan	276,043	82,359	95,640	454,042	1.7
Government advertising	5,711	3,628	19,742	29,081	0.1
	19,037,473	6,210,682	753,540	26,001,695	100.0
%	73.2	23.9	2.9	100.0	

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2023

8. Expenses by Activity (Continued)

	2022				
	Salaries and benefits	Other operating Expenses	Statutory expenses	Total	%
Value for money and special audits	15,983,112	3,466,431	780,976	20,230,519	75.9
Financial statement audits	4,173,934	1,907,526	46,710	6,128,170	23.0
Multi-year fiscal plan	183,246	28,167	32,500	243,913	0.9
Government advertising	20,361	5,014	19,4631	44,838	0.2
	20,360,653	5,407,138	879,649	26,647,440	100.0
%	76.4	20.3	3.3	100.0	

Expenses have been allocated to the Office's four (2022 – four) main activities based primarily on the hours charged to each activity as recorded by staff in the Office's time accounting system, including administrative time and overhead costs that could not otherwise be identified with a specific activity. Expenses incurred for only one activity, such as most travel costs and professional services, are allocated to that activity based on actual costs.

9. Unused Appropriations

	2023 $	2022 $
Consolidated Revenue Fund – Voted appropriations [Note 2(B)]	26,919,900	25,949,400
Less: Appropriations used [Note 7(B)]	(26,823,634)	(25,856,350)
Unused appropriations for the year	96,266	93,050
Less: Refund to Consolidated Revenue Fund during year	-	(1,308,706)
Due to Consolidated Revenue Fund – beginning of year	93,050	1,308,706
Due to Consolidated Revenue Fund – end of year	189,316	93,050



Office of the Auditor General of Ontario

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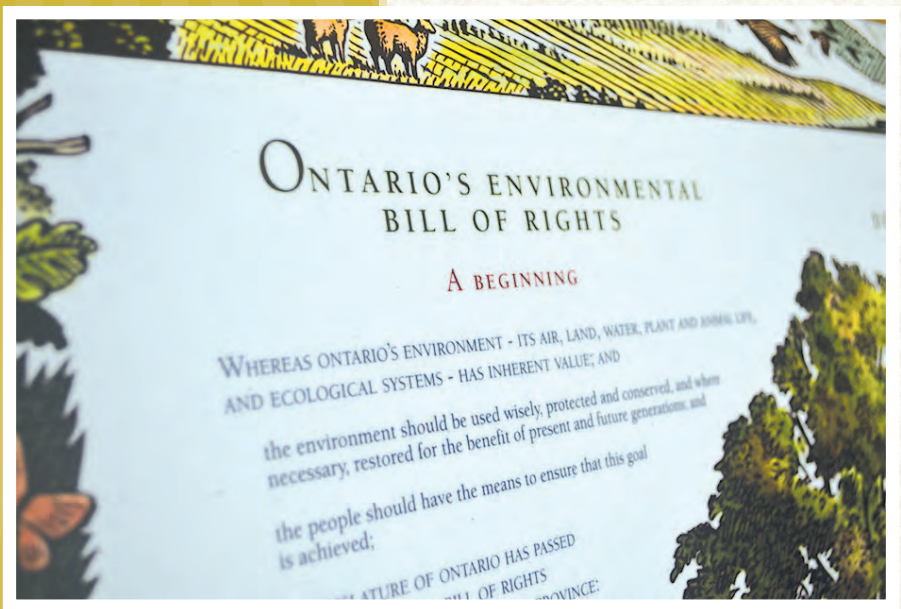
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Office of the Auditor General of Ontario

Operation of the *Environmental Bill of Rights, 1993*



December 2023

Office of the Auditor General of Ontario

To the Honourable Speaker of the Legislative Assembly

In my capacity as the Acting Auditor General, I am pleased to submit to you the report on the Operation of the *Environmental Bill of Rights, 1993* of the Office of the Auditor General of Ontario to lay before the Assembly in accordance with the provisions of section 51(1) of the *Environmental Bill of Rights, 1993*.



Nick Stavropoulos, CPA, CA, LPA
Acting Auditor General

December 2023
Toronto, Ontario

Introduction



Nick Stavropoulos
Acting Auditor General



Dr. Tyler Schulz
Assistant Auditor General, Commissioner of the Environment

The *Environmental Bill of Rights, 1993* (EBR Act) gives the people of Ontario the right to participate in government decisions that have the potential to affect the environment. When the EBR Act operates effectively, it supports transparency and holds ministries accountable for the government's environmentally significant decisions. But the public's ability to exercise their rights depends on how effectively the government and ministries exercise their responsibilities under the EBR Act.

Since 2019, the Office of the Auditor General has been required to report annually on how well ministries are meeting their obligations under the EBR Act. In that time, our Office has identified recurring issues of non-compliance and poor implementation of the EBR Act. We have found that issues can arise for several reasons: ministries don't have effective processes to ensure that staff do what is needed; the intent of public consultation requirements is disregarded; or the EBR Act is not made a priority.

This year, while some ministries have continued to make improvements in the ways they follow and implement the EBR Act, we again found a lack of meaningful consultation on important government decisions affecting the environment.

We also found situations where ministries did not use the Environmental Registry to fully explain the potential environmental implications of proposed legislative or policy changes, or how public consultation affected the decision-making.

As the administrator of the EBR Act, it is important that the Ministry of Environment, Conservation and Parks demonstrates leadership and champion the EBR Act. But for the fifth year, we found that this Ministry did little to provide educational programs about the EBR Act to the public since being assigned that responsibility in 2019.

As our Office has previously observed, embracing the intent of the EBR Act and following transparent and meaningful consultation will help government make informed, long-term environmental decisions that benefit all Ontarians, while building public understanding and support for these decisions.



Nick Stavropoulos
Acting Auditor General



Dr. Tyler Schulz
Assistant Auditor General,
Commissioner of the Environment

Ministry of the Environment, Conservation and Parks

and 17 Other Ministries

Operation of the *Environmental Bill of Rights, 1993*

1.0 Summary

Public participation in environmental decision-making is at the heart of Ontario's *Environmental Bill of Rights, 1993* (EBR Act). Recognizing that the people of Ontario have a common goal to protect, conserve and restore the natural environment for the benefit of present and future generations, and that the people should have means to ensure that this goal is achieved, the government adopted the EBR Act 30 years ago to give Ontarians the right to participate in, and hold government accountable for, its environmentally significant decisions. It does so by:

- mandating that the government consider the environmental protection purposes of the EBR Act when it makes decisions that affect the environment;
- providing opportunities for Ontarians to comment on government proposals that could have a significant effect on the environment;
- providing public access to the justice system to protect the environment; and
- protecting employees who exercise their environmental rights in the workplace.

Appendix 1 shows a glossary of terms related to the EBR Act.

We have been responsible for reporting annually on the operation of the EBR Act since 2019, and this is our fifth report. It reports on the public's use of its environmental rights from April 1, 2022, to March 31, 2023, and presents findings about the ministries' compliance with and implementation of the EBR Act, based on our criteria (set out in **Appendix 2**).

There are 18 ministries subject to the EBR Act. **Figure 1** lists how we refer to them in this report and **Appendix 3** identifies which of the Act's obligations each ministry must meet. The laws and instruments that are subject to the EBR Act are listed in **Appendices 4** and **5**, respectively.

We share our key findings on ministries' compliance with and implementation of the EBR Act in **Sections 4** to **10** and summarize them in **Figure 2**. These sections highlight areas in which ministries did not fully meet their obligations under the EBR Act based on our audit criteria, and set out our recommendations for more effectively implementing the EBR Act. Our findings on each individual prescribed ministry are presented in ministry report cards, along with a comparison with results from past years, in **Appendix 6**. We summarize ministries' progress in implementing processes to ensure their compliance with the EBR Act in **Section 11**. We report on action needed to keep the EBR Act's coverage up to date in **Section 12.** We followed up on the status of actions taken by ministries to put into practice recommendations from our past reports and include our findings in **Section 13**.

Overall Conclusions

Over the last five years, we have reported on and made recommendations to address problems with how

Figure 1: The Prescribed Ministries[1]

Source of data: O. Reg. 73/94, made under the *Environmental Bill of Rights, 1993,* and government Orders-in-Council issued in 2022

Ministry	How We Refer to Ministry
Environment, Conservation and Parks	**Environment**
Natural Resources and Forestry[2]	**Natural Resources**
Municipal Affairs and Housing	**Municipal Affairs**
Mines[2]	**Mining**
Public and Business Service Delivery—Technical Standards and Safety Authority[3]	**Public Services – TSSA**
Energy	**Energy**
Northern Development[2]	**Northern Development**
Transportation	**Transportation**
Agriculture, Food and Rural Affairs	**Agriculture**
Tourism, Culture and Sport[4]	**Tourism**
Health	**Health**
Long-Term Care	**Long-Term Care**
Infrastructure	**Infrastructure**
Economic Development, Job Creation and Trade	**Economic Development**
Indigenous Affairs	**Indigenous Affairs**
Education	**Education**
Labour, Immigration, Training and Skills Development[5]	**Labour**
Treasury Board Secretariat	**Treasury Board Secretariat**

1. Ministries are presented generally in order of the historical volume of their activities (or their predecessor ministries' activities) under the *Environmental Bill of Rights, 1993*.
2. In June 2022, the Ministry of Northern Development, Mines, Natural Resources and Forestry was divided into three separate ministries: the Ministry of Natural Resources and Forestry, the Ministry of Northern Development and the Ministry of Mines. In this report, we present our findings related to the work of each of the three ministries separately.
3. The Technical Standards and Safety Authority posts notices related to the *Technical Standards and Safety Act, 2000* on behalf of the Ministry of Public and Business Service Delivery.
4. Prior to June 2022, the Ministry of Tourism, Culture and Sport was named the Ministry of Heritage, Sport, Tourism and Culture Industries.
5. Prior to June 2022, the Ministry of Labour, Immigration, Training and Skills Development was named the Ministry of Labour, Training and Skills Development.

ministries have consulted the public about important environmental decisions and carried out their other EBR Act responsibilities. While we have seen some minor improvements over this time, we have continued to find significant problems each year, particularly with lack of consultation—or meaningful consultation—on important environmental decisions.

In 2022/23, the Ontario government failed to meaningfully follow the EBR Act when it made sweeping legislative and regulatory changes to meet its housing supply goals. In responding to a housing affordability crisis, the government, led by the Municipal Affairs Ministry, made key changes quickly and without adequate public consultation. These changes affected conservation authorities, heritage protection, municipal parkland and infrastructure, wetlands, regional planning and planning appeal rights. They also opened up environmentally sensitive lands in the Greenbelt for housing development (but announced reversal of this decision 10 months later, in September 2023).

While the Municipal Affairs, Natural Resources and Environment Ministries gave notice of proposed changes through the Environmental Registry, their

Figure 2: Summary of Ministry Report Card Results under the *Environmental Bill of Rights, 1993* for 2022/23

Prepared by the Office of the Auditor General of Ontario

Legend: ○ Met criterion; ◔ Partially met criterion; ● Did not meet criterion; – The ministry did not execute any responsibilities under this criterion in this reporting year; n/a The ministry is not prescribed for this criterion

Prescribed Ministry	Statement of Environmental Values		Use of the Environmental Registry									Applications for Review and Applications for Investigation		
	Up-to-Date	Considered	Notice Is Given	Comment Period Extended Based on Act	Proposal Notices for PARs[1] Are Informative	Proposal Notices for Instruments[2] Are Informative	Comments Are Considered	Notice of Decision Is Prompt	Decision Notices for PARs[2] Are Informative	Decision Notices for Instruments[2] Are Informative	Proposal Notices Are Up-to-Date	Ministry Reviews to Extent Warranted	Ministry Investigates to Extent Warranted	Ministry Meets Timelines
Environment	●	○	●	●	●	◔	●	○	◔	◔	●	–	○	●
Natural Resources	○	◔	●	●	●	○	●	◔	○	◔	●	–	–	◔
Municipal Affairs	○	●	●	●	●	○	●	○	●	◔	○	–	–	–
Mining	○	●	○	○	●	●	○	◔	–	●	◔	–	–	–
Public Services – TSSA[3]	○	○	○	○	○	○	–	○	–	○	○	–	–	–
Energy	○	○	●	○	●	n/a	○	○	○	n/a	○	–	–	–
Northern Development	○	○	○	–	–	n/a	○	○	○	n/a	○	–	n/a	–
Transportation	○	○	○	○	◔	n/a	○	○	○	n/a	○	–	n/a	–
Agriculture	○	–	○	○	○	n/a	–	–	–	n/a	◔	–	n/a	–
Tourism	○	–	○	○	○	n/a	–	–	–	n/a	○	n/a	n/a	n/a
Health	○	–	○	–	–	n/a	–	–	–	n/a	–	–	n/a	–
Long-Term Care	○	–	○	–	–	n/a	–	–	–	n/a	–	–	n/a	–
Infrastructure	○	–	○	–	–	n/a	–	–	–	n/a	–	n/a	n/a	n/a
Economic Development	◔	–	○	–	–	n/a	–	–	–	n/a	–	n/a	n/a	n/a
Indigenous Affairs	○	–	○	–	–	n/a	–	–	–	n/a	–	n/a	n/a	n/a
Education	○	–	○	–	–	n/a	–	–	–	n/a	–	–	n/a	–
Labour	●	–	○	–	–	n/a	–	–	–	n/a	–	n/a	n/a	n/a
Treasury Board Secretariat	○	–	○	○	○	n/a	○	○	○	n/a	–	n/a	n/a	n/a

Ministry of the Environment, Conservation and Parks – Report Card Results for Additional Requirements under the EBR Act

Use of the Environmental Registry		Education		
Prompt Notice of Appeals and Leave to Appeal Applications Is Given	The Environmental Registry Platform Is Maintained Effectively	Assists Other Ministries in Providing Educational Programs about the EBR Act	Provides Educational Programs about the EBR Act to the Public	Provides General Information about the EBR Act to Those Who Wish to Participate in a Proposal
●	◔	–	●	○

Note: Whether a ministry partially met or did not meet a criterion depends on the volume and significance of the issues we found.

1. Policies, acts and regulations.
2. Instruments include permits, licences, approvals, authorizations, directions and orders.
3. Technical Standards and Safety Authority.

chosen approach to consultation did not meet the minimum requirements of the EBR Act and did not respect the Act's purposes. For example:

- These Ministries posted four proposal notices for Bill 23, the *More Homes Built Faster Act, 2022*, but the bill was passed before the end of the public consultation period. This means these Ministries could not have considered all of the comments they received on Bill 23 before final decisions were made. Also, the housing-related proposal notices were posted one day after municipal elections were held across the province. Although these proposals significantly affect Ontario municipalities, many new municipal councils were not even sworn in, let alone able to submit comments, before some of the decisions were made.
- The Municipal Affairs Ministry's Greenbelt proposal notices lacked key information and, in some cases, included inaccuracies. Also, because of the short timeline for the Greenbelt changes, the Ministry could not complete a comprehensive analysis of all of the more than 35,000 comments in time to fully inform its decision-making. Before posting the proposal notices on the Environmental Registry, Ministry staff had cautioned political decision-makers that many stakeholders, including municipalities, would not be able to provide comprehensive responses in a 30-day window and that the proposed timeline to finalize changes to the Greenbelt immediately after the consultation period would not allow for substantive revisions to the proposal.
- The Natural Resources Ministry did not consult Ontarians about the repeal of the *Duffins Rouge Agricultural Preserve Act, 2005*, which was intended to permanently restrict the use of land in the Duffins Rouge Agricultural Preserve to agriculture. Instead, the Ministry relied on the Municipal Affairs Ministry's flawed Greenbelt consultation.

The actions taken by the government demonstrate its intent not to respect and use public consultation as a source of input into its decision-making. Full and open consultation can give the government a better understanding of the costs, benefits and impacts of the proposals from commenters with different knowledge, experience and perspectives, as well as ideas for other—potentially more effective—approaches to achieve the government's policy aims. It can also lead to greater public acceptance of the government's decisions.

When municipalities, organizations and individuals take the time to comment on proposals, they expect and deserve that the ministry will give their thoughts, suggestions and expertise due consideration before making its final decision. This is each Ontarian's right under the EBR Act. But in these consultations, the government did not fulfill its obligations to the people of Ontario.

We also found other significant issues with ministries' implementation of the EBR Act in 2022/23. In particular:

- **The Energy Ministry again did not consult Ontarians about two environmentally significant policies.** In one case, in July 2023, the Ministry released a new energy plan called Powering Ontario's Growth – Ontario's Plan for a Clean Energy Future. This plan committed to supporting a new large-scale nuclear station, advancing three more small modular reactors, and developing new transmission lines in northern and eastern Ontario. However, the Ministry did not consult Ontarians about the overall plan or the specific projects under it. In a second case, in 2022, the Ministry modified its Conservation and Demand Management Framework for electricity conservation programs, adding new programs and expanding some existing ones, again without consulting the public.
- **Ontarians were not given clear or complete information about some proposals**. This year we again noted issues with proposal notices that ministries posted on the Environmental Registry. In particular, ministries did not always give clear or complete descriptions of their proposals, or of the environmental implications of the proposals. For example, we found:

- The Mining Ministry told the public that it did not expect any environmental impacts from proposed changes to the *Mining Act*. Subject to regulatory amendments still to be developed, these changes would end the Ministry's technical review of mine closure plans and replace it with upfront certification by a "qualified person," change the standards for mine rehabilitation and remediation, enable the Minister to issue orders allowing mining companies to defer parts of their closure plans, and allow for phased financial assurance. The Ministry did not explain in the proposal notices how it arrived at its conclusion that the proposed legislative amendments would have no environmental impacts.
- The Energy Ministry did not fully explain its proposal to create a voluntary Clean Energy Credits Registry, which would allow companies to buy credits for the electricity they use from the Ontario grid and claim that they use only "clean energy." Further, the Ministry did not explain whether or how the design of this Registry would help Ontario meet its climate goals or support investment in new non-emitting electricity generation.
- The Natural Resources Ministry knew there was a risk that changes to the *Conservation Authorities Act* and regulations in support of the government's Housing Supply Action Plan could have negative environmental impacts. However, it did not identify any potential environmental impacts in its proposal notice and told the public that the anticipated environmental consequences would be "neutral."

- **The Environment and Natural Resources Ministries again failed to respect the EBR Act's application timelines.** The EBR Act requires ministries to respond to applicants within specified timelines, but the Environment Ministry was 117 days late informing one set of applicants that it would not undertake their requested investigation (taking 177 days to do so instead of the required limit of 60 days). This is similar to our findings in 2022. The Natural Resources Ministry also missed EBR Act deadlines in an ongoing application for investigation. The Environment Ministry also made no progress in completing a review of the EBR Act that it agreed to undertake in 2011—well over a decade ago.
- **The Environment Ministry, which is responsible for administering the EBR Act, is still not fulfilling all of its unique responsibilities.** In particular, the Ministry is obligated to provide educational programs to the public about the Act, but has done little since it was given this responsibility in 2019. In 2022/23, the Ministry offered no educational programs other than a series of social media posts repeated from 2021, and had no plans to offer anything else.

Despite these issues, our audit found some improvements by ministry staff in their day-to-day implementation of the EBR Act. In particular, several ministries have taken steps to increase staff awareness and understanding of the EBR Act by creating training materials and providing staff training, and have put in place new or updated procedures to help them implement the Act more effectively.

This report contains eight recommendations, with 13 action items, to address our audit findings.

OVERALL ENVIRONMENT MINISTRY RESPONSE

The government respects and takes our legal obligations under the *Environmental Bill of Rights, 1993* (EBR Act) seriously. The Ministry of the Environment, Conservation and Parks is committed to continuously improving our own performance at implementing the EBR Act, and the Ministry will also continue to support consistent and effective implementation of the EBR Act across government.

We appreciate the Auditor General's report and will consider these recommendations to inform further work in this area.

2.0 Background

2.1 Overview of the *Environmental Bill of Rights, 1993*

The *Environmental Bill of Rights, 1993* (EBR Act) gives the people of Ontario rights that are formally protected by law. The EBR Act recognizes that, while the provincial government has the primary responsibility for protecting the natural environment, the people of Ontario have the right to participate in the government's decision-making about the environment and to hold the government accountable for those decisions.

The purposes of the EBR Act are to achieve the following by the means provided in the Act:

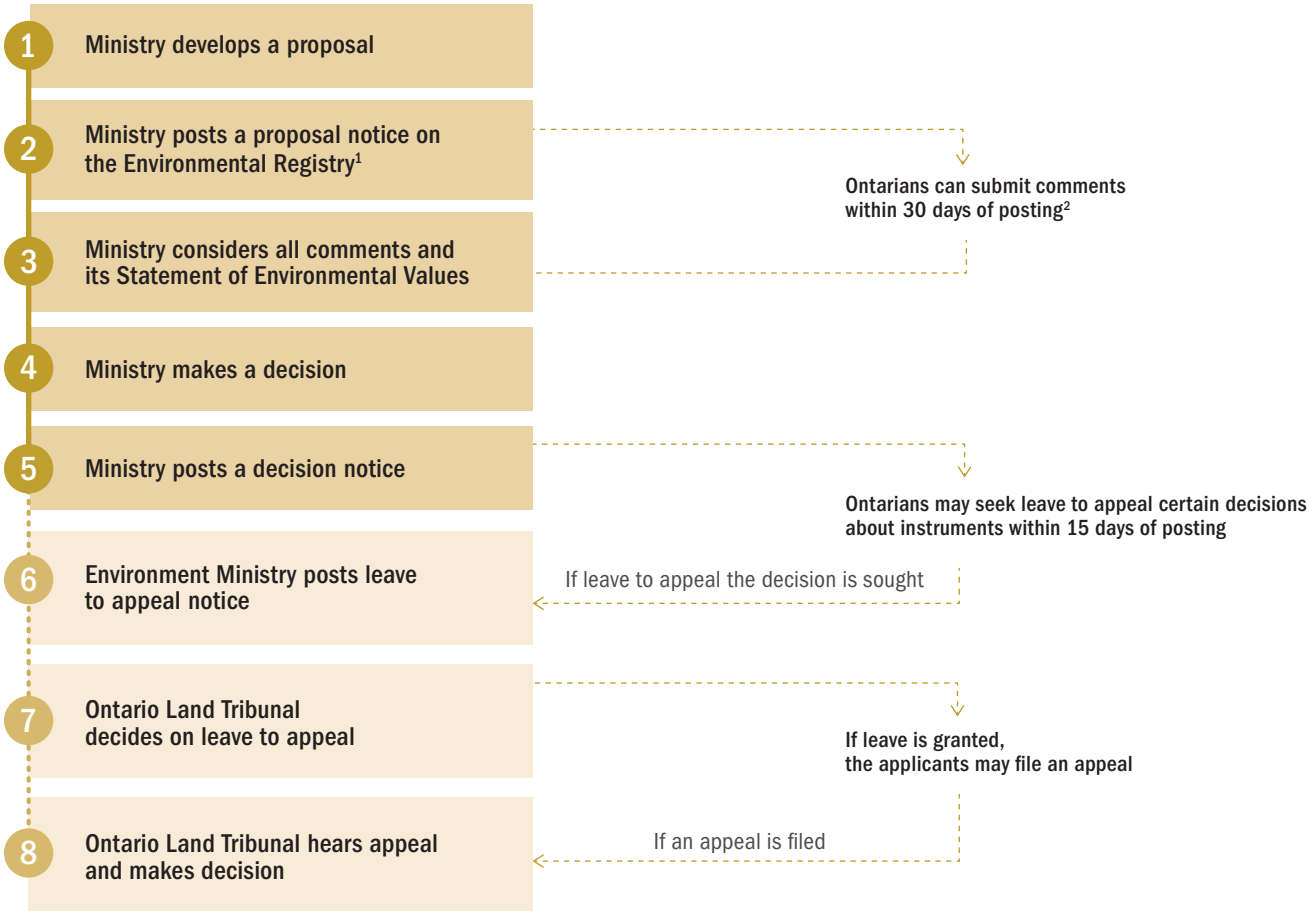
- protect, conserve and, where reasonable, restore the integrity of the environment;
- provide sustainability of the environment; and
- protect the right to a healthful environment.

To that end, the EBR Act sets out requirements for Ontario government ministries and legal rights for Ontarians, including:

- **Statements of Environmental Values (Statements)**: The EBR Act requires each of the 18 prescribed ministries (see **Figure 1**) to develop and publish a Statement that explains how the ministry considers the purposes of the EBR Act when it makes decisions that may significantly affect the environment. A Statement is meant to guide ministries in integrating environmental values with social, economic and scientific considerations as part of the decision-making process, which should lead to better outcomes for the environment. Under the EBR Act, the ministries must consider their Statements when making environmentally significant decisions.
- **Public notice and consultation through the Environmental Registry**: The EBR Act establishes the Environmental Registry (ero.ontario.ca), a website that gives the public access to information about environmentally significant proposals and decisions made by government ministries, as well as other environmental matters. The EBR Act requires prescribed ministries to use the Environmental Registry to give notice and consult the public about proposed policies, acts, regulations and instruments (permits, licences, approvals, and other authorizations and orders) that are environmentally significant. Under the EBR Act, the ministries must consider the public's comments and give prompt notice of their decisions on the proposals, including an explanation of the effect of public participation, if any, on the decision. See **Figure 3** for a description of the EBR Act's public consultation process.
- **Applications for review**: The EBR Act gives residents of Ontario the right to submit applications to a prescribed ministry—asking it to review existing laws, policies, regulations or instruments, or review the need for new laws, policies or regulations—to protect the environment. A minister must consider the request according to factors set out in the EBR Act and determine whether the public interest warrants the requested review.
- **Applications for investigation**: The EBR Act gives residents of Ontario the right to ask a ministry to investigate alleged contraventions of certain environmental laws, regulations and instruments. A minister has a duty to investigate all matters raised in an application for investigation to the extent the minister considers necessary. A minister does not need to investigate if they find that the application is frivolous or vexatious, the alleged contravention is not serious enough to warrant an investigation, or the alleged contravention is not likely to cause harm to the environment. The minister is also not required to duplicate an ongoing or completed investigation.

Figure 3: Public Consultation Process under the *Environmental Bill of Rights, 1993*

Prepared by the Office of the Auditor General of Ontario



1. There are some exceptions to this requirement. For example, ministries are not required to post notices for proposals that form part of or give effect to a government budget, or for permits and approvals that represent a step to implement a decision made under the *Environmental Assessment Act*. This requirement also does not apply to proposals that are mostly financial or administrative.
2. Ministries must consider allowing more time for public consultation. More time should be given where, for example, the matter is complex, the level of public interest is high, or other factors warrant more time for informed public input.

- **Appeals, lawsuits and whistleblower protection**: The EBR Act gives residents of Ontario the right to seek leave to appeal (that is, permission to challenge) government decisions on certain instruments, as well as the right to sue for harm to the environment or a public resource. It also protects employees who exercise their environmental rights from employer reprisals ("whistleblower" protection).

Not all requirements of the EBR Act apply to every prescribed ministry. For example, the requirement to respond to applications for review applies to only 12 of the 18 prescribed ministries. (See **Appendix 3** for a summary of the requirements that apply to each prescribed ministry.)

There are two regulations under the EBR Act, which set out:

- which ministries are subject to the EBR Act requirements (see **Appendix 3**);
- which laws are subject to the EBR Act (see **Appendix 4**); and
- which instruments are subject to the EBR Act (see **Appendix 5**).

The Environment Ministry administers the EBR Act and its regulations.

2.2 Why the EBR Act Is Important for the People of Ontario

The EBR Act gives Ontarians special rights to participate in the government's environmental decision-making, with the goal of creating better protections for the environment.

When members of the public take part in government environmental decision-making, they can improve the quality of decisions—and the outcomes for the environment. Public feedback gives decision-makers more information and perspectives from different sources, including local and Indigenous traditional knowledge.

Other benefits of public participation can include greater transparency and government accountability for its decision-making, greater public awareness of issues and acceptance of decisions, and better implementation of decisions.

Since the EBR Act came into force in 1994, public consultation through the Environmental Registry has helped better inform and improve many government environmental decisions, ranging from broadscale decisions on provincial policies and laws (such as source water protection policies, transit planning guidelines and an overhaul of endangered species legislation) to more site-specific decisions (such as permits issued to companies allowing them to take water).

Similarly, Ontarians have successfully used the EBR Act's application for review process to prompt ministries to improve environmental laws and policies. For example, applications have led to stronger rules for rehabilitating aggregate pits and quarries, the development of a provincial agricultural soil health strategy, improved sewage management in provincial parks and an end to the hunting of snapping turtles (an at-risk species).

Since our last annual report, the EBR Act's application for investigation process enabled Ontarians to bring the Environment Ministry's attention to a warehouse that was not complying with its Environmental Compliance Approval for sewage works when washing vehicles in its parking lot. Their application led the Ministry to take action to bring the company into compliance, helping to protect a local waterbody.

Also since our last report, the EBR Act's leave to appeal rights enabled one Ontario resident to challenge the Environment Ministry's decision to issue an approval for a solid waste transfer facility, due to the compliance history of the persons involved in operating the facility. This process led the Ministry to revoke the approval. Without the EBR Act, this Ontarian would not have had access to the Ontario Land Tribunal to voice their concerns.

2.2.1 Why Ministries Must Uphold Their EBR Act Requirements

For Ontarians to exercise their rights under the EBR Act, prescribed ministries must do their part, acting in the spirit of the EBR Act. When ministries do not comply with their obligations under the EBR Act, or when ministries make decisions in a way that goes against the purposes of the EBR Act, members of the public cannot fully exercise their rights to participate in environmental decision-making. Without meaningful public consultation, Ontario—the public, the ministries making the decisions and the environment—risks losing the potential benefits of that participation.

Consulting the public before making decisions can also save time and money. In some cases, a rush to pass or amend laws with minimal or no public consultation can delay putting the new provisions in action. For example, in 2020, the Municipal Affairs Ministry did not consult the public about increasing the Minister's powers related to zoning orders before the Legislature passed Bill 197. After Bill 197 was enacted, the Ministry opened up consultation on the use of these ministerial powers, stating it would consider the feedback and "determine whether changes should be made to the provisions of section 47 of the *Planning Act* enacted by Bill 197." If the Ministry had consulted the public before enacting Bill 197, this feedback could have informed the Ministry's approach to zoning orders and determined the need for any legislative changes. Ministries' failure to consult under the EBR Act has also

resulted in lawsuits—in 2018 over the cancellation of the cap and trade program, and in 2020 over the enactment of Bill 197—requiring the ministries to spend time and money defending their actions in court.

Justice Corbett of the Divisional Court noted that the EBR Act "requires a government that has decided to do something that impacts on the environment to slow down its process, take the time for public participation and then consider what it wishes to do in light of the public input that it receives. The [EBR Act] would be rendered largely nugatory if a government could ignore its requirements because the government has already made up its mind, prior to public participation, and will not listen to or consider public input in respect to its proposal."

2.3 Use of the EBR Act's Tools in 2022/2023

Between April 1, 2022, and March 31, 2023:

- **Public notice and consultation through the Environmental Registry**: Ontario ministries used the Environmental Registry to consult the public about over 1,350 proposals for acts, policies, regulations and instruments that could have a significant effect on the environment (for details about the numbers and types of notices posted on the Environmental Registry in 2022/23, see **Appendix 7**). Members of the public submitted over 117,000 comments on proposals for the ministries to consider.
- **Applications for review and investigation**: Members of the public submitted three new applications for investigation to ask certain ministries to investigate alleged contraventions of environmental laws, and ministries concluded two of those, as well as two previously submitted applications. No new applications for review were submitted, and ministries did not conclude any reviews undertaken in previous years. (Details about the use of application rights in 2022/23, as well as summaries of all concluded applications, are found in **Appendices 8** and **9**. Our findings on the ministries' handling of applications are detailed in **Section 9**.)
- **Appeals:** Members of the public filed six applications for leave to appeal (that is, permission to challenge) five Environment Ministry decisions to issue certain instruments. The Ontario Land Tribunal granted leave to two applicants for the same decision. It dismissed three applications without granting leave, finding in each case that the applicants had failed to satisfy the EBR Act leave to appeal test. The Tribunal refused to accept the sixth application because it was not filed by the statutory 15-day deadline. (See **Appendix 10** for further details about the use of appeal rights, as well as court actions and whistleblower protection in 2022/23.)

3.0 Audit Objective and Scope

Our audit objective was to assess whether the *Environmental Bill of Rights, 1993* (EBR Act) operated effectively during the 2022/23 reporting year (April 1, 2022, to March 31, 2023), including whether the ministries prescribed under the EBR Act:

- carried out their duties in accordance with the requirements and purposes of the EBR Act and its regulations; and
- have effective systems and processes in place that accord with the requirements and purposes of the EBR Act and its regulations.

The EBR Act requires us to report annually on the operation of the Act. This includes reporting on Ontarians exercising their rights (for example, using the Environmental Registry of Ontario and submitting applications for review and investigation) and prescribed ministries implementing the EBR Act.

For the EBR Act to be effective, ministries must conduct their work with the Act's purposes in mind. To meet our legislated reporting requirement, our audit assessed not only whether prescribed ministries complied with the minimum legal requirements of the EBR Act, but also whether the ministries contributed to

the effective operation of the Act by performing their duties, including exercising their discretion, in a way that was consistent with the Act's purposes.

In planning for our work, we identified the audit criteria (see **Appendix 2**) we would use to address our audit objective. These criteria were established based on a review of applicable legislation, policies and procedures, internal and external studies, and best practices. Senior management reviewed and agreed with the suitability of our objectives and associated criteria.

As an annual audit, our work followed up on many recommendations in our past reports related to compliance with and implementation of the EBR Act. We also followed up on recommendations made in our 2019, 2020 and 2021 reports that did not directly relate to compliance with and implementation of the EBR Act, to determine whether they were put into practice.

We conducted our audit between January 2023 and August 2023. We obtained written representation from ministries' senior management that, effective November 21, 2023, they had provided us with all the information they were aware of that could significantly affect the findings or the conclusion of this report.

We conducted our audit work at our office in Toronto. Our work involved meetings, discussions and correspondence with staff at the Environment Ministry, including the Environmental Bill of Rights Office within the Environment Ministry, as well as staff at other prescribed ministries. During our audit, we assessed relevant information, including but not limited to:

- the public's and prescribed ministries' use of the EBR Act's tools, including use and operation of the Environmental Registry of Ontario (Registry);
- prescribed ministries' policies and procedures for complying with the EBR Act;
- documentation related to the coverage of the EBR Act under the Act's two regulations;
- documents and other information about environmentally significant proposals and decisions that came to our attention for which ministries did not give appropriate notice on the Registry;
- all notices for policies, acts, regulations and a sample of notices for instruments, as well as all voluntary proposal and decision notices, bulletins, exception notices and appeal notices, posted on the Registry in 2022/23;
- ministries' documentation (where it existed) of how they considered their Statements of Environmental Values and public comments when making decisions about a sample of proposals for policies, acts, regulations and instruments;
- documentation related to applications for review and applications for investigation that were ongoing, or that ministries concluded (either denied or completed) in 2022/23, including materials submitted by the applicants, ministries' documentation related to their handling of and decisions on the applications, and other research as necessary;
- measures taken by the Environment Ministry to provide educational programs and general information about the EBR Act to the public, and to operate the Registry; and
- actions taken by the prescribed ministries in response to recommendations made in our 2019, 2020 and 2021 reports on the operation of the EBR Act.

We conducted our work and reported on the results of our examination in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada. This included obtaining a reasonable level of assurance.

The Office of the Auditor General of Ontario applies the Canadian Standard on Quality Management and, as a result, maintains a comprehensive quality control system that includes documented policies and procedures with respect to compliance with rules

of professional conduct, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

4.0 No Meaningful Consultation on the Government's Proposals Intended to Increase Housing Supply

On October 25, 2022, the Ontario government released its third Housing Supply Action Plan (Housing Supply Action Plan 3.0), along with a sweeping series of changes to policies, acts and regulations to support its goal of increasing housing supply by 1.5 million new units by 2031. Forty-eight initiatives across multiple ministries were proposed to remove barriers, streamline approvals and unlock more lands for housing. Four ministries—Municipal Affairs, Natural Resources, Environment and the Ministry of Citizenship and Multiculturalism—collectively posted 14 proposal notices on the Environmental Registry of Ontario (Registry) for consultation related to these initiatives (see **Figure 4**). The legislative proposals were made through Bill 23, the *More Homes Built Faster Act, 2022*, which was introduced on October 25 and passed on November 28, 2022. (A timeline of actions is found in **Appendix 11**.)

Ten days after posting the 14 housing-related proposals, on November 4, 2022, the Municipal Affairs Ministry posted four more notices proposing changes to the Greenbelt (**Figure 5**). The Greenbelt is an area of about 2 million acres in southern Ontario that is protected from urban development. It includes the Niagara Escarpment, the Oak Ridges Moraine, productive agricultural land, and natural features such as wetlands, forests, valleylands and wildlife habitat. The Greenbelt proposal notices included proposals to remove or re-designate 15 protected sites, including the Duffins Rouge Agricultural Preserve in Pickering as well as land within the Oak Ridges Moraine, to facilitate 50,000 houses to be built on the lands, and to add 13 urban river valley areas and a portion of the Paris Galt Moraine to the Greenbelt. The Greenbelt changes were adopted on December 14, 2022. In September 2023, the government announced it would reverse the changes it made to the Greenbelt 10 months earlier. (For more on the Greenbelt decisions, see our August 2023 *Special Report on Changes to the Greenbelt*.)

Although ministries posted a total of 18 proposal notices on the Environmental Registry related to the government's Housing Supply Action Plan 3.0 and Greenbelt changes, we found that the ministries did not meaningfully consult the public on these proposals. In particular, we found that:

- the ministries did not give the public complete or accurate information about individual proposals or about the combined effect of all the proposals (**Section 4.1**);
- the ministries did not give the public enough time to comment on the proposals (**Section 4.2**);
- the ministries did not meaningfully consider thousands of comments submitted by the public when they made their decisions on these proposals (**Section 4.3**); and
- the Natural Resources Ministry did not consult the public at all about the repeal of the *Duffins Rouge Agricultural Preserve Act, 2005* (**Section 4.4**).

Overall, we found that the government's approach to consultation on the housing and Greenbelt proposals, led by the Municipal Affairs Ministry, undermined Ontarians' ability to give informed feedback and to have that feedback meaningfully considered when ministries made their decisions. This approach goes against the EBR Act and its purposes.

Figure 4: Proposals in Support of the Housing Supply Action Plan 3.0 Posted on the Environmental Registry of Ontario on October 25, 2022

Prepared by the Office of the Auditor General of Ontario

Ministry	Proposal	Environmental Registry Notice	Comment Period
Legislative Proposals (in Bill 23, the *More Homes Built Faster Act, 2022*)			
Municipal Affairs	Amendments to the *Planning Act*, the *Development Charges Act, 1997* and the *City of Toronto Act, 2006*	019-6172 019-6163	30 days*
Natural Resources	Amendments to the *Conservation Authorities Act* (and related regulations)	019-6141	30 days*
Environment	New act – the *Supporting Growth and Housing in York and Durham Regions Act, 2022*	019-6192	30 days*
Multiculturalism[1]	Amendments to the *Ontario Heritage Act*	019-6196	30 days*
Regulation Proposals			
Natural Resources	Changes to the regulation of development under the *Conservation Authorities Act*	019-2927	66 days
Municipal Affairs	Proposed amendments to *Planning Act* regulation to improve clarity and consistency of inclusionary zoning rules	019-6173	45 days
Municipal Affairs	Proposed changes to *Planning Act* regulation to support additional residential units	019-6197	45 days
Policy Proposals			
Natural Resources	Amendments to the Ontario Wetland Evaluation System Manual (which determines what wetlands are considered to be provincially significant and protected from development under the Provincial Policy Statement)	019-6160	30 days
Natural Resources	Review of Natural Heritage Policies (which are implemented through the *Planning Act* and the Provincial Policy Statement)	019-6161	66 days
Municipal Affairs	Revocation of the Central Pickering Development Plan (which regulated development and protected agricultural and natural heritage lands in a part of Durham Region that included the Duffins Rouge Agricultural Preserve, which was also protected by the Greenbelt Plan at the time of this proposal)	019-6174	30 days
Municipal Affairs	Review of the Provincial Policy Statement and A Place to Grow: Growth Plan for the Greater Golden Horseshoe	019-6177	66 days
Municipal Affairs	Proposed changes to sewage systems and energy efficiency for the next edition of Ontario's Building Code	019-6211	45 days
Municipal Affairs	Proposed revocation of the Parkway Belt West Plan	019-6167	66 days

* Subsequently extended to 45 days.

1. The Ministry of Citizenship and Multiculturalism is not a prescribed ministry under the *Environmental Bill of Rights, 1993*. The Ministry posted this proposal notice on the Environmental Registry of Ontario voluntarily.

Figure 5: Proposals for Changes to the Greenbelt Posted by the Municipal Affairs Ministry on the Environmental Registry of Ontario on November 4, 2022

Prepared by the Office of the Auditor General of Ontario

Proposal	Environmental Registry Notice	Comment Period
Amendments to the Greenbelt Plan	019-6216	30 days
Amendments to the Greenbelt Boundary Regulation	019-6217	30 days
Re-designation of land under the Oak Ridges Moraine Conservation Plan	019-6218	30 days
Revocation of 2003 Minister's Zoning Order O. Reg. 154/03 (that restricted land use in the Duffins Rouge Agricultural Preserve to agricultural purposes)	019-6238	30 days

4.1 Ministries Did Not Give the Public Complete and Accurate Information about Housing and Greenbelt Proposals

The purpose of posting proposals on the Environmental Registry is to give Ontarians notice of, and sufficient information about, what a prescribed ministry is proposing to do. The notice should enable the public to:

- understand the rationale, substance and implications of what the ministry plans to do; and
- give informed comments for the ministry to consider when making a decision about the proposal.

However, we found that the housing and Greenbelt notices did not give Ontarians complete or accurate information about what the ministries were proposing, or the implications of the proposals.

4.1.1 Ministries Did Not Explain the Relationship Between, or the Combined Effect of, the Proposals

All of the housing-related Environmental Registry notices posted by the four ministries on October 25, 2022, contained identical introductory language about the government's housing goal and stated that the proposed changes supported that goal. None of the individual proposal notices explained the relationships between the proposals or identified the environmental impacts that might result from carrying out the proposals, either individually or collectively, or how ministries would manage those impacts.

While the Municipal Affairs Ministry posted a bulletin (a voluntary notice for informational purposes) that listed all of the proposal notices related to the Housing Supply Action Plan, the bulletin did not give any further information about the relationship between the proposals or any anticipated impacts from the proposals considered together.

Similarly, the Greenbelt-related notices each included links to the other related proposals, but none directly explained the overall purpose of the changes, the planning controls that would apply once the Greenbelt protections were removed or the impacts of all of the changes together. Notably, the largest area removed from the Greenbelt was the Duffins Rouge Agricultural Preserve, a 4,700-acre area in Pickering, of which 76% was actively used for agriculture and 56% was designated as part of the Greenbelt's natural heritage system. These lands included wetlands, woodlands and habitat for species at risk (according to Parks Canada, 22 at-risk species have been observed within one kilometre of the Preserve). A 2003 Minister's Zoning Order had restricted land use in the Preserve to agricultural and conservation purposes, to help permanently protect the Preserve from development. However, the Registry notice that proposed revoking this Minister's Zoning Order did not explain that the revocation would remove protections from the Preserve or even refer to the Preserve by name.

4.1.2 Ministries Did Not Explain Potential Environmental Consequences of Proposals

For Ontarians to meaningfully comment on an environmentally significant proposal, they need sufficient information about:

- what a ministry is proposing;
- whether the proposal will benefit or harm the environment;
- what kinds of impacts are expected; and
- how the ministry would manage any negative impacts.

We found, however, that the housing and Greenbelt proposal notices did not give information about the potential environmental impacts (including benefits and risks) of the proposals. In particular, the ministries failed to identify the potential environmental risks or explain how they would manage negative impacts. We have detailed two examples below.

The *Supporting Growth and Housing in York and Durham Regions Act, 2022*

The *Supporting Growth and Housing in York and Durham Regions Act, 2022*, which was passed on November 28, 2022, prohibits York Region from building its preferred wastewater treatment project: a new water reclamation plant in the Lake Simcoe watershed (the Lake Simcoe option). Instead, the Act requires York and Durham Regions to expand the existing sewer system to collect and move sewage from communities in upper York Region to the existing Duffin Creek Water Pollution Control Plant in Durham Region for treatment and discharge into Lake Ontario (the Lake Ontario solution). We found that, in its proposal notice for this new law, the Environment Ministry did not give sufficient information to allow for meaningful public participation.

According to the Ministry, the proposed Lake Ontario solution would meet the timing needs for projected growth and "cut the project's greenhouse gas emissions in half compared to the alternative Lake Simcoe option, and prevent additional phosphorus loads to Lake Simcoe while ensuring phosphorus discharges to Lake Ontario would be well within protective limits." However, in the proposal notice, the Ministry did not explain the basis for this conclusion or what measures would be required to keep discharges to Lake Ontario within protective limits. The Ministry did not give any information on the environmental risks to Lake Ontario, such as potential accumulation of excessive nutrients in the lake, which can harm organisms, reduce available oxygen and lead to a decline in certain species.

The proposal also did not explain the difference in the level of treatment between the two options. The Lake Ontario solution would require effluent to undergo a lower level of treatment (secondary treatment) before discharge to Lake Ontario, while the Lake Simcoe option would use a higher level of treatment (tertiary treatment). The Town of Ajax has stated that the lack of tertiary treatment is already negatively impacting water quality within the nearshore environment of Lake Ontario.

Also, stakeholders had previously raised concerns about constructing sewage infrastructure through the protected Oak Ridges Moraine and potential impacts to the moraine's ecosystem. However, the Ministry's proposal notice did not explain that the Lake Ontario solution would require constructing new infrastructure to move sewage through the moraine. The Ministry also did not address the potential ecosystem impacts of increasing the quantity of water moving between the Lake Ontario and Lake Simcoe watersheds.

Changes to the Ontario Wetland Evaluation System

On October 25, 2022, the Natural Resources Ministry proposed changes to the Ontario Wetland Evaluation System (OWES) through changes to the OWES Manual. The Manual sets out a method for evaluating wetlands, based on their ecological and societal functions, and establishing their boundaries. The evaluation assigns the wetland a score, which determines whether it will be identified as provincially significant and thereby protected from development in accordance with the Provincial Policy Statement issued under the *Planning Act*. In December 2022, the Ministry changed the OWES Manual to:

- remove consideration of wetland complexes, which can reduce the total size of the area evaluated, and therefore the potential points scored, for an individual wetland. (A wetland complex is a group of usually small wetland units that are functionally linked to one another and located within 750 metres of at least one other wetland unit in the complex);
- remove two categories that gave points to wetlands for providing habitat to endangered or threatened species for reproduction, migration, feeding or hibernation;
- apply the new criteria to re-evaluations of wetlands and wetland complexes already identified as provincially significant; and
- remove Ministry oversight of evaluations and approval of wetland status.

The Ministry's proposal notice understated the impacts of these changes. The Ministry stated that the impacts on business would be "neutral to positive" because the changes would offer greater certainty in how provincially significant wetlands are identified and streamline development decisions. The Ministry did not identify the potential environmental risks of changing the evaluation system, such as the potential loss of wetlands and the resulting impacts that may arise from wetland loss (such as reduced water filtration, loss of wildlife habitat and increased risk of flooding, with potential impacts on property and public safety).

The 23 conservation authorities and 35 municipalities that submitted comments on the proposal did not support the changes and, contrary to the Ministry's description of the impacts, many anticipated that significant negative impacts would result. These stakeholders have projected that the majority—in some areas, up to 98%—of the protected wetlands in southern Ontario would be at risk of losing protection from development as a result of the changes. They predicted that loss of protection would likely lead to additional costs to human health and safety, property and infrastructure, and increased loss of species-at-risk habitat. They also expressed concern that removing the requirement for Ministry review and approval of all wetland evaluations would lead to inconsistent outcomes where evaluators interpret similar circumstances differently.

Internal Ministry documents acknowledged that, even under the existing policy framework, Ontario has continued to lose wetlands to accommodate land uses such as development and that changing the evaluation criteria to prohibit consideration of species-at-risk habitat and wetland complexes, and applying the new criteria to the re-evaluation of wetlands, may increase the number of re-evaluations of already protected wetlands and the potential for "different evaluation outcomes."

4.1.3 Municipal Affairs Ministry Gave Inaccurate and Incomplete Information in Proposal Notices Affecting the Greenbelt

As outlined in our *Special Report on Changes to the Greenbelt*, the Municipal Affairs Ministry included some inaccurate and incomplete information in the Greenbelt proposal notices posted on the Environmental Registry. For example:

- The Ministry listed five criteria in the Greenbelt notices that it said staff applied when selecting sites for removal from the Greenbelt. However, we found that Ministry staff did not assess the sites against two of those five criteria.
- In the proposal notice for revoking the Central Pickering Development Plan, originally posted on October 25, 2022, the Ministry stated that once this plan was revoked, the Duffins Rouge Agricultural Preserve would continue to be protected under both the Greenbelt Plan and the 2003 Minister's Zoning Order. However, at the time the Ministry posted that notice, it was preparing to remove both of those protections from the Preserve. Ten days later, the Ministry updated the notice and removed the promise of continued protection for the Preserve. The Ministry included a statement in the notice that the update was "due to proposed amendments

to the Greenbelt Plan," but it did not add any information about the potential environmental impacts of this change, nor did it give more time for comment on the revised proposal.

Overall, none of the Greenbelt-related notices stated that the Greenbelt removals could be expected to have any environmental, agricultural or social impacts, or any negative economic impacts. The Ministry told the public that the regulatory impacts of the proposals would be "positive," despite the Ministry's awareness of the potential for significant negative impacts if the goal of the changes—housing development in protected agricultural and natural heritage systems—is realized. The Ministry did not, for example, identify that 13 of the 15 sites proposed to be removed or re-designated contained lands that were designated in whole or in part as "Specialty Crop" or "Natural Heritage System" areas, and that removing them could impact wetlands, species at risk and flooding. For more details about the environmental and agricultural risks associated with the changes, see **Section 4.7** in our *Special Report on Changes to the Greenbelt*.

4.2 Timing of the Consultations Undermined Meaningful Public Participation

4.2.1 Starting Consultations the Day after Municipal Elections Hindered Municipalities from Giving Feedback on Decisions that Directly Affected Them

The housing-related decisions made in November and December 2022 significantly affect Ontario municipalities. For example, the amendments to the *Planning Act* and *Development Charges Act, 1997* affect municipalities' ability to recover infrastructure costs and acquire parkland by reducing or eliminating development charges, community benefit charges and parkland requirements for certain housing developments. The Association of Municipalities of Ontario estimated that the changes would reduce municipal resources available to service new development by $5.1 billion over nine years. Other changes to the *Planning Act*, the *Conservation Authorities Act* and the Ontario Wetland Evaluation System download new responsibilities onto local municipalities, which many municipalities have stated would require additional staff and resources to fulfill, and may increase future liabilities due to negative effects on local ecosystems.

Although these proposals significantly affected municipalities across the province, we found that the Municipal Affairs Ministry did not consult with municipalities about the housing proposals before posting them on the Environmental Registry for public consultation. Notably, the notices were posted on October 25, 2022—just one day after municipal elections were held across the province. The 30-day comment period was scheduled to end on November 24, 2022, but new municipal councils were not even sworn in until late November or early December, so many municipalities could not effectively participate in the consultations before decisions were made. On October 27, the Ontario Big City Mayors (mayors of Ontario cities with populations of 100,000 or more) told the Municipal Affairs Ministry that, because of the timing of the public consultation on the proposals, "it is impossible for most councils to be fully engaged in the legislative process for Bill 23, or even approve a council position in time to submit comments to the registries."

The Ontario Big City Mayors, the Association of Municipalities of Ontario and several municipalities, including Toronto, Mississauga, Markham, York Region and Waterloo, asked the Ministry to allow more time to comment, and for the Ministry to consider the comments submitted, before passing the bill. Similarly, conservation authorities and municipalities asked the Natural Resources Ministry to reconvene the Conservation Authorities Working Group, which had reviewed previous regulation proposals, to allow for more in-depth analysis and discussion before moving forward with changes to the *Conservation Authorities Act* and regulations and changes to the Ontario Wetland Evaluation System.

While the ministries did extend the comment period for the five Bill 23 notices for 15 days on November 23 and 24 (see **Section 4.2.3**), the bill had already been referred for third reading, so there was no practical

opportunity to amend it before it was put to a vote. Bill 23 was enacted on November 28, 2022, meaning that the proposal for the bill was implemented well before the extended comment period ended.

4.2.2 Ministries Did Not Follow the EBR Act or Their Own Best Practices to Offer Longer Consultation

Under the EBR Act, a ministry must consider allowing more than 30 days to permit more informed public consultation on proposals, based on:

- the complexity of the matters;
- the level of public interest;
- the amount of time needed to make informed comment;
- any private or public interests affected by the timing; and
- any other relevant factors.

We found that all of the housing and Greenbelt proposals (**Figures 4** and **5**) met the above considerations: they were complex, had a high level of public interest, consisted of many interrelated proposals announced together and had potential for significant, province-wide environmental implications. Based on these factors, the Municipal Affairs, Natural Resources and Environment Ministries should have allowed more than 30 days for public comments.

In addition to the direction in the EBR Act itself, internal ministry guidance considers it a best practice to have a longer comment period in these circumstances. For example:

- the Municipal Affairs Ministry's guidance directs staff to provide longer than 30 days for "more complex and significant proposals." In addition, the Ministry had developed internal advice for the Minister's Office in 2020 that public consultation for Greenbelt amendments should include "posting on the Environmental Registry for a minimum of 45 days."
- the Natural Resources Ministry's guidance to staff indicates it is a best practice to give a longer comment period "if the proposal is significant, complex or contentious… [because such a proposal] may attract a high level of public interest and may require more time for the public to make informed comments."

As discussed in our *Special Report on Changes to the Greenbelt*, the 30-day Greenbelt consultation period was much shorter than all earlier Greenbelt consultations. For example, amendments to the Greenbelt made in 2017 went through multi-year phased consultations, with three separate consultations through the Environmental Registry for 90 days, 174 days and 47 days, respectively. For those consultations, the Municipal Affairs Ministry allowed enough time for commenters to understand, analyze and respond to the proposals and for the Ministry to review and consider the comments before making a decision. By contrast, the fall 2022 removals of land from the Greenbelt had not been subject to any prior public notice or consultation, and the proposed removals were open for comment for only 30 days.

In another instance, the Natural Resources Ministry posted two notices on October 25, 2022, for proposals affecting the *Conservation Authorities Act* and regulations. One notice, for Bill 23 and related regulations, had a 30-day comment period; the other, for regulations affecting the development permit process, had a 66-day comment period. This latter notice attached information about "a tool proposed to be included in the *Conservation Authorities Act* through Bill 23" (in other words, the subject of the first notice) and requested "feedback on how [the tool] may be used in the future." The two different comment periods confused the process for the public to meaningfully comment on Bill 23. It would have been more effective for the Ministry to give the same 66-day consultation period for both notices.

4.2.3 Continuing the Comment Periods for Bill 23 after Third Reading Was Confusing and Effectively Meaningless

Debate on third reading of Bill 23 began in the Legislature on November 23, 2022, the day before the comment periods were scheduled to close. On that day and the next (see **Appendix 11** for the timeline), even

though there was no longer any practical opportunity to amend the bill, four ministries updated the five Bill 23 Environmental Registry notices to extend the comment period to December 9. We learned that the four ministries were directed to do this by the Municipal Affairs Minister's office, at the request of the Premier. Just days later, on November 28, the Legislative Assembly passed Bill 23 on third reading.

We have previously raised concerns about ministries inviting comments from the public after a decision has already been made. In our 2022 report, we found that the Municipal Affairs Ministry took a similar consultation approach on Bill 109, the *More Homes for Everyone Act, 2022*, which made environmentally significant amendments to the *Planning Act* to support the government's second Housing Supply Action Plan. In that case, the Ministry posted a proposal notice on the Environmental Registry for a 30-day public consultation period when the bill was introduced, but the bill received third reading two weeks before the end of the comment period. The Ministry kept the proposal notice open for comment for a further 10 days. In our 2022 report, we concluded that, "by continuing to solicit public comment after [third reading], the Ministry gave the false impression that there was still an opportunity to inform decision-making around Bill 109."

Under the EBR Act, a bill is considered implemented when it receives third reading, and the responsible ministry must give notice of the decision to implement the proposal "as soon as reasonably possible" after it is implemented. However, the notices for Bill 23 were not closed after third reading; they stayed open for public comment for another 11 days. Three of the four ministries updated their notices on November 28, November 29 and December 2 to say that Bill 23 had been enacted but that consultations would remain open so that public feedback "can help inform the implementation of this proposal as well as future initiatives." The Natural Resources Ministry did not update its notice for the *Conservation Authorities Act* amendments to include this wording but did keep consultation open until December 9.

The Registry notices had sought comments only on the provisions of Bill 23 itself, and did not propose any options for implementation or identify any future initiatives the ministries were seeking comments on. With no amended or new proposals, it was not clear what the public was supposed to comment on after Bill 23 was enacted. Adding that wording to the notices and keeping them open for comments after November 28 was confusing and, like we found in our 2022 report regarding Bill 109, gave the false impression that there was still an opportunity to inform decision-making around Bill 23, even though at that point it was impossible for the comments to do so.

4.3 Ministries Did Not Consider All Submitted Comments When Making Decisions on Bill 23 and the Greenbelt Changes, Contrary to the EBR Act

The EBR Act requires a minister to take every reasonable step to ensure that all comments received on a proposal posted on the Environmental Registry are considered when a ministry makes its decision. Public feedback about environmentally significant proposals can inform—and improve—the ministry's decision-making, if the ministry meaningfully considers the comments before it makes a decision.

However, many comments on the Bill 23 proposals were received by the Municipal Affairs, Natural Resources and Environment Ministries after the bill received third reading on November 28, 2022. For example, 53% of the comments received by the Municipal Affairs Ministry through the Environmental Registry on the *Planning Act* and *Development Charges Act, 1997* proposal were submitted after November 28. For the *Conservation Authorities Act* amendments, more than 700 unique comments—that is, comments other than from a letter-writing campaign—were submitted to the Natural Resources Ministry, and one-third of them were submitted after November 28. Because the bill had already passed, these comments were not considered by the ministries when making the final decisions on Bill 23. Nevertheless, the Municipal Affairs Ministry stated in its decision notices for the two Bill 23 proposals that "consideration was given to

all comments received" in developing and finalizing the legislation. (As of September 2023, the Natural Resources and Environment Ministries have not yet posted their decision notices.)

The Municipal Affairs Ministry also did not take the time to fully consider all of the more than 35,000 comments submitted on the Greenbelt proposals—among the highest submitted on any proposal notice posted on the Environmental Registry in the past four years—when it made decisions on amending the Greenbelt boundary. As we noted in our *Special Report on Changes to the Greenbelt*, Ministry staff had cautioned political decision-makers even before posting the proposal notices on the Environmental Registry that they anticipated broad criticism on the consultation approach and the limited paths for engagement, and expected that many stakeholders, including municipalities, would not be able to provide comprehensive responses in a 30-day window. Staff warned that the proposed timelines to finalize changes to the Greenbelt were "very aggressive" and would not allow for substantive revisions to the proposal. Staff further noted that any analysis of comments by staff would be high level and likely only include a cursory review of submissions by impacted property owners, rather than a submission-by-submission review of the comments received. After the consultation period closed, Ministry staff could not complete a comprehensive analysis of all the comments in time to fully inform the decision, instead providing decision-makers with only a high-level summary of selected comments. The Ministry noted that this constraint was due to the limited time it had to review the large number of comments received. Feedback received on the proposals was overwhelmingly negative, but no changes were made to any of the Greenbelt proposals as a result of the consultation.

4.4 Natural Resources Ministry Did Not Consult the People of Ontario about Repealing Protection of the Duffins Rouge Agricultural Preserve

In addition to the other housing and Greenbelt initiatives, the Municipal Affairs Minister introduced Bill 39, the *Better Municipal Governance Act, 2022*, on November 16, 2022. Bill 39 included, among other things, a new act that would repeal the *Duffins Rouge Agricultural Preserve Act, 2005*, which was the responsibility of the Natural Resources Ministry. Instead of consulting Ontarians about the repeal, the Natural Resources Ministry posted an exception notice (which explains that the Ministry has determined that public consultation on a matter is not needed) on the Environmental Registry on November 22, 2022. We found, however, that the circumstances of the proposed repeal did not meet the conditions set out in the EBR Act that allow a decision to be excepted from the Act's public consultation requirements. Because the Ministry used an exception notice to inform Ontarians of the repeal, the public did not have an opportunity to comment on the proposed repeal or to have those comments considered before the *Duffins Rouge Agricultural Preserve Act, 2005* was repealed.

The *Duffins Rouge Agricultural Preserve Act, 2005* was one of several provincial-level controls intended to permanently protect the Preserve for agriculture. The Act had secured agricultural and conservation easements on lands in the Preserve, ensuring that, even if the lands were sold, they would continue to be used only for agriculture or natural heritage purposes. Repeal of the *Duffins Rouge Agricultural Preserve Act, 2005*, and the simultaneous removal of other controls that were in place to protect the Preserve—the 2003 Minister's Zoning Order, the Central Pickering Development Plan and inclusion of the Preserve in the Greenbelt—were intended to facilitate development of Preserve lands.

On repealing the *Duffins Rouge Agricultural Preserve Act, 2005,* the Ministry relied on clause 30(1)(a) of the EBR Act for authority to post an exception notice rather than consult the public. This section allows a ministry to make a decision without first consulting the public when the environmentally significant aspects of the proposal "have already been considered in a process of public consultation" that was substantially equivalent to the process required under the EBR Act. In this case, the Natural Resources Ministry stated that the environmentally significant aspects of the repeal

proposal had been considered by the Municipal Affairs Ministry in its Greenbelt consultations.

However, at the time the Ministry posted the exception notice, the Greenbelt consultations were still open for public comment, so the environmentally significant aspects of the repeal proposal could not have "already been considered" when the Ministry decided not to consult the public about the repeal. Also, the Municipal Affairs Ministry had not included any specific reference to the *Duffins Rouge Agricultural Preserve Act, 2005*, the easements or the proposal to repeal the Act in its Greenbelt notices, so members of the public who reviewed those notices could not have known from their content that the Natural Resources Ministry intended to repeal the *Duffins Rouge Agricultural Preserve Act, 2005*.

Finally, as discussed in **Section 4.3**, following the end of the Greenbelt consultation, the Municipal Affairs Ministry did not meaningfully consider all of the comments it received when making its decisions. Because of its reliance on the Greenbelt consultation as the basis of its exception notice, the Natural Resources Ministry did not consider any of the comments submitted on the Greenbelt proposals before the enactment of Bill 39 on December 8, 2022.

RECOMMENDATION 1

So that Ontarians can meaningfully participate in environmentally significant decision-making, and so that the Ministry of Municipal Affairs and Housing, the Ministry of Natural Resources and Forestry, and the Ministry of the Environment, Conservation and Parks can benefit from informed feedback, we recommend that these ministries:

- when posting interrelated proposals on the Environmental Registry of Ontario (Registry), describe the relationship of the proposals, the role that each proposal plays in achieving any common objective, and the implications and expected environmental impacts of the proposals, individually and collectively, as well as add links to all related proposal notices in each notice;
- offer a comment period that allows enough time for Ontarians to review and understand the impacts of the proposals; and
- if notices are staggered or are revised after posting, transparently update the earlier proposal notices to include complete and accurate information and links.

MUNICIPAL AFFAIRS MINISTRY RESPONSE

The Ministry thanks the Auditor General for this recommendation. The Ministry will continue to review its training and procedures to highlight:

- when posting interrelated proposals on the Registry, to describe the relationship of the proposals, the role that each proposal plays in achieving any common objective, and the implications and expected environmental impacts of the proposals, individually and collectively, as well as add links to all related proposal notices in each notice;
- to offer a comment period that allows enough time for Ontarians to review and understand the impacts of the proposals; and
- if notices are staggered or are revised after posting, to transparently update the earlier proposal notices to include complete and accurate information and links.

NATURAL RESOURCES MINISTRY RESPONSE

The Ministry acknowledges this recommendation and is committed to its legal obligations under the *Environmental Bill of Rights, 1993* (EBR Act). The Ministry's internal guidance and training provides direction on the content expected in Registry notices, including the best practice of linking related notices, describing the potential environmental effects, describing details of decisions, providing links to key supporting information in each notice where available, and direction on the number of days for public consultation. Additional

internal guidance is being developed to further support this recommendation.

ENVIRONMENT MINISTRY RESPONSE

The Ministry is committed to the effective operation of the EBR Act, including implementation of the provisions of the EBR Act related to public participation on proposals that could have a significant effect on the environment, and will consider ways to improve processes, training and guidance for staff in the three areas identified in this recommendation.

5.0 Energy Ministry Again Did Not Consult the Public about Decisions on Two Environmentally Significant Policies

The EBR Act sets out rules for how a ministry must consult the public about its environmentally significant proposals. In particular, the Act requires a minister to do everything in their power to consult Ontarians for a minimum of 30 days using the Environmental Registry before implementing an environmentally significant proposal. Further, the minister must take every reasonable step to ensure the public's comments are considered before making a decision.

This year, we found that the Energy Ministry again failed to consult the public before making two environmentally significant decisions, as set out below. In 2022, following a similar failure to consult, we recommended that the Ministry create and follow processes to determine whether a Ministry proposal to make or amend a policy must be posted for public consultation on the Environmental Registry. The Ministry agreed to review and update its existing documentation, training and processes to guide staff in making this determination. Since then, the Ministry finalized a worksheet to be used by staff to determine whether a specific proposal should be posted on the Environmental Registry. The Ministry also updated its training materials and, in April 2023, it gave training to staff on the EBR Act. These changes could help ensure that, going forward, the Ministry is more consistent in its approach to public consultation on environmentally significant policy proposals.

5.1 Public Not Consulted on Powering Ontario's Growth – Ontario's Plan for a Clean Energy Future

In July 2023, the Energy Ministry released a new energy plan called Powering Ontario's Growth – Ontario's Plan for a Clean Energy Future (Clean Energy Plan) without first consulting Ontarians about the plan in accordance with the EBR Act. This document lays out the Province's plan to ensure enough clean power will be available to meet Ontario's future electricity needs. Among other initiatives, the Clean Energy Plan identifies the actions the Province is taking, including:

- advancing three small modular reactors at the Darlington nuclear site;
- supporting a new large-scale nuclear station at the Bruce nuclear site;
- working with the Independent Electricity System Operator (IESO) to assess potential long-duration energy storage projects;
- asking the IESO to plan for procurement of clean electricity resources, including wind, solar, hydroelectric, batteries and biogas; and
- developing new transmission lines in northern and eastern Ontario.

We asked the Ministry whether it had considered posting the new Clean Energy Plan on the Environmental Registry for public comment. The Ministry told us that its previous consultation on the IESO's *Pathways to Decarbonization* (Pathways) report served as consultation for the plan. The Ministry had attached the Clean Energy Plan, which it developed shortly after consultation on the Pathways report closed, to the decision notice for the Pathways posting, rather than as a new, separate proposal notice.

However, neither the proposal notice on the Pathways report, nor the Pathways report itself, outlined an energy plan or identified specific projects for public comment. Instead, the proposal notice stated that the Ministry was seeking feedback on the findings of the Pathways report and, in particular, the IESO's "no regret" recommendations (that is, actions the Province could pursue to keep its options open while being flexible enough to take advantage of emerging opportunities). The Pathways report itself had modelled two possible scenarios to decarbonize Ontario's electricity sector by 2035 or 2050 and recommended several "no regret" actions. One IESO recommendation was for the Ministry to begin work on planning and siting new resources such as energy storage, nuclear generation and waterpower facilities. The Registry notice asked what the public's expectations were for early engagement and consultations for the planning and siting of new facilities.

Further, it was not obvious from the proposal notice on the Pathways report that the Ministry intended not to consult further on a draft plan. The Registry notice was in a format typically seen as the first phase of a staged consultation process, asking general questions on the assumptions and scenarios in the Pathways report without proposing anything specific. The notice stated that initiatives such as the Pathways report would "help to inform the government's next steps towards its longer-term vision for an integrated energy system."

Simply attaching the Clean Energy Plan to the decision notice for the Pathways report consultation did not fulfill the Ministry's EBR Act requirement to consult the public on an environmentally significant policy. The Ministry could not show us any evidence that it had assessed its obligations under the EBR Act with respect to the Clean Energy Plan. Given the nature of the findings in the IESO Pathways report and the type of feedback sought in that Registry notice, we concluded that the Energy Ministry did not give Ontarians notice of, or get feedback on, the proposed elements of the Clean Energy Plan before the Ministry released it.

5.2 Public Not Consulted on Changes to Conservation and Demand Management Framework

In September 2022, following Cabinet approval, the Energy Ministry directed the IESO to make changes to the Ministry's Conservation and Demand Management (CDM) Framework, an environmentally significant policy. The Ministry did not consult the public about these changes; instead, it posted a bulletin on the Environmental Registry to inform the public of the changes only after it had made a decision.

The CDM Framework outlines electricity conservation programs and the programs' targets, eligibility and funding. CDM programs are intended to spur conservation and reduce both overall and peak demand for electricity, which can reduce greenhouse gas-emitting natural gas generation. As such, the design of the CDM Framework can have significant environmental impacts because it can influence how successful those programs are, both in the short and long term. According to the IESO, CDM is an increasingly valuable part of the electricity system "as a low-cost, non-emitting resource that can respond to changing system needs, and support broader economic development and decarbonization objectives."

The 2022 changes to the 2021–2024 CDM Framework added two new programs and expanded some existing ones. These changes are expected to result in peak demand savings of 285 megawatts, overall electricity savings of 1.1 terawatt hours and a reduction of 3 million tonnes of greenhouse gas emissions.

In the past, the Ministry has consulted on the CDM Framework through the Environmental Registry, though it has not done so consistently. For example, the Ministry consulted on the CDM Framework in 2014 and 2020, but not on changes to it in 2019 or 2022 (see **Figure 6**). We asked the Ministry why it did not consult the public on the 2022 amendments. The Ministry explained that it did not consider public consultation necessary because:

- the program changes did not represent a change in Ministry policy;

Figure 6: Timeline of Ministry of Energy Consultations on the Conservation and Demand Management (CDM) Framework (2014–2022)

Prepared by the Office of the Auditor General of Ontario

Year	Ministry Action on CDM Framework	Environmental Registry Consultation
2014	Proposes Conservation First Framework (2015–2020)	Ministry consults the public
2019	Directs IESO to discontinue the 2015–2020 framework and replace it with an interim framework for 2019–2020	No public consultation
2020	Proposes 2021–2024 CDM Framework	Ministry consults the public
2022	Amends the 2021–2024 CDM Framework	No public consultation

- IESO had hosted a public forum for stakeholder feedback on its mid-term review of the 2021–2024 CDM Framework and used this feedback to inform the 2022 CDM program changes;
- it could not post "because action was taken in an expedited manner to authorize implementation of CDM program enhancements"; and
- the changes are "not expected to create any negative environmental impacts," but rather are expected to "have a positive impact on the environment through reduced emissions of greenhouse gases and pollutants."

These reasons are not consistent with the EBR Act because:

- While the amendments did not represent a change in the Ministry's general policy on conservation, they did modify the CDM program. The EBR Act requires that environmentally significant amendments to policies—including programs—be posted for consultation.
- For the purposes of the EBR Act, the IESO's stakeholder engagement is not equivalent to public consultation by the Ministry through the Environmental Registry.
- The wish to speed up a decision is not a permitted exception to consultation under the EBR Act, unless the delay involved in consulting would risk harming a person's health or safety, the environment or property.
- The public has a right under the EBR Act to be consulted on all of the Ministry's environmentally significant proposals, whether the anticipated environmental impacts are positive or negative.

The Ministry's response clearly acknowledged the environmental significance of the changes to the CDM framework, yet the Ministry did not consult Ontarians before making them.

RECOMMENDATION 2

So that Ontarians are consulted in accordance with the *Environmental Bill of Rights, 1993* (EBR Act) about environmentally significant proposals, we recommend that the Ministry of Energy establish and follow processes for consistent and early evaluation of proposals to determine their environmental significance and whether the proposals are required to be posted for public consultation on the Environmental Registry of Ontario in accordance with the EBR Act.

ENERGY MINISTRY RESPONSE

The Ministry thanks the Auditor General for this recommendation and is committed to maintaining compliance with the EBR Act. The Ministry's consultation on *Pathways to Decarbonization* provided important public input that shaped the government's response, Powering Ontario's Growth, and the Ministry looks forward to continued engagement as it works toward integrated energy planning. In October 2023, the Ministry finalized and implemented an Environmental Registry of Ontario posting guide to be used by all staff. This

guide is in addition to the Ministry's existing regular EBR Act training and guidance. Taken together, these tools will help to ensure staff understand the Ministry's obligations under the EBR Act.

6.0 Ministries Did Not Give the Public Complete and Accurate Information in Environmental Registry Notices

For Ontarians to meaningfully comment on an environmentally significant proposal, they need sufficient information about what the ministry is proposing. Generally, a proposal notice should include:

- a clear and accurate explanation of what the ministry is proposing;
- an explanation of potential environmental implications of the proposal (including expected benefits, risks and impacts) and how the ministry intends to manage any negative impacts (or an explanation if the ministry does not expect any environmental impacts);
- information about any related proposals or decisions necessary to fully understand the proposal;
- the geographic location where the proposal would apply (if applicable); and
- links or attachments to key supporting information, such as draft policies, regulations or legislation, discussion papers, studies, maps or any other documentation necessary for a reader to understand the proposal.

Likewise, a decision notice should include:

- a clear and accurate description of the ministry's decision;
- an explanation of the effect, if any, of public participation on the ministry's decision-making; and
- links or attachments to any key supporting documents, such as the final policy, regulation, legislation, issued instrument, or other documentation necessary for the reader to understand the decision.

In each of our previous reports on the operation of the EBR Act, we found that some prescribed ministries did not give sufficient information in proposal and decision notices to allow for meaningful public participation or transparency and accountability. In 2023, we assessed a sample of proposal and decision notices posted by prescribed ministries and again found cases in which Ontarians were not given sufficient information. In particular, the Environment, Natural Resources, Municipal Affairs, Mining, Energy and Transportation Ministries posted notices on the Environmental Registry that were not sufficiently informative. The Environment and Municipal Affairs Ministries also included inaccurate information in some notices. For details, see individual ministry report cards in **Appendix 6**. We have shared our key findings related to Bill 23 in **Section 4.2** and have highlighted some additional findings below.

6.1 Mining Ministry's Proposal Notices Did Not Explain How Proposed Changes to the *Mining Act* Would Have No Anticipated Environmental Impacts

In March 2023, the Mining Ministry posted a series of five related proposal notices on amendments to the *Mining Act* and its regulations. In the three proposal notices for amendments to the Act, the Ministry told the public that the proposed changes would not have any impacts on the environment, without further explanation. In our Office's opinion, this lack of explanation in the proposal notices left a gap in information for members of the public, limiting their ability to provide more fully informed comments on the proposals.

The proposals were aimed at reducing administrative burden for both industry and Ministry staff related to mine development. Together, following the establishment of future regulatory requirements, the proposed changes would:

- end the Ministry's technical review of mine closure plans and replace it with upfront certification, by a "qualified person" employed by

a mining company, that a closure plan complies with the regulatory requirements;

- change the definition of "rehabilitate" to give greater flexibility to industry by allowing alternate rehabilitation measures and post-closure land uses;
- change the standard for remediating mine waste or mine tailings sites, from ensuring the condition of the land is "improved" to ensuring the condition is "comparable to or better than" it was before the recovery;
- allow the Minister to issue a "conditional filing order" that allows for deferral of at least one of the required parts of the closure plan until a time specified in the order;
- allow for phased financial assurance; and
- shift the responsibilities of the Director of Mine Rehabilitation to the Minister.

The proposal notices stated that "there are no anticipated environmental impacts as a result of these proposed changes to the *Mining Act*," but did not explain the Ministry's rationale for why this would be the case.

Some stakeholders raised concerns that aspects of the proposals would weaken environmental safeguards for mines. For example, closure plans play a key role in managing environmental risks from mines. Mining companies must prepare closure plans before advanced exploration and mine development and operation take place. They document how the companies will manage and rehabilitate a site during active operations and after operations close down, and the costs of doing so. Properly developed closure plans can help ensure that mine sites will be safely closed and can minimize the risk of serious environmental impacts (such as from uncontrolled mine waste contaminating soil or water). To develop a closure plan, mining companies must prepare, among other things, technical studies that can take years to complete (due to the need to gather baseline data over multiple seasons). Replacing ministry review of closure plans with a qualified person employed by the mining company raises concerns about environmental impacts. For example, in 2016, British Columbia's Auditor General found that overreliance on qualified professionals was a significant factor in the Mount Polley mine disaster, which resulted in the release of tens of millions of cubic metres of wastewater and mine tailings into nearby waterbodies.

A regulation proposal notice that also discussed eliminating the Ministry's technical review acknowledged that there are "risks associated with the elimination of a ministry technical review." That notice described how it proposed to manage those risks through requirements for qualified persons under the *Mining Act*. While the Ministry told us that it concluded that the new framework will ensure that there is no change in environmental protection standards, it did not explain in all of the relevant proposal notices its analysis of the potential environmental impacts (risks and/or benefits) related to eliminating the Ministry technical review and replacing it with upfront certification by a qualified person.

During the course of our audit, the Ministry provided our Office with explanations for its conclusion that there would be no environmental impacts from various proposed changes to the *Mining Act*. The Ministry also noted that corresponding regulatory amendments are required before most of the changes would come into force, and that the Ministry would assess any potential environmental impacts as those regulations are being prepared. However, the Ministry did not include these explanations in the March 2023 proposal notices for the proposed *Mining Act* changes.

6.2 Energy Ministry Did Not Explain Environmental Implications of a Clean Energy Credits Registry

In August 2022, the Energy Ministry posted a notice on the Environmental Registry proposing legislative and regulatory amendments under the *Electricity Act, 1998* to create a voluntary Clean Energy Credits Registry. This program allows large electricity consumers in Ontario to purchase a credit from the Independent Electricity System Operator (IESO) or a generator, including Ontario Power Generation, for each megawatt of electricity that they purchase from the provincial grid.

These credits will be registered in a database and can then be used as proof of a company's claim that it used 100% "clean" (that is, non-greenhouse gas emitting) electricity in its operations.

We found that the notice did not give specific information about many elements of the proposal. For example, the Minister had directed the IESO in January 2022 to research and report back with recommendations on the design of a registry, based on specified design principles given by the Ministry. The proposal notice repeated the Ministry's design principles, but did not refer to the IESO's feedback and recommendations. The notice also stated that the Ministry was considering certain changes, but that they did "not represent an exhaustive listing of the various elements of the proposal and other items may be added and these items may be amended as the Government deems necessary." The notice also identified elements of what the proposed registry "could require" but did not clearly state what the Ministry proposed it would require.

Moreover, the Ministry did not explain the potential environmental impacts of the proposal. The notice stated that a Clean Energy Credits Registry in Ontario could help businesses meet their sustainability goals, help ratepayers and support investment in new clean or renewable generation. However, as the registry was designed to be voluntary and to sell credits for electricity only from existing generation sources, and not from new clean generation, it was not clear how the proposal could have any impact on reducing electricity use or greenhouse gas emissions, or supporting investment in new non-emitting generation.

Many companies have made commitments to reduce their greenhouse gas emissions or become carbon neutral by a certain date. These companies can now use these credits to support their claims that they are making progress toward their corporate commitments, without having to make any operational changes. Without the credits, a company must report that it used the average amount of clean electricity in Ontario's grid. In 2018, the Ontario grid was about 93% clean (non-greenhouse gas emitting), but this dropped to 91% in 2021 and about 90% in 2022. The electricity sector's portion of clean energy is forecast to further decline over the next decade, with greenhouse gases predicted to increase by 12 megatonnes due to the retirement of nuclear facilities and the addition of new natural gas generation.

Without providing more details in the notice, Ontarians may not have had enough information about the proposal and its implications to understand its impacts and provide informed comment. When the Ministry put forward specific legislative amendments in November 2022 and filed regulatory amendments in March 2023, it did not offer further public consultation on those proposals.

6.3 Natural Resources Ministry Did Not Explain Environmental Implications of Proposed Changes to *Conservation Authorities Act* and Regulations

On October 25, 2022, as part of the series of proposals for changes made by Bill 23, the *More Homes Built Faster Act, 2022*, the Natural Resources Ministry posted a notice on the Environmental Registry for proposed changes to the *Conservation Authorities Act* and regulations. The changes would allow certain developments authorized under the *Planning Act* to proceed without a conservation authority permit that addresses natural hazards, such as flooding. The changes limited the factors that conservation authorities may consider in their decisions on development permits to control natural hazards or protect public safety, which would limit their ability to minimize other negative impacts, such as habitat degradation or pollution. They also prohibited conservation authorities from reviewing or commenting on proposals or applications under certain legislation, including advising municipalities on development applications under the *Planning Act*, unless related to natural hazards or drinking-water source protection.

The Ministry's notice for these changes stated that the Ministry did not expect the changes would result in new costs for businesses or an increase in administrative burden to municipalities or conservation authorities. However, the notice did not describe any

potential environmental impacts of the changes, stating only that "anticipated environmental consequences… are neutral" because conservation authorities will continue to address natural hazard impacts of development. Commenters identified concerns about significant negative environmental impacts if the Ministry implements the proposal, and internal ministry documents showed that staff knew there was a risk of negative environmental impacts. However, the Ministry did not inform the public about any potential impacts or about the staff assessment.

6.4 Environment Ministry Mischaracterized Public Support for Regulatory Changes under the *Endangered Species Act, 2007*

In April 2022, the Environment Ministry posted a decision notice for regulatory amendments under the *Endangered Species Act, 2007*. The amendments would allow conditional exemptions from protections under the Act to also apply to newly listed species on the Species at Risk in Ontario List (SARO list), with some exclusions. The SARO list (in O. Reg. 230/08 under the Act) identifies the species that receive protection and recovery activities under the Act.

The decision notice stated that "there was general support for the extension of the regulation as proposed because engaging in an activity in accordance with a conditional exemption improves business certainty and efficiency, while continuing to provide protections for species and their habitat." It also noted that "some commenters expressed concerns about exemptions for species on the SARO list [and] asserted that protection and recovery must be prioritized over cost savings to individuals, businesses and government."

Despite the Ministry's description of "general support" for the proposal, the Ministry's internal analysis of the comments on the proposal showed that, of the 995 comments received, only two (0.2%) were in support of the proposal. When we asked the Ministry about this discrepancy, the Ministry told us that it did not intend for the wording in the decision notice to be a statement on quantitative support for the extension of the regulation, but rather that support for the extension of exemptions was general (that is, not specific to the application of certain conditional exemptions to specific species).

The Ministry's statement that there was "general support" for the extension with "some commenters" expressing concerns was misleading and goes against the EBR Act's purposes of transparency and accountability.

6.5 Environment Ministry Again Chose Not to Correct Inaccurate Information in a Proposal Notice

In our 2022 report **(Section 5.1.3)**, we found that the Environment Ministry had not properly consulted on a proposal to do two things:

- exempt projects related to provincial parks and conservation reserves from the *Environmental Assessment Act*; and
- replace the existing project evaluation process in the Class Environmental Assessment with an environmental impact assessment policy under the *Provincial Parks and Conservation Reserves Act, 2006*.

The Ministry had consulted on this proposal through the Environmental Registry in 2020, but, in 2021, Ministry staff realized that the notice did not accurately describe the proposal. Specifically, the notice did not explain that:

- the proposed exemption would not only apply to projects *in* provincial parks and conservation reserves, but would also apply to projects *related to* provincial parks and conservation reserves; and
- the new environmental impact assessment policy would not apply to all projects that had been covered by the Class Environmental Assessment.

In January 2022, the Ministry sent a letter of clarification and further opportunity to comment only to the government's review team, Indigenous communities and organizations, and commenters who had provided contact details. It did not send the clarification or offer further opportunity to comment to everyone who had commented through the Registry, nor did it

revise the Registry notice to inform and further consult the public. We recommended that the Ministry repost the proposal notice on the Environmental Registry to enable full public comment on the complete and correct information. The Ministry told us that "the Ministry will consider your comments if the Ministry intends to pursue this proposal further, including your recommendation to update the Environmental Registry posting to provide more information and clarify the proposal."

The Environment Ministry subsequently made changes to its proposed environmental impact assessment policy, and in July 2023, it posted a new proposal notice on the Registry for consultation on the changed policy. At that time, the Ministry updated the 2020 proposal notice to inform the public that it had revised the proposed environmental impact assessment policy and to direct readers to the new proposal notice. However, while updating the original notice, the Ministry did not correct the issues that it previously identified, nor did it offer any other opportunity for the public to comment on the correct details of the proposal to exempt parks projects from the *Environmental Assessment Act*.

The Ministry told us that it intentionally left the original notice unchanged, aside from the update banner and a link to the new proposal notice, "to allow the new proposal posting to speak for itself" and to allow people to "see what was originally proposed via the original posting, and compare it to the new proposal posting about the updated proposed policy." The Ministry's approach meant that the original proposal notice—which was still an active notice on the Registry—risked confusing members of the public, as it continued to contain inaccurate information. The new proposal notice clarifies the application of the proposed policy and consults Ontarians on the revised proposal, but the Ministry had still not informed the public that the exemption would apply not only to projects *in* provincial parks and conservation reserves, but also to projects *related* to them.

The Ministry told us that it did not intend to consult further on the exemption component of the original proposal. In September 2023, the Ministry posted a decision notice for the original proposal and corrected the notice title at that time to indicate that the exemption applies to projects related to provincial parks and conservation reserves.

Ontarians were not meaningfully consulted on key aspects of this proposal. We continue to believe that, to give a meaningful opportunity to comment, in accordance with the EBR Act, the Ministry should have promptly corrected the errors in the original 2020 notice and provided an opportunity to comment on all of the correct and complete details of the proposal.

6.6 Mining, Environment and Natural Resources Ministries Continued to Post Instrument Notices Lacking Important Information

In our review of a sample of instrument notices on the Environmental Registry, we found that, consistent with our findings in 2022, three ministries—Mining, Environment and Natural Resources—again posted some proposal and decision notices that lacked important information.

6.6.1 Information Lacking in Instrument Proposal Notices

The Mining Ministry directs staff to include key supporting documentation about exploration permits, including Activities Information Sheets and Provincial Standards for Early Exploration, that would help readers understand the proposals. However, of the Ministry's 10 instrument proposal notices that we reviewed, six (60%) were missing this information. One of the six proposal notices also did not include any information about the potential environmental impacts of the proposed exploration activities—such as descriptions of the "potential disturbance" from activities such as mechanized drilling, surface stripping and line cutting—which can enable more informed comments on the proposal.

Of the Environment Ministry's 22 instrument proposal notices that we reviewed, we found that six (27%) did not describe the potential environmental impacts of the proposals, nor did they explain how the

proposed permits and approvals would manage the environmental risks. For example, the Ministry did not give any details about the terms of three environmental compliance approvals for air emissions that would address those emissions. As we have found in past years, the Ministry also did not always describe the category of proposed permits to take water, which would show the level of environmental risk associated with the proposed water taking.

6.6.2 Information Lacking in Instrument Decision Notices

Nine (90%) of the 10 Mining Ministry instrument decision notices that we reviewed did not adequately explain the effects of public participation on the decision, with seven of those cases simply stating that "comments received were considered in the decision." In two cases, the Ministry stated that the comments received resulted in additional terms and conditions being placed on the permit, but did not give any details about the comments or the added terms and conditions.

We also found that the Environment and Natural Resources Ministries again did not include links to or copies of all types of final instruments in their decision notices. We have identified it as a best practice to include copies of issued instruments in decision notices. Doing so provides greater transparency and accountability for decision-making about permits and approvals that, in effect, allow certain parties to pollute or otherwise harm the environment. Further, for instruments that are subject to the EBR Act's leave to appeal provisions, failure to include a copy of the instrument in a decision notice may hinder Ontarians' ability to exercise their right to seek leave to appeal the decision, given the 15-day deadline to seek leave once the decision notice is posted.

Of an initial sample of 21 Environment Ministry notices that we reviewed, we found that five (24%) did not include copies of or links to the issued instruments, including three permits to take water that are subject to leave to appeal rights and two permits under the *Endangered Species Act, 2007*. On review of another five randomly selected permits issued under the *Endangered Species Act, 2007*, we found that none included copies of the permits.

The Natural Resources Ministry did not include links to any of the instruments issued in decision notices that we reviewed, including licences under the *Aggregates Resources Act* and the *Crown Forest Sustainability Act, 1994*. Three of the aggregate licence decisions that we reviewed were subject to leave to appeal.

We found the same issue in each of our past reports and recommended that the Ministries include links to the final issued approvals for all instrument decision notices. We found this year that the Environment Ministry started to direct users to Access Environment to obtain copies of some permits to take water (decisions which are subject to leave to appeal rights). However, it did not do so in every case, requiring some users to contact the Ministry by email for a copy of the permit.

RECOMMENDATION 3

So that Ontarians can effectively participate in environmentally significant decision-making, and so that ministries' environmentally significant decisions are transparent and accountable, we recommend that the Ministry of the Environment, Conservation and Parks, the Ministry of Natural Resources and Forestry, the Ministry of Municipal Affairs and Housing, the Ministry of Mines, the Ministry of Energy and the Ministry of Transportation:

- in every proposal notice that they post on the Environmental Registry of Ontario (Registry), include a complete and accurate description of the proposal details and a description of the potential environmental impacts of the proposal; and
- in every decision notice that they post on the Registry, include a complete and accurate description of the decision details and the effects of public participation on the ministry's

decision-making, and include links to key supporting documentation.

NATURAL RESOURCES MINISTRY RESPONSE

The Ministry appreciates this recommendation and is committed to its legal obligations under the EBR Act. The Ministry's internal guidance and training provides direction to staff on the content of Registry notices, including the best practices of describing the details of each proposal and the potential environmental effects, describing details of decisions, and providing links to all key supporting information in each notice where available. Additional internal guidance is being developed to further support this recommendation.

The Ministry recently (2022) launched a new training module on the "Environmental Registry of Ontario and Public Participation in Government Decision-Making." The Ministry will continue to improve the Natural Resources Information Portal (NRIP) to modernize service delivery, help reduce burden on industry, create internal efficiencies and enable the public to view approvals on a variety of Ministry instruments. In the interim, Ministry decision notices will continue to identify a Ministry contact person who can provide copies of any supporting documentation upon request by the public if they are not available via a link.

MUNICIPAL AFFAIRS MINISTRY RESPONSE

The Ministry thanks the Auditor General for this recommendation. The Ministry will continue to review its training and procedures to highlight:

- in every proposal notice that it posts on the Registry, to include a complete and accurate description of the proposal details and a description of the potential environmental impacts of the proposal; and
- in every decision notice that it posts on the Registry, to include a complete and accurate description of the decision details and the effects of public participation on the ministry's decision-making and include links to key supporting documentation.

MINING MINISTRY RESPONSE

The Ministry is committed to meeting its obligations under the EBR Act. The Ministry will review and consider the recommendation and provide consistency alongside other prescribed ministries when viable. This includes reviewing and improving processes, training and guidance for staff when preparing proposal and decision notices so that they include, as appropriate, complete and accurate descriptions of proposal and/or decision details, potential environmental impacts, the effects of public participation on the Ministry's decision-making, and links to key supporting documentation.

ENERGY MINISTRY RESPONSE

The Ministry thanks the Auditor General for this recommendation and is committed to maintaining compliance with the EBR Act. The Ministry is committed to ensuring that proposal and decision notices posted on the Registry are informative so the public can effectively participate in consultations on environmentally significant decisions. The Ministry will continue to highlight in ongoing staff guidance and training the inclusion in Registry notices of proposal and/or decision details, potential environmental impacts, the effects of public participation on the Ministry's decision-making, and links to key supporting documentation.

TRANSPORTATION MINISTRY RESPONSE

The Ministry agrees with the recommendation to include a description of the potential environmental impacts of the proposal in every proposal notice that the Ministry posts on the Registry. The Ministry will continue to address the recommendation with updates to internal guidance to staff and updates to internal Registry templates. Internal EBR Act guidance and training materials, including the draft

EBR Act LearnON Module, have been updated to emphasize the need to describe the decision details, potential environmental impacts, and effects of public participation in all Registry notices.

ENVIRONMENT MINISTRY RESPONSE

The Ministry is committed to the effective operation of the *Environmental Bill of Rights, 1993* (EBR Act), including implementation of the provisions of the Act related to public participation on proposals that could have a significant effect on the environment. The Ministry will consider ways to improve processes, training and guidance for staff when preparing proposal and decision notices for publication on the Registry.

AUDITOR GENERAL RESPONSE

The Environment Ministry did not agree to commit to specifically include in its Registry notices a complete and accurate description of its proposals and their potential environmental impacts, or to include a complete and accurate description of the decision details, the effects of public participation on decision-making, and links to key supporting documentation, as recommended by our Office. The Ministry noted that these elements go beyond the requirements of the EBR Act.

We are disappointed that the Environment Ministry, as the ministry responsible for administering the EBR Act, and the ministry that has primary responsibility for protecting the environment in Ontario, did not agree to commit to taking reasonable actions that would better enable the people of Ontario to participate meaningfully in government decision-making that affects the environment.

We continue to believe that it is reasonable—and consistent with the purposes of the EBR Act—to expect a ministry, when giving notice of its environmentally significant proposals and decisions to the public, to give complete and accurate information about the proposals, their potential environmental impacts, and the decisions.

6.7 Municipal Affairs Ministry Did Not Accurately Inform Ontarians of Their Appeal Rights for Certain *Planning Act* Instruments

In November 2022, the *Planning Act* was amended by Bill 23, the *More Homes Built Faster Act, 2022*, to change who can appeal a consent decision (that is, the approval of the severance of land into smaller parcels). Previously, "any person or public body" had the right to appeal these decisions. The amendments made by Bill 23 allow only the applicant, the Minister, a public body or a "specified person" (which is primarily limited to utility providers) to appeal.

Consents that are approved by the Minister are classified instruments under the EBR Act's regulation, so the Ministry must notify and consult the public about proposals for consents through the Environmental Registry. Even though members of the public no longer have a direct right to appeal decisions on these classified instruments under the *Planning Act*, residents of Ontario continue to have the right under the EBR Act to apply to the Ontario Land Tribunal for leave to appeal, but must do so within 15 days after notice of the decision is posted on the Registry.

We found that the Municipal Affairs Ministry has not updated its decision notices to reflect these changes to the public's appeal rights. Between November 28, 2022 (when the changes came into effect) and March 31, 2023, the Ministry posted 16 decision notices on the Environmental Registry containing appeal information that was out of date. As of September 2023, the Ministry was still posting notices with the outdated appeal information. The notices continue to state that individuals have the right to appeal under the *Planning Act* within 20 days of the decision, even though this is no longer the case. While the notices state that there is an "additional leave to appeal right" under the EBR Act, they do not explain that right any further. The notices also do not explain that seeking leave to appeal under the EBR Act is now the only way for most members of the public to challenge such decisions, and that they must apply for leave within 15 days.

RECOMMENDATION 4

So that Ontarians are informed about their appeal rights under the *Environmental Bill of Rights, 1993* (EBR Act), we recommend that the Ministry of Municipal Affairs and Housing update its decision notice template for approvals under section 53 of the *Planning Act* of consents in areas where there is no official plan in place, to provide a complete and accurate description of the right to apply for leave to appeal the decision under the EBR Act, as well as the appeal rights available under the *Planning Act*.

MUNICIPAL AFFAIRS MINISTRY RESPONSE

The Ministry thanks the Auditor General for this recommendation. The Ministry will work with the Ministry of the Environment, Conservation and Parks to update the Environmental Registry of Ontario decision notice template for the *Planning Act* instrument "Approval for a consent (subject to conditions) in an area where there is no official plan in place" to reflect current *Planning Act* appeal provisions and to more clearly address EBR Act leave to appeal provisions.

7.0 Natural Resources, Municipal Affairs and Mining Ministries Did Not Always Meaningfully Consider Their Statements of Environmental Values

In 2023, we found that the Natural Resources and Municipal Affairs Ministries had not considered their Statements of Environmental Values (Statements) in a meaningful way when making certain decisions about wetlands, housing and the Greenbelt, as set out below. We also found that the Mining Ministry did not meaningfully consider its Statement when making decisions about amendments to the *Mining Act*; see the Mining Ministry's report card in **Appendix 6**.

7.1 Natural Resources Ministry Did Not Describe Environmental Risks in Its Consideration of a Decision Affecting Wetlands

When it made changes to Ontario's wetlands evaluation process, the Natural Resources Ministry's consideration of its Statement of Environmental Values failed to acknowledge that the changes could create any environmental risks.

As outlined in **Section 4.1.2**, the Natural Resources Ministry proposed changes to the Ontario Wetland Evaluation System (OWES) Manual in support of the Housing Supply Action Plan 3.0. The changes, approved in December 2022, removed criteria for evaluating wetland complexes and species at risk, allowed these new criteria to be applied in re-evaluations of wetlands and wetland complexes already identified as provincially significant, and removed oversight by the Ministry.

The Ministry received almost 15,000 comments on the proposed changes. Affected stakeholders, including every conservation authority that commented, challenged the scientific basis for the changes and predicted that significant negative impacts would result from putting the changes into effect, including a dramatic loss of protected wetlands.

Despite these warnings, the Ministry's Statement consideration document stated that, in considering the changes to OWES, it "considered environmental, social and economic values, impacts and risk to ensure that wetlands could still contribute to the province's biodiversity," but that the changes to OWES "are not expected to have irreversible consequences as they are mainly administrative and will allow for social and economic opportunities" and that "no adverse effects are anticipated."

The document also stated that "Ministry staff generally rely on the best available information that is available to them when making policy recommendations regarding natural resources." However, the Ministry could not show us any analysis it had completed or relied on of the potential environmental risks of the changes.

7.2 Municipal Affairs Ministry Did Not Meaningfully Consider Its Statement When Making Housing and Greenbelt Decisions

The Municipal Affairs Ministry proposed changes to three acts in Bill 23, the *More Homes Built Faster Act, 2022*, and posted two proposal notices on the Environmental Registry for public consultation on these changes. As discussed in **Section 4.0**, the bill received third reading on November 28, 2022. The Ministry provided us with documentation to show that it had considered how its Statement applied to this decision, but the documentation was dated two weeks after third reading—in other words, after it had made the decision.

The Ministry's documentation of its consideration of its Statement for the three Greenbelt notices (the Plan amendments, the boundary regulation amendment and the Oak Ridges Moraine re-designation) did not fully address all of the relevant principles set out in the Statement. For example, the documents did not acknowledge the potential for any negative environmental impacts or impacts on agriculture due to removals from Greenbelt protection, nor did they show that the Ministry tried to balance any competing principles. Under the principle of "Ensuring Well-Planned and Healthy Communities while Protecting Greenspace," the documents listed only positive outcomes, stating that the changes "help effectively direct growth through the removal of lands to support needed housing, while also increasing protected greenspace by adding more lands to the Greenbelt than are being removed." However, by using an overall quantitative increase in the Greenbelt area as a basis to suggest that there will be no negative impacts, the Ministry oversimplified the impacts. As shown in **Section 4.7** of our *Special Report on Changes to the Greenbelt*, the Ministry did not consider or clearly understand the environmental and agricultural risks of the Greenbelt removals.

By contrast, the Ministry's consideration of its Statement for revoking the Central Pickering Development Plan, prepared at the same time, more frankly discussed the social and economic benefits of increasing housing supply in the Duffins Rouge Agricultural Preserve while acknowledging the potential environmental and agricultural impacts. It stated that revoking the Plan, together with removing Greenbelt policies and revoking the Minister's zoning order specific to the area, "may result in a net loss of high-quality agricultural land and/or rural/open space. The proposal may also increase flood risks and impact the quality of local drinking water and ecosystems." This shows a more meaningful consideration of the Ministry's Statement as part of its decision-making.

RECOMMENDATION 5

To be more transparent and accountable to Ontarians about their decisions that affect the environment, and so that their consideration of their Statement of Environmental Values (Statement) contributes to better environmental decision-making, we recommend that the Ministry of Natural Resources and Forestry, the Ministry of Municipal Affairs and Housing, and the Ministry of Mines, whenever making a decision that might significantly affect the environment:

- always consider their Statement in a deliberate manner that shows analysis and judgment in balancing the Statement's principles; and
- clearly document that consideration during the decision-making process.

NATURAL RESOURCES MINISTRY RESPONSE

The Ministry acknowledges this recommendation and is committed to its legal obligations under the *Environmental Bill of Rights, 1993* (EBR Act) and to considering its Statement of Environmental Values when making decisions. The Ministry's internal guidance and training provide direction to staff on the relevant details necessary in decision notices. The Ministry has recently (2022) launched new training modules on the "Statement of Environmental Values" and "Public Participation

in Government Decision-Making" as they relate to our responsibilities under the EBR Act.

MUNICIPAL AFFAIRS MINISTRY RESPONSE

The Ministry thanks the Auditor General for this recommendation. The Ministry will continue to review its training and procedures, so that whenever making a decision that might significantly affect the environment, the Ministry will:

- always consider its Statement in a deliberate manner that shows analysis and judgment in balancing the Statement's principles; and
- clearly document that consideration during the decision-making process.

MINING MINISTRY RESPONSE

The Ministry agrees with this recommendation and is committed to ensuring Ontarians understand environmentally significant decisions made by the Ministry. The Ministry will review its processes, including guidance and training materials that provide direction to staff on the processes and procedures to comply with the EBR Act. This includes guidelines for completing decision notices, addressing public comments received, if applicable, considering Statements in a deliberate manner during the decision-making process, and clearly documenting that consideration.

8.0 Environmental Registry Was a More Reliable Source of Timely Information, with Some Exceptions

8.1 Ministries Kept Registry Notices More Up to Date, but Natural Resources Ministry Still Had 20 Outdated Notices

For the Environmental Registry to be an accurate and reliable source of information for Ontarians, proposal notices posted there must be kept up to date. Since we became responsible in 2019 for reporting annually on the operation of the EBR Act, we have monitored "open" proposal notices on the Environmental Registry (that is, those for which a decision notice has not been posted). At the end of each reporting period, we identify any that were posted more than two years earlier and had not been updated in that time. When we began our reporting in 2019, we found 165 such outdated notices on the Registry. Since then, prescribed ministries have made significant improvements to bring and keep notices up to date.

As of March 31, 2023, there were 30 outdated proposal notices on the Environmental Registry. This is 135 (or 82%) fewer than we found in 2019 and 12 (29%) fewer than we found in 2022. Of the 30 outdated notices (see **Figure 7**):

- The Natural Resources Ministry was responsible for 20 outdated notices, with one notice dating as far back as 2004. The Ministry has an internal process for identifying outdated Registry notices, which the Ministry followed in 2022/23, resulting in a 49% improvement since 2022. However, 11% of the Ministry's total proposal notices on the Environmental Registry were still open, without either a decision notice or an update to explain the status of the proposals.
- The Environment Ministry was responsible for six outdated notices. While this was less than 1% of the Ministry's open proposal notices, it is an increase of five notices since 2022 and includes important proposals, such as the 2018 Made-in-Ontario Environment Plan (see **Section 13.1.2**) and updates to the Ministry's Statement of Environmental Values.
- The Mining Ministry was responsible for three of the outdated notices.
- The Agriculture Ministry was responsible for the remaining one.

Also, we found two proposal notices that, while open for less than two years and so not formally "outdated," the Environment and Natural Resources Ministries had made decisions on, but had not posted decision notices many months later:

Figure 7: Ministries with Proposal Notices on the Environmental Registry of Ontario for More Than Two Years without a Decision or Update, as of March 31, 2023

Source of data: Environmental Registry of Ontario

Ministry	# of Notices
Natural Resources	20
Environment	6
Mining	3
Agriculture	1
Total	**30**

- The Natural Resources Ministry posted a proposal notice for legislative and regulatory proposals affecting conservation authorities to support the Housing Supply Action Plan 3.0 (Environmental Registry #019-6141) in October 2022. The legislative amendments in Bill 23 were made in November 2022 and the regulations were filed in December 2022. However, as of September 2023, the Ministry had not posted a decision notice to inform Ontarians of the outcome or to explain how it considered the public's comments in making the decision.
- The Environment Ministry posted a proposal notice for the *Supporting Growth and Housing in York and Durham Regions Act, 2022* in October 2022 (Environmental Registry #019-6192), also as part of Bill 23. The bill passed in November 2022, but as of September 2023 the Environment Ministry had not posted a decision notice to inform Ontarians of the decision or to explain how it considered the public's comments in making the decision.

We found this same issue of the Environment Ministry delaying giving notice of its decisions in 2022. Leaving proposal notices on the Registry long after the Ministry has decided on them, without informing the public, is not consistent with the EBR Act requirement to give notice of decisions as soon as reasonably possible, or with the transparency and accountability purposes of the EBR Act.

We continue to believe that ministries should keep their proposal notices up to date.

8.2 Natural Resources and Mining Ministries Were Slow to Tell Ontarians about Some Environmentally Significant Decisions

As noted in **Section 8.1**, timely public notice of decisions is important for transparency and to provide accountability for the outcome of a proposal. Further, delays in posting decision notices for instruments allow activities with potential environmental impacts to continue—sometimes for long periods of time—before the public becomes aware of the approval or can seek to appeal it.

Each year, we review a sample of policy, act, regulation, instrument and exception notices, to assess how promptly ministries gave notice of their decisions on the Environmental Registry. Of the sample of notices that we reviewed in 2022/2023, we found that ministries gave Ontarians prompt notice (that is, notice within two weeks of the decision being made) in 82% of decisions—an increase from 80% in 2021/2022.

We found that the Natural Resources Ministry was the slowest in giving notice of its decisions, with 33% of the notices that we reviewed posted more than two weeks after the Ministry made its decisions—an increase from 26% in 2021/22. For example, the Ministry took:

- 285 days to tell the public that it had filed a regulation to regulate compressed air energy storage in porous rock reservoirs;
- 279 days to give notice that it had removed conditions from a licence to operate a quarry, including a requirement to rehabilitate the site by a specified deadline; and
- 440 and 470 days, respectively, to give notice that it had issued licences to extract aggregate from pits in the Township of Southgate and the Town of the Blue Mountains.

In all cases, members of the public had submitted comments on the proposals and clearly had an interest in finding out what the Ministry decided.

The Mining Ministry was the second slowest ministry in giving notice, posting 20% of its decision notices that we reviewed more than two weeks after the Ministry made its decisions. This is an improvement since 2021/22, when we found that the Ministry was late to post 39% of the decision notices that we reviewed.

However, in one case this year, the Mining Ministry posted an exception notice that was over two years late. The Ministry posted the exception notice to inform Ontarians that the Minister had directed ministry employees and agents to rehabilitate a mine hazard, relying on the EBR Act emergency exception to avoid first consulting the public. The rehabilitation measures were completed in November 2020, but the Ministry did not inform the public of its decision to issue the directions until February 2023.

Even when a ministry relies on an exception to consulting the public before making a decision, the ministry is required by the EBR Act to give notice to the public as soon as reasonably possible after it makes the decision. The Ministry told us that the delay in giving notice was due to staffing issues.

RECOMMENDATION 6

To give Ontarians prompt notice of environmentally significant decisions, we recommend that the Ministry of Natural Resources and Forestry and the Ministry of Mines post all decision notices, including exception notices, on the Environmental Registry of Ontario (Registry) within two weeks after they make a decision.

NATURAL RESOURCES MINISTRY RESPONSE

The Ministry is committed to its legal obligations under the *Environmental Bill of Rights, 1993* (EBR Act), appreciates this recommendation and is also committed to posting decision notices as soon as possible. The Ministry's internal guidance and training provides direction to staff, including the best practice of posting decision notices within two weeks of the decision being made. The Ministry has reduced its outdated proposal notices by 49% since 2022, and will continue to review proposal notices and post decisions as soon as possible after a decision has been made. Where decision-makers continue to consider a proposal, the Ministry will post an update which may include informing the public that no decision has been made at this time on the proposal. Any update posted after a comment period has concluded will include a summary of comments received on the proposal and an indication of proposed next steps.

MINING MINISTRY RESPONSE

The Ministry agrees with this recommendation and will continue to improve upon its procedures to ensure decisions are posted to the Registry in a timely manner. The Ministry has significantly improved its decision posting practices, reducing the number of late notices.

The Ministry's internal guidance and training provide direction to staff on the appropriate timing for Registry decision notices. This includes supporting the Auditor General's best practice of posting within two weeks of a decision being made.

9.0 Environment and Natural Resources Ministries Still Not Respecting Application Timelines

9.1 Environment and Natural Resources Ministries Again Failed to Meet Deadlines to Respond to EBR Act Applications

When a ministry receives an application for investigation from the public, the ministry's handling of the application must comply with all of the timelines set out in the EBR Act. In particular, the ministry must:

- acknowledge receipt of the application to the applicants within 20 days;

- let the applicants know within 60 days of receiving the application if the ministry will not undertake the investigation;
- for undertaken investigations, complete the investigation within 120 days (or update the applicants on the expected time frame for completion); and
- give applicants notice of a ministry's final decision within 30 days of completing an undertaken investigation.

As in 2022, we again found this year that the Environment Ministry missed the 60-day deadline to tell the applicants about its decision not to undertake an investigation. The Ministry took 177 days to inform the applicants that it would not undertake an investigation of an alleged contravention of the *Environmental Protection Act* resulting from the discharge of gasoline vapours from a gas station in London. As it had done in 2022, the Ministry contacted the applicants 60 days after it received the application to inform them that it needed more time to review the request, and said it would "get back to [them] shortly on whether it will investigate" the allegations. The Ministry did not get back to the applicants until 117 days later (for a total of 177 days), almost triple the length of the statutory deadline.

The Natural Resources Ministry also failed to meet EBR Act timelines again in 2023. In 2022, we found that the Natural Resources Ministry had failed to complete a review within a reasonable time, as required by the EBR Act. This year, like the Environment Ministry, the Natural Resources Ministry did not meet statutory deadlines to respond to an application for investigation. The application, submitted in March 2023, alleged contraventions of the *Fish and Wildlife Conservation Act, 1997* related to a coyote hunting competition. The Ministry did not inform the applicants within 60 days of receiving the application that it would not undertake the investigation. The Ministry also did not complete the investigation, nor give the applicants an estimate of the time needed to complete it, within 120 days. In July 2023—more than 120 days after it received the application—the Ministry told us that it had not yet made a decision whether to undertake the investigation and confirmed that it had communicated nothing to the applicants. As of September 2023, the Ministry still had not given notice of its decision.

The EBR Act does not allow ministers to deviate from the timelines set out in the Act. Ministries are contravening the EBR Act's requirements when they fail to meet the timelines set out in the Act. Missing these timelines disrespects applicants' rights for timely resolution of their concerns, as well as risks the public losing confidence in EBR Act applications as a way to resolve concerns about alleged contraventions. Further, the Natural Resources Ministry's failure to inform the applicants of the status of their application led the applicants to reasonably, but mistakenly, believe that the Ministry had undertaken an investigation.

We continue to believe this is an important issue and that the ministries should adhere to the timelines set out in the EBR Act.

9.2 Environment Ministry Has Still Not Completed the Review of the EBR Act That It Agreed to Undertake in 2011

There has never been a comprehensive review of the EBR Act since it came into force in 1994. In December 2010, an application submitted under the EBR Act asked the Environment Ministry to review the EBR Act itself to address, through statutory and/or regulatory changes, "significant shortcomings and 'challenges' within the current EBR regime." The applicants noted that the EBR Act was generally sound, but that several key changes were needed "so that the statute can better deliver on its promises of conserving/restoring environmental integrity, ensuring environmental sustainability, and protecting the public right to a healthful environment."

In March 2011, the Ministry agreed to undertake a scoped review. However, it did little until 2016, when the Ministry undertook public consultation through the Environmental Registry on potential improvements to the Act. Although the public feedback identified issues,

the Ministry never completed the promised review or took any action as a result of that consultation.

When a ministry determines that the public interest warrants conducting a review that has been requested under the EBR Act, the Act requires that the ministry conduct the review "within a reasonable time." We have repeatedly found in our past reports that the Environment Ministry has not completed its review of the EBR Act within a reasonable time.

In 2022, we recommended, among other things, that the Ministry complete the intended review of the EBR Act to identify and assess gaps and issues that hinder its effective operation, including several major issues that we had found in our annual audits. However, as of September 2023, the Ministry had not taken any new steps toward completing the review, and did not have a target date for completion. We continue to recommend that the Ministry complete the intended review of the EBR Act and give notice of the outcome of the review to the applicants as required under the Act.

10.0 Environment Ministry Still Not Fully Carrying Out Its Unique EBR Act Responsibilities

In addition to its role as administrator of the EBR Act and its regulations, the Environment Ministry has some unique responsibilities under the Act, including:

- providing educational programs about the Act to the public, and providing general information about the Act to members of the public who wish to participate in environmental decision-making;
- posting notices on the Environmental Registry to inform Ontarians about applications for leave to appeal and appeals of instruments prescribed under the EBR Act; and
- operating the Environmental Registry.

As in past years, this year we found that the Ministry is still not fully carrying out these unique responsibilities, either effectively or at all.

10.1 Environment Ministry Still Failing to Educate Ontarians about the EBR Act

Ontarians cannot exercise their EBR Act rights if they are not aware of them. For the last three years, our Office has engaged a polling firm to survey Ontario residents about their awareness of the EBR Act and their rights under it. Again this year, the survey found that Ontarians' awareness is low—over half (55%) of those surveyed had never heard of the EBR Act.

The Environment Ministry became responsible in 2019 for providing educational programs about the EBR Act to the public. We have found that the Ministry has done little to fulfill this obligation since then. The Ministry drafted a communications plan about the EBR Act in 2020, but as of 2022 only the first phase of that plan was under way (a series of social media posts about the EBR Act). We found that the Ministry had not made it a priority to educate Ontarians about the EBR Act.

In 2021, we also found that the Ministry's EBR Act website needed updates, and that the Ministry lacked processes for providing general information about the EBR Act to Ontarians who ask for information. In particular, the Ministry did not have processes for telephone inquiries about the EBR Act to be directed to the correct office in the Ministry, or for the staff answering those telephone lines to give helpful and accurate information about the EBR Act.

This year, we found that the Ministry had developed and put in place some new processes for logging, tracking and responding to inquiries from the public about the EBR Act. It also created new guidance for Service Ontario staff to respond to EBR Act-related inquiries. The Ministry also made some updates to information on its EBR Act website.

However, we found that, other than a series of social media posts about the EBR Act between October and December 2022 (identical to those the Ministry posted in 2021), the Ministry did not offer any educational programs about the EBR Act to the public in 2022/23, nor did it have any plans to do so. The Ministry told us

in 2022 that it needed to conduct research to assess awareness and understanding of the EBR Act, identify knowledge gaps and determine where to target education campaigns before it could roll out the rest of its communications plan (including developing ongoing social media content and other educational materials on the EBR Act). We recommended that the Ministry undertake that research and put its full communications plan into action, and the Ministry agreed. However, as of September 2023, the Ministry had not conducted that research or undertaken any further aspects of its communications plan.

We continue to believe that the Environment Ministry should prioritize providing educational programs to the public to raise awareness and understanding of the EBR Act and its rights, including undertaking any research necessary for it to do so effectively.

10.2 Ontarians Were Again Not Given Prompt Notice of Leave to Appeal Applications

When a person seeks leave to appeal (that is, applies for permission to challenge) a ministry's decision on certain types of instruments (such as a decision to issue a permit, approval or licence), the person must send their application to:

- the tribunal responsible for hearing the appeal;
- the ministry official who issued the instrument; and
- the company or individual to whom the instrument was issued.

The EBR Act also requires the person to give notice to the Environment Minister, which can be done by email or mail. The Ministry then must promptly post the notice on the Environmental Registry. This process, if followed, ensures that Ontarians know of the application and can take steps to participate in the Ontario Land Tribunal's proceedings if they wish to do so.

Once notice of a leave to appeal application is provided to the Environment Minister, the Minister's Office informs the Ministry's Environmental Bill of Rights Office, which is responsible for preparing and posting appeal notices on the Registry. When the Ministry's Environmental Bill of Rights Office becomes aware of an application for leave or an appeal, its practice is to ask applicants for certain details about the application and then include that information in the leave to appeal notice it places on the Registry.

Based on past practice, we consider notice to have been given promptly when it is given within the later of five business days from the date the Ministry receives notification, or one business day of the close of the appeal period. In each of our past reports since 2019, we have found that the Ministry had not given prompt notice of all appeals and leave to appeal applications. Although the Ministry has made some improvements, we found again in 2022/23 that Ontarians did not receive prompt notice.

10.2.1 Environment Ministry Did Not Give Ontarians Notice of Two Leave to Appeal Applications until after the Tribunal Had Made Its Decision

Of the five leave to appeal notices that the Ministry needed to post on the Environmental Registry in 2022/23, it posted just one notice within five business days of receiving notice of the application. In two cases, the Ministry asked the applicants for more information about the application and then posted the leave to appeal notices within five business days of receiving the requested information. In the remaining two cases, the Ministry did not post the notices until after the Tribunal had already issued its decisions on whether to grant leave to appeal—too late for members of the public to seek to participate. The Ministry told us that applicants do not always give notice to the Minister, and so the Environmental Bill of Rights Office (which prepares and posts the notices) is not informed of the appeals in a timely way, even though others in the Ministry are aware of the leave applications and responding to them before the Tribunal.

This is a continuing issue. In 2021, we stated that, where the Ministry is aware of a leave application, regardless of how it became aware, it should make every reasonable effort to ensure that Ontarians are given timely notice. We recommended that the

Ministry create additional processes to identify all leave applications and to post notices promptly. We also recommended that, in cases when applicants do not give details, the Ministry post a notice promptly and update it when the Ministry receives more information. In response, the Ministry told us that it would look for ways to better identify applications so it can post notices promptly.

We found that the Ministry has taken some steps but has not fixed the issue. In particular, the Environmental Bill of Rights Office is not being promptly notified when other Ministry staff receive an application, and the Ministry is responding to it at the Tribunal. We continue to believe that the Ministry should create a process for finding all leave applications to enable its Environmental Bill of Rights Office to consistently post all notices promptly.

10.2.2 Ontarians Were Not Given Any Notice of an Appeal of a *Planning Act* Decision Posted on the Registry

In 2022/23, we learned that an applicant seeking consent to sever land under the *Planning Act* had filed an appeal of the Municipal Affairs Ministry's refusal to grant the consent in March 2022, during our prior reporting period. Consents to sever land are subject to the EBR Act. The Municipal Affairs Ministry posted a proposal notice on the Environmental Registry for the proposed severance and received two comments from the public. It then decided to refuse to grant the severance in February 2022.

The Environment Ministry did not receive notice of the appeal, so it did not post a notice of the appeal on the Registry. We found that the Notice of Decision that the Municipal Affairs Ministry gave to the applicant refusing to grant the severance did not direct the appellant to send its notice of appeal to the Environment Ministry. The Ministry included this direction in the decision notice on the Environmental Registry, but if the applicant did not view the Registry notice, they may not have known that the EBR Act requires them to notify the Environment Minister of their appeal. The Tribunal heard the appeal in January and February 2023 and issued its decision to dismiss the appeal in May 2023.

The Natural Resources Ministry, Mining Ministry and Technical Standards and Safety Authority all also administer instruments that are subject to the EBR Act, some of which are appealable. As noted in **Section 10.2.1**, in 2021 we recommended that the Environment Ministry create processes to identify all appeals of EBR Act instruments that are filed, including appeals of instruments issued under acts administered by other prescribed ministries, so that Ontarians receive timely notice of all appeals. We continue to recommend that the Environment Ministry create such a process, so that it promptly learns of appeals of instrument decisions under other acts and gives notice to Ontarians before the Tribunal hears the appeal and makes its decision.

10.3 Two Weaknesses Make the Environmental Registry Less Effective

As we found in 2021/22, the Environment Ministry maintained the Environmental Registry so that it generally worked well to enable Ontarians to find information about environmentally significant matters. This enabled the public to participate in ministries' environmentally significant decision-making.

We also found that the Ministry has made improvements to the internal Registry system, responding in some cases to recommendations that we made in 2021. In particular, the Ministry made improvements to better manage Registry access by internal users and completed a process for more promptly making needed updates to the Registry in response to changes to prescribed ministries.

However, through our audit work this year, we found two weaknesses, outlined below, that risk making the operation of the Registry less effective.

10.3.1 Notices Can Be Changed without Telling the Public

When the Environmental Registry was modernized in 2019, a new feature was added that allows ministries

to post updates to Registry notices. Updates appear as a banner at the top of the notice, and the date that the notice was last updated is recorded. Ministries use the update tool for a few purposes. For example, ministries have updated notices to inform the public that they have made a correction or addition to a notice, added a link or extended the comment period. Ministries also regularly use this update function to let Ontarians know that they are still considering a proposal that has been on the Registry for a long time (see **Section 8.1**).

However, we learned this year that ministries did not always use this update function when they made changes to Registry notices. When ministries do not use the update function, it can be difficult to tell that a notice has been changed or what changes were made.

Further, when a notice is changed without being formally updated:

- no update banner is added to the notice to make it clear to the public that it has been changed or to explain the nature of the change; and
- no "updated" tag is added to the notice, which would have moved the notice to the top of the Registry's list of recent notices, bringing users' attention to the fact that the notice was changed. The "updated" tag would also trigger an email notification to any registered users of the Environmental Registry who had elected to "follow" the notice, alerting them to the change.

While the Environmental Registry system cannot be searched systematically to determine the extent of this risk, we identified three cases in which ministries had made substantive changes to notices in 2022/23 without formal updates:

- After the consultation period had already closed, the Mining Ministry changed four related proposal notices for mineral exploration permits to correct the claim numbers that show the precise location of the proposed mineral exploration activities. The Ministry did not make it clear to the public that it had made these corrections or restart the consultations to allow Ontarians to comment after it corrected the details about the claim numbers associated with the proposed exploration activity.
- The Environment Ministry changed a proposal notice for a permit to take water for an aggregate operation in Kingston, correcting the type of source from which water would be taken. The Ministry made this change after the consultation period had ended. In this case, the Ministry added text to the proposal notice explaining that it made the change, but it did not formally update the notice or restart the consultation to allow Ontarians to comment on the corrected details of the proposed water taking.
- In April 2022, 15 days into the 30-day public consultation on Bill 109, the *More Homes for Everyone Act, 2002*, the Municipal Affairs Ministry added text to the proposal notice, without using the update function, to state that the bill had passed. Passing the bill so early in the public consultation period made further consultation meaningless, as the proposal had already been implemented. We reported on this issue, and why it was inconsistent with EBR Act requirements or purposes, in our 2022 report.

Further, in the Mining Ministry and Environment Ministry cases, Ontarians were given incorrect information about substantive details of the proposals—precise location of the proposed activity, and water-taking source type, respectively—and were not given any further opportunity to comment after the details were corrected.

The Environment Ministry told us that prescribed ministry staff are instructed in Environmental Registry training to use the update function when necessary to change or update a notice, and that only a limited number of staff in each ministry have authority to publish notices. However, the Registry has no controls in place to prevent ministry staff with the authority to publish notices from making changes to their notices without using the update function. Further, the Ministry has no way to easily find notices that have been altered without a formal update.

In some cases, changes to a notice may be minor or inconsequential to the public's participation rights. However, changing the substance of a proposal notice without clearly informing Ontarians and giving them

a chance to comment is inconsistent with the purposes and intent of the EBR Act.

10.3.2 Map-Based Searches Could Show Incomplete Results

The Environmental Registry includes a map-based search function that allows users to see instrument details on a map by entering a postal code, address or city. This function is useful as Ontarians may be interested in finding out what environmental activities are being proposed, or have been approved, in their communities, and in participating in decision-making around those approvals.

Some of the instrument notices that we assessed this year did not include a map link to the site location of the environmental activity in question. The Environment Ministry told us that ministry staff receive training on how to add a map link to a notice and are instructed to do so, but including a map link is not necessary to publish a notice on the Registry.

If a notice does not include a map link, it will not show up in the results of a map-based search. As such, members of the public that use the Environmental Registry's map-based search may not obtain complete results. This could lead to Ontarians missing opportunities to be informed about and comment on certain proposals, or to seek leave to appeal certain decisions.

In limited cases, a map link may not be applicable—for example, when a proposal is for approval of a mobile facility with no set location. However, for the Registry's map-based search function to be reliable, ministries should include map links in all instrument notices that have a site location associated with them.

RECOMMENDATION 7

So that Ontarians can rely on the Environmental Registry of Ontario (Registry) as a complete and accurate source of information about environmentally significant proposals and decisions, and to provide transparency and accountability for that information, we recommend that the Ministry of the Environment, Conservation and Parks immediately develop and implement controls in the Registry system that:

- prevent internal users from making substantive changes to published notices without also including a formal public update explaining what changes have been made; and
- require, wherever applicable, that a map link to the site location related to a proposed instrument be included in the instrument notice when it is published on the Registry.

ENVIRONMENT MINISTRY RESPONSE

The Ministry is committed to delivering a high-quality Registry platform as the means of giving information about proposals, decisions and other actions that could affect the environment to the public as required by the *Environmental Bill of Rights, 1993* (EBR Act). To support this objective, the Ministry has a continuous, multi-year technical improvement model for the Registry system in place. The Ministry will consider what technical controls could be developed and implemented to address this recommendation as part of that rigorous multi-year enhancement process. The Ministry will also consider ways to provide additional training and guidance to system users across the Ontario Public Service on the appropriate use of the Registry's existing features.

11.0 Ministries Have Made Some Progress Implementing Processes for Meeting Their EBR Act Responsibilities

Prescribed ministries under the EBR Act have legal requirements intended to support public participation, transparency and accountability in government decisions that affect the environment. Internal controls—processes, policies and procedures—can help ensure that staff know their ministries' legal obligations under the EBR Act, that they know how to meet

these obligations and that they have processes to assess their effectiveness.

In 2021 we found that many prescribed ministries did not have sufficient internal controls to ensure they comply with the EBR Act. To help the ministries implement the EBR Act more effectively, we recommended in our 2021 report that every prescribed ministry review its existing processes and procedures, if any, for complying with and implementing the EBR Act and, to the extent that it had not already done so:

- create, follow, and periodically review and update documented processes;
- develop and follow processes to train and update all relevant staff on the ministry's responsibilities under the EBR Act and when the Act applies; and
- put processes in place for monitoring the ministry's past compliance with the EBR Act (to verify that ministry staff properly followed the ministry's processes and complied with EBR Act requirements), and take corrective measures to address and prevent any non-compliance.

Since 2021, ministries made varying progress toward following this recommendation (see **Appendix 12** for a description of progress by ministry). Overall, we found the following:

- Almost all prescribed ministries made progress developing or updating (as applicable) written policies and procedures intended to ensure they comply with the EBR Act. However, the Indigenous Affairs Ministry has not finalized updates to its guidance materials, and the Labour Ministry has not yet circulated its draft procedures to staff.
- Most ministries provided training to make staff aware of the EBR Act and their responsibilities under the Act. However, three ministries—Health, Long-Term Care and Labour, which we identified in 2021 as not providing formal training—have still not put actions in place to ensure staff know their EBR responsibilities.
- Most ministries—except for the Mining, Municipal Affairs and Public Services Ministries and the Technical Standards and Safety Authority—have still not created processes for monitoring their past compliance with the EBR Act. Examining past compliance is important because it allows a ministry to determine not only if it has met its legal requirements under the Act, but also to assess whether its EBR Act processes have been effective or if the ministry needs to make revisions to carry out its responsibilities more effectively. For example, the Mining Ministry conducts an annual internal audit of its instrument notices; findings from its audit can be used to train staff and improve drafting of future instrument notices. The Municipal Affairs Ministry circulates a bimonthly status table of its Registry notices to relevant Ministry divisions to gather information on whether EBR Act requirements are being met.

While ministries have made some good progress, more work needs to be done. So that the public's rights under the Act are respected and the purposes of the Act may be achieved, we continue to believe that all prescribed ministries should, on an ongoing basis:

- ensure that relevant staff are aware of, and know how to comply with, the ministries' EBR Act responsibilities; and
- have processes in place to monitor their past compliance.

12.0 Action Needed to Keep the EBR Act's Coverage Up to Date

For Ontarians to put their participation rights into practice, ministries, acts and instruments that affect the environment must be brought under the EBR Act by being "prescribed" by regulation. It is also important that any exceptions to consultation remain relevant and consistent with the Act's purposes.

This section both follows up on previous recommendations relating to keeping the EBR Act's coverage up to date as well as identifies new related issues that arose this past reporting year.

In January 2023, the Environment Ministry told prescribed ministries it expected to bring forward

regulatory amendments in fall 2023 and asked whether the ministries had amendments they wanted included. At the time of our audit, we had not been advised of any new ministries or acts, and had been advised of only one new instrument, proposed by ministries to become prescribed.

12.1 Action Needed to Make Additional Ministries Subject to the EBR Act

12.1.1 Prescribing the Ministry of Citizenship and Multiculturalism Is Needed to Fill a Gap in EBR Act Coverage

In summer 2022, the mandate of the Tourism Ministry, a ministry that is subject to the EBR Act, changed so that most of its responsibilities related to the *Ontario Heritage Act* were transferred to the Ministry of Citizenship and Multiculturalism (Multiculturalism Ministry), which is not subject to the EBR Act. The intent of prescribing the *Ontario Heritage Act* was to provide rights for Ontarians to participate in environmentally significant decisions and to request a review related to that Act. While the *Ontario Heritage Act* is prescribed for purposes of applications for review, neither of the ministries responsible for administering that Act (the Multiculturalism Ministry and the Tourism Ministry) are prescribed under that part of the EBR Act, resulting in a lack of clarity about responsibility for responding to any applications for review.

Since the transfer of responsibility, the Multiculturalism Ministry voluntarily used the Environmental Registry in October 2022, and again in October 2023, to consult Ontarians about proposed amendments to the *Ontario Heritage Act*. However, until the Ministry becomes prescribed, it is under no obligation to notify or consult Ontarians about future proposals.

We wrote to the Multiculturalism Ministry to urge it to become prescribed under the EBR Act so that Ontarians would continue to be able to exercise their EBR Act rights for environmentally significant decisions related to the *Ontario Heritage Act*. In response, the Ministry agreed to consider becoming prescribed. However, we have since learned that the Ministry decided that it would not seek to be prescribed as part of the next planned amendments to the EBR Act regulations in fall 2023.

RECOMMENDATION 8

So that Ontarians can participate in all environmentally significant decision-making about the *Ontario Heritage Act* by the Ministry of Citizenship and Multiculturalism, we recommend that the Ministry of Citizenship and Multiculturalism work with the Ministry of the Environment, Conservation and Parks to take steps to have the Ministry of Citizenship and Multiculturalism prescribed under the *Environmental Bill of Rights, 1993*.

MINISTRY OF CITIZENSHIP AND MULTICULTURALISM RESPONSE

The Ministry of Citizenship and Multiculturalism and the Ministry of the Environment, Conservation and Parks will work together to explore appropriate next steps to consider this recommendation.

ENVIRONMENT MINISTRY RESPONSE

The Ministry will continue to work with the Ministry of Citizenship and Multiculturalism to explore appropriate next steps to consider this recommendation.

12.1.2 No Steps Taken to Prescribe the Ministry of the Attorney General

In **Section 4.3** of our 2021 report, we recommended that the Environment Ministry work with the Ministry of the Attorney General (Attorney General) to take steps to have that Ministry prescribed under the EBR Act. In February 2021, the Attorney General had introduced legislation that ultimately:

- amalgamated several tribunals that hear appeals affecting the environment into a single entity called the Ontario Land Tribunal (Tribunal);

- changed procedures at the Tribunal that affected public participation in hearings on environmental matters; and
- repealed provisions in several acts prescribed under the EBR Act that had permitted an appeal of a Tribunal decision to the minister.

These changes could indirectly affect the environment.

In its response to our recommendation, the Attorney General described its mandate and stated that its core responsibilities are focused on the oversight and administration of all matters connected to the administration of justice in Ontario and are not directed at the environment. The Environment Ministry subsequently wrote to the Attorney General to ask it to confirm that it did not wish to be prescribed under the EBR Act, and in February 2022 the Attorney General confirmed this. The Environment Ministry has taken no additional steps to discuss the EBR Act with the Attorney General or to make that Ministry subject to the EBR Act. Consequently, while other consultation opportunities may be available, Ontarians are still not entitled to be consulted under the EBR Act before the Attorney General makes decisions that could have a significant effect on the environment.

12.2 No Steps Taken to Make Additional Laws Subject to the EBR Act

In our 2021 report, we recommended that the Environment Ministry work with the Agriculture, Energy and Transportation Ministries to take steps to have the *Drainage Act*, the *Electricity Act, 1998* and the *Highway Traffic Act*, respectively, prescribed. At that time, each Ministry had voluntarily consulted on environmentally significant regulations under those acts. In response to our recommendation, the Agriculture Ministry stated that it did not accept the recommendation that the *Drainage Act* be prescribed, on the grounds that it is not environmental legislation. The Energy Ministry responded that it would continue to voluntarily consult on regulations under the *Electricity Act, 1998* that have a clear environmental significance and would determine this on a case-by-case basis.

The Transportation Ministry responded that it continues to assess consultation requirements for environmentally significant proposals and proposed to have only section 75.1 of the *Highway Traffic Act* (regarding vehicle emissions) prescribed. This provision was added to the *Highway Traffic Act* when the vehicle emissions program was transferred from the *Environmental Protection Act* (which is administered by the Environment Ministry and subject to the EBR Act) to the *Highway Traffic Act* (which is administered by the Transportation Ministry and was not subject to the EBR Act). The EBR Act regulation was amended in March 2022 to reflect this change.

Shortly after the release of our report in December 2021, the Environment Ministry wrote to each of the ministries to confirm whether they would seek to have these acts prescribed. The ministries confirmed their positions had not changed. The Environment Ministry has taken no additional steps to discuss the EBR Act with the ministries or to prescribe those acts under the EBR Act. Consequently, Ontarians still do not have any right to participate in decision-making about environmentally significant proposals related to regulations under the *Drainage Act*, the *Electricity Act, 1998* or most of the *Highway Traffic Act*.

12.3 Some Action Has Been Taken to Update the List of Instruments Subject to the EBR Act

Five ministries (Environment, Natural Resources, Mining, Municipal Affairs and Public Services) are required to give notice and consult on proposed instruments that are prescribed in O. Reg. 681/94 (the Instrument Classification Regulation) under the EBR Act (Public Services has delegated this responsibility to the TSSA). The EBR Act requires these ministries to review the Instrument Classification Regulation "from time to time" and determine whether there are new types of instruments with the potential for significant environmental effects that should be added to the regulation, or whether changes affecting already

prescribed instruments mean they should be removed from, or reclassified in, the regulation. Such amendments would keep the EBR Act up to date and ensure that the public is consulted on all environmentally significant instrument proposals.

In our 2021 report, we recommended that the five ministries responsible for consulting Ontarians about instruments, and the TSSA, carry out a comprehensive review of the Instrument Classification Regulation and propose amendments as needed to add new instruments that could have significant environmental effects, or remove or reclassify existing instruments that no longer meet the criteria for classification. The Natural Resources, Mining, Municipal Affairs and Public Services Ministries agreed to review their classified instruments and determine whether amendments were required.

The Environment Ministry itself did not explicitly agree to review its instruments and did not carry out a comprehensive review of the Instrument Classification Regulation as recommended. Instead, it asked program areas within the Ministry whether they had any proposed amendments. The TSSA stated that it had undertaken a review of classified instruments in 2018 at the request of the Environment Ministry. It determined that, because there have been no subsequent changes to either the Liquid Fuels regulation or the Liquid Fuels Handling Code under which its classified instruments are issued, a further review was not needed, which is a reasonable approach.

Since 2021, the Natural Resources Ministry carried out a review of prescribed and new instruments under its legislation and identified some required amendments to bring its list of instruments up to date. As a first step, the Ministry put forward several administrative amendments, including changing outdated references and recognizing the 2022 transfer of responsibility for the *Conservation Authorities Act* from the Environment Ministry to the Natural Resources Ministry. These changes were included in a package of amendments to the regulations filed in November 2022. The Ministry noted that it intended to bring forward additional amendments related to instruments under several acts, some of which will be substantive and will require public consultation. In March 2023, the Ministry posted a proposal notice on the Registry to add a new instrument under the *Invasive Species Act, 2015* to the Instrument Classification Regulation. No other proposals have yet been posted for public consultation.

The Mining Ministry told the Environment Ministry in 2022 that it intends to propose amendments to the Instrument Classification Regulation to correct references for some existing instruments resulting from previous *Mining Act* amendments—some dating from 2019—and to reflect its implementation of a new recovery-of-minerals permit regime, which is not yet in force. In February 2023, the Mining Ministry told the Environment Ministry that it would not move forward until pending amendments to the *Mining Act* were enacted. These amendments were enacted in May 2023, but only some provisions have been proclaimed in force and some supporting regulations filed. The Mining Ministry told us that it was aware that it needed to undertake a comprehensive review of its instrument classifications and would work closely with the Environment Ministry to determine whether to propose amendments to the EBR Act Instrument Classification Regulation.

The Municipal Affairs Ministry undertook a review of its instruments by asking Ministry divisions to consider if any act should be prescribed or any instrument should be included in the Instrument Classification Regulation. The Ministry advised the Environment Ministry and us that it has no proposed amendments to either EBR Act regulation at this time.

The Public Services Ministry asked the Environment Ministry to reflect the Ministry's name change in the November 2022 EBR Act regulation amendments. In 2023, the Ministry advised the Environment Ministry that, following some program changes, it was in the process of reviewing the acts and regulations it was now responsible for, and was targeting to have its analysis and any recommended updates completed in time for the Environment Ministry's expected amendment package in fall 2023.

12.4 No Steps Taken to Address Issues with Exceptions to Public Consultation

12.4.1 Municipal Affairs Ministry Has Not Taken Steps to Address Exception for Minister's Zoning Orders

In our 2021 report, we recommended that the Environment Ministry work with the Municipal Affairs Ministry to take steps to amend the EBR Act General Regulation to revoke section 15.5, which exempts Minister's Zoning Orders (MZOs) made under the *Planning Act* from the EBR Act's consultation requirements, and for the Municipal Affairs Ministry to consult the public on environmentally significant MZOs. However, the Ministry has not taken steps to address this recommendation. As noted in **Section 12.3**, the Ministry told us in 2023 that it will not propose any amendments to either EBR Act regulation at this time.

The Minister of Municipal Affairs and Housing has the power to issue MZOs to regulate the use of land in Ontario at the Minister's discretion. The *Planning Act* provides that the usual municipal zoning process—which requires public consultation, and also allows appeals to the Ontario Land Tribunal—does not apply to the issuance of MZOs. MZOs do not need to be consistent with the Provincial Policy Statement, except when applied to lands within the Greenbelt. This means that the Municipal Affairs Minister, while still required to consider matters of provincial interest, can make a zoning order—without ever consulting the public—that is inconsistent with provincial rules that prohibit development in significant wetlands, woodlands and wildlife habitat and that require the protection of prime agricultural lands for agricultural uses.

Since we made our recommendation in 2021, we continue to have concerns. Between January 2022 and July 2023, the Minister issued 49 new MZOs. Some of these had the potential for significant environmental impacts.

12.4.2 Environment Ministry Still Considering Steps to Address *Environmental Assessment Act* Exception

In our 2021 report, we recommended that the Environment Ministry review section 32 of the EBR Act. Section 32 provides an exception from the EBR Act consultation requirements for prescribed instruments that implement projects approved under, or exempted from, the *Environmental Assessment Act*. The Ministry responded that, as part of its environmental assessment modernization initiative, it would consider "how consultation may be provided for through other mechanisms or processes, for those projects proposed to be exempt. As environmental assessment modernization activities continue, the changes being made will prompt the Ministry to examine section 32 of the EBR Act."

In June 2023, the Environment Ministry confirmed with us that it would be considering the section 32 exception as part of its environmental assessment modernization initiative, which was ongoing at the time of our audit.

13.0 Follow-up on 2021 Annual Report Recommendations and Continuous Follow-up

Our practice is to issue follow-up reports to assess progress made implementing the actions recommended in the reports we issued two years earlier, and to follow up continuously every year thereafter until the recommendations are fully implemented.

Since we report annually on the operation of the *Environmental Bill of Rights, 1993* (EBR Act), our findings generally constitute our follow-up on past recommendations by providing an update on the status of a ministry's compliance with and implementation of the EBR Act. We also assess relevant information about ministries' actions to implement those

recommendations, such as the development of new policies or guidance intended to achieve compliance with the EBR Act. For recommendations that are not directly related to compliance with and implementation of the requirements of the EBR Act, we follow our practice of assessing the status of actions taken by ministries to implement those recommendations two years after the recommendations were published.

Most of the recommendations in our 2021 report relate to compliance with and implementation of the EBR Act requirements, and are followed up through our regular annual audit of the operation of the EBR Act. However, there were five recommendations in our 2021 report that fell outside the scope of our regular audit and that warranted a separate follow-up. We report on the status of actions taken on those five recommendations here.

Further, one recommendation in our 2020 report and two recommendations in our 2019 report that did not relate directly to compliance with and implementation of the EBR Act remained outstanding. We reported on the status of those recommendations in the follow-up sections of our 2021 and 2022 reports, respectively. Because they were not fully implemented at that time, we continue to report on the status of those recommendations here.

13.1 Follow-up on Select 2021 Recommendations

13.1.1 Environment Ministry Will Not Implement Three Recommendations

The Environment Ministry told us that it will not implement three of the recommendations found in our 2021 report, each intended to promote transparency and accountability in, and improve, environmental decision-making.

Recommendation 9: Initiate and co-ordinate a broad review and modernization of Statements of Environmental Values, in collaboration with other prescribed ministries.

In 2021, we reported that the Environment Ministry, whose current Statement was last updated in 2008, had posted a proposal for an updated Statement on the Environmental Registry of Ontario (Registry) for public comment. We noted several issues with the proposed updated Statement, including that some commitments in the proposed Statement were weakened, and the proposed Statement did not include updated environmental principles to reflect its mandate or more modern environmental values. We also noted that documents we reviewed explored the option of a broader, co-ordinated review with other prescribed ministries involving a more extensive overhaul of Statement principles. Given that other ministries had told us they sought the Environment Ministry's advice about updating their Statements, we recommended that the Ministry initiate and co-ordinate a broad review and modernization of Statements of Environmental Values, in collaboration with other prescribed ministries.

This year, the Ministry told us that it will not be implementing this recommendation, taking the position that each ministry prescribed under the EBR Act is responsible for developing their own Statement. The Ministry noted that it "continues to provide advice to other ministries on the [Statements] when requested and will consider how additional support to other ministries could be provided."

We continue to believe that a co-ordinated review and modernization of prescribed ministries' Statements could help establish Statements that better inform prescribed ministries' decision-making and could lead to improved outcomes for the environment, as intended.

Recommendation 11: Develop and implement updates to the Environmental Registry system templates for decision notices to include a specific section where prescribed ministries can attach, to every decision notice that they post on the Registry, documentation that shows how they considered their Statements of Environmental Values when they made those decisions.

In 2021, we found that the Environment Ministry's consideration of its Statement was inconsistently documented and not always meaningful. To maintain transparency and accountability, ministries should clearly document when and how they considered

their Statements every time they make environmentally significant decisions. We recommended that, to promote transparency and accountability for the Ministry's environmental decision-making and the EBR Act requirement, it consider its Statement when making such decisions. We also recommended that the Ministry update the Environmental Registry system templates for decision notices so that ministries can attach documentation that shows how they considered their Statements of Environmental Values when making each decision.

This year, the Ministry told us that it has no direction to change its policy on Statement documentation to require that documentation be attached to every decision notice. It told us that it had been "focused instead on making improvements to internal processes for documenting consideration of the [Statement] before a decision is made and will consider whether additional improvements to these internal processes may be needed." The Ministry also noted that the Registry already enables ministries to attach supporting materials to decision notices, and so no technical changes to the Registry would be needed to implement our recommendation.

We continue to believe that it would promote transparency and accountability for ministries to attach, to every decision notice posted on the Environmental Registry, documentation showing the public how they considered their Statement when making the decision.

Recommendation 26: Post periodic updates on the Environmental Registry about the status of all applications for review submitted to the Ministry.

In our 2021 report, we found that the Ministry had not completed three of the five reviews that it completed that year within a reasonable time, and that the Ministry had not met its own deadlines for completing the reviews, promising and then missing revised deadlines. We noted that, in the past, the Environment Ministry had a practice of periodically posting a notice on the Environmental Registry that gave a status update on applications for review submitted to the Ministry, and that resuming that practice could allow for greater transparency for applicants and the public, and greater accountability for the Ministry's handling of applications for review.

This year, the Ministry told us that it would not implement this recommendation, essentially repeating the response that it gave to the recommendation in 2021. The Ministry told us that it is committed to meeting its obligations under the EBR Act and makes every effort to complete reviews in a timely manner, as well as to give updates to the applicants periodically, as required by the EBR Act.

We continue to believe that posting periodic updates on the Environmental Registry about the status of applications for review would provide greater transparency around and accountability for the Ministry's handling of EBR Act applications.

13.1.2 Environment Ministry Made Little or No Progress Implementing Two Recommendations, including Our Recommendation to Post a Decision Notice for Its 2018 Made-in-Ontario Environment Plan

The Environment Ministry told us that it made little or no progress implementing two recommendations from our 2021 report:

Recommendation 14: Follow the EBR Act consultation process for a proposal to update technical guidance for soil vapour intrusion assessment.

In 2021, we found that the Ministry had posted on the Environmental Registry a proposal for changes in a technical guidance document used in soil vapour intrusion assessments. These changes were proposed to reflect current science and updated guidance in other jurisdictions. The Ministry undertook the consultation voluntarily on the basis that the EBR Act did not apply to the proposal. However, the Ministry failed to provide any analysis to support its determination that the policy would not have a significant effect on the environment.

We found that the changes to the guidance were environmentally significant, and that the Ministry should have consulted the public in accordance

with the EBR Act. We recommended that, to meet the requirements of and intent and purpose of the EBR Act's public consultation provisions, the Ministry:

- consider all comments that it received as a result of the consultation;
- consider its Statement of Environmental Values in making the decision; and
- post a decision notice as soon as reasonably possible after making the decision, describing the decision and the effect of public participation, if any, on the decision.

In 2023, the Ministry told us that a final decision about the updated technical guidance was pending. The Ministry stated that it is reviewing the comments it has received, but did not provide documentation of this. It also stated that it would consider its Statement and post a decision notice on the Registry once the final decision is made. The Ministry had updated the proposal notice in March 2023 to state that the proposal is still under active review.

As of September 2023, the Ministry had not posted a decision notice.

Recommendation 21: Notify Ontarians of its decision regarding the Made-in-Ontario Environment Plan.

In November 2018, the Environment Ministry posted a policy proposal notice on the Environmental Registry for Preserving and Protecting our Environment for Future Generations: A Made-in-Ontario Environment Plan (the Environment Plan) for a 60-day public consultation period. Since then, the Environment Ministry has indicated that it has implemented aspects of the Environment Plan, but it has not posted a decision notice on the Registry to inform the public of its decision.

In 2021, we recommended that, to provide transparency and accountability for its decision to implement its Environment Plan, the Ministry take the necessary steps to obtain any approvals that may be needed on the Environment Plan, and post a decision notice on the Environmental Registry to inform the public of its decision and explain the effect of public participation on the Ministry's decision. In our 2022 report, we noted that the Ministry had posted an Emissions Scenario document on the Registry in April 2022 that outlined actions that differed from those found in the Environment Plan, and found that it was unclear how the Emissions Scenario related to the climate change content of the Environment Plan. We wrote to the Environment Ministry in April 2022 to recommend that the Ministry use the Environmental Registry to clarify for Ontarians the relevance of the Emissions Scenario, how it relates to the Environment Plan and the status of the still-open proposal notice for the Environment Plan. In our 2022 report, we again recommended that the Ministry take the necessary steps to obtain approvals needed on the Environment Plan and post a decision notice on the Registry.

On follow-up in 2023, the Ministry stated that it "will continue to develop its approach for posting a decision notice on the Environmental Registry regarding the Made-in-Ontario Environment Plan," but it could not give an estimate of the date that our recommendation would be implemented. As of September 2023, the Ministry had not posted a decision notice.

We continue to believe that, to provide transparency and accountability for its decisions, the Environment Ministry should immediately post a decision notice on the Environmental Registry to inform Ontarians of its decision to implement the Environment Plan, the current status of the Environment Plan and how the March 2022 Emissions Scenario relates to the Environment Plan. The Ministry should also explain the effect of public participation on its decision, in accordance with the EBR Act.

13.2 Follow-up on Select 2019 and 2020 Recommendations

13.2.1 Secretary of the Cabinet Fully Implemented Changes to Performance Reviews to Encourage Compliance with the EBR Act

After finding numerous instances of non-compliance with, and poor implementation of, the EBR Act by prescribed ministries in both our 2019 and 2020 reports, we noted that there were no internal oversight mechanisms in the prescribed ministries to ensure compliance

with the EBR Act at the executive level. We believed that increased compliance would be more likely to be achieved if deputy ministers—the most senior public servants in ministries—were held accountable for their ministries' compliance records by the Province's chief public servant: the Secretary of the Cabinet. Therefore, in our 2020 report, we recommended that, to support prescribed ministries' improvement of their compliance with the requirements of the EBR Act, the Secretary of the Cabinet incorporate compliance with the Act into the annual performance reviews of deputy ministers of prescribed ministries.

We followed up on this recommendation in our 2022 report and found that the Secretary of the Cabinet was in the process of implementing this recommendation. Specifically, the Secretary of the Cabinet was in the process of incorporating ministries' legislative compliance, including with the EBR Act, into ministries' reporting requirements in the Multi-Year Planning Process. The Secretary advised us that each ministry's reported compliance with legislative requirements, including the EBR Act, will be considered in connection with the ministry's annual performance assessment and rating. Further to this, each deputy minister's performance rating is based on a combination of their ministry's performance assessment and their personal assessment. The Secretary told us that this process would be implemented for the 2022/2023 performance assessment, which ended on March 31, 2023.

On follow-up this year, we found that the Secretary of the Cabinet had fully implemented our recommendation. The Strategic Planning Process (SPP) report template that deputy ministers are required to complete was updated to require each deputy minister to confirm that their ministry is in compliance with the EBR Act. The SPP report informs the President of the Treasury Board and the Premier's evaluation of ministries' performances. Deputy ministers' annual performance is assessed by the Treasury Board/Management Board of Cabinet based in part on their ministries' performance.

However, we reviewed the SPP report templates submitted to the Treasury Board Secretariat by prescribed ministries in October and November 2022, and we question whether the updated SPP report will, in effect, hold deputy ministers accountable for their ministries' compliance with the EBR Act or lead to improvements.

We found that some ministries had changed the template to limit their attestations to apply as of the date of the attestation, while others changed the template to limit their attestation to "substantial compliance" with the EBR Act (the template required attestation of compliance). Two ministries signed the template, but did not complete it to attest to their compliance. Several deputy ministers attested that their ministries were in compliance with the EBR Act, even though our 2022 report, released in early December 2022 and reviewed by the ministries in the months prior to its release, had found that those ministries had not complied with the Act. Only one ministry attested that it was not in compliance with the EBR Act, citing the findings in our 2022 report and outlining the actions under way to move the ministry toward compliance.

13.2.2 Environment Ministry Made Little Progress in Updating Its Air Standard for Nitrogen Dioxide

In 2018, applicants had requested that the Ministry review the air standard limit for industrial emissions of nitrogen dioxide (NO_2), based on concerns about inadequate protection of the environment and human health. This request was denied. In our 2019 review, we found that the Environment Ministry gave insufficient information to support its decision to deny this application for review. To reduce harmful concentrations of air pollution from industrial sources, particularly in areas with high concentrations of pollutants, we recommended that the Environment Ministry review its standard for NO_2 and, based on the results of its review, update the standard (see **Recommendation 7** in our 2019 report).

When we followed up in 2022, we found that the Environment Ministry had completed a review of the NO_2 regulatory framework, which included assessing the need to update the NO_2 industrial emission standard (see **Section 8.2.1** of our 2022 report). The Ministry told us in 2022 that it was reviewing the latest jurisdictional benchmarks on NO_2 to inform potential future updates to ambient or regulatory benchmarks. At the time, the Ministry anticipated completing this review by December 2022. However, in April 2023, the Ministry told us that it now expects to complete the review by December 2023.

In our 2019 report, we had recommended that the Ministry's review determine whether stronger NO_2 standards are needed to alleviate pollution problems in communities experiencing higher concentrations of pollutants, commonly known as "air pollution hot spots." During our follow-up in 2022, the Ministry acknowledged that "the close proximity of some communities to industrial sources may need action by industry to have a greater local impact." We continue to recommend that the Ministry update its standards or develop an alternate approach to regulating industrial emissions of NO_2 in air pollution hot spots.

13.2.3 Municipal Affairs Ministry Again Made Little Progress Addressing the Risk of Pollution from Malfunctioning Septic Systems

In our 2019 report, we found that the Municipal Affairs Ministry gave insufficient information to support its decision denying a request to review the regulation of septic systems. The applicants were concerned that Ontario Building Code (Building Code) requirements for the operation and maintenance of septic systems—small, on-site systems that collect and partially treat sewage from a home or business—are insufficient to protect the environment from potential harm, such as contaminating water sources with untreated human sewage in the case of malfunctioning systems. In denying the application, the Ministry did not give the applicants any information to explain why it had decided not to proceed with previously proposed new requirements for septic systems, nor did it show that existing requirements under the Building Code are sufficient to protect the environment.

To address the risk of pollution from malfunctioning septic systems, we recommended that the Municipal Affairs Ministry review the effectiveness of the Building Code requirements governing the operation and maintenance of septic systems and, based on the results of its review, update these Building Code requirements (see **Recommendation 19** in our 2019 report). In response to our recommendation, the Ministry indicated that it would work with municipal stakeholders, conservation authorities and health units to assess the scope of the issue and identify potential next steps, and then take appropriate actions identified through this process.

However, we found that the Ministry has still not taken any steps to review the effectiveness of the Building Code requirements governing the operation and maintenance of septic systems.

In August 2020, the Ministry signed a binding agreement with the federal and other provincial and territorial governments to harmonize the Building Code with the National Construction Codes, in line with commitments made under the Canadian Free Trade Agreement. The Ministry advised us that, although requirements related to small septic systems are not included in the National Construction Codes, updates to Ontario's septic system requirements, if any, would occur during the harmonization of the Building Code with the National Construction Codes.

From October to December 2022, the Ministry consulted the public through the Environmental Registry on 14 industry-led septic system proposals to amend Ontario's Building Code. The Ministry told us in April 2023 that it is reviewing the results of that consultation to identify any potential amendments to septic system requirements, and that it is preparing for the next edition of the Building Code by putting proposed changes through the standard development and review process. The Ministry told us that it expects to file the amendments in winter 2024 and that they would come into effect in spring 2024.

As we noted in our 2022 report, it is sensible to consider and include any updates to Ontario's septic system requirements when the Ministry amends the Building Code as part of the broader harmonization exercise. However, to maximize the benefits of that exercise, we continue to believe that the Ministry should also review the effectiveness of Ontario's septic system requirements to inform its review of the Building Code and to identify any updates to these requirements necessary to protect the environment from potential harm.

Appendix 1: Glossary

Prepared by the Office of the Auditor General of Ontario

Term	Definition
Act	Also known as a law, legislation or statute, an act is adopted by the provincial legislature (or federal parliament) to delineate binding rights, obligations and rules.
Application for investigation	A right under Part V of the *Environmental Bill of Rights, 1993*, allowing two residents of Ontario to formally ask a prescribed ministry to investigate an alleged contravention of an act, regulation or instrument that has the potential to harm the environment.
Application for review	A right under Part IV of the *Environmental Bill of Rights, 1993*, allowing two residents of Ontario to formally ask a prescribed ministry (or ministries) to review (and potentially amend) an existing policy, act, regulation or instrument, or review the need to create a new policy, act or regulation.
Bulletin	Bulletins (formerly called Information Notices) are posted on the Environmental Registry by prescribed ministries to share information about an activity or other matter that they are not required to post under the *Environmental Bill of Rights, 1993*. In some cases, bulletins are also used when other legislation requires a ministry to give notice of something using the Environmental Registry.
Environmental compliance approval	A type of instrument under the *Environmental Protection Act* and the *Ontario Water Resources Act* that is issued by the Environment Ministry and obtained by proponents who seek to undertake certain activities related to air, noise, waste and sewage.
Environmental Registry	A website (ero.ontario.ca) maintained by the Environment Ministry, and used by prescribed ministries, to provide information about the environment to the public, including notices about proposals and decisions that could affect the environment, pursuant to the *Environmental Bill of Rights, 1993*. The Environmental Registry is searchable and includes an archive of previous consultations.
Environmentally significant	Under the EBR Act, a proposal or decision is environmentally significant when, if implemented, it could have a significant effect on the environment (including air, land, water, plant life, animal life and ecological systems) of Ontario.
Exception notice	A notice posted on the Environmental Registry to inform the public about an environmentally significant decision that was made without public consultation, for one of two reasons: 1) there was an emergency, and the delay required to consult the public would result in danger to public health or safety, harm or serious risk to the environment or injury or damage to property; or 2) the environmentally significant aspects of the proposal had already been considered in a process of public participation substantially equivalent to the process required under the *Environmental Bill of Rights, 1993*.
Instrument	A permit, licence, approval, authorization, direction or order issued under the authority of an act or regulation. Instruments subject to the *Environmental Bill of Rights, 1993* are identified and classified in O. Reg. 681/94.
Leave to appeal	Permission to challenge. Under the *Environmental Bill of Rights, 1993*, residents of Ontario may seek leave to appeal the decisions of prescribed ministries to issue certain types of instruments. The decision whether to grant or deny leave to appeal is made by the adjudicative body that would hear the appeal (in most cases, the Ontario Land Tribunal).
Notice (general)	A posting on the Environmental Registry to inform the public of environmentally significant activities that prescribed ministries are considering or carrying out.
Notice—Proposal	A notice posted on the Environmental Registry by a prescribed ministry to notify the public that it is considering creating, issuing or making changes to an environmentally significant policy, act, regulation or instrument, and to seek the public's comments on the proposal.
Notice—Decision	A notice posted on the Environmental Registry by a prescribed ministry to notify the public that it has made a decision whether to proceed with a proposal for a policy, act, regulation or instrument. A decision notice must explain what effect, if any, the public's comments on the proposal had on the ministry's final decision.

Term	Definition
Permit to take water	An instrument under the *Ontario Water Resources Act* issued by the Environment Ministry that allows a person, company or municipality to remove water from groundwater or surface water sources.
Policy	Written rules or direction followed by a ministry, including but not limited to programs, plans, objectives, strategies, guidelines and criteria.
Prescribed ministry	A government ministry that is required under O. Reg. 73/94 to carry out responsibilities under the *Environmental Bill of Rights, 1993*.
Regulation	Binding rules made by Cabinet, a minister or designated official under the authority granted in an act.
Statement of Environmental Values	A policy that guides prescribed ministries when they make decisions that might affect the environment. Each prescribed ministry is required to have one. A ministry's Statement explains how the ministry should apply the purposes of the *Environmental Bill of Rights, 1993* when it makes decisions that might significantly affect the environment and how the ministry will consider the purposes of the Act along with other considerations, including social, economic and scientific considerations, that are part of decision-making in the ministry.
Voluntary consultation notice	A notice for a proposal that a prescribed ministry posts on the Environmental Registry for public comment but which the ministry is not required to post.

Appendix 2: Audit Criteria for Assessing Prescribed Ministries' Compliance with and Implementation of the *Environmental Bill of Rights, 1993*

Prepared by the Office of the Auditor General of Ontario

Audit Criteria:

1. Processes are in place to effectively and periodically review the lists of ministries, acts and instruments[1] prescribed under the *Environmental Bill of Rights, 1993* (EBR Act), and, where needed, update the general and classification regulations so that they include all ministries whose activities are environmentally significant, and all acts and instruments that could have a significant effect on the environment.
2. Processes are in place for prescribed ministries to ensure that significant environmental decisions made by the ministries accord with the requirements and purposes of the EBR Act, its regulations and other relevant legislation.
3. Prescribed ministries have complied with the requirements of the EBR Act and its regulations, and have implemented the EBR Act in a manner consistent with the purposes of the EBR Act, in accordance with the table below. Prescribed ministries have processes in place to achieve compliance and effective implementation.

Sub-Criteria for Assessing Prescribed Ministries' Compliance with and Effective Implementation of the EBR Act

Sub-Criterion	Relevant Provision(s) in the *Environmental Bill of Rights, 1993*
1. Statement of Environmental Values (Statement)	
a. Statement is up-to-date	The minister[2] shall prepare a Statement that explains how the ministry will apply the purposes of the EBR Act when making decisions that might significantly affect the environment, and how it will integrate consideration of the purposes of the EBR Act with such considerations, including social, economic and scientific considerations. The minister may amend the ministry's Statement from time to time (sections 7–10).
b. Statement is considered when making decisions	The minister shall take every reasonable step to consider the ministry's Statement whenever it makes a decision that might significantly affect the environment (section 11).
2. Use of the Environmental Registry (Registry)	

a. Notice of proposals is given as required by the EBR Act	The minister shall give notice on the Environmental Registry, for at least 30 days, of each proposed:
	• act or policy if the minister considers that the proposal could have a significant effect on the environment and the minister considers that the public should have an opportunity to comment on the proposal before implementation (section 15 and subsection 27(1));
	• regulation under a prescribed act if the minister considers that the proposal could have a significant effect on the environment (section 16 and subsection 27(1)); and
	• classified instrument[1] (section 22 and subsection 27(1)), unless:
	  ▪ an exception applies to the proposal under sections 29 or 30, and the minister decides not to give notice of the proposal; or
	  ▪ an exception applies to the proposal under subsections 15(2), 16(2) or 22(3), or sections 32 or 33 (subsections 15(2), 16(2), and 22(3), and sections 29, 30, 32 and 33).
	If the minister decides not to post a proposal on the Environmental Registry for public consultation because an exception under section 29 (emergencies) or section 30 (other processes) applies to the proposal, the minister shall give notice of the decision to the public and to the Auditor General as soon as reasonably possible after the decision is made. The notice shall include a brief statement of the minister's reasons for the decision and any other information about the decision that the minister considers appropriate (sections 29, 30 and 31).

Sub-Criterion	Relevant Provision(s) in the *Environmental Bill of Rights, 1993*
b. Time to comment is extended based on the factors in the EBR Act	The minister shall consider allowing more time to permit more informed public comment. In determining the length of time, the minister shall consider the following factors: the proposal's complexity, the level of public interest, the period of time the public may require to comment, any private or public interest and any other factor the minister considers relevant (sections 17 and 23 and subsection 8(6)).
c. Proposal notices for policies, acts and regulations are informative	Each notice shall include a brief description of the proposal (subsection 27(2)).
d. Proposal notices for instruments[1] are informative	Each notice shall include a brief description of the proposal (subsection 27(2)).
e. Received comments are reviewed and considered	A minister that gives notice of a proposal under sections 15, 16 or 22 shall take every reasonable step to ensure that all comments relevant to the proposal that are received as part of the public participation process described in the notice of the proposal are considered when decisions about the proposal are made in the ministry (subsection 35(1)).
f. Prompt notice of decisions is given	The minister shall give notice on the Environmental Registry of a decision on each proposed policy, act or regulation as soon as reasonably possible after it is implemented (subsections 36(1) and 1(6)). The minister shall give notice on the Environmental Registry of a decision whether or not to implement a proposal for an instrument[1] as soon as reasonably possible after a decision is made (subsections 36(1) and 1(7)). If, in the minister's opinion, a decision not to post a proposal on the Environmental Registry for public consultation because an exception under section 29 (emergencies) or section 30 (other processes) applies to the proposal, the minister shall give notice of the decision to the public and to the Auditor General as soon as reasonably possible after the decision is made (sections 29 and 30).
g. Decision notices for policies, acts and regulations are informative	Each decision notice shall explain what decision was made and include a brief description of the effect, if any, of public participation on the ministry's decision-making on the proposal, and any other information that the minister considers appropriate (section 36).
h. Decision notices for instruments[1] are informative	Each decision notice shall explain what decision was made and include a brief description of the effect, if any, of public participation on the ministry's decision-making on the proposal, and any other information that the minister considers appropriate (section 36).
i. Proposal notices are up-to-date	The Environmental Registry is to provide a means of giving information about the environment to the public, which includes information about decisions that could affect the environment (section 6).
j. Prompt notice of appeals and leave to appeal applications is given	The Environment Minister shall promptly place on the Environmental Registry notices of appeals and applications for leave to appeal that it receives from an appellant or applicant related to certain decisions to issue, amend or revoke instruments[1] classified under O. Reg. 681/94 (subsection 47(3)).
k. The Environmental Registry platform is maintained effectively	The Environment Minister shall operate the Environmental Registry, the purpose of which is to give information about the environment to the public, including, but not limited to, information about: • proposals, decisions and events that could affect the environment; • actions brought under Part VI; and • things done under the EBR Act (sections 5 and 6, and O. Reg. 73/94, section 13).

Sub-Criterion	Relevant Provision(s) in the *Environmental Bill of Rights, 1993*
3. Applications for Review and Applications for Investigation	
a. Ministry reviews all matters to the extent necessary	The minister shall consider each application for review in a preliminary way to determine whether the public interest warrants the review. The minister may consider: • the ministry's Statement of Environmental Values; • the potential for environmental harm if the review is not done; • whether the matter is already periodically reviewed; • any social, economic, scientific or other evidence the minister considers relevant; • submissions from other persons the minister considers might have a direct interest in the matters raised in the application; • the resources required to conduct the review; and • any other matter the minister considers relevant (subsection 67(2)). In addition, when determining whether the public interest warrants a review of an existing policy, act, regulation or instrument that is the subject of an application for review, the minister may consider: • the extent to which members of the public had an opportunity to participate in the development of the policy, act, regulation or instrument; and • how recently the policy, act, regulation or instrument was made, passed or issued (subsection 67(3)). The minister shall not determine that the public interest warrants a review of a decision that was made during the five years preceding the date of the application for review if the decision was made in a manner that the minister considers consistent with the intent and purpose of public participation under the EBR Act. This prohibition does not apply where it appears to the minister that there is social, economic, scientific or other evidence that failure to review the decision could result in significant environmental harm and if that evidence was not taken into account when the decision was made (section 68).
	The ministry shall provide a brief statement of reasons for its decision to accept or deny the review (section 70).
	For undertaken reviews, the ministry shall give notice of the outcome that states what action, if any, the ministry has or will take as a result of the review (section 71).
b. Ministry investigates all matters to the extent necessary	The minister shall investigate all alleged contravention(s) set out in the application to the extent that the minister considers necessary. The minister may deny a request for investigation if: • the minister considers that the application is frivolous or vexatious; • the minister considers that the alleged contravention is not serious enough to warrant an investigation; • the minister considers that the alleged contravention is not likely to cause harm to the environment; or • the requested investigation would duplicate an ongoing or completed investigation (section 77).
	If the minister decides that an investigation is not warranted, the minister shall provide a brief statement of the reasons for the decision not to investigate unless there is an ongoing investigation in relation to the alleged contravention (subsections 78(1) and (2)).
	For completed investigations, the minister shall give notice of the outcome that states what action, if any, the minister has or will take as a result of the investigation (section 80).

Sub-Criterion	Relevant Provision(s) in the *Environmental Bill of Rights, 1993*
c. Ministry meets all timelines	A minister who receives an application for review or an application for investigation shall acknowledge receipt of the application to the applicants within 20 days of receipt (section 65 for reviews and subsection 74(5) for investigations).
	The minister shall notify the applicants and the Auditor General of a decision to undertake or deny the requested review within 60 days of receipt (section 70).
	A minister that determines that the public interest warrants a review must conduct the review within a reasonable time (subsection 69(1)).
	The minister shall give notice of the outcome of the review to the applicants and the Auditor General within 30 days of completing the review (subsection 71(1)).
	If the minister decides not to investigate, the minister shall notify the applicants, the alleged contraveners and the Auditor General of this decision within 60 days of receiving the application (subsection 78(3)).
	If the minister undertakes an investigation, the minister must, within 120 days of receiving the application, either: • complete the investigation; or • give a written estimate of the time required to complete it, and then complete the investigation within the estimated time frame or provide a new estimated timeline (section 79).
	The minister shall give notice to the applicants, the alleged contraveners and the Auditor General of the outcome of the investigation within 30 days of completing the investigation (subsection 80(1)).
4. Providing Educational Programs and Information about the Act (Environment Ministry only)	
a. When requested, Environment Ministry helps other ministries provide educational programs	At the request of a minister, the Environment Minister shall assist the other ministry in providing educational programs about the EBR Act (subsection 2.1(a)).
b. Environment Ministry provides educational programs about the EBR Act to the public	The Environment Minister shall provide educational programs about the EBR Act to the public (subsection 2.1(b)).
c. Environment Ministry provides general information about the EBR Act to those who wish to participate in a proposal	The Environment Minister shall provide general information about the EBR Act to members of the public who wish to participate in decision-making about a proposal as provided in the EBR Act (subsection 2.1(c)).

1. The term "instrument" in this document has the same meaning as "instrument" in the EBR Act and includes any document of legal effect issued under an act, such as a permit, licence, approval, authorization, direction or order.
2. Note that references to a minister in this document mean any minister of a ministry prescribed under the EBR Act. The document refers to the Environment Minister (see **section 4** of this table) for specific responsibilities that apply only to that Minister. Note also that a minister may delegate their powers or duties under the EBR Act.

Appendix 3: Responsibilities of Each Prescribed Ministry, 2022/23

Source of data: O. Reg. 73/94 and O. Reg. 681/94, made under the *Environmental Bill of Rights, 1993*

Ministry	Prepare and Consider Statement of Environmental Values	Consult on Policies and Acts[1]	Consult on Regulations under Prescribed Acts[1]	Consult on Prescribed Instruments (Permits and Approvals)	Respond to Applications for Review	Respond to Applications for Investigation
Environment	✓	✓	✓	✓	✓	✓
Natural Resources	✓	✓	✓	✓	✓	✓
Municipal Affairs	✓	✓	✓	✓	✓	✓
Mining	✓	✓	✓	✓	✓	✓
Public Services[2]	✓	✓	✓	✓	✓	✓
Energy	✓	✓	✓		✓	
Northern Development[3]	✓	✓			✓	
Transportation	✓	✓	✓		✓	
Agriculture	✓	✓	✓		✓	
Tourism	✓	✓	✓			
Health	✓	✓	✓		✓	
Long-Term Care	✓	✓			✓	
Infrastructure	✓	✓				
Economic Development	✓	✓				
Indigenous Affairs	✓	✓				
Education	✓	✓			✓	
Labour	✓	✓				
Treasury Board Secretariat	✓	✓				

1. If they could have a significant effect on the environment if implemented.
2. The Public Services Ministry's responsibilities related to liquid fuels under the *Technical Standards and Safety Act, 2000* are carried out by the Technical Standards and Safety Authority.
3. In June 2022, a new separate Ministry of Northern Development was created. Northern Development was formerly part of the Ministry of Northern Development, Mines, Natural Resources and Forestry, a prescribed ministry. In November 2022, O. Reg. 73/94, the prescribing regulation under the EBR Act, was updated to prescribe the new ministry.

Appendix 4: Prescribed Acts under the *Environmental Bill of Rights, 1993*

Source of data: O. Reg. 73/94 and O. Reg. 681/94, made under the *Environmental Bill of Rights, 1993* and government Orders-in-Council issued in 2022.

Act	Ministry to Post Notices for Regulations under the Act	Subject to Applications for Review	Subject to Applications for Investigation
Ministry of Agriculture, Food and Rural Affairs			
Food Safety and Quality Act, 2001	Y[1]	N	N
Nutrient Management Act, 2002	Y	Y	N
Ministry of Energy			
Ontario Energy Board Act, 1998	Y[2]	Y[2]	N
Ministry of the Environment, Conservation and Parks			
Clean Water Act, 2006	Y	Y	N
Endangered Species Act, 2007	Y[3]	Y[3]	Y
Environmental Assessment Act	Y	Y	Y
Environmental Bill of Rights, 1993	Y	Y	N
Environmental Protection Act	Y	Y	Y
Great Lakes Protection Act, 2015	Y	Y	N
Kawartha Highlands Signature Site Park Act, 2003	N	Y	Y
Lake Simcoe Protection Act, 2008	Y	Y	N
Ontario Water Resources Act	Y	Y	Y
Pesticides Act	Y	Y	Y
Provincial Parks and Conservation Reserves Act, 2006	Y	Y	Y
Resource Recovery and Circular Economy Act, 2016	Y	Y	N
Safe Drinking Water Act, 2002	Y	Y	Y[4]
Waste Diversion Transition Act, 2016	Y	Y	N
Water Opportunities Act, 2010	Y	Y	N
Ministry of Health			
Health Protection and Promotion Act	Y[5]	Y[5]	N
Ministry of Mines			
Mining Act	Y	Y	Y
Ministry of Municipal Affairs and Housing			
Building Code Act, 1992	Y[6]	Y[6]	N
Greenbelt Act, 2005	Y[3]	Y	N
Oak Ridges Moraine Conservation Act, 2001	Y[3]	Y	Y[4]
Places to Grow Act, 2005	Y	Y	N
Planning Act	Y	Y	Y[4]

Act	Ministry to Post Notices for Regulations under the Act	Subject to Applications for Review	Subject to Applications for Investigation
Ministry of Natural Resources and Forestry			
Aggregate Resources Act	Y	Y	Y
Conservation Authorities Act[7]	Y	Y	Y
Crown Forest Sustainability Act, 1994	Y	Y	Y
Far North Act, 2010	Y	Y	Y
Fish and Wildlife Conservation Act, 1997	Y	Y	Y
Invasive Species Act, 2015	Y	Y	Y
Lakes and Rivers Improvement Act	Y	Y	Y
Mining Act	Y	Y	Y
Niagara Escarpment Planning and Development Act	Y	Y	Y
Oil, Gas and Salt Resources Act	Y	Y	Y
Public Lands Act	Y	Y	Y
Ministry of Public and Business Service Delivery			
Technical Standards and Safety Act, 2000	Y[8]	Y[8]	Y[8]
Ministry of Tourism, Culture and Sport			
Ontario Heritage Act[9]	Y	Y[10]	N
Ministry of Transportation			
Highway Traffic Act	Y[11]	N	N

1. Limited to disposal of deadstock.
2. Limited to certain regulations related to electricity licensing.
3. With some exceptions.
4. Limited to certain instruments.
5. Limited to small drinking-water systems.
6. Limited to septic systems.
7. As of August 29, 2022, the Minister of the Environment, Conservation and Parks' duties, functions and responsibilities under the *Conservation Authorities Act* were transferred to the Minister of Natural Resources and Forestry; prior to that date, the Environment and Natural Resources Ministries both had responsibilities under that Act.
8. Limited to liquid fuels handling.
9. As of August 29, 2022, the Ministry of Tourism, Culture and Sport's responsibilities under the *Ontario Heritage Act* were transferred to the Ministry of Citizenship and Multiculturalism, except in respect of certain responsibilities related to museums.
10. While the *Ontario Heritage Act* is prescribed for purposes of applications for review, neither of the ministries responsible for administering that Act (the Ministry of Citizenship and Multiculturalism and the Ministry of Tourism, Culture and Sport) are prescribed under Part IV of the EBR Act, resulting in a lack of clarity regarding responsibility for responding to any applications for review (see **Section 12.1.1** of this report).
11. Limited to governing emissions.

Appendix 5: Instruments Subject to the *Environmental Bill of Rights, 1993*

Source of data: O. Reg. 681/94, made under the *Environmental Bill of Rights, 1993*

This is an overview for information purposes. Some licences, approvals, authorizations, directions or orders (collectively referred to as "instruments") are prescribed in only limited circumstances. For the full list of instruments subject to the *Environmental Bill of Rights, 1993*, see O. Reg. 681/94 (Classification of Proposals for Instruments).

Ministry of the Environment, Conservation and Parks
Endangered Species Act, 2007
Stewardship agreement
Amendment to a stewardship agreement
Permit for activities necessary for the protection of human health or safety
Permit for species protection or recovery
Permit for activities with conditions that should achieve overall benefit or that will result in a significant social or economic benefit to Ontario
Amendment of a permit
Revocation of a permit
Environmental Protection Act
Director's order to suspend or remove a registration from the Environmental Activity and Sector Registry
Approval to use a former waste disposal site for a different use
Director's control order
Director's stop order
Director's approval of a control/preventative program
Director's order for remedial work
Director's order for preventative measures
Environmental Compliance Approval (waste management system/waste disposal site)
Environmental Compliance Order (air)
Environmental Compliance Order (sewage works)
Order for removal of waste
Order for conformity with the Act for waste disposal site
Renewable Energy Approval
Minister's directions in respect of a spill
Minister's order to take actions in respect of a spill
Director's order for performance of environmental measures
Director's order to comply—Schedule 3 standards
Approval of a site-specific standard
Director's order to take steps related to a site-specific standard
Approval of a registration for a technical standard for air pollution (industry standard)
Approval of a registration in respect of an equipment standard
Minister's orders regarding curtailment based on the Air Pollution Index
Declaration of or termination of a sulfur dioxide alert
Certificate of Property Use

Ministry of the Environment, Conservation and Parks
Ontario Water Resources Act
Permit to take water
Permit authorizing a new transfer or an increased transfer
Director's order prohibiting or regulating sewage discharges
Director's order for measures to alleviate effects of impairment of quality of water
Director's order for unapproved sewage works
Director's order to stop or regulate discharge of sewage into sewer works
Direction to maintain or repair sewage or water works
Director's report to a municipality respecting sewage works or water works
Direction for sewage disposal
Director's order designating an area as an "area of public water service" or an "area of public sewage service"
Pesticides Act
Add or remove an active ingredient from a prescribed list
Agreement with a body responsible for managing a natural resources management project that would allow an unlisted pesticide to be used
Emergency notice
Stop order
Control order
Order to repair or prevent damage
Safe Drinking Water Act, 2002
Approval of a municipal drinking water system
Drinking water works permit
Municipal drinking water licence
Order or notice with respect to a drinking water system (drinking water health hazard)
Ministry of Natural Resources and Forestry
Aggregate Resources Act
Approval of a licensee's amendment to a site plan
Revocation of an aggregate licence
Aggregate permit
Written notice of relief to a licensee/permitee from compliance with any part of the regulations under the Act
A minister's determination of the natural edge of the Niagara Escarpment
Class A or B aggregate licences
Amendment to an aggregate licence to add, rescind or vary a condition of the licence
Amendment to an aggregate licence to vary or eliminate a condition to the licence if the effect will be to authorize an increase in the number of tonnes of aggregate to be removed
Requirement that a licensee amend its site plan

Ministry of Natural Resources and Forestry
Conservation Authorities Act
Approval for the sale, lease or other disposition of land by a conservation authority
Minister's requirement that a conservation authority carry out flood control operations
Minister's requirement that a conservation authority follow the Minister's instructions for the operation of a water control structure
Minister takes over the operation of a water control structure and requires a conservation authority to reimburse costs
Minister's requirement for the council of a municipality to carry out flood control operations
Minister's requirement for the council of a municipality to follow the Minister's instructions for the operation of a water control structure
Minister takes over the operation of a water control structure and requires council of a municipality to reimburse costs
Crown Forest Sustainability Act, 1994
Forest resource processing facility licence
Far North Act, 2010
Minister's order approving a land use plan
Order to amend the boundaries of a planning area after a community-based land use plan is approved
Exception order by the Lieutenant Governor in Council for development where there is a community based land use plan
Fish and Wildlife Conservation Act, 1997
Authorization to release wildlife or an invertebrate
Aquaculture licence
Lakes and Rivers Improvement Act
Minister's order to repair, improve or remove an unapproved dam
Minister's order to rectify a problem related to a dam
Minister's order to do what the Minister considers necessary related to a dam to further purposes of the Act
Minister's order to owner of a dam to provide a fishway
Minister's order to regulate the use of a lake or river or the use and operation of a dam
Minister's order to take steps to maintain, raise or lower the water level on a lake or river
Minister's order to take steps to remove any substance or matter from a lake or river
Niagara Escarpment Planning and Development Act
Declaration that a bylaw, improvement or other development or undertaking of a municipality is deemed not to conflict with the Niagara Escarpment Plan
Minister's order amending a local plan to make it conform to the Niagara Escarpment Plan
Approval of an amendment to the Niagara Escarpment Plan
Oil, Gas and Salt Resources Act
Permit to inject a substance other than oil, gas or water into a geological formation in connection with a project for enhancing oil or gas recovery
Amendment, suspension, revocation or addition of a term, condition, duty or liability imposed on a permit to inject a substance
Suspension or cancellation of a permit to inject a substance
Public Lands Act
Designation of an area as a planning unit
Permit to erect a building or structure or make an improvement on private land if the building, structure or improvement will be located within 20 metres of the edge of a body of water

Ministry of Municipal Affairs and Housing
Building Code Act, 1992
A ruling that relates to the construction, demolition, maintenance or operation of a sewage system
Oak Ridges Moraine Conservation Act, 2001
Minister's order to amend a municipality's official plan
Minister's order to amend a municipality's zoning bylaw
Approval by the Minister of an official plan amendment
Approval by the Minister of a zoning bylaw amendment
Planning Act
Approval by the Minister of an official plan
Approval by the Minister of an official plan amendment
Approval by the Minister for a consent in an area where there is no official plan in place
Approval by the Minister of a plan of subdivision where there is no official plan in place

Ministry of Mines
Mining Act
Consent to undertake surface mining within 45 metres of a highway or road limit
Sale or award by the Minister of surface rights
Reinstatement of a licence of occupation that was previously terminated
Permission to test mineral content
Disposition Order directing that buildings, structures, machinery, chattels, personal property, ore, mineral slimes or tailings do not belong to the Crown
Issuance of an exploration permit
Lease of surface rights
Minister's direction to include reservations or provisions
Permission to cut and use trees on mining lands
Approval to rehabilitate a mine hazard
Acknowledgment of receipt by Director of closure plan for advanced exploration or commencing mine production
Acknowledgment of receipt by Director of certified closure plan
Director's order requiring a proponent to file amendments to a closure plan
Director's order requiring changes to a filed closure plan or to amendments to a closure plan
Director's order requiring the performance of a rehabilitation measure
Director's order requiring a proponent to file a certified closure plan to rehabilitate a mine hazard
Proposal for the Crown to enter lands to rehabilitate a mine hazard site
Minister's order directing a proponent to rehabilitate a hazard that may cause immediate and dangerous adverse effect
Minister's direction to employees and agents to do work to prevent, eliminate and ameliorate adverse effect
Director's order requiring a proponent to comply with the requirements of a closure plan or to rehabilitate a mine hazard in accordance with the prescribed standards
Director's decision to have the Crown rehabilitate after proponent non-compliance with order
Issuance or validation by the Minister of an unpatented mining claim, licence of occupation, lease or patent
Minister's acceptance of a surrender of mining lands

Ministry of Public and Business Service Delivery
Technical Standards and Safety Act, 2000
Director's variance from section 9 of O. Reg. 217/01 (Liquid Fuels) (permission to use equipment that is not approved)
Director's variance from any of the prescribed clauses of the Liquid Fuels Handling Code

Appendix 6: Ministry Report Card Results under the *Environmental Bill of Rights, 1993* for 2022/23

Prepared by the Office of the Auditor General of Ontario

The report cards below summarize our findings with respect to each prescribed ministry's compliance with and implementation of the *Environmental Bill of Rights, 1993* (EBR Act) in the 2022/23 reporting year.

Whether a ministry partially met or did not meet a criterion depends on the volume and significance of the issues we found.

Ministry of the Environment, Conservation and Parks

Legend:
○ Met criterion
◔ Partially met criterion
● Did not meet criterion
– The ministry did not execute any responsibilities under this criterion in this reporting year
n/a The ministry is not prescribed for this criterion

Criterion	OAGO Comments	2019 Results	2020 Results	2021 Results	2022 Results	2023 Results
1. Statement of Environmental Values (Statement)						
a. Statement is up-to-date	The Ministry has not updated its Statement since 2008, and its existing Statement does not reflect its current name, mandate or government priorities, such as addressing climate change. In December 2020, the Ministry posted a proposal on the Environmental Registry for an updated Statement, but as of September 2023 it had not finalized its new Statement. The Ministry told us that it was not currently working on or planning any work on updating its Statement.	●	●	◔	◔	●
b. Statement is considered when making decisions	Criterion met.	○	◔	◔	○	○
2. Use of the Environmental Registry (Registry)						
a. Notice of proposals is given as required by the EBR Act	The Ministry did not consult the public in accordance with the EBR Act on the proposed *Supporting Growth and Housing in York and Durham Regions Act, 2022*. See **Section 4.2.3.**	●	●	●	●	●
b. Time to comment is extended based on the factors in the EBR Act	The Ministry did not allow enough time for informed public comment on its proposal for the *Supporting Growth and Housing in York and Durham Regions Act, 2022*. See **Section 4.2.2.**	●	●	○	○	●
c. Proposal notices for policies, acts and regulations are informative	The Ministry posted 12 new proposal notices and substantially updated one more. Of the 13 proposal notices, six (46%) did not explain the potential environmental impacts of the proposal either clearly or at all. See **Section 4.1.2.** Further, the Ministry again chose not to correct inaccurate information in a proposal notice to exempt projects related to provincial parks and conservation reserves from the *Environmental Assessment Act*. See **Section 6.5.**	○	●	●	●	●
d. Proposal notices for instruments are informative	The Ministry posted 818 proposal notices for permits and approvals. We assessed a sample of 22 notices and found that six (27%) did not describe the proposals, their expected environmental impacts, or how the proposed permits and approvals would manage environmental risks sufficiently to enable meaningful comment. See **Section 6.6.1.**	◔	◔	◔	◔	◔
e. Received comments are reviewed and considered	The Ministry did not consider all comments submitted on a proposal for the York Durham sewer system project before the decision was made through the passage of Bill 23. See **Section 4.3.**	Not assessed	Not assessed	○	○	●

Criterion	OAGO Comments	2019 Results	2020 Results	2021 Results	2022 Results	2023 Results
f. Prompt notice of decisions is given	Criterion met.	○	○	○	○	○
g. Decision notices for policies, acts and regulations are informative	The Ministry posted 15 decision notices for policies, acts and regulations. The description of public comments in one decision notice, for amendments to the general regulation made under the *Endangered Species Act, 2007*, was misleading. See **Section 6.4.**	○	○	○	○	○
h. Decision notices for instruments are informative	The Ministry posted 928 decision notices for instruments. Of 26 notices that we reviewed, we found that 10 (38%) did not include copies of or links to the issued instruments. See **Section 6.6.2.**	○	●	○	○	○
i. Proposal notices are up-to-date	As of March 31, 2023, the Ministry was responsible for six outdated proposal notices on the Environmental Registry—five more than in 2022. Further, the Ministry has not posted a decision notice for new legislation regarding wastewater treatment services for York Region, even though the bill received third reading in November 2022. See **Section 8.1.**	●	●	○	○	●
j. Prompt notice of appeals and leave to appeal applications is given	The Ministry posted five appeal notices on the Environmental Registry, but only one was posted within five business days of receiving notice of the application, which our Office has identified as a best practice. See **Section 10.2.1.**	n/a	●	●	●	●
k. The Environmental Registry platform is maintained effectively	The Ministry maintained the Environmental Registry well and has made some improvements to the Registry's internal controls. However, we found two weaknesses related to changing notice content and map-based searches. See **Section 10.3.**	n/a	○	○	○	○
3. Applications for Review[1] and Applications for Investigation						
b. Ministry investigates to extent warranted	The Ministry concluded three applications for investigation. Criterion met (see Concluded Applications for Investigation by the Environment Ministry in 2022/23 table below).	○	–	–	○	○
c. Ministry meets all timelines	Of the three applications for investigations that it concluded, the Ministry did not meet the legal deadline to give one set of applicants notice of its decision not to undertake an investigation (see Concluded Applications for Investigation by the Environment Ministry in 2022/23 table below). Further, the Ministry still has not completed a review of the EBR Act that it agreed to undertake in 2011. See **Sections 9.1** and **9.2**.	●	●	●	●	●
4. Education						
a. Environment Ministry provides educational programs about the EBR Act to the public	Other than a series of social media posts about the EBR Act between October and December 2022, the Ministry did not provide any educational programs to the public about the EBR Act in 2023. See **Section 10.1.**	n/a	●	●	○	●
b. Environment Ministry provides general information about the EBR Act to those who wish to participate in a proposal	Criterion met.	n/a	○	○	○	○

1. The Environment Ministry did not conclude any applications for review in 2022/23 (that is, the Ministry did not deny any requests for a review or give notice of completion of any undertaken reviews).

Concluded Applications for Investigation by the Environment Ministry in 2022/23

Legend: ◯ Met criterion
● Did not meet criterion

Application for Investigation	Year Submitted	Undertaken or Denied	Ministry Investigates to the Extent Necessary	Ministry Meets All Timelines
Investigations of bird collisions and deaths due to reflected light from buildings in Ottawa[2]	2021	Undertaken in part	●	◯
Investigation of alleged discharge of wastewater into a storm sewer from a truck-washing operation at a food distribution warehouse	2022	Undertaken	◯	◯
Investigation of alleged discharge of gasoline vapours from a fuel tank refilling operation	2022	Denied	◯	●
Investigation of alleged discharge of contaminants to water from planned subdivision infrastructure	2022	Denied	◯	◯

2. This application was concluded in April 2022. We reported on the Environment Ministry's handling of this application in our 2022 report on the operation of the EBR Act because it was related to another application for investigation that was completed in 2021/22.

Ministry of Natural Resources and Forestry[3]

Legend: ◯ Met criterion
◔ Partially met criterion
● Did not meet criterion
– The ministry did not execute any responsibilities under this criterion in this reporting year
n/a The ministry is not prescribed for this criterion

Criterion	OAGO Comments	2019 Results	2020 Results	2021 Results	2022 Results	2023 Results
1. Statement of Environmental Values (Statement)						
a. Statement is up-to-date	Criterion met.	●	◯	◯	◯	◯
b. Statement is considered when making decisions	The Ministry did not meaningfully consider its Statement when it made a decision to update Ontario's Wetland Evaluation System. See **Section 7.1.**	◯	◯	◯	◯	◔
2. Use of the Environmental Registry (Registry)						
a. Notice of proposals is given as required by the EBR Act	The Ministry did not consult the public in accordance with the EBR Act on two environmentally significant decisions: the repeal of the *Duffins Rouge Agricultural Preserve Act, 2005* (see **Section 4.4**) and proposed amendments to the *Conservation Authorities Act* and regulations (see **Section 4.2.3**).	◯	●	●	◯	●
b. Time to comment is extended based on the factors in the EBR Act	The Ministry did not allow enough time for informed public comment on its proposal for changes to Ontario's Wetland Evaluation System—one of more than 14 related proposals posted on the Environmental Registry on October 25, 2022—given its high level of public interest and environmental significance. See **Section 4.2.2.**	◯	●	◯	◯	●
c. Proposal notices for policies, acts and regulations are informative	The Ministry posted 11 proposal notices for policies, acts and regulations. Four of those notices did not describe the potential environmental implications of the proposals, including a proposal for changes to the *Conservation Authorities Act* and its regulations. See **Section 6.3.**	●	●	◔	◔	●
d. Proposal notices for instruments are informative	Criterion met.	◯	◯	◯	◯	◯

Criterion	OAGO Comments	2019 Results	2020 Results	2021 Results	2022 Results	2023 Results
e. Received comments are reviewed and considered	The Ministry did not consider all comments submitted on a proposal for amendments to the *Conservation Authorities Act* before the decision was made through the passage of Bill 23. See **Section 4.3.**	Not assessed	Not assessed	○	○	●
f. Prompt notice of decisions is given	We reviewed a sample of 34 decision notices and two exception notices, and found that 11 decision notices and one exception notice (33%) were not posted within two weeks after the decision was made. See **Section 8.2.**	●	●	◌	◌	◌
g. Decision notices for policies, acts and regulations are informative	Criterion met.	○	○	◌	◌	○
h. Decision notices for instruments are informative	The Ministry posted 41 decision notices for permits and approvals, and we reviewed a sample of 10 notices. None of the decision notices that we reviewed included links to the issued instruments. See **Section 6.6.2.**	◌	◌	●	◌	◌
i. Proposal notices are up-to-date	As of March 31, 2023, the Ministry was responsible for 20 outdated proposal notices on the Environmental Registry, which was 11% of the Ministry's open proposal notices. Further, as of September 2023, the Ministry had not posted a decision notice for legislative and regulatory proposals affecting conservation authorities, even though they had been decided more than nine months earlier. See **Section 8.1.**	●	●	●	●	●
3. Applications for Review[4] and Applications for Investigation						
c. Ministry meets all timelines	The Ministry did not meet the statutory deadlines for responding to an application for investigation submitted in March 2023. See **Section 9.1.**	○	–	–	◌	◌

3. Between June 18, 2021, and June 24, 2022, the Natural Resources Ministry was part of the Ministry of Northern Development, Mines, Natural Resources and Forestry (the former Ministry). The results included in this report card for 2021 and 2022 show the results for the Natural Resources section of the former Ministry.
4. The Natural Resources Ministry did not conclude any applications for review in 2022/23 (that is, the Ministry did not deny any requests for a review or give notice of completion of any undertaken reviews).

Ministry of Municipal Affairs and Housing

Legend:
○ Met criterion
◌ Partially met criterion
● Did not meet criterion
– The ministry did not execute any responsibilities under this criterion in this reporting year
n/a The ministry is not prescribed for this criterion

Criterion	OAGO Comments	2019 Results	2020 Results	2021 Results	2022 Results	2023 Results
1. Statement of Environmental Values (Statement)						
a. Statement is up-to-date	Criterion met.	●	○	○	○	○
b. Statement is considered when making decisions	The Ministry did not consider its Statement before making two decisions. Also, it did not consider all relevant principles of its Statement when making three other decisions. See **Section 7.2.**	○	●	●	○	●
2. Use of the Environmental Registry (Registry)						
a. Notice of proposals is given as required by the EBR Act	The Ministry did not consult the public in accordance with the EBR Act on proposed *Planning Act* changes in Bill 109 (see our 2022 report on the operation of the EBR Act) or on two proposals for amendments in Bill 23. See **Section 4.2.3.**	○	○	●	●	●

Criterion	OAGO Comments	2019 Results	2020 Results	2021 Results	2022 Results	2023 Results
b. Time to comment is extended based on the factors in the EBR Act	The Ministry led the government's housing-related consultations on more than 14 proposals posted on the Environmental Registry, as well as four proposals for changes to the Greenbelt. The Ministry did not allow enough time for informed public comment in light of the number and complexity of the proposals, the high level of public interest and the proposals' environmental significance. See **Section 4.2.2.**	○	○	○	●	●
c. Proposal notices for policies, acts and regulations are informative	The Ministry posted 13 proposal notices for policies, acts and regulations on the Registry. Twelve notices were for proposals in support of the Ministry's Housing Supply Action Plan 3.0, including four for changes to the Greenbelt. Nine notices (69%) did not identify or assess any potential environmental impacts of implementing the proposals. The Ministry did not provide complete or fully accurate information in notices for changes to the Greenbelt. See **Section 4.1.**	●	●	●	●	●
d. Proposal notices for instruments are informative	Criterion met.	◐	○	○	○	○
e. Received comments are reviewed and considered	The Ministry did not consider all comments received on its proposals for Bill 109, Bill 23 or changes to the Greenbelt. See **Section 4.3.**	Not assessed	Not assessed	○	○	●
f. Prompt notice of decisions is given	Criterion met.	◐	◐	◐	○	○
g. Decision notices for policies, acts and regulations are informative	The Ministry posted 12 decision notices for policies, acts and regulations on the Registry. Two decision notices related to Bill 23 were inaccurate, stating under the "Effects of public consultation" heading that all comments were considered even though the bill passed before the end of the comment period. See **Section 4.3.** Similarly, the decision notice for Bill 109 stated that all comments were considered even though 75% of the comments were submitted after the bill received third reading. We reported on this in our 2022 report on the operation of the EBR Act.	○	◐	●	○	●
h. Decision notices for instruments are informative	The Ministry posted 16 decision notices for consents for severance of land that did not accurately describe the public's rights to appeal the decisions. See **Section 6.7.**	◐	●	●	○	◐
i. Proposal notices are up-to-date	Criterion met.	○	◐	○	○	○

Ministry of Mines[5]

Legend: ○ Met criterion ◐ Partially met criterion ● Did not meet criterion – The ministry did not execute any responsibilities under this criterion in this reporting year n/a The ministry is not prescribed for this criterion

Criterion	OAGO Comments	2019 Results	2020 Results	2021 Results	2022 Results	2023 Results
1. Statement of Environmental Values (Statement)						
a. Statement is up-to-date	Criterion met.	○	○	○	○	○

Criterion	OAGO Comments	2019 Results	2020 Results	2021 Results	2022 Results	2023 Results
b. Statement is considered when making decisions	The Ministry did not meaningfully consider its Statement for three decisions about *Mining Act* amendments. In each case, the Ministry indicated that the environmental factors were not applicable to its consideration. The Ministry should have documented its consideration of the environmental factors in its Statement and explained, based on that consideration, how the Ministry assessed the impacts of the proposed amendments on the environment. For details of those decisions, see **Section 6.1.**	○	○	●	○	●
2. Use of the Environmental Registry (Registry)						
a. Notice of proposals is given as required by the EBR Act	Criterion met.	○	○	○	○	○
b. Time to comment is extended based on the factors in the EBR Act	Criterion met.	●	○	○	○	○
c. Proposal notices for policies, acts and regulations are informative	The Ministry posted seven proposal notices. Three proposal notices (43%), all related to the *Mining Act*, stated that "there are no anticipated environmental impacts as a result of these proposed changes to the *Mining Act*" but did not explain the Ministry's rationale for why this would be the case. See **Section 6.1.**	○	○	○	○	●
d. Proposal notices for instruments are informative	The Ministry posted 325 proposal notices for permits and approvals under the *Mining Act*. Of the 10 notices we reviewed, six (60%) either did not include links to supporting documentation or contained broken links. One of these notices did not describe the potential environmental impacts of the proposal. See **Section 6.6.1.**	○	○	○	●	●
e. Received comments are reviewed and considered	Criterion met.	Not assessed	Not assessed	○	●	○
f. Prompt notice of decisions is given	We reviewed a sample of 14 decision notices and one exception notice, and found that three of those notices (20%) were not posted within two weeks of the decisions being made. In particular, the exception notice was posted more than two years after the completion of the work required by the instrument. See **Section 8.2.**	●	○	○	○	○
h. Decision notices for instruments are informative	The Ministry posted 327 decision notices for permits and approvals under the *Mining Act*. Of the 10 notices we reviewed, nine (90%) did not sufficiently describe the effect of public participation on the decision. In seven of those cases, the ministry merely stated that "comments received were considered in the decision." See **Section 6.6.2.**	●	●	○	●	●
i. Proposal notices are up-to-date	As of March 31, 2023, the Ministry was responsible for three outdated proposal notices on the Environmental Registry (all *Mining Act* instrument notices), which was 2% of the Ministry's open proposal notices. This is an increase compared to 2022, when the Ministry had two outdated proposals. See **Section 8.1.**	●	●	○	○	○

5. Until June 24, 2022, the Ministry of Mines was part of the Ministry of Northern Development, Mines, Natural Resources and Forestry, and before June 18, 2021, it was part of the Ministry of Energy, Northern Development and Mines. The results included in this report card for 2019–2022 show the results for those predecessor Ministries in those years, as applicable.

Ministry of Public and Business Service Delivery – Technical Standards and Safety Authority (TSSA)

Legend:
○ Met criterion
◔ Partially met criterion
● Did not meet criterion
– The ministry did not execute any responsibilities under this criterion in this reporting year
n/a The ministry is not prescribed for this criterion

Criterion	OAGO Comments	2019 Results	2020 Results	2021 Results	2022 Results	2023 Results
1. Statement of Environmental Values (Statement)						
a. Statement is up-to-date	Criterion met.	●	●	○	○	○
b. Statement is considered when making decisions	Criterion met. Based on a sample of consideration documents that we requested regarding 10 decisions about approvals for liquid fuel variances under the *Technical Standards and Safety Act, 2000*, the TSSA's documentation of its consideration improved over the 2022/23 reporting period. In more recent documentation, the Ministry started to provide explanations when it determined that certain Statement principles were not relevant to the decision, consistent with a recommendation made in our 2022 report.	○	○	●	◔	○
2. Use of the Environmental Registry (Registry)						
a. Notice of proposals is given as required by the EBR Act	Criterion met.	○	○	○	○	○
b. Time to comment is extended based on the factors in the EBR Act	Criterion met.	○	○	○	○	○
c. Proposal notices for policies, acts and regulations are informative	Criterion met.	○	–	○	–	○
d. Proposal notices for instruments are informative	Criterion met.	◔	◔	◔	○	○
f. Prompt notice of decisions is given	Criterion met.	○	○	◔	○	○
h. Decision notices for instruments are informative	Criterion met.	○	○	○	○	○
i. Proposal notices are up-to-date	Criterion met.	○	○	○	○	○

Ministry of Energy[6]

Legend: ○ Met criterion ◔ Partially met criterion ● Did not meet criterion – The ministry did not execute any responsibilities under this criterion in this reporting year n/a The ministry is not prescribed for this criterion

Criterion	OAGO Comments	2019 Results	2020 Results	2021 Results	2022 Results	2023 Results
1. Statement of Environmental Values (Statement)						
a. Statement is up-to-date	Criterion met.	○	○	○	○	○
b. Statement is considered when making decisions	Criterion met.	○	○	●	◔	○
2. Use of the Environmental Registry (Registry)						
a. Notice of proposals is given as required by the EBR Act	The Ministry did not consult the public through the Environmental Registry on a new clean energy plan or on amendments to the electricity Conservation and Demand Management Framework. See **Section 5.**	○	○	○	●	●
b. Time to comment is extended based on the factors in the EBR Act	Criterion met.	●	○	○	○	○
c. Proposal notices for policies, acts and regulations are informative	The Ministry posted six proposal notices for policies and regulations. Four of the notices either did not adequately describe the proposal or did not describe the potential environmental impacts. See **Section 6.2.**	◔	○	○	◔	●
e. Received comments are reviewed and considered	Criterion met.	Not assessed	Not assessed	◔	○	○
f. Prompt notice of decisions is given	Criterion met.	●	◔	◔	○	○
g. Decision notices for policies, acts and regulations are informative	Criterion met.	○	◔	◔	◔	○
i. Proposal notices are up-to-date	Criterion met.	●	●	◔	○	○

6. Until June 18, 2021, the Ministry of Energy was part of the Ministry of Energy, Northern Development and Mines. The results included in this report card for 2019 and 2020 show the results for the Ministry of Energy, Northern Development and Mines.

Ministry of Northern Development[7]

Legend: ○ Met criterion ◔ Partially met criterion ● Did not meet criterion – The ministry did not execute any responsibilities under this criterion in this reporting year n/a The ministry is not prescribed for this criterion

Criterion	OAGO Comments	2019 Results	2020 Results	2021 Results	2022 Results	2023 Results
1. Statement of Environmental Values (Statement)						
a. Statement is up-to-date	Criterion met.	○	○	○	○	○

Criterion	OAGO Comments	2019 Results	2020 Results	2021 Results	2022 Results	2023 Results
b. Statement is considered when making decisions	Criterion met.	○	○	●	◌	○
2. Use of the Environmental Registry (Registry)						
a. Notice of proposals is given as required by the EBR Act	Criterion met.	○	○	○	○	○
b. Time to comment is extended based on the factors in the EBR Act	Criterion met.	●	○	○	○	○
e. Received comments are reviewed and considered	Criterion met.	Not assessed	Not assessed	◌	●	○
f. Prompt notice of decisions is given	Criterion met.	●	◌	◌	◌	○
g. Decision notices for policies, acts and regulations are informative	Criterion met.	○	◌	◌	◌	○

7. On June 24, 2022, the Ministry of Northern Development, Mines, Natural Resources and Forestry was divided to form three separate ministries: the Ministry of Natural Resources and Forestry; the Ministry of Northern Development; and the Ministry of Mines. The results for 2022 show our findings for the Ministry of Northern Development and the Ministry of Mines, combined. The results for 2019, 2020 and 2021 show our findings for the previous Ministry of Energy, Northern Development and Mines.

Ministry of Transportation

Legend:

○	Met criterion	–	The ministry did not execute any responsibilities under this criterion in this reporting year
◌	Partially met criterion	n/a	The ministry is not prescribed for this criterion
●	Did not meet criterion		

Criterion	OAGO Comments	2019 Results	2020 Results	2021 Results	2022 Results	2023 Results
1. Statement of Environmental Values (Statement)						
a. Statement is up-to-date	Criterion met.	●	◌	○	○	○
b. Statement is considered when making decisions	Criterion met.	○	○	◌	○	○
2. Use of the Environmental Registry (Registry)						
a. Notice of proposals is given as required by the EBR Act	Criterion met.	–	○	●	○	○
b. Time to comment is extended based on the factors in the EBR Act	Criterion met.	–	○	○	○	○

Criterion	OAGO Comments	2019 Results	2020 Results	2021 Results	2022 Results	2023 Results
c. Proposal notices for policies, acts and regulations are informative	The Ministry posted two policy proposal notices on the Registry, neither of which included any information about their environmental implications. For example, the Ministry's proposal notice for building electric vehicle charging infrastructure was completely silent on the environmental implications of the program, even though internal Ministry documentation states that the aim of the program is to reduce Ontario's transportation greenhouse gas emissions. See **Section 6.**	–	○	○	○	◔
e. Received comments are reviewed and considered	Criterion met.	Not assessed	Not assessed	○	○	○
f. Prompt notice of decisions is given	Criterion met.	○	○	◔	○	○
g. Decision notices for policies, acts and regulations are informative	Criterion met.	○	○	●	◔	○
i. Proposal notices are up-to-date	Criterion met.	○	○	○	○	○

Ministry of Agriculture, Food and Rural Affairs

Legend: ○ Met criterion; ◔ Partially met criterion; ● Did not meet criterion; – The ministry did not execute any responsibilities under this criterion in this reporting year; n/a The ministry is not prescribed for this criterion

Criterion	OAGO Comments	2019 Results	2020 Results	2021 Results	2022 Results	2023 Results
1. Statement of Environmental Values (Statement)						
a. Statement is up-to-date	Criterion met.	○	○	○	○	○
2. Use of the Environmental Registry (Registry)						
a. Notice of proposals is given as required by the EBR Act	Criterion met.	○	○	○	○	○
b. Time to comment is extended based on the factors in the EBR Act	Criterion met.	○	○	○	○	○
c. Proposal notices for policies, acts and regulations are informative	Criterion met.	○	◔	○	◔	○
i. Proposal notices are up-to-date	As of March 31, 2023, the Ministry had one outdated proposal notice, which was 50% of its total open proposal notices. See **Section 8.1.**	○	○	○	○	◔

Ministry of Tourism, Culture and Sport

Legend:
○ Met criterion
◔ Partially met criterion
● Did not meet criterion
– The ministry did not execute any responsibilities under this criterion in this reporting year
n/a The ministry is not prescribed for this criterion

Criterion	OAGO Comments	2019 Results	2020 Results	2021 Results	2022 Results	2023 Results
1. Statement of Environmental Values (Statement)						
a. Statement is up-to-date	Criterion met.	●	○	○	○	○
2. Use of the Environmental Registry (Registry)						
a. Notice of proposals is given as required by the EBR Act	Criterion met.	–	○	○	○	○
b. Time to comment is extended based on the factors in the EBR Act	Criterion met.	–	○	○	○	○
c. Proposal notices for policies, acts and regulations are informative	Criterion met.	–	○	○	○	○
i. Proposal notices are up-to-date	Criterion met.	○	–	○	○	○

Ministry of Health

Legend:
○ Met criterion
◔ Partially met criterion
● Did not meet criterion
– The ministry did not execute any responsibilities under this criterion in this reporting year
n/a The ministry is not prescribed for this criterion

Criterion	OAGO Comments	2019 Results	2020 Results	2021 Results	2022 Results	2023 Results
1. Statement of Environmental Values (Statement)						
a. Statement is up-to-date	Criterion met.	●	○	○	○	○
2. Use of the Environmental Registry (Registry)						
a. Notice of proposals is given as required by the EBR Act	Criterion met.	–	○	○	○	○

Ministry of Long-Term Care

Legend: ○ Met criterion — The ministry did not execute any responsibilities under this criterion in this reporting year
◔ Partially met criterion n/a The ministry is not prescribed for this criterion
● Did not meet criterion

Criterion	OAGO Comments	2019 Results	2020 Results	2021 Results	2022 Results	2023 Results
1. Statement of Environmental Values (Statement)						
a. Statement is up-to-date	Criterion met.	●	○	○	○	○
2. Use of the Environmental Registry (Registry)						
a. Notice of proposals is given as required by the EBR Act	Criterion met.	–	○	○	○	○

Ministry of Infrastructure

Legend: ○ Met criterion — The ministry did not execute any responsibilities under this criterion in this reporting year
◔ Partially met criterion n/a The ministry is not prescribed for this criterion
● Did not meet criterion

Criterion	OAGO Comments	2019 Results	2020 Results	2021 Results	2022 Results	2023 Results
1. Statement of Environmental Values (Statement)						
a. Statement is up-to-date	Criterion met.	●	○	○	○	○
2. Use of the Environmental Registry (Registry)						
a. Notice of proposals is given as required by the EBR Act	Criterion met.	○	○	○	○	○

Ministry of Economic Development, Job Creation and Trade

Legend:
- ◯ Met criterion
- ◔ Partially met criterion
- ● Did not meet criterion
- – The ministry did not execute any responsibilities under this criterion in this reporting year
- n/a The ministry is not prescribed for this criterion

Criterion	OAGO Comments	2019 Results	2020 Results	2021 Results	2022 Results	2023 Results
1. Statement of Environmental Values (Statement)						
a. Statement is up-to-date	The Ministry's Statement was last updated in November 2017, and the Ministry's mandate has changed since then, most recently with the removal of red tape reduction from the Ministry's responsibilities. The Ministry's current Statement specifies that it will review the Statement and make any necessary amendments every five years. In June 2023, the Ministry told our Office it intends to consult the public on a proposal for an updated Statement in the coming months.	◯	◯	◯	◯	◔
2. Use of the Environmental Registry (Registry)						
a. Notice of proposals is given as required by the EBR Act	Criterion met.	◯	◯	◯	◯	◯

Ministry of Indigenous Affairs

Legend:
- ◯ Met criterion
- ◔ Partially met criterion
- ● Did not meet criterion
- – The ministry did not execute any responsibilities under this criterion in this reporting year
- n/a The ministry is not prescribed for this criterion

Criterion	OAGO Comments	2019 Results	2020 Results	2021 Results	2022 Results	2023 Results
1. Statement of Environmental Values (Statement)						
a. Statement is up-to-date	Criterion met.	◯	◯	◯	◯	◯
2. Use of the Environmental Registry (Registry)						
a. Notice of proposals is given as required by the EBR Act	Criterion met.	◯	◯	◯	◯	◯

Ministry of Education

Legend:
○ Met criterion
◔ Partially met criterion
● Did not meet criterion
– The ministry did not execute any responsibilities under this criterion in this reporting year
n/a The ministry is not prescribed for this criterion

Criterion	OAGO Comments	2019 Results	2020 Results	2021 Results	2022 Results	2023 Results
1. Statement of Environmental Values (Statement)						
a. Statement is up-to-date	Criterion met.	●	◔	○	○	○
2. Use of the Environmental Registry (Registry)						
a. Notice of proposals is given as required by the EBR Act	Criterion met.	○	○	○	○	○

Ministry of Labour, Immigration, Training and Skills Development

Legend:
○ Met criterion
◔ Partially met criterion
● Did not meet criterion
– The ministry did not execute any responsibilities under this criterion in this reporting year
n/a The ministry is not prescribed for this criterion

Criterion	OAGO Comments	2019 Results	2020 Results	2021 Results	2022 Results	2023 Results
1. Statement of Environmental Values (Statement)						
a. Statement is up-to-date	The Ministry has not updated its Statement since 2008, and its existing Statement does not reflect its current name, mandate or government priorities, such as addressing climate change. In May 2022, the Ministry told us that updating its Statement was on the Ministry's agenda for summer or fall of 2022, but as of September 2023 the Ministry had not proposed updates to its Statement.	●	◔	●	●	●
2. Use of the Environmental Registry (Registry)						
a. Notice of proposals is given as required by the EBR Act	Criterion met.	–	○	○	○	○

Treasury Board Secretariat

Legend: ◯ Met criterion — The ministry did not execute any responsibilities under this criterion in this reporting year
Partially met criterion n/a The ministry is not prescribed for this criterion
Did not meet criterion

Criterion	OAGO Comments	2019 Results	2020 Results	2021 Results	2022 Results	2023 Results
1. Statement of Environmental Values (Statement)						
a. Statement is up-to-date	Criterion met.	◯	◯	◯	◯	◯
2. Use of the Environmental Registry (Registry)						
a. Notice of proposals is given as required by the EBR Act	Criterion met.	–	◯	◯	◯	◯
b. Time to comment is extended based on the factors in the EBR Act	Criterion met.	–	–	–	–	◯
c. Proposal notices for policies, acts and regulations are informative	Criterion met.	–	–	–	–	◯
e. Received comments are reviewed and considered	Criterion met.	Not assessed	Not assessed	–	–	◯
f. Prompt notice of decisions is given	Criterion met.	–	–	–	–	◯
g. Decision notices for policies, acts and regulations are informative	Criterion met.	–	–	–	–	◯

Appendix 7: Number of Notices Posted on the Environmental Registry in 2022/23

Prepared by the Office of the Auditor General of Ontario, based on data from the Environmental Registry of Ontario and the Ministry of the Environment, Conservation and Parks

Proposal notices	
Give notice of and invite public consultation on proposals for environmentally significant policies, acts, regulations and instruments (permits and approvals).	
Policies	27
Acts	8
Regulations	22
Instruments	1,299
Total	**1,356**

Voluntary consultation notices	
Give notice of and invite consultation on proposals that are not required by the EBR Act to be posted, but for which a ministry chooses to consult with the public.	
Proposals	24
Decisions	31
Total	**55**

Exception notices	
Required when ministries rely on certain exceptions under the EBR Act that excuse the ministry from following the usual public consultation requirements, including: when the proposal has already been considered in another public participation process (equivalent consultation); or when the delay to consult would result in danger to health and safety or serious risk to the environment or damage to property (emergencies).	
Equivalent consultation	2
Emergencies	1
Total	**3**

Decision notices	
Describe decisions on environmentally significant policies, acts, regulations and instruments, as well as describe the impact, if any, of public consultation.	
Policies	20
Acts	6
Regulations	25
Instruments	1,383
Total	**1,434**

Bulletins	
Used to provide information that ministries are not required to post under the EBR Act and information that ministries are required to post under other laws.	
Total	**97**

Appeal notices	
Placed on the Registry by the Environment Ministry to notify the public of direct appeals of instruments and of applications seeking leave to appeal instruments.	
Direct appeals	0
Leave to appeal	5
Total	**5**

Appendix 8: Applications for Review in 2022/23

Prepared by the Office of the Auditor General of Ontario

In our 2022/23 reporting year, no new applications for review were submitted, but the Environment Ministry continued to be responsible for two applications for review that were submitted in earlier reporting years (2010/11 and 2016/17). The Ministry had agreed to undertake those still-ongoing reviews. As reported in each of our earlier reports, the Ministry has not concluded one of those ongoing applications, detailed below, within a reasonable time.

Responsible Ministry	Brief Description of Application	Year Submitted	Undertaken or Denied	Status as of March 31, 2023
Environment	Review of the *Environmental Bill of Rights, 1993*	2010/11	Undertaken	Ongoing Ministry has not completed within a reasonable time
Environment	Review of the Lake Simcoe Protection Plan	2016/17	Undertaken	Ongoing Review undertaken in conjunction with the 10-year review of the Lake Simcoe Protection Plan, which is ongoing

Appendix 9: Applications for Investigation in 2022/23

Prepared by the Office of the Auditor General of Ontario

In 2022/23, Ontarians submitted three applications for investigation: two were submitted to the Environment Ministry, and one was submitted to the Natural Resources Ministry. The Environment Ministry denied both of the applications it received, and the Natural Resources Ministry had not yet made a decision, as of September 2023, whether to undertake the investigation, in contravention of the EBR Act timelines for responding to an application (see **Section 9.1** of this report). Two individuals tried to submit another application in 2022/23, but the Environment Ministry returned it to the applicants as incomplete because the applicants had not made a sworn statement of the allegations, as required by the EBR Act, and had alleged contraventions of laws that are not subject to the EBR Act. The applicants did not resubmit an application.

In 2022/23, the Environment Ministry also concluded two investigations that it had agreed to undertake in 2021/22. One of the applications was concluded in April 2022, and we evaluated the Ministry's handling of that application in our 2022 report, along with a similar application that was concluded in 2021/22.

We assessed the Environment Ministry's handling of each of the other three applications for investigation concluded in 2022/23. We determined that, in each case, the Ministry investigated to the extent warranted, as required under the EBR Act. However, we found that the Ministry did not meet a statutory timeline for one application (see **Section 9.1** of this report).

For summaries of the applications for investigation that were concluded in 2022/23, see below.

Responsible Ministry	Brief Description of Application	Year Submitted	Undertaken or Denied	Status as of March 31, 2023	Our Evaluation
Environment	Bird collisions and deaths due to reflected light from buildings in Ottawa	2021/22	Undertaken in part	Concluded	Unreasonable[1]
Environment	Discharge of wastewater into a storm sewer from a truck-washing operation at a food distribution warehouse	2021/22	Undertaken	Concluded	Reasonable
Environment	Discharge of gasoline vapours from a fuel tank refilling operation	2022/23	Denied	Concluded	Reasonable (but missed statutory deadline for providing notice of decision, see **Section 9.1**)
Environment	Discharge of contaminants to water from planned subdivision infrastructure	2022/23	Denied	Concluded	Reasonable
Natural Resources	Contravention of the *Fish and Wildlife Conservation Act, 1997* by a store hosting a coyote hunting competition	2022/23	Outstanding as of August 2023, in contravention of statutory requirements (see **Section 9.1**)	Ongoing	n/a[2]

1. This application was concluded (that is, a notice of decision was delivered) in April 2022. We reported on the Environment Ministry's handling of this application in **Section 6.2.1** of our *2022 Annual Report on the Operation of the Environmental Bill of Rights, 1993* because it was related to another application for investigation completed in 2021/22.
2. We have not fully evaluated the Ministry's handling of this application because it was ongoing as of the end of our reporting year (March 31, 2023).

1. Investigation of Alleged Discharge of Wastewater into a Storm Sewer from a Truck-Washing Operation at a Food Distribution Warehouse (Environment Ministry)

What the Applicants Asked For

In February 2022, two Ontarians submitted an application for investigation to the Environment Ministry alleging that Sysco Canada Inc. (Sysco) was permitting truck wash water, which contained soap, to flow into the company's stormwater management works (comprising a dry pond and storm sewers), which eventually discharged into McEwan Creek. The truck washing was taking place at Sysco's food distribution warehouse in Ottawa. The applicants alleged that this violated the *Ontario Water Resources Act* and the company's environmental compliance approval for its stormwater management works, and could impair water quality in the Creek. The applicants claimed that the washing was done by Professional Mobile Wash (a company that cleans vehicles and buildings), which cleaned trucks and trailers at the Sysco site. The applicants alleged that foaming wastewater could be seen entering gutters and flowing into the dry pond on the site.

Investigation Undertaken by the Environment Ministry, and Handled Reasonably

In April 2022, the Environment Ministry informed the applicants that it had concluded that an investigation was warranted. Over the course of the investigation, the Ministry conducted one inspection visit and two further site visits (one unannounced). The Ministry confirmed that wash water was entering the dry pond, in contravention of Sysco's environmental compliance approval. However, the Ministry found insufficient evidence to conclude that impairment of water quality had occurred within or beyond the dry pond, so it found no contravention of the *Ontario Water Resources Act*.

In response to the Ministry's confirmation that Sysco contravened its environmental compliance approval, and to prevent discharge of wash water into the dry pond and storm sewer, Sysco and Professional Mobile Wash committed to:

- installing absorbent booms/socks weighed down by gravel bags;
- covering manholes on the property;
- only conducting washing in certain areas of the parking lot, farther away from the manholes and dry pond;
- not conducting any washing during rain events;
- using a portable vacuum to recover wash water;
- taking the recovered wash water to the Professional Mobile Wash facility for treatment and discharge to the municipal sanitary sewer; and
- blocking the concrete outlet to the dry pond during washing to prevent discharge.

The Ministry confirmed in June 2022 that these changes had been made and were effective at preventing wash water from entering the dry pond or any part of the stormwater management works. Further, shortly thereafter, Professional Mobile Wash, on behalf of Sysco, submitted a new standard operating procedure to the Ministry. The Ministry confirmed that the standard operating procedure "reflects the companies' intent to implement the vacuuming and outlet blockage measures during future washing activities."

The Ministry notified the applicants of the outcome of its investigation in September 2022. The Ministry stated that it was satisfied with the voluntary actions that the companies had taken to address the contravention, and noted that future contraventions of the *Ontario Water Resources Act*'s prohibition against discharging polluting materials to water are unlikely to occur with the addition of the wash water control measures. The Ministry stated that it would not be pursuing further enforcement action.

2. Investigation of Alleged Discharge of Gasoline Vapours from a Fuel Tank Refilling Operation in London (Environment Ministry)

What the Applicants Asked For

In May 2022, two Ontarians submitted an application for investigation alleging that a service station in London had contravened the *Environmental Protection Act*. The service station operates a gasoline station and

a convenience store, with three gas pumps and two underground storage tanks.

The applicants alleged that gasoline vapours from the service station's storage tank vent pipes were being discharged onto residential property when tanker trucks refilled the station's underground storage tanks. The applicants claimed that there was a strong odour of gasoline inside a neighbouring residence, even with doors and windows closed, causing discomfort. The applicants also alleged that the resident's pet cats were being made sick by the vapours from the gas station. The applicants noted that more than 40 previous complaints over several years had been made about this issue to both the Technical Standards and Safety Authority (TSSA) and the Environment Ministry.

Investigation Reasonably Denied by the Environment Ministry, but Ministry Did Not Meet Statutory Deadline for Providing a Response

In November 2022, the Environment Ministry determined that an investigation was not necessary, as it would duplicate ongoing work by the Ministry's London District Office. The Ministry stated that it had been aware of issues with the site since 2018, and was already actively involved in compliance and enforcement activities related to those allegations.

The Ministry's work included obtaining confirmation from the TSSA that it had not identified any compliance issues with the fuel equipment or the refilling of the underground tanks at the site. The Ministry also conducted site visits in 2019, 2021 and 2022. During earlier site visits, Ministry staff had observed gasoline vapours escaping the vents during refilling of the underground tanks, but after about one minute, no vapours or odours were noted for the remainder of refilling. On two dates in September 2022, Ministry staff used an optical gas imaging camera to assist with visualizing potential emissions and confirmed that fuel vapours and odours were discharging out of vent pipes during refilling.

As a result of these observed discharges, in late September 2022, the Ministry asked the service station to retain a qualified professional to assess the site's vapour control system to determine whether it was operating as designed and to conduct any necessary equipment tests and inspections.

In November 2022, the Ministry informed the applicants of its decision not to investigate. In its decision notice, the Ministry told the applicants that it was reviewing the vapour control assessment report to determine appropriate next steps. The Ministry acknowledged the applicants' concerns and assured them that, if it determines that there has been a contravention of the *Environmental Protection Act* or its regulations, the Ministry would follow its compliance policy and use compliance tools as appropriate. The Ministry also informed the applicants that it would remain in contact with them to provide updates on compliance activities.

When we followed up with the Ministry, we learned that, in January 2023, the Ministry asked the service station to retain a qualified person to prepare a report outlining recommended options for preventing or reducing the discharge of vapour emissions from the vents at the site. Based on that report, in April 2023, the service station agreed to install pressure/vacuum valves on the gasoline tanks (which can increase the effectiveness of the vapour recovery system during refuelling) and to conduct refilling at night to minimize gasoline vapour impacts. As of July 2023, the Ministry told us that it remained engaged with the gas station as it awaited the installation of the pressure/vacuum valves.

While the Ministry's decision not to undertake this application was reasonable given that it was already aware of and actively assessing the allegations, the Ministry missed the 60-day deadline under the EBR Act to give the applicants notice of its decision, instead taking 177 days to give notice. See **Section 9.1**.

3. Investigation of Alleged Discharge of Contaminants to Water from Planned Subdivision Infrastructure (Environment Ministry)

What the Applicants Asked For

In June 2022, an individual and a corporation submitted an application for investigation to the Environment Ministry alleging contraventions of the *Ontario Water Resources Act*, *Clean Water Act, 2006* and *Planning Act* by Thomas Cavanagh Construction Limited and the Town of Carleton Place. The applicants alleged that the water infrastructure for a planned residential subdivision in the town was poorly designed and would release dangerous contaminants (in particular, harmful strains of E. coli) into the Mississippi River and the local drinking water supply, impairing the quality of these waters.

The applicants alleged that the water distribution system would contain dead ends, which would cause water to stagnate, leading to a build-up of contaminants. They also asserted that the stormwater and sewage system would use a force main (pressurized sewer pipe) and storage tank, which could overflow into the river adjacent to the town's drinking-water intake protection zone. They asserted that, in approving the designs, the Town failed to follow policies in its official plan and the Mississippi-Rideau Source Protection Plan.

Investigation Reasonably Denied by the Environment Ministry

In August 2022, the Environment Ministry notified the applicants of its decision that an investigation was not warranted. The Ministry noted that there must be an actual discharge for there to be a contravention of the *Ontario Water Resources Act*. As the subdivision infrastructure was still under construction and not yet operational, no discharge could occur at the time. The Ministry stated that the application alleged a future discharge but that there was no allegation that a discharge had occurred or was occurring. The Ministry also noted that the *Clean Water Act, 2006* and *Planning Act* are not prescribed acts under the EBR Act and that an application for investigation can be submitted only for alleged contraventions of prescribed acts. It also noted that the sections of those Acts that the applicants alleged were contravened are not offence provisions. The Ministry reasonably concluded that there was no legal basis to pursue the allegations described in the application.

The Ministry further noted that it was confident that, once the sewage and stormwater facilities were completed, they would not result in discharges that would impair water quality. The Ministry issued two environmental compliance approvals in 2021: one for the sewage collection works and one for the stormwater management works. According to the Ministry, it conducted a detailed technical review before issuing the approvals. The Ministry stated that its review confirmed that the proposed works were designed in accordance with provincial design guidelines and regulations and—if constructed as designed and approved, and operated in accordance with terms and conditions in the approvals—it would have a very low risk of causing environmental harm.

The Ministry confirmed that it "will continue to exercise its regulatory authority over the design, approval, construction and operation of the stormwater management system, sewage works and drinking water systems at the … subdivision" and that, "as the works are commissioned and put into service, [it] will ensure that the owner/operator take all necessary precautions and actions to protect the health of homeowners and, where necessary, reduce the potential for any environmental impacts to the Mississippi River which serves as the [town's] drinking water source."

Appendix 10: Appeals, Court Actions and Whistleblowers, 2022/23

Prepared by the Office of the Auditor General of Ontario

Appeals

Many laws provide individuals and companies with a right to appeal government decisions that directly affect them, such as denial of a permit they applied for or amendment of a permit that they had previously obtained. A few laws also give other people ("third parties") the right to appeal ministry decisions about instruments that are applied for by, or issued to, others (for example, under the *Planning Act*, to appeal a site-specific official plan amendment or zoning bylaw amendment). The *Environmental Bill of Rights, 1993* (EBR Act) expands on these rights.

The EBR Act allows any resident of Ontario to "seek leave to appeal" (that is, apply for permission to challenge) decisions on many types of instruments. For example, a community member could use this right to challenge the decision of the Environment Ministry to allow an industrial facility to discharge contaminants into the air.

Ontario residents who wish to appeal a ministry's decision to issue or amend an instrument must first submit an application for leave to appeal to an independent appellate body (in most cases, the Ontario Land Tribunal (Tribunal)) within 15 days of the decision notice being posted on the Environmental Registry. The Tribunal will determine whether to grant leave by applying the criteria in the EBR Act. Under these criteria, to be granted leave to appeal, the applicant must show they have an interest in the matter and must also demonstrate that it appears "there is good reason to believe" that the decision was not reasonable and could result in significant harm to the environment. If the Tribunal grants leave to appeal, the ministry's decision is stayed (that is, put on hold), the applicants may file an appeal and the matter can proceed to a hearing, after which the Tribunal will determine the outcome.

Leave to Appeal Applications in 2022/23

In 2022/23, Ontarians filed six applications for leave to appeal EBR Act-classified instruments with the Tribunal. Two of these applications sought leave to appeal the same instrument. The Tribunal ruled on five of the applications. The other application was filed with the Tribunal after the 15-day appeal period closed, so it was not accepted for processing.

Of the five applications considered by the Tribunal, leave to appeal was granted in two cases, both for the

Leave to Appeal Applications Filed Under the *Environmental Bill of Rights, 1993* in 2022/23

Source of data: Environmental Registry and Ontario Land Tribunal

Subject	Environmental Registry Number	Status/Outcome
Permit to Take Water – approval of new permit for pit and quarry dewatering purposes in Port Colborne	019-3778	Leave denied
Environmental Compliance Approval (sewage) – approval for the establishment of sewage works to serve a wedding venue in Caledon	019-3696	Leave denied
Environmental Compliance Approval (waste) – approval for a hauled sewage disposal site in Haliburton County	019-1101	Leave denied
Certificate of Property Use – issued for the intended future uses of a property in Guelph (two separate applications for leave to appeal filed and two appeal notices posted)	019-4692	Leave granted in both cases
Permit to Take Water – approval of a new permit for construction dewatering in Port Elgin	019-5018	Not filed within 15 days; not accepted and no decision

same instrument: a certificate of property use issued by the Environment Ministry to the City of Guelph. Both applicants subsequently filed appeals and the hearing of the appeals has been scheduled.

The Tribunal refused to grant leave to appeal regarding the three other applications, finding in each case that the applicants had failed to satisfy the EBR Act leave to appeal test.

Direct Appeals in 2022/23

No direct appeals of classified instruments in 2022/23 came to our attention.

Appeal Notices on the Environmental Registry

The Environment Ministry is responsible for posting notices on the Environmental Registry about leave to appeal applications made by third parties. The Environment Ministry is also responsible for posting notices of any direct appeals (usually instrument-holder appeals) of decisions related to instruments that are subject to the EBR Act. For the details of our review of the Environment Ministry's compliance with this requirement, see **Section 10.2** of this report.

Lawsuits and Whistleblower Protection

The EBR Act provides rights to:

- take court action against anyone who contravenes an act, regulation or approval and thereby causes significant harm to a public resource; or
- seek damages for environmental harm caused by a public nuisance.

To bring an action for harm to a public resource, an Ontario resident must first apply to a ministry to conduct an investigation and either:

- not receive a response within a reasonable time; or
- receive a response that is not reasonable.

The person bringing such an action must give public notice by delivering notice to the Environment Ministry, which then is required to post the notice on the Environmental Registry. The Environment Ministry advised our Office that it did not receive notice of any actions for harm to a public resource in 2022/23.

The EBR Act also provides protection for employees ("whistleblowers") who suffer reprisals from their employers for exercising their environmental rights or for complying with, or seeking the enforcement of, environmental rules. The Ontario Labour Relations Board told our Office that it received one reprisal complaint filed under the EBR Act in 2022/23, but the Board terminated the application for failure to state a *prima facie* case (that is, upon initial examination, it is self-evident that a case exists), as it determined that there was nothing in the application that indicated that the applicant was seeking to enforce their rights under the EBR Act.

Appendix 11: Timeline of Environmental Registry of Ontario Consultations on Government Proposals Intended to Increase Housing Supply

Prepared by the Office of the Auditor General of Ontario

Date (2022)	Timeline for Legislative and Regulatory Actions	Timeline for Environmental Registry Consultation
Oct 25	Minister of Municipal Affairs and Housing introduces **Bill 23**, the *More Homes Built Faster Act, 2022*, for first reading	Ministry of Municipal Affairs and Housing (Municipal Affairs Ministry), Ministry of Natural Resources and Forestry (Natural Resources Ministry), Ministry of the Environment, Conservation and Parks (Environment Ministry) and Ministry of Citizenship and Multiculturalism (Multiculturalism Ministry)[1] collectively **post five proposal notices relating to Bill 23** (see **Figure 4**) for 30 days (ending Nov 24)
		Municipal Affairs Ministry and Natural Resources Ministry collectively **post nine proposal notices for related policies and regulations** (see **Figure 4**) for 30 to 66 days
Oct 31	Legislative Assembly carries **Bill 23** for second reading and refers bill to the Standing Committee on Heritage, Infrastructure and Cultural Policy (Standing Committee)	
Nov 4		Municipal Affairs Ministry **posts four proposal notices relating to changes to the Greenbelt** (see **Figure 5**) for 30 days (ending Dec 4)
		Municipal Affairs Ministry **updates the Oct 25 proposal notice** for the Revocation of the Central Pickering Development Plan (comment period not extended)
Nov 9–17	Standing Committee holds hearings on **Bill 23**	
Nov 16	Minister of Municipal Affairs and Housing introduces **Bill 39**, the *Better Municipal Governance Act, 2022*, for first reading	
Nov 21	Standing Committee considers **Bill 23** clause by clause; government submits amendments	
Nov 22	Standing Committee reports **Bill 23** as amended, and Legislative Assembly orders it for third reading	Natural Resources Ministry **posts an exception notice** for the repeal of the *Duffins Rouge Agricultural Preserve Act, 2005* (Schedule 2 to **Bill 39**)
Nov 23	Legislative Assembly begins third reading debate of **Bill 23**; it concludes second reading on **Bill 39** and refers it to the Standing Committee	Municipal Affairs Ministry, Natural Resources Ministry and Environment Ministry all **update their proposal notices on Bill 23** to extend comment period to Dec 9
Nov 24	Legislative Assembly concludes debate on third reading of **Bill 23**, but defers the vote	Multiculturalism Ministry **updates its proposal notice on Bill 23** to extend comment period to Dec 9
		Comment periods close for Proposed Revocation of the Central Pickering Development Plan (#019-6174) and Proposed Updates to the Ontario Wetland Evaluation System Manual (#019-6160)
Nov 28	Legislative Assembly carries **Bill 23** on third reading and Lieutenant Governor gives royal assent	Municipal Affairs Ministry **updates its proposal notices on Bill 23** to say that the bill had passed but the comment period would stay open

Date (2022)	Timeline for Legislative and Regulatory Actions	Timeline for Environmental Registry Consultation
Nov 29		Multiculturalism Ministry **updates its proposal notice on Bill 23** to say that the bill had passed but the comment period would stay open
Dec 2		Environment Ministry **updates its proposal notice on Bill 23** to say that the bill had passed but the comment period would stay open
Dec 4		Comment period closes for the Nov 4 Greenbelt proposals
Dec 6	Standing Committee reports back on **Bill 39** without amendment; Legislative Assembly begins third reading debate	
Dec 8	Legislative Assembly carries **Bill 39** on third reading and Lieutenant Governor gives royal assent	
Dec 9		Comment period closes for all **Bill 23** notices
Dec 14	Cabinet approves the **Greenbelt Plan Amendment** and the **Revocation of the Central Pickering Development Plan**	
	Municipal Affairs Ministry files regulations on the **Greenbelt boundary amendments**, the **Oak Ridges Moraine Conservation Plan amendment** and the **Revocation of Minister's Zoning Order**	
Dec 15	Lieutenant Governor proclaims the *Duffins Rouge Agricultural Preserve Repeal Act, 2022* in force	
Dec 28	Natural Resources Ministry files **regulations under *Conservation Authorities Act*** (related to **Bill 23**)	

1. The Ministry of Citizenship and Multiculturalism is not a prescribed ministry under the *Environmental Bill of Rights, 1993*. The Ministry posted one proposal notice related to amendments to the *Ontario Heritage Act* on the Registry voluntarily.

Appendix 12: Ministry Progress on Recommendation 8 from the 2020/21 Report on the Operation of the *Environmental Bill of Rights, 1993*

Prepared by the Office of the Auditor General of Ontario

Ministry	Findings in 2020/2021 Report	What the Ministry Has Done since 2021
Environment	• Did not have a process for monitoring past compliance	• Updated and developed new written processes and procedures • Delivered training to staff • No progress for monitoring past compliance
Natural Resources	• Did not have a process for monitoring past compliance	• Updated written processes and procedures • Delivered training to staff • No progress for monitoring past compliance
Municipal Affairs	• Did not have a process for monitoring past compliance	• Updated written processes and procedures • Delivered training to staff • Circulates a bimonthly notice status table to gather information on whether EBR Act requirements are being met
Mining	• Had a process for performing internal audits of its instrument notices, but not for other EBR Act requirements	• Updated written processes and procedures • Delivered training to staff • No progress for monitoring past compliance with other EBR Act requirements (beyond its internal audit of instrument notices)
Public Services	• Did not have any formal internal processes, documented policies or procedures • Did not provide any formal training to staff • Did not have a process for monitoring past compliance	• Developed a Standard Operating Procedure, with a checklist, for complying with the EBR Act • Developed and shared training materials with staff, and offered training on request • Developed a tracking tool for managing Environmental Registry postings
Technical Standards and Safety Authority (TSSA)	• Did not have a process for monitoring past compliance	• Developed guidance, including an EBR Obligations Chart and a checklist for posting on the Environmental Registry • Delivered training on the EBR Act to staff • Established a quarterly review of all EBR-eligible decisions to monitor past compliance with posting requirements; TSSA advised our Office that it was working on formalizing this process. TSSA also implemented an internal quality assurance process to periodically review Statement of Environmental Values consideration to ensure compliance
Energy	• Did not have a process for monitoring past compliance	• Updated written processes and procedures • Delivered training to staff • No progress for monitoring past compliance
Northern Development	• Did not have a process for monitoring past compliance	• Updated written processes and procedures • Did not provide any training for staff between April 1, 2022, and March 31, 2023 • No progress for monitoring past compliance

Ministry	Findings in 2020/2021 Report	What the Ministry Has Done since 2021
Transportation	• Did not have a process for monitoring past compliance	• Updated written guidance and templates • Developed new training materials including a module for their internal training website. The module will be available to staff by end of fiscal year 2023/2024 • Ministry has established a tracking system for monitoring progress in implementing the Auditor General's past recommendations to improve future compliance, but no progress for monitoring past compliance
Agriculture	• Did not have a process for monitoring past compliance	• Updated written processes and procedures • Delivered training to staff • No progress for monitoring past compliance
Tourism	• Did not have any formal internal processes, documented policies or procedures • Did not provide any formal training to staff • Did not have a process for monitoring past compliance	• Created and circulated guidance materials for Ministry staff including an overview of the EBR Act and a template for documenting consideration of the Ministry's Statement of Environmental Values • Developed updated training materials for staff, and held a staff training session in fall 2023 • No progress for monitoring past compliance
Health	• Did not have any formal internal processes, documented policies or procedures • Did not provide any formal training to staff • Did not have a process for monitoring past compliance	• Created and posted guidance on the Ministry's intranet site • No progress on staff training. The Ministry told our Office that it does not independently train staff on the EBR Act; while it has resources available on its intranet site, there is no process in place to make staff aware of these resources • No progress for monitoring past compliance. The Ministry told our Office that as part of the annual Certificate of Assurance process, it attests to monitoring compliance with the EBR Act, but did not provide any documentation that demonstrated how it monitors past compliance
Long-Term Care	• Did not have any formal internal processes, documented policies or procedures • Did not provide any formal training to staff • Did not have a process for monitoring past compliance	• Created and posted guidance on the Ministry's intranet site • No progress on staff training. The Ministry told our office that it does not independently train staff on the EBR Act; while it has resources available on its intranet site, there is no process in place to make staff aware of these resources • No progress for monitoring past compliance. The Ministry told our Office that as part of the annual Certificate of Assurance process, it attests to monitoring compliance with the EBR Act, but did not provide any documentation that demonstrated how it monitors past compliance
Infrastructure	• Did not have any formal internal processes, documented policies or procedures • Did not provide any formal training to staff • Did not have a process for monitoring past compliance	• Developed and updated a checklist to assist staff in determining whether a policy, act or regulation needs to be posted on the Environmental Registry • Briefed executive leadership team on EBR responsibilities; Deputy Minister periodically sent out a reminder to all staff on the Ministry's obligations under the EBR Act • No progress for monitoring past compliance. The Ministry told our office that as part of the annual Certificate of Assurance process, it attests to monitoring compliance with the EBR Act, but did not provide any documentation that demonstrated how it monitors past compliance

Ministry	Findings in 2020/2021 Report	What the Ministry Has Done since 2021
Economic Development	• Did not provide any formal training to staff • Did not have a process for monitoring past compliance	• Updated its overview document on the EBR Act and the Environmental Registry and posted it on its intranet site • Developed a training deck in January 2023 and circulated it to staff, and posted an internal guidance document on its intranet page • No progress for monitoring past compliance
Indigenous Affairs	• Did not have a process for monitoring past compliance	• In 2022, the Ministry told our Office it was working on updating and finalizing draft guidance materials related to the EBR Act, but as of September 2023, the Ministry has not finalized these documents • In 2021, the Ministry told our Office it was working with the Environment Ministry to execute new training sessions, but as of September 2023, the Ministry has held no sessions • No progress for monitoring past compliance
Education	• Did not have a process for monitoring past compliance	• Updated processes and developed new procedures • Updated training materials in January 2023 and provided training to directors • No progress for monitoring past compliance
Labour	• Did not have any formal internal processes, documented policies or procedures • Did not provide any formal training to staff • Did not have a process for monitoring past compliance	• Began drafting guidance and procedures, but as of September 2023, had not finalized or circulated the materials to staff • No progress providing training to ensure staff are aware of the EBR Act and their obligations under it • No progress for monitoring past compliance
Treasury Board Secretariat	• Did not have any formal internal processes, documented policies or procedures • Did not provide any formal training to staff • Did not have a process for monitoring past compliance	• Developed a checklist for determining whether a proposal needs to be posted on the Environmental Registry • Developed training materials about the EBR Act and provided training to relevant staff and senior management in March 2022, and posted its new guidance materials on its intranet site • No progress for monitoring past compliance



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Office of the Auditor General of Ontario

2023 Annual Follow-Up on Value-for-Money Audits







December 2023

Office of the Auditor General of Ontario

To the Honourable Speaker of the Legislative Assembly

In my capacity as the Acting Auditor General, I am pleased to submit to you my Annual Follow-Up on Value-for-Money Audits volume of the *2023 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*.



Nick Stavropoulos, CPA, CA, LPA
Acting Auditor General

December 2023
Toronto, Ontario

Chapter 1

Follow-Up Reports on Value-for-Money Audits

Summary

It is our practice to make specific recommendations in our value-for-money audit reports and ask the ministries, agencies of the Crown and organizations in the broader public sector we have audited to provide a written response to each recommendation, which we include in our final reports. Two years after we publish the recommendations and related responses, we follow up on the status of actions taken. The auditees are responsible for implementing the recommendations made by our Office; our role is to independently express a conclusion on the progress that the audited entity made in implementing the actions contained in each recommendation.

In each of the follow-up reports in this chapter, we provide background on the original value-for-money audits and special reports reported on in our *2021 Annual Report* and assess and report on the implementation status of actions that have been taken to address our recommendations since that time. In this chapter, we also assess and report on the implementation status of recommendations and actions from three value-for-money audits included in our *2020 Annual Report*: Conserving the Natural Environment with Protected Areas; Reducing Greenhouse Gas Emissions from Energy Use in Buildings; and Setting Indicators and Targets, and Monitoring Ontario's Environment.

We conduct our follow-up work and report on the results in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada. Our Office complies with the Canadian Standards on Quality Management. We comply with the independence and other ethical requirements of the Code of Professional Conduct issued by Chartered Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our follow-up work consists primarily of inquiries and discussions with the government, the relevant ministries, agencies of the Crown or broader public sector entities, a review of their status reports, and a review of selected supporting documentation. The procedures performed in this work vary in nature and timing from an assurance engagement that obtains a reasonable level of assurance, such as an audit, and do not extend as far. As this work is not an audit, we cannot provide a high level of assurance that the corrective actions described have been implemented effectively. The actions taken or planned may be more fully examined and reported on in future audits. Status reports will factor into our decisions on whether future audits should be conducted in these same areas.

As noted in **Figure 1**, progress has been made toward implementing 56.7% of our recommended actions (70% in our *2022 Annual Report*), including 34.5% that have been fully implemented (42% in our *2022 Annual Report*).

Figure 1: Overall Status of Implementation of Recommendations from Our *2021 Annual Report* and Three Audits* from Our 2020 Annual Report

Prepared by the Office of the Auditor General of Ontario

			Status of Actions Recommended				
Report Section	# of Recs	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
1.01 The Public Accounts of the Province of Ontario	7	11	4	3	2	2	0
1.02 Assisted Living Services	24	53	13	7	33	0	0
1.03 Cardiac Disease and Stroke Treatment	15	39	9	0	23	7	0
1.04 COVID-19 Economic Response and Supports for Businesses	8	12	7	1	2	1	1
1.05 COVID-19 Personal Protective Equipment Supply	8	16	11	4	0	1	0
1.06 Financial Reporting of School Boards in Ontario	17	26	19	5	2	0	0
1.07 Homelessness	12	30	11	7	12	0	0
1.08 Inspection and Maintenance of the Province's Bridges and Culverts	10	22	11	9	0	1	1
1.09 Ontario Cannabis Retail Corporation	16	63	50	8	2	0	3
1.10 Land-Use Planning in the Greater Golden Horseshoe	12	24	2	0	22	0	0
1.11 Ontario Clean Water Agency	21	47	7	18	17	5	0
1.12 Ontario Motor Vehicle Industry Council	30	70	39	7	22	0	2
1.13 Ontario's Provincial Comptrollership Framework	13	25	12	6	2	5	0
1.14 Ontario Provincial Police	15	34	6	26	2	0	0
1.15 Ontario Securities Commission	26	57	25	20	12	0	0
1.16 Outpatient Surgeries	13	31	9	16	6	0	0
1.17 Private Career Colleges Oversight	22	52	18	8	24	2	0
1.18 Public Colleges Oversight	26	53	19.34	12.41	17	3.25	1
1.19 5G Network Technology and Related Pre-commercial 5G Program	10	23	7	6	3	0	7
1.20 Internet Gaming in Ontario	3	5	0	0	2	2	1
1.21 Hazardous Spills	13	29	2	10	17	0	0
1.22 Non-Hazardous Waste Reduction and Diversion in the Industrial, Commercial and Institutional Sector	17	38	4	5	29	0	0
1.23 Protecting and Recovering Species at Risk	21	52	4	9	17	22	0
1.24 Reporting on Ontario's Environment	14	21	6	2	0	12	1
1.25 Conserving the Natural Environment with Protected Areas*	17	36	5	6	14	11	0
1.26 Reducing Greenhouse Gas Emissions from Energy Use in Buildings*	19	31	10	3	14	4	0
1.27 Setting Indicators and Targets, and Monitoring Ontario's Environment*	15	27	8.98	7.30	7.32	3.33	0
Total	**424**	**927.00**	**319.32**	**205.71**	**303.32**	**81.58**	**17.00**
%	**–**	**100**	**34.5**	**22.2**	**32.7**	**8.8**	**1.8**

* These reports were included in our Office's 2020 Annual Report.

The ministries and agencies of the Crown that have made the most progress toward fully implementing our recommended actions from 2021 include the Ministry of Finance and the Ontario Cannabis Retail Corporation on our audit of the Ontario Cannabis Retail Corporation; the Ministry of Education on our audit of the Financial Reporting of School Boards in Ontario; and the Ministry of Health, Ministry of Public and Business Service Delivery, and the Ministry of Labour, Immigration, Training and Skills Development on our audit of COVID-19 Personal Protective Equipment Supply.

However, little or no progress has been made on 32.7% of our recommended actions (26% in our *2022 Annual Report*). For example, the Ministry of Municipal Affairs and Housing made little or no progress on implementing 22 (or 92%) of recommended actions in our audit of Land-Use Planning in the Greater Golden Horseshoe. The Ministry of the Environment, Conservation and Parks made little or no progress on implementing 29 (or 76%) of recommended actions in our audit of Non-Hazardous Waste Reduction and Diversion in the Industrial, Commercial and Institutional Sector. The Ministry of Health and Ontario Health has also made little or no progress on implementing 33 (or 62%) of recommended actions in our audit of Assisted Living Services. Lastly, the Ministry of the Environment, Conservation and Parks has made little or no progress on implementing 17 (or 59%) of recommended actions in our audit of Hazardous Spills. Notable recommendations with little or no progress include:

- The Ministry of Municipal Affairs and Housing, to establish and publicly communicate a formal application and review process for the use of Minister's Zoning Orders (MZOs) so that MZOs are not used as a way to circumvent the normal planning process in order to speed up development projects.
- The Ministry of Health and Ontario Health, to identify aspects of assisted living buildings that require oversight, and work with other partners, such as public health units, to conduct regular, risk-based inspections.
- Ontario Health, to update its agreements with assisted living agencies to include monthly minimum service hour targets for various care levels and monitor reported service hours against the revised targets.
- The Ministry of the Environment, Conservation and Parks, to expand the application of its environmental penalties to enable it to penalize all spills to hold polluters accountable and encourage preventing spills that have potential impacts on human health and the environment.
- The Ministry of the Environment, Conservation and Parks, to develop a concrete plan for an organic waste landfill phase-out with firm dates for implementation.
- The Ministry of Colleges and Universities, to work with public colleges to develop a formal and comprehensive strategy for international students, including options to diversify revenue streams to reduce the sector's high reliance on these students.

Additionally, 8.8% (or 81.58) of our recommended actions will not be implemented. This is a significant increase from last year (3.1%). We continue to recommend their implementation. A further 1.8% (or 17) of our recommended actions are no longer applicable.

Follow-Up Reports on Special Reports

This year, we assessed the implementation status of recommendations contained in the two remaining chapters of our Special Report on COVID-19 Preparedness and Management, published in 2021. These reports assessed Ontario's management of health-related expenditures during the pandemic and the Province's pandemic response in long-term care settings, and were conducted with the co-operation of the Ministry of Health, the Ministry of Long-Term Care, the Ministry for Seniors and Accessibility, the Ministry of the Solicitor General, the Secretary of the Cabinet, and the Treasury Board Secretariat.

In 2019, we published our *Special Audit of the Tarion Warranty Corporation*. We released the first follow-up audit of this special report in our *2021 Annual Report*.

Figure 2: Overall Status of Implementation of Recommendations from Our Special Reports

Prepared by the Office of the Auditor General of Ontario

Report Section	# of Recs	# of Actions Recommended	Status of Actions Recommended				
			Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
2.01 COVID-19 Preparedness and Management, Chapter 4: Special Report on Management of Health-Related COVID 19 Expenditures	12	18	9.9	0.6	0.5	0	7
2.02 COVID-19 Preparedness and Management, Chapter 5: Special Report on Pandemic Readiness and Response in Long-Term Care	16	55	27	23	2	3	0
2.03 Tarion Warranty Corporation*	10	18	10	3	5	0	0
Total	**38**	**91.0**	**46.9**	**26.6**	**7.5**	**3.0**	**7.0**
%	**–**	**100**	**51.5**	**29.2**	**8.2**	**3.3**	**7.7**

* This special report was issued by our Office in 2019; the number of recommendations and actions in the figure include only those recommended actions that were not documented as fully implemented in our 2021 follow-up report.

Given the significance of the audit to home buyers, this year we conducted a second follow-up audit to assess the implementation status of recommended actions that were not documented as fully implemented in our 2021 follow-up report.

As noted in **Figure 2**, progress has been made toward implementing 80.7% of recommended actions in these special reports, including 51.5% that have been fully implemented. However, little or no progress was made on 8.2% of our recommended actions. Notable recommendations with little or no progress include:

- The Ministry of Health, to establish a suitable time or milestone to reinstate the normal three-month waiting period for new Ontario Health Insurance Plan (OHIP) recipients and for people returning to the province after an extended absence as this wait period was waived temporarily during the pandemic.
- The Ministry of Long-Term Care, to require its inspectors to assess annually whether long-term care homes have reasonable staffing plans in place and are operating in accordance with those plans, as we found that long-term care staffing levels were insufficient to help residents with activities of daily living.
- The Ministry of Long-Term Care, to require its inspectors to annually assess whether long-term care home operators are confirming that personal support workers (PSWs) working in their homes are properly trained on current standards, given that PSWs comprise more than half of long-term care home staff and are responsible for the direct day-to-day care of residents.
- The Tarion Warranty Corporation and the Ministry of Public and Business Service Delivery, to impose restrictions on the exemption for licencing and registration for individuals who build homes for their personal use, as we found that this exemption is abused and does not deter illegal home building and selling in Ontario.

Additionally, 7.7% (or 7) of the recommended action items are no longer applicable and a further 3.3% (or 3) of recommended action items will not be implemented.

Chapter 1
Section
1.01

Treasury Board Secretariat
Ministry of Finance
Ministry of Children, Community and Social Services
Ministry of the Environment, Conservation and Parks
Ministry of Tourism, Culture and Sport

Follow-Up on 2021 Value-for-Money Audit:

The Public Accounts of the Province of Ontario

RECOMMENDATION STATUS OVERVIEW

		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	1	1				
Recommendation 2	1	1				
Recommendation 3	1	1				
Recommendation 4	1				1	
Recommendation 5	3		3			
Recommendation 6	1	1				
Recommendation 7	3			2	1	
Total	**11**	**4**	**3**	**2**	**2**	**0**
%	**100**	**36**	**28**	**18**	**18**	**0**

Overall Conclusion

The Treasury Board Secretariat, Ministry of Finance, Ministry of Children, Community and Social Services, Ministry of the Environment, Conservation and Parks, Ministry of Tourism, Culture and Sport (collectively known as the "Ministries") and the Office of the Provincial Controller Division (a division within the Treasury Board Secretariat), as of October 30, 2023, have fully implemented 36% of the actions we recommended in our *2021 Annual Report*. The Treasury Board Secretariat, Ministries and Office of the Provincial Controller Division have made progress in implementing an additional 28% of the recommendations.

The Treasury Board Secretariat, Ministries and Office of the Provincial Controller Division have fully implemented recommendations such as revising legislation to permit supplies of inventory to be recorded as an asset in accordance with Public Sector Accounting Standards and consolidating the non-Indigenous Children's Aid Societies.

However, the Treasury Board Secretariat, Ministries and Office of the Provincial Controller have made little

or no progress or will not implement 36% of the recommendations, including a long-term debt reduction strategy.

The status of actions taken on each of our recommendations is described in this report.

Background

For the year ended March 31, 2021, we issued an unqualified audit opinion for the fourth year in a row on the consolidated financial statements for the Province of Ontario. This means that the consolidated financial statements were free from material errors and fairly presented the province's financial position and operating results. Specific observations made during our audit included the following.

- In response to the COVID-19 pandemic and the need for personal protective equipment (PPE), the Province established a central procurement process to obtain supplies and distribute them through the Ministry of Government and Consumer Services (now known as the Ministry of Public and Business Service Delivery), the Ministry of Health and the University Health Network. This significantly increased the volume of PPE purchased and held by the ministries in 2020/21. The Province recorded supplies inventory as an expense in its consolidated financial statements for the year ended March 31, 2021, rather than as an asset in accordance with Public Sector Accounting Standards.
- During fiscal 2020/21, the Province had provided $1.39 billion in funding to its 444 municipalities for the purposes of addressing COVID-19 operating costs, and announced an additional $500 million and $150 million in operating and transit funding, respectively, to municipalities through the use of funding letters. These letters contained the minimum terms and conditions needed to facilitate the flow of funding to municipalities. However, formally executed transfer payment agreements are a much stronger control and mitigate risks associated with transfer payments, including legal, accounting, recipient accountability and value-for-money, as they establish rights, responsibilities and accountability requirements between the Province and recipients, and include provisions to confirm that the monies provided will be or have been spent for the intended purposes.
- Over the past several years, we have recommended to the Province that the non-Indigenous Children's Aid Societies be consolidated into the Public Accounts. As a result of its ability to impact the operational and financial decisions of the Children's Aid Societies, the Province controls these entities, requiring that their financial positions and results should be formally consolidated into the Public Accounts.
- Perfluoroalkyl and polyfluoroalkyl substances (PFAS) are a broad group of human-made chemicals that are contaminants of emerging concern, which are used in a variety of consumer products, such as adhesives, coatings and cleaning products, as well as industrial processes. Ontario is currently studying PFAS but there are no environmental standards for PFAS at present. The environmental impacts associated with PFAS could have a significant impact on the valuation of contaminated sites liabilities in the province once an environmental standard is established.
- We noted that processes for updating contaminated sites annually and identifying new sites differed among ministries. We recommended that the Province conduct additional work in this area.
- We perform an audit of Ontario Place Corporation (Corporation) annually. Since November 2019, the Corporation had been without any board members. Without a board, there was no one to authorize and approve the audited financial statements. At that time, Ontario Place had not approved nor issued financial statements for its years ending December 31, 2019, and December 31, 2020, as required under the *Ontario Place*

Corporation Act and the Agencies and Appointments Directive.

- The Province's growing debt burden also remained a concern, as it had been since we first raised the issue in 2011. In 2021, as in the past, we focused on the critical implications of the growing debt for the Province's finances. 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.

We made seven recommendations, consisting of 11 action items, to address our concerns.

Status of Actions Taken on Recommendations

We conducted assurance work between April 2023 and October 2023. We obtained written representation from the Treasury Board Secretariat, Ministry of Finance, Ministry of Children, Community and Social Services, Ministry of the Environment, Conservation and Parks, Ministry of Tourism, Culture and Sport, and Office of the Provincial Controller Division, that effective November 6, 2023, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

COVID-19 Impacts on the Audit of the Consolidated Financial Statements

Recommendation 1

We recommend that the Ministry of Finance and Treasury Board Secretariat revise the Financial Administration Act *to permit supplies of inventory to be recorded as an asset and expensed in the periods used rather than expensed in the period purchased, in accordance with Canadian PSAS.*

Status: Fully implemented.

Details

In our 2021 audit, we found that the Province recorded personal protective equipment supplies as an expense in its 2020/21 consolidated financial statements. We identified accounting risk over the completeness and valuation of these supplies. To address this risk, we held discussions with ministries, performed inventory counts at provincially leased warehouses, evaluated purchase documents and recalculated ministry schedules. In order to implement the recommendation, changes were required to the *Financial Administration Act* to allow for the recognition of non-cash expenses and non-cash investments, including inventory expenses.

In our follow-up, we found that the Ministry of Finance and Treasury Board Secretariat implemented amendments to the *Financial Administration Act* to allow for the recognition of non-cash expenses, and non-cash investments, in accordance with Canadian Public Sector Accounting Standards. These amendments were included as part of the Budget Measures bill that received royal assent on December 9, 2021. Commencing with the Province's 2021/22 consolidated financial statements, inventory is included as an asset.

Safe Restart Agreement – Use of Funding Letters

Recommendation 2

We recommend that the Treasury Board Secretariat work with the ministries to monitor and end the use of funding letters to establish transfer payment programs.

Status: Fully implemented.

Details

We found in our 2021 audit that the Province announced an additional $500 million and $150 million in operating and transit funding, respectively, to municipalities through the use of funding letters in lieu of formal transfer payment agreements. While the funding letters contained the minimum terms and conditions needed to facilitate the flow of funding to municipalities, historically formally executed transfer payment agreements were typically used. Formally executed transfer

payment agreements are much stronger controls and mitigate risks associated with transfer payments, including legal, accounting, recipient accountability and value-for-money.

In our follow-up, we found that the Treasury Board Secretariat established communications with the ministries' Chief Administrative Officers, Assistant Deputy Ministers and other staff through various communication channels, to increase the awareness of the requirements of the Transfer Payment Accountability Directive, including the mandatory use of transfer payment agreements for time-limited and ongoing transfer payments.

Financial Impact of Consolidation of Non-Indigenous Children's Aid Societies

Recommendation 3

To ensure the completeness of accounts reported in the government's financial statements, starting in fiscal year 2022/23, we recommend that the Office of the Provincial Controller Division, in conjunction with the Ministry of Children, Community and Social Services, continue with its plans to consolidate Children's Aid Societies into the Public Accounts.

Status: Fully implemented.

Details

In our 2021 audit (and in prior years), we found that non-Indigenous Children's Aid Societies were controlled by the government, and recommended that their financial information should be consolidated into the Public Accounts. Even though the government cannot appoint the majority of the Children's Aid Societies' directors, control exists due to the government's ability to direct the use of the assets by appointing a supervisor, having the ability to dissolve the Societies, approving annual funding, issuing directives and appointing some board members.

In our follow-up, we found that the Ministry of Children, Community and Social Services consolidated the non-Indigenous Children's Aid Societies into the Public Accounts as at March 31, 2023.

Contaminants of Emerging Significance

Recommendation 4

We recommend that the Ministry of the Environment, Conservation and Parks, using the existing federal guidelines on perfluoroalkyl and polyfluoroalkyl substances (PFAS) as a guide, perform a risk assessment of the effects of PFAS and develop a regulation or environmental standard outlining the maximum levels of PFAS in the environment in Ontario.

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

Details

Perfluoroalkyl and polyfluoroalkyl substances (PFAS) are a broad group of human-made chemicals that are contaminants of emerging concern. PFAS have been used in a wide variety of consumer products, such as adhesives, coatings and cleaning products, as well as industrial processes. There is also growing evidence of the toxicity of PFAS at low concentrations. Responsibility for the protection of the environment is divided between the federal and provincial governments in Canada. The federal government has developed guidelines for some PFAS in soil, sediment, groundwater, drinking water and surface water, however Ontario has not yet developed any provincial standards. Based on a review of a subset of the Province's contaminated site liabilities, an environmental consultant our Office engaged noted there is potential for PFAS contamination in a number of sites examined. The environmental impacts associated with PFAS could have a significant impact on the valuation of contaminated sites liabilities in the Province once an environmental standard is established.

In our follow-up, we found that the Ministry of the Environment, Conservation and Parks has decided to defer decisions on its current interim advice for drinking water in Ontario until after a Health Canada consultation on a proposed drinking water objective for PFAS is completed and the objective is finalized. The consultation period for public commentary closed

on April 12, 2023. The Ministry stated it continues to follow new science and select appropriate reference values to evaluate PFAS toxicity for risk assessments. The Ministry will work with the federal government and other provinces and territories through the Canadian Council of Ministers of the Environment on environmental guidelines for perfluorooctane sulfonate (PFOS) and perfluorooctanoic acid (PFOA), which are two common types of PFAS, for surface water, soil and groundwater and through the Committee on Drinking Water on new guidelines for PFAS as a group.

The Office of the Auditor General of Ontario continues to believe this is a significant recommendation and continues to recommend establishing an environmental standard or regulation, as it is the first requirement for identifying and recognizing a contaminated site liability. By establishing a standard, the ministries could test whether the PFAS levels exceed the standard and where they do, determine the expected costs to remediate those sites.

Ongoing Reviews of Contaminated Sites Liabilities

Recommendation 5

We recommend that the Treasury Board Secretariat work with the ministries to:

- *develop an assessment and valuation policy and procedures to require ministries to perform uniform procedures for reassessing contaminated site liabilities on an annual basis in line with the requirements of the Canadian Public Sector Accounting Standards;*

  Status: In the process of being implemented by March 31, 2025.

Details

In our 2021 audit, we noted inconsistencies across ministries in their processes to annually update contaminated sites liabilities and to identify new sites. Each ministry has their own mechanisms in place to annually update contaminated sites liabilities as well as identify new sites.

In our follow-up, we found that the Assistant Deputy Minister Steering Committee on Contaminated Sites developed a contaminated sites checklist that will require ministries to answer a series of questions about changes to their contaminated sites liabilities (for example, changes to laws, identification of new contaminants on existing sites and changes in cost estimates). If a ministry answers yes to one or more of the questions, then it may be required to recalculate its estimate for its contaminated sites. The checklist is expected to be broadly utilized as part of the March 31, 2025, Public Accounts.

- *develop a policy requiring reviews to be performed at least every three to five years on the extent of contamination and the re-estimation of costs for contaminated sites remediation;*

  Status: In the process of being implemented by March 31, 2025.

Details

In our 2021 audit, we found that contaminated site liability estimates were not being updated regularly by the ministries. Through our testing, we found several sites that had cost estimates older than five years. Several sites had liability estimates based on historical site condition data over 10 years old. For some of the sites we audited, we noted that the liability estimates were based on projected costs of remediation from 2014 that had not been updated to reflect increased costs of remediation.

In our follow-up, we found that the Office of the Provincial Controller Division is working with ministries to review and update the Liabilities for Contaminated Sites Guidelines (previously called the Environmental Contamination Financial Management Policy and Guidelines), which will be implemented for the March 31, 2025, Public Accounts.

- *update the contaminated site liability annually to reflect new information.*

  Status: In the process of being implemented by March 31, 2025.

Details

In our 2021 audit, we found that ministries were not updating their cost estimates annually as required by the Canadian Public Sector Accounting Standards. At a minimum, ministries should be updating their cost estimates for the cost of inflation from the point where their estimates were last updated to reflect the impact that recent inflation has had on the estimates.

In our follow-up, we found that, starting with the 2024/25 Public Accounts, impacted ministries will be required to implement the updated policy, which states that the carrying value of contaminated site liabilities must be reassessed at least annually.

Ontario Place Board Governance

Recommendation 6

We recommend that the Ministry of Heritage, Sport, Tourism and Culture Industries work with the Ontario Place Corporation and the Public Appointments Secretariat to either expedite the appointment of a Board for the Corporation or delegate approval of the audited financial statements to the Deputy Minister of Heritage, Sport, Tourism and Culture Industries.

Status: Fully implemented.

Details

Since November 2019, the Ontario Place Corporation had been without any board members. Without a board, there was no one to authorize and approve the audited financial statements. Ontario Place had not approved nor issued financial statements for its years ending December 31, 2019, and December 31, 2020, as required under the *Ontario Place Corporation Act* and the Agencies and Appointments Directive. In lieu of having a board, the responsibility for governance and oversight fell to the Ministry of Heritage, Sport, Tourism and Culture Industries (which was renamed the Ministry of Tourism, Culture and Sport in June 2022). During 2022/23, this responsibility was transferred to the Ministry of Infrastructure.

In our follow-up, we found that a Board Chair was appointed for the Ontario Place Corporation effective March 4, 2022. Subsequently, the December 31, 2019, and December 31, 2020, audited financial statements were approved, although not yet publicly released.

Debt Burden Reduction Strategy

Recommendation 7

We recommend that the Ministry of Finance:

- *formally document, publicly communicate, and implement a long-term debt reduction strategy;*

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

Details

The debt burden reduction strategy is required by the *Fiscal Sustainability, Transparency and Accountability Act, 2019* to include a progress report on supporting actions and the implementation of the debt burden reduction strategy included in the last budget. In our 2021 report, we highlighted that the provincial debt amount increases on an annual basis, and that the debt burden reduction strategy does not address plans to reduce the debt balance.

In our follow-up, we found that the Province does not intend to formally document, publicly communicate and implement a long-term debt reduction strategy. The Province plans to continue to report on its debt burden reduction strategy as required by the *Fiscal Sustainability, Transparency and Accountability Act, 2019*. Unlike a debt reduction strategy, a debt burden reduction strategy does not focus on the reduction of the Province's debt balances but instead aims to reduce the Province's net-debt-to-GDP ratio.

- *explain how the net-debt-to-GDP target is determined;*

  Status: Little or no progress.

Details

In our 2021 report, we found that the Province had indicated that its net-debt-to-GDP ratio should not exceed 50.5% over the medium-term outlook, as disclosed in the 2021 Ontario Budget. However, the Province did not outline specific details on how it

determined its target percentage, such as by setting an evidence-based debt sustainability target.

In our follow-up, we found that the Province has included explanations in both the 2022 and 2023 Ontario Budgets of the change in estimated ratios in the medium-term outlook compared to the prior budget as required by the *Fiscal Sustainability, Transparency and Accountability Act, 2019*. However, the 2022 and 2023 Ontario Budgets did not clearly explain how the net-debt-to-GDP target of 42.0% and 40.0%, respectively, were determined to be a target.

- *outline specific details how the Province's debt burden will be managed to achieve its objective.*

  Status: Little or no progress.

Details

In our 2021 report, we found that the Province's described objective of the debt burden reduction strategy 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, as disclosed in the 2021 Ontario Budget. However, the Province did not outline specific details on how it planned to achieve its objective (for example, by prioritizing investments, making trade-offs or delaying other investments).

In our follow-up, we found that, while the net-debt-to-GDP ratio target was reduced in the 2022 Ontario Budget and 2023 Ontario Budget to 42.0% and 40.0%, respectively, the Province had not clearly described what the Province did to achieve these reductions. In the 2023 Ontario Budget, the Province explained that the forecasted net-debt-to-GDP is lower than the previous budget because of lower than previously projected deficits and higher nominal GDP growth but did not provide any details of steps taken by the Province to achieve either lower deficits or higher GDP growth.

Chapter 1
Section
1.02

Ministry of Health and Ontario Health

Follow-Up on 2021 Value-for-Money Audit:

Assisted Living Services

RECOMMENDATION STATUS OVERVIEW						
		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	1	1				
Recommendation 2	2	2				
Recommendation 3	1			1		
Recommendation 4	4			4		
Recommendation 5	2	1	1			
Recommendation 6	1	1				
Recommendation 7	4			4		
Recommendation 8	2			2		
Recommendation 9	2			2		
Recommendation 10	2			2		
Recommendation 11	3			3		
Recommendation 12	1		1			
Recommendation 13	4	1		3		
Recommendation 14	2	1	1			
Recommendation 15	3			3		
Recommendation 16	4	1		3		
Recommendation 17	1			1		
Recommendation 18	2			2		
Recommendation 19	1			1		
Recommendation 20	1	1				
Recommendation 21	3		3			
Recommendation 22	1	1				
Recommendation 23	4	2	1	1		
Recommendation 24	2	1		1		
Total	**53**	**13**	**7**	**33**	**0**	**0**
%	**100**	**25**	**13**	**62**	**0**	**0**

Overall Conclusion

The Ministry of Health (Ministry), Home and Community Care Support Services, and Ontario Health, as of November 7, 2023, have made little or no progress on 62% of the actions we recommended, fully implemented only 25% the of actions, and were in the process of implementing 13% of the actions we recommended in our *2021 Annual Report*.

The Ministry and Ontario Health advised us that for a significant part of 2022 they were directing their efforts toward managing the effects of the COVID-19 pandemic, including co-ordinating vaccinations, managing infection prevention and control in settings where assisted living services are provided, and ensuring client care needs were met. The Ministry also noted that, given the health system changes in the home and community care sector that are under way, it needs to consider the implementation of the recommendations that address the roles and responsibilities of system partners and infrastructure to ensure effective and sustainable change. These factors have contributed to their having limited opportunities to promptly address the recommendations contained in the *2021 Annual Report*.

Home and Community Care Support Services has fully implemented the recommendation on publishing information online that shows where assisted living services are offered and including links to the assisted living agency websites.

The Ministry has fully implemented recommendations such as updating the assisted living services policies to clarify that assisted living clients of all population groups can access professional services and outlining the pathway to do so, and clarifying whether assisted living services should be expanded into the community beyond designated assisted living buildings.

Ontario Health has fully implemented the recommendation on updating an inventory of assisted living buildings, including the characteristics of services provided to clients in those buildings.

The Ministry was in the process of implementing recommendations such as identifying any duplication of services offered to assisted living clients with similar needs and developing a plan to merge or streamline the offering of similar in-home services, and monitoring whether agencies charge for other provincially funded services and taking corrective actions where non-compliances are noted.

Ontario Health was in the process of implementing a recommendation to instruct assisted living agencies and monitor that they maintain ongoing communications with other health service providers.

The Ministry has made little or no progress on recommendations, including transferring the responsibility of performing initial eligibility assessments from assisted living agencies to Home and Community Care Support Services and monitoring that assisted living agencies do not admit seniors according to criteria outlined in the 1994 program policy.

Ontario Health has made little or no progress on recommendations, including tracking people waiting in hospitals for assisted living separately from supervised living and periodically analyzing agency funding on a per-client or per-hour basis and investigating anomalies.

The status of actions taken on each of our recommendations is described in this report.

Background

Assisted living services are publicly funded healthcare services that consist of home-based help, and include personal support services such as feeding and toileting; homemaking services such as meal preparation and laundry; and calls or visits to check on the client's health and safety. A prominent feature of this program that differentiates it from other community-based health services is the potential for clients to receive 24/7 unscheduled service visits.
In 2022–23, the Ministry of Health (Ministry) provided $421 million ($389 million in 2020–21) to 185 (182 in 2020–21) not-for-profit organizations to deliver assisted living services.

Until April 1, 2021, the Ministry provided funding for assisted living services through Local Health Integration Networks (health regions). Following this,

the health regions evolved into other entities that continued to operate under a new name, Home and Community Care Support Services (HCCSS), with a narrowed mandate to deliver and arrange patient services, including liaising with clients to determine their eligibility. Ontario Health became the Crown agency responsible for managing service accountability agreements and overseeing the delivery of services by assisted living agencies. A new health care delivery model, Ontario Health Teams, was introduced in February 2019, which, at maturity, are to provide a full and co-ordinated continuum of care, including assisted living services, within a defined area.

Our audit found that the health regions (prior to April 1, 2021) and Ontario Health (after April 1, 2021) had little information to confirm that clients' care needs were being sufficiently met. For example, Ontario Health did not require agencies to report staff-to-client ratios, the rates that assisted living agencies accepted client referrals or the frequency of missed visits by caregivers. As well, neither the health regions nor Ontario Health knew whether clients were subject to neglect or abuse by assisted living personnel. Health regions did not involve themselves in ensuring complaints about services were resolved satisfactorily. Half of the complaints we reviewed concerned the sufficiency and quality of services.

We determined that the assisted living program had the potential to offer a cost-effective means for vulnerable adults to remain in their own homes instead of being hospitalized. However, the Ministry did not effectively leverage assisted living services to improve the overall performance of the health-care system, improve quality of care or reduce costs of care. For example, we found that the assisted living program and the home care program offered similar services to similar client groups; the Ministry had never assessed whether there was value in combining these programs. More generally, the delivery structure for assisted living did not effectively integrate those care services with other kinds of care such as long-term care and home care. This meant clients may not have received the level of care they needed at the time they needed it. This was a key issue because it typically costs less to provide residential assisted living than long-term care.

Some of our significant findings were:

- Familiarity with assisted living services was low among the public and program stakeholders. The government had taken little action to inform the public about the assisted living program. Stakeholders told us they were unfamiliar with the programs offered and confused about where they were offered, what they consisted of and who was eligible for them.
- The dual approach to assessing eligibility of clients was confusing and open to potential agency bias. Depending on where they lived, people who needed assisted living were assessed by either an HCCSS care co-ordinator or an assisted living agency. The Ministry had never evaluated whether this dual approach was effective and objective.
- The Ministry and Ontario Health had not used available data to appropriately plan for assisted living services. The Ministry had not analyzed demographics and other available information, such as wait lists, to help inform current and future investments in assisted living in relation to other health programs. Indeed, the province had no central wait list for assisted living services and the reporting of wait-list information was incomplete or not transparent.
- Other related government programs that would have been relevant for many assisted living clients existed, but access to them was not co-ordinated. Assisted living services were among a suite of services that helped support independent living for seniors and for adults with physical disabilities, acquired brain injury or HIV/AIDS. We found that the Ministry had not worked with other ministries to determine whether assisted living services were equitably available to all Ontarians according to their needs and did not duplicate services they were already receiving. The potentially significant benefits of centralizing care co-ordination with HCCSS had not been explored.

- The Ministry had not assessed whether assisted living services were meeting the needs of vulnerable adults. The Ministry introduced its policy for non-senior groups—including adults with physical disabilities, acquired brain injuries or HIV/AIDs—in 1994, and 27 years later had not assessed whether the policy still met the needs of these population groups. For example, the Ministry had not evaluated whether people with HIV/AIDS should continue to qualify for assisted living services given medical advances in the past decades, or clarified whether assisted living services could be provided to non-senior adults in their homes instead of designated buildings.
- Ministry data on the number of clients receiving services had not been corroborated by health regions or Ontario Health. Our audit identified variances, including 18% of total clients served in 2020–21, between what assisted living agencies reported to the Ministry and other information-gathering exercises that were conducted as part of our audit. These discrepancies highlighted the need for greater oversight of assisted living agencies.
- Vulnerable clients had few means of advancing complaints, with minimal protection of rights. Assisted living agencies were responsible for addressing complaints about their own services, and little third-party oversight was provided to verify that the complaint resolution process was fair. One stakeholder group told us that assisted living clients may be reluctant to complain directly to their attendant or agency out of fear of reprisal, given that they relied on attendants to support them in daily living.
- In many cases, agencies operated as both landlord and care provider to clients, despite the risk of abuse inherent in that arrangement. Since 1994, it has been the Ministry's policy that service delivery should not include housing management. Yet we found that there were no additional procedures to guard against the risks that these arrangements presented for clients—for example, charging clients for personal support services, one of the main assisted living services, which is not permitted by the *Home Care and Community Services Act, 1994*. There were more than 140 such buildings, and neither the Ministry nor Ontario Health had information about their location.

We made 24 recommendations, consisting of 53 action items, to address our audit findings. We received commitment from the Ministry of Health and Ontario Health that they would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between April 2023 and September 2023. We obtained written representation from the Ministry of Health (Ministry), Home and Community Care Support Services (HCCSS), and Ontario Health that effective November 7, 2023, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Centralized and Accessible Care

Recommendation 1

To make the availability of assisted living services more transparent to the public and other public sector partners, we recommend that the Ministry of Health publish a basic program description of assisted living services on its website, including who is eligible for this service, and provide links to direct the public to Home and Community Care Support Services organization websites.

Status: Fully implemented.

Details

In our 2021 audit, we found that both Ontario Health's website and the HCCSS website did not specify the locations or areas where assisted living services were

delivered. As well, the Ministry's website did not have a basic program description or link to HCCSS's website. Most of the stakeholder groups we spoke to were not familiar with the programs offered and were confused about what the program consists of and who is eligible to receive the program.

In our follow-up, we found that the Ministry has included information on its website regarding what population groups are eligible for assisted living services and what services are provided under the program, as well as a link to the HCCSS website.

Recommendation 2

To build on the progress made during our audit and to further improve the public's and other public sector partners' understanding of the assisted living services program, we recommend that Home and Community Care Support Services organizations:

- *maintain and update their listings of where assisted living services are provided;*
- *publish information on their websites that shows where assisted living services are offered, and include links to the assisted living agency websites.*

Status: Fully implemented.

Details

In our 2021 audit, we noted that the Ministry, many of the health regions, and Ontario Health did not track the locations where assisted living services were provided. Also, we found that Ontario Health and HCCSS websites did not specify the locations of where assisted living services were delivered or include links to assisted living agency sites.

In our follow-up, we found that HCCSS had maintained and updated their listings of where assisted living services are provided, and included links of assisted living programs on its website, broken down by health regions. The public can follow these links to connect with a list of regional assisted living agencies, with addresses, websites and other contact information also provided.

Recommendation 3

To improve objectivity and consistency in assessing client eligibility for assisted living services according to Ministry policy, we recommend that the Ministry of Health transfer the responsibility of performing initial eligibility assessments from assisted living agencies to Home and Community Care Support Services organizations only or merge home care and assisted living services to help provide more integrated care.

Status: Little or no progress.

Details

In our 2021 audit, we found that the process of assessing people who needed assisted living services was confusing, depending on where they lived. For 46% of the assisted living programs, initial eligibility for assisted living services was determined by HCCSS care co-ordinators. For the remaining 54% of the assisted living programs, the assisted living agencies were responsible for assessing eligibility with little or no HCCSS involvement. The dual approach to assessing clients stemmed from historic approaches taken by various Community Care Access Centres (CCACs) (since dissolved) in assessing client eligibility for services. The Ministry did not merge home care and assisted living services when it gave the then CCACs the option of taking on the role of assessing client eligibility in 2009 because, in its view, the programs had different staffing models, which warranted allowing assisted living agencies to perform eligibility assessments.

In our follow-up, we found that in 2022 the Ministry established an Assisted Living Services Working Group (Group), consisting of members representing the Ministry, Ontario Health and HCCSS, with representation from all six Ontario Health regions. The mandate of this working group was to update the Ministry's 1994 and 2011 policies on assisted living services to align with changes to the health-care system; improve patient equity and accessibility and clarify the scope of practice for assisted living services; use appropriate data to inform program evaluation and improvement; and respond to our 2021 audit recommendations. The Ministry informed us that it expects the Group to continue to meet for the next

three years in order to meet its mandate. Accordingly, the Ministry released a revised policy to assisted living agencies in July 2023, which was effective on the date it was distributed; however, this policy remained unchanged regarding the responsibility for performing initial eligibility assessments. The Ministry informed us that, in consideration of the significant impact of home and community care modernization and Ontario Health Team development work, future updates to assisted living services will be considered with implementation of this broader sector work. The Ministry informed us that following the transitional phase of HCCSS, it will examine opportunities to revise the assessment process for assisted living services clients.

Recommendation 4

To improve the sharing of client assessment information between Home and Community Care Support Services organizations and assisted living agencies, we recommend that the Ministry of Health, in conjunction with Ontario Health:

- *require all assisted living agencies to upload client assessment information into a central repository that includes the entire continuum of care including long-term care services clients receive;*
- *require all Home and Community Care Support Services organizations to enter assessment results into this central repository;*
- *monitor that the central repository contains all clients' assessment information and follow up as needed; and*
- *in the interim, prior to the creation of a central repository, build an interface between all repositories of assessment information, including those used by both assisted living agencies and home care agencies.*

Status: Little or no progress.

Details

In our 2021 audit, we found that assisted living client assessment information was stored in multiple information systems that did not interface with one another—primarily either in the Client Health and Related Information System or in health service agencies, including assisted living agencies, in a central database called the Integrated Assessment Record (IAR). We noted that only 11 of the 14 health regions used the Client Health and Related Information System for assisted living services eligibility. Furthermore, less than half of assisted living agencies entered their client's assessment results into the IAR database. The Ministry had administered the IAR since its inception in 2009 but transferred it to Ontario Health in September 2021. The lack of centrally stored and complete assessment information prevented HCCSS and assisted living agencies from easily sharing information, which impacted the ability to provide appropriate services to the clients.

In our follow-up, we found that the Ministry's new assisted living services policy, which was finalized in July 2023, stated that assisted living agencies shall use the most appropriate assessment instrument according to the situation/setting, assessor and clients/family. With the consent of the proposed client, this assessment will then be uploaded to the IAR and shared with the other health service providers within the client's circle of care. However, since the new policy had only just been released to the agencies in July 2023, no action had yet been taken to centralize assessments at the time of our follow-up. Moreover, the Ministry informed us that it did not have access to long-term care assessments, but was exploring this area for potential future inclusion.

The Ministry also informed us that while it was examining the possibility of using the IAR as a central repository, no interface had been created and it was in the process of determining the future role of HCCSS. The Ministry indicated HCCSS could potentially be involved in entering assessment results into a central repository in the future.

Recommendation 5

To better serve clients receiving both assisted living services and other health care services, we recommend that Ontario Health:

- *amend service agreements to clarify that assisted living agencies and other service agencies can exchange information, such as the timing and the type of services provided to clients and the condition of a client, when it is necessary to help maintain continuity of care;*

  Status: Fully implemented.

Details

In our 2021 audit, we noted that some assisted living agencies were under the impression that they could not freely exchange client health information with home care agencies as their service agreements with the health regions prohibited them from sharing personal health information with other parties. This confusion could lead to inefficient care; for example, staff from both agencies might arrive at a client's home at the same time, and home care nurses might not share insights on a client's condition that could help assisted living agency staff provide better care to the client.

Similar to what was noted in **Recommendation 4** regarding the sharing of assessments, in our follow-up, we found that the new 2023 assisted living services policy stated that with a client's consent, a service provider has the authority to share a client's personal health information for the purposes of providing care. Because the service agreements require that assisted living agencies follow the assisted living policy, the policy update has the effect of enabling agencies to share this information.

- *instruct assisted living agencies and monitor that they maintain ongoing communication with other health service providers, including primary care providers.*

  Status: In the process of being implemented by March 2025.

Details

In our 2021 audit, we found that while the 2011 assisted living policy noted that agencies were responsible for ensuring that total care provided to clients was adequate for their needs—including regular and ongoing communication with other agencies and primary care providers—according to our survey of health regions, only 37% of agencies helped clients arrange medical appointments.

In our follow-up, we found that the Ministry had distributed the new policy to assisted living agencies in July 2023, which indicated their responsibilities regarding ensuring appropriate care was obtained for clients. Ontario Health issued a memorandum to all assisted living agencies in September 2023 to emphasize that the new policy must be adhered to, which is also set out in their service accountability agreements. Ontario Health also informed us that, while it does not have access to client personal health information and so cannot directly monitor internal communications between assisted living agencies and other service providers, it will work with agencies to identify barriers and solutions to communicating with health system partners, including those in primary care. Ontario Health also indicated it will create a performance measurement framework for assisted living agencies that will include enabling communication between assisted living agencies and health service providers. Ontario Health expects to complete these actions by March 2025.

Recommendation 6

To better align the provision of assisted living with other health care services that a client may require, we recommend that the Ministry of Health update the assisted living services policies to clarify that assisted living clients of all population groups can access professional services and outline the pathway to do so.

Status: Fully implemented.

Details

In our 2021 audit, we noted that the Ministry did not clarify in its policies how assisted living services and home care services were to be aligned. As well, the Ministry's 1994 policy described the program for clients with physical disabilities, acquired brain injury or HIV/AIDS, but was not clear on how to co-ordinate assisted living services with these services. Furthermore, the Ministry's 2011 policy stated that "linkages will be co-ordinated for the client," but our work with the seven assisted living agencies we engaged with indicated that these arrangements were not effectively co-ordinated as suggested in the policy. Our audit also found that while agencies are responsible for ensuring total care provided to clients is adequate for their needs, only 37% of the assisted living agencies helped clients arrange medical appointments.

In our follow-up, we found that in December 2021, the Ministry sent a memorandum to all assisted living agencies reminding them of the in-scope services that apply to all providers, and specifically referenced care co-ordination of all elements of client care. The memorandum noted that this included community primary health-care professionals (such as general practitioners, family health teams, geriatric and psychogeriatric practitioners). A similar direction was included in the revised assisted living services policy, which became effective in July 2023, stating that an assisted living agency is expected to work with HCCSS and/or relevant health service providers funded to provide professional services to support continuity of care and progress toward the client's evolving care goals.

Recommendation 7

To help eligible individuals obtain more timely and equitable access to assisted living services and to help plan health services in Ontario, we recommend that Ontario Health, in conjunction with Home and Community Care Support Services:

- *collect and review wait lists to confirm their completeness, including whether the person is waiting for a spot in an assisted living building versus the community, as well as the priority of the client as indicated by their needs and length of time on the wait list;*
- *track people waiting in hospitals for assisted living separately from supervised living;*
- *publish wait time and wait lists by region; and*
- *work toward developing a central wait list for the whole province.*

Status: Little or no progress.

Details

In our 2021 audit, we found that only 11 of the 14 health regions had full wait-list information while others had allocated this responsibility partially or fully to assisted living agencies. We also found that the wait lists did not distinguish between people waiting for a service spot in an assisted living building or in the broader community. While Ontario Health tracked how long people designated as alternate level of care waited in hospitals before being discharged, it combined assisted living with supervised living, which primarily consisted of group homes. Additionally, while the Ministry expected health regions and agencies to track the priority of the client, agencies did not report this information to the Ministry. We further noted that wait times and unmet demand for assisted living services were not tracked provincially; wait times were not publicly available either on the health region websites or the Ministry's website.

In our follow-up, Ontario Health informed us that, since April 2021, it has been responsible for managing service accountability agreements and overseeing the delivery of services by assisted living agencies, but it does not have the legislative authority to collect and review the patient-level data that would be needed to confirm the completeness of wait lists. Rather, HCCSS and the assisted living agencies have this responsibility and also have access to wait list and related personal health information. Ontario Health informed us that it will meet with the Ministry, HCCSS and service providers to determine future roles and responsibilities, including the review and management of wait

lists, including potentially publishing wait lists by region. Ontario Health also indicated that, with subsequent revisions to the assisted living policy, Ontario Health will support the exploration and development of a centralized database for wait-time and wait-list information.

Ontario Health also informed us that it does not have a means to separately track hospital patients waiting for assisted living separately from supervised living. Ontario Health indicated that this work has been included as part of future data transformation planning and will require technological and process changes and funding to support the separate collection and tracking of these patient data elements.

Equitable Service Provision

Recommendation 8

To improve the consistency and sufficiency of services that assisted living agencies provide to clients, we recommend that the Ministry of Health, in conjunction with Ontario Health:

- *collect and validate information on the number of service hours clients receive in the assisted living services program and in the home care program as well as the corresponding assessment scores, and compare them and re-assess whether the service maximum hours for both programs are still reasonable;*

  Status: Little or no progress.

Details

In our 2021 audit, we noted that neither the Ministry nor the health regions had assessed or compared the amount of service home care and assisted living services clients actually received. Moreover, we found that the health regions did not regularly review the information that was available to them for accuracy. Our survey of all 14 health regions noted that only one region had observed the Ministry's policy intention that assisted living clients had higher needs than home care clients; two health regions indicated the opposite; and the other health regions could not say for certain.

We also noted that three of the seven assisted living agencies we visited during the audit did not track the number of hours of home care their clients received, even though the 2011 policy required them to track this to ensure service maximums were not exceeded.

In our follow-up, we found that the newly approved assisted living services policy made it mandatory to report hours of care where it was only optional under prior assisted living policies. The Ministry indicated that it will work with Ontario Health to implement this recommendation. Ontario Health noted that the 2011 and 1994 assisted living services policies that were in effect at the time of our audit did not make it mandatory to report hours of care. The Ministry informed us that now that reporting hours of care is mandatory, this recommendation (involving collecting and validating service hours), can be implemented in about a year. Ontario Health informed us that with the release of the revised policy, Ontario Health will commence the process of amending service agreements that will require compliance with applicable policies, including the new assisted living policy.

- *develop monthly minimum service hour targets for various care levels—for example, based on assessment scores—and update its policies accordingly.*

  Status: Little or no progress.

Details

In our 2021 audit, we noted that assisted living clients were not necessarily receiving adequate service hours, health regions did not have common provincial service prioritization guidelines and each region had its own criteria to prioritize which patients would receive home-based assistance. Additionally, we found that the Ministry still had not implemented a recommendation made in June 2017 from an expert panel regarding developing a framework for various care levels.

Further to the above recommendation, the Ministry and Ontario Health indicated that upon obtaining complete service hour data, they will examine the development of monthly minimum service hour targets. Ontario Health informed us that a sub-group

of the Assisted Living Services Working Group that focuses on assisted living services data (data sub-group) will examine available data to determine the preferred manner for collecting and reporting client needs and service hours data.

Recommendation 9

To improve the consistency and sufficiency of services that assisted living agencies provide to clients, we recommend that Ontario Health:

- *update its agreements with assisted living agencies to include monthly minimum service hour targets for various care levels; and*
- *monitor reported service hours against the revised Ministry standards.*

Status: Little or no progress.

Details

In our 2021 audit, we noted that only one health region specified the number of hours agencies should provide to clients in their accountability agreements with agencies. We also noted that the health regions did not regularly review service hour information submitted by assisted living agencies for accuracy and had not analyzed the data to identify variances of service hours across the 14 health regions. We further found that three of the seven assisted living agencies we engaged with during the audit did not track the number of hours of care they provided to clients.

In our follow-up, Ontario Health informed us that now that assisted living agencies will be required to report service hours, that after collecting service hour data, it will develop targets and will include these in the service agreements with agencies.

Recommendation 10

To provide equitable access to assisted living services for those who most need it to live independently, we recommend that Ontario Health, in conjunction with the Ministry of Health:

- *collect data on client needs and service hours, monitor cases where ineligible clients are admitted to assisted living services and clients who receive services above or below the intended level as established in* ***Recommendation 8****, and require agencies to provide services only to eligible clients, refer ineligible clients to other services and adjust the nature and amount of services provided as needed;*
- *at least annually, collect and analyze data on the assessment scores of assisted living and home care clients to confirm they are commensurate with their health profiles.*

Status: Little or no progress.

Details

In our 2021 audit, we found that the health regions had not assessed whether the assessment scores were matched with appropriate levels of service—that is, whether those who had similar needs were receiving the same type of service and at a similar level of service regardless of where they lived in Ontario. Due to system limitations of the Integrated Assessment Record, we could not determine whether agencies were appropriately admitting clients into assisted living based on their assessment scores, whether agencies were denying services to some individuals or whether home care clients had more capability compared to assisted living clients as per the Ministry's policy intentions.

In our follow-up, Ontario Health informed us that it does not currently have the legislative authority to obtain assessment scores for assisted living and home care clients and so had not made progress on this recommendation. Ontario Health informed us it will continue working with the Ministry through the data sub-group of the Assisted Living Services Working Group to examine the data elements being collected and identify those that need to be collected for assisted living services. Ontario Health also stated that it will work with the Ministry and HCCSS to determine future roles and responsibilities, and possible revisions to the assisted living services policy, for example, to have HCCSS take on the role of collecting and analyzing this data.

Recommendation 11

To provide more equitable services to all Ontarians who can benefit from assisted living services according to their need, we recommend that the Ministry of Health, in conjunction with Ontario Health:

- *monitor that assisted living agencies do not hereafter admit seniors according to criteria outlined in the 1994 policy;*

  Status: Little or no progress.

Details

In our 2021 audit, we noted that seniors who were already being provided services under the 1994 policy, which applied to target populations of adults with physical disabilities, an acquired brain injury or HIV/AIDS, and also frail or cognitively impaired seniors, were allowed to continue receiving services even if they had fewer needs than those set out in the 2011 policy. However, assisted living agencies reported that 72% of seniors they served were still receiving assisted living services according to the 1994 policy. The Ministry had not yet investigated the extent to which agencies had continued to admit clients based on the less prescriptive 1994 policy eligibility requirements.

In our follow-up, we found that the Ministry was considering electronic controls to disallow new clients to be admitted under the 1994 assisted living policy. The Ministry informed us that the Assisted Living Services Working Group would examine the feasibility of using an information-sharing portal to monitor whether clients were being admitted according to the 1994 policy. Ontario Health issued a memorandum to all assisted living agencies in September 2023, emphasizing that the service agreement requires agencies to adhere to applicable policies, which include the new policy. Ontario Health also noted that agency boards are required to sign a general statement that they have complied with all relevant policies.

- *evaluate whether the eligibility criteria for adults with physical disabilities, an acquired brain injury or HIV/AIDS should be updated to include evidence-based criteria such as capabilities to live independently, similar to the approach resulting in the updated 2011 policy for seniors;*

  Status: Little or no progress.

Details

In our 2021 audit, we noted that the 1994 policy merely mentioned that the client was required to be 16 years old and that their needs could not be met through scheduled visits. The policy did not mention any capability values showcased in the capability assessment scores. Consequently, some individuals receiving services might have been more capable than those on the wait list for assisted living services who might benefit from the services more.

In our follow-up, the Ministry informed us that it first needs to obtain better data on adults with physical disabilities, an acquired brain injury or HIV/AIDS in order to know how to better understand the unique needs of these populations.

- *review and revise exclusion criteria (such as those that do not allow services to be provided to people who reside in retirement homes and those on long-term care wait lists) and local exclusion criteria (such as those restricting eligibility to only those who reside within certain areas of the province) that have been used, considering the impact of these criteria on the broader health care system.*

  Status: Little or no progress.

Details

In our 2021 audit, we noted that the Ministry's 2011 policy prohibited particular Ontario residents, such as those who resided in retirement homes and those who were on a long-term care wait list, from being eligible for assisted living services. Additionally, the policy indicated that only those living within particular areas of the province might be considered eligible for assisted living services. However, the Ministry had not examined whether these exclusions made economical sense within the context of the whole health system, and whether they were consistent with the principle

of providing equitable services to people who needed these critical services.

In our follow-up, we found that the Ministry's revised assisted living services policy, which became effective in July 2023, allows those on a long-term care wait list to be eligible for services. This change in policy is based on feedback from the Assisted Living Services Working Group, whose view was that it would be beneficial to provide services to this group to allow them to remain safely in their homes while awaiting placement in a long-term care home. However, the exclusion related to those residing in a retirement home remained; the Ministry indicated it was exploring the implications of making such a change. The exclusion regarding those living in certain areas of the province also remained; the Ministry indicated that it was Ontario Health's responsibility to determine which areas of the province to deliver assisted living services. Ontario Health informed us that, now that the new policy has been finalized, it will look at designating geographic areas for assisted living services based on client and community needs using data from the data sub-group of the Assisted Living Services Working Group.

Recommendation 12

To help keep assisted living clients from requiring acute care or premature admission to long-term care, we recommend that Ontario Health include in its agreements with assisted living agencies a requirement to provide homemaking services, consistent with the Ministry of Health's policies.

Status: In the process of being implemented by December 2025.

Details

In our 2021 audit, we noted that although both the 1994 and 2011 policies stated that assisted living services should include homemaking services, these were not available at all assisted living agencies.

In our follow-up, we noted that in the revised assisted living program policy, which became effective in July 2023, agencies continue to be required to provide homemaking services, similar to the Ministry requirement in the 1994 and 2011 program policies. Ontario Health informed us it was not necessary to revise the service agreements because the current service agreements require that agencies comply with assisted living policies. Ontario Health issued a memorandum to all assisted living agencies in September 2023 reminding them to "review their operational practices in line with the requirements outlined" in the new policy. Ontario Health asserted that it has confirmed with all assisted living agencies that as of October 20, 2023, they understood their contractual obligations to provide homemaking services. Ontario Health will conduct reviews by December 2025 to confirm that assisted living agencies provide homemaking services to clients who need them.

Funding and Health System Planning

Recommendation 13

To best align funding with the future needs of those who will require assistance to live at home and to help ensure more efficient use of funding, we recommend that the Ministry of Health:

- *analyze relevant information, such as wait lists and demographics, to understand current and future expected demand for assisted living, home care and long-term care across the province, and adjust funding for assisted living and home care while taking into account local factors such as marginalized or low-income populations;*

  Status: Little or no progress.

Details

In our 2021 audit, we noted that the Ministry had not analyzed available information, such as demographics and wait lists, to help inform its current and future investments in assisted living. Additionally, the Ministry had not assessed whether funding was equitably distributed across the province based on their relative needs for assisted living; for example, some regions might have a higher proportion of individuals with fewer economic means to pay for retirement home

living or have fewer long-term care homes per current and future population of seniors.

In our follow-up, we found that the Ministry, through Ontario Health, provided approximately 3% in additional funding in the 2022/23 fiscal year to assisted living agencies to address the increasing costs of care delivery but has not adjusted assisted living funding levels with respect to local conditions such as demographics and marginalized or low-income populations. The Ministry recognizes that such adjustments may be necessary in the future. However, it has assessed future increases based on population and demographic growth, including in seniors populations and, as a result, increased home care funding by $117 million in the same year. The increase was based on demographic changes, specifically an aging population, decreased capacity in the long-term care sector and projected demand for post-surgical home-care services, and rising service costs. The Ministry has committed to funding a total of $1 billion for the three years starting in 2022–23 (this includes the $117 million referred to above). The Ministry informed us it is proposing additional annual funding for an assisted living services expansion, beginning in the 2023/24 fiscal year.

- *request Ontario Health review local information, such as local wait lists and demographics, and reallocate funding across the continuum of care over all regions based on demonstrated need;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that while the Ministry was making adjustments to reallocate funding to health regions to account for future populations and marginalized and low-income populations, funding for assisted living services at that time was not reflective of local needs, such as those quantified in wait lists.

In our follow-up, the Ministry indicated that it will work with Ontario Health to implement this recommendation. Ontario Health informed us that wait list and demographic information needed was not yet available, and it had not reallocated funding across the continuum of care as suggested in our recommendation. However, as part of its involvement in the data sub-group of the Assisted Living Services Working Group, it was reviewing data that has been obtained through a survey of assisted living agencies in April 2023 that was focused on wait-listing processes and digital tools.

- *work with Ontario Health to analyze agency funding on a per client or per hour basis periodically and investigate anomalies;*

  Status: Little or no progress.

Details

In our 2021 audit, we noted that health regions did not investigate whether agencies were justified in having varied funding per client. As such, they could not determine whether these variances reflect under-funded service agencies that had clients with higher needs or over-funded service agencies that had clients with lower needs. We noted that agencies spent $18,100 per client on average but as low as $1,151 and as high as $228,393 in 2020–21.

In our follow-up, the Ministry indicated that it will work with Ontario Health to implement this recommendation. Ontario Health informed us that, as noted in **Recommendation 8**, it expected that reporting hours of care would be made mandatory in the 2024/25 fiscal year, and at that point work could be initiated to analyze funding per client or per hour.

- *review and update all assisted living policies accordingly.*

  Status: Fully implemented.

Details

In our 2021 audit, we noted that the Ministry stated in the 2011 policy that the policy would be reviewed no later than 36 months after its effective date, but it had not reviewed it since the last update in 2012.

In our follow-up, we found that the Ministry had updated the assisted living policies in July 2023 to include changes such as better clarification that the policy allowed assisted living agencies to provide services to clients in the community—that is, outside assisted living services buildings— and to those with physical disabilities, acquired brain injuries or HIV/

AIDS, as well as clearer descriptions on how to share information amongst different care providers to help improve client care.

Recommendation 14

To help provide better co-ordinated care for clients who are eligible for assisted living services and may also receive other similar services such as home care, paramedical services and attendant outreach services, we recommend that the Ministry of Health, in conjunction with other relevant ministries such as the Ministry of Children, Community and Social Services and the Ministry for Seniors and Accessibility:

- *identify any duplication of services offered to clients with similar need profiles, and develop a plan to merge or streamline the offering of similar in-home services;*

  Status: In the process of being implemented by March 2025.

Details

In our 2021 audit, we noted that the Ministry did not collaborate with other Ministry programs or the Ministry of Children, Community and Social Services to determine if the services it provided were equitably available to all Ontario residents and not duplicative. The assisted living services program is one of several provincially funded programs that help support independent living for seniors and for adults with physical disabilities, an acquired brain injury or HIV/AIDS.

In our follow-up, we found that the Ministry was reviewing screening tools from different ministries' programs in an attempt to determine whether they are serving clients with the same attributes; the ultimate goal is to improve service co-ordination to assisted living clients. The Ministry indicated it was planning to fully implement this recommendation by March 2025.

- *improve clients' experiences accessing various services they may be eligible for in their communities, such as through co-ordinating care through Home and Community Care Support Services organizations and providing up-to-date information on service offerings to primary-care providers.*

  Status: Fully implemented.

Details

In our 2021 audit, we noted that the Ministry had not examined the benefits of centralizing care co-ordination with the health regions to deliver various services more efficiently. Provincial Geriatrics Leadership Ontario, an organization that works to improve processes to co-ordinate clinical geriatric services provided by clinicians of a variety of health disciplines, noted that there was no single source from which to obtain all the services an older adult with complex health conditions might require.

In our follow-up, we found that the new assisted living services policy, effective in July 2023, included direction to assisted living agencies to implement this recommendation. Specifically, it stated that if a client receiving assisted living services requires professional or other home and community care services outside of the assisted living services program, the assisted living agency is responsible for referring the client to HCCSS to determine eligibility for services, and then co-ordinate those services and/or provide the client with applicable community resources. The policy also states agencies are required to connect clients with programs beyond the scope of assisted living services "where it is identified that a client could benefit from these services (e.g., Community Paramedicine) and ensure the services are coordinated efficiently."

Recommendation 15

To strengthen assisted living services' role in helping clients improve their quality of life while living in the community, and lowering the overall costs to the health care system, we recommend that the Ministry of Health, in conjunction with Ontario Health:

- *identify what data is relevant to measure the performance of the assisted living program (including the break-even point between assisted living and long-term care, and gaps in availability);*

- *collect and evaluate this data on an annual basis; and*
- *use the results to inform how it funds and operates the program going forward.*

Status: Little or no progress.

Details

In our 2021 audit, we noted that the Ministry had not assessed whether assisted living services were being used strategically across Ontario to maximize the program's benefits. For example, the Ministry had not determined the maximum amount of assisted living services—as well as the professional services provided under home care—that could be provided and still be less expensive than long-term care. Moreover, the Ministry did not know where services were most and least available, and how that affected demand for other services. We also noted that assisted living and home care serve similar clients in similar settings, offer similar services, share similar goals, and are governed under the same legislation. Combining them and offering them centrally could potentially improve a client's experience.

In our follow-up, the Ministry indicated it was working with Ontario Health to implement this recommendation. We noted that the new assisted living services policy required Ontario Health to work collaboratively with assisted living agencies to develop a performance measurement framework relating to assisted living services, subject to Ministry approval. The policy also requires both Ontario Health and assisted living agencies to report on outcomes. However, little progress on this recommendation had otherwise been made. For example, the Ministry had not yet identified what data was relevant to measure performance. Ontario Health informed us that now that the revised assisted living policy has been released, the data sub-group of the Assisted Living Services Working Group will review the objectives and performance measures of assisted living agencies, and work with system partners to develop the necessary workflows to obtain and monitor the required data to support performance measurement, which could potentially be used to inform funding.

Recommendation 16

To help ensure adults with physical disabilities, an acquired brain injury or HIV/AIDS receive quality assisted living services, we recommend that the Ministry of Health:

- *obtain trend data on the number of people in Ontario living with physical disabilities, an acquired brain injury or HIV/AIDS to inform planning decisions;*

Status: Little or no progress.

Details

In our 2021 audit, we noted that the Ministry introduced its policy for non-senior groups, including adults with physical disabilities, an acquired brain injury or HIV/AIDS, in 1994 and had not assessed whether it still met the needs of these population groups 27 years later. We also found that the Ministry had not examined whether there were any changes to the number of Ontarians living with these health conditions, which might have warranted changes to the funding and services that individuals in these population groups might have required. The Ministry informed us that Ontario Health is responsible for assessing changes to the number of people living with physical disabilities, an acquired brain injury or HIV/AIDS.

In our follow-up, the Ministry indicated it was working with Ontario Health to implement this recommendation. Ontario Health informed us that it had identified some potential data sources for the number of Ontarians with acquired brain injury and HIV/AIDS, but it needed to fully identify data sources to properly represent the number of people with these conditions. As well, for the number of people with physical disabilities, Ontario Health had not identified reliable data sources but was reviewing potential sources such as data from HCCSS. Ontario Health informed us that it will continue to work toward identifying data sources that will support the development of a province-wide repository of standardized data. It further indicated that, when finalized, the data will allow for trending across all populations identified in the assisted living services policy, and will inform provincial planning and decision-making.

- *clarify whether assisted living services should be expanded into the community beyond designated assisted living buildings;*

  Status: Fully implemented.

Details

In our 2021 audit, we noted that the Ministry had not clarified whether assisted living services could be provided to adults with physical disabilities, an acquired brain injury or HIV/AIDS outside of designated buildings and in the broader community—that is, in clients' homes—instead. The 1994 policy makes no mention of home-based services beyond the confines of a building, and stakeholder groups had mentioned that such services were typically only available in buildings and not commonly offered in the community.

In our follow-up, we found that the Ministry had replaced the 1994 and 2011 policies with one overall policy finalized in July 2023; this policy indicated that assisted living services for all client groups could be provided in the community beyond a designated assisted living services building, as long as the clients did not reside in a long-term care home or a retirement home. It states that client groups include those with physical disabilities, an acquired brain injury or HIV/AIDS.

- *further to **Recommendation 11** on updating the 1994 policy, and with input from relevant experts, identify appropriate outcome targets to help measure the effectiveness of assisted living services; and*

- *work with Ontario Health to require all assisted living agencies measure and report on outcome data, including reductions of emergency room visits or delayed admissions to long-term care.*

  Status: Little or no progress.

Details

In our 2021 audit, we noted that the Ministry had neither obtained nor analyzed outcome data from all assisted living agencies on the reduction of emergency room visits or delayed admission to long-term care, or used the data some health regions collected to determine the effectiveness of assisted living agencies in this.

In our follow-up, the Ministry indicated that it was working with Ontario Health to implement this recommendation. Ontario Health indicated that it had yet to identify experts to help with its development of outcome targets and so could not start to measure the effectiveness of assisted living services. As a result, the Ministry was not in a position to require assisted living agencies to report on such measures.

Agreements with and Oversight of Assisted Living Agencies

Recommendation 17

To obtain the best value for money for assisted living services, we recommend that the Ministry of Health monitor that Ontario Health Teams provide competitively acquired assisted living services to clients.

Status: Little or no progress.

Details

In our 2021 audit, we noted that the Ministry had not investigated the potential to competitively procure assisted living services. Ontario Health could do little to improve the cost-effectiveness of the funds paid to assisted living agencies without competitively acquiring services. As well, the Ministry informed us that Ontario Health Teams were at the early stages of implementation, but they were built on the model of various health service agencies collectively determining how to best deliver services to a particular community with no assurance that the Teams would be delivering services at a competitive price.

In our follow-up, the Ministry informed us that Ontario Health Teams were not yet in a position to competitively acquire assisted living services since they were still moving toward a mature state and not fully in place in all parts of the province.

Recommendation 18

To obtain the highest quality of services for the Ontarians who rely on assisted living services and maximize the value obtained from this funding, we recommend that Ontario Health:

- *perform periodic risk-based audits on assisted living agencies to verify whether they complied with assisted living policy requirements such as developing a service plan for each client and updating it regularly, and providing assisted living services only to clients whose capability assessment scores met eligibility requirements;*

  Status: Little or no progress.

Details

In our 2021 audit, we noted that health regions had conducted some site visits, and on rare occasions conducted further steps to monitor the performance of assisted living agencies, such as performing or commissioning an operational review. However, the scope of these activities did not include aspects of service delivery. Moreover, our review of a sample of clients at the seven agencies we engaged with during the audit indicated that all the agencies developed service plans for their clients but two did not include the number of hours of service to be provided in the service plans, making it difficult for us to determine what level of care they had assessed for the client. Also, of the agencies that served seniors, only one had support to show that it reviewed the service plans quarterly, as required by the 2011 Ministry policy.

In our follow-up, Ontario Health informed us that the Assisted Living Services Working Group will collaborate with the Ministry to include risk-based audits in future policy updates. The Ministry indicated that work on this recommendation is planned for 2024, when further changes are being considered for the assisted living services policy that potentially will have an impact on service agreements.

- *update the standard accountability agreement with assisted living agencies to use across the province to include the requirement to report data including time spent on providing care, Home and Community Care Support Services referral acceptance rate, and missed visits.*

  Status: Little or no progress.

Details

In our 2021 audit, we found that the accountability agreements between the health regions and the assisted living agencies did not require agencies to report key information that would allow health regions to appropriately oversee that agencies provide quality care to clients or operate efficiently. Specifically, the agreements did not hold agencies accountable to the health regions for the time spent providing care, the rate at which agencies accept clients referred by HCCSS or the frequency of missed visits.

In our follow-up, we found that while the new assisted living policy did require agencies to report hours of care provided, it did not require the reporting of HCCSS referral acceptance rates and missed visits. Ontario Health informed us that the Assisted Living Services Working Group will collaborate with the Ministry to explore options to include referral acceptance rates and missed visits into a performance framework.

Recommendation 19

To improve the quality and consistency of assisted living services provided to clients, we recommend that the Ministry of Health establish standards for staff-to-client ratios (considering the level of client needs) and for direct-care staff qualifications (including minimum initial and ongoing training), and monitor that Ontario Health update the accountability agreements accordingly.

Status: Little or no progress.

Details

In our 2021 audit, we noted the Ministry was not involved in setting minimum staff-to-client ratios for assisted living agencies and agreements between the health regions, and agencies did not require this either. Our audit work of assisted living agencies indicated

that each direct-care staff could be helping anywhere from seven clients during the day to 46 at night for unscheduled visits. We also found that the accountability agreements between Ontario Health and the assisted living agencies did not require agencies to report key information that would allow Ontario Health to appropriately oversee that agencies provide quality care to clients or operate efficiently.

In our follow-up, we found that the Ministry's new assisted living services policy stated that all assisted living agencies "will work with Ontario Health Regions to agree on appropriate staff to-client ratios that meet the needs of the population they serve, satisfy any local by-laws and maintain the efficiency of the system." The policy also states that all assisted living agencies should have a plan that ensures appropriate training for staff, including training on processes when there are changes in client needs, emergency situation processes, and health and safety processes, including infection prevention and control processes. However, at the time of our audit, the staff-to-client ratios had not yet been established or reflected in service agreements. The Ministry informed us that it will continue examining the feasibility of implementing this recommendation, which includes engaging with the Assisted Living Services Working Group and assisted living agencies.

Complaint Process and Escalation

Recommendation 20

To better inform the public and to confirm that assisted living clients' complaints and concerns are resolved appropriately by the assisted living agencies, we recommend that Ministry of Health establish clear pathways for clients to raise complaints with an entity that has the authority to resolve them, and that is independent of the assisted living agency, such as Ontario Health or the Patient Ombudsman, and monitor accordingly.

Status: Fully implemented.

Details

In our 2021 audit, we noted that assisted living services, including those offered in buildings and in the community, had some of the weakest complaint oversight among all services provided to vulnerable adults. Ontario Health had indicated that assisted living agencies were responsible for addressing complaints made about their services and that it was not responsible for providing an escalation process for these agencies. We also found that little third-party oversight was provided to verify that the complaint resolution process was fair, such as from the Patient Ombudsman or Ontario Health.

In our follow-up, we found that a regulatory change was made in March 2022, under the *Connecting Care Act, 2019,* to include steps that an agency must follow after receiving certain types of complaints that include allegations of abuse or neglect or a decision that a client is not eligible. Further, a regulatory change, also in March 2022, under the *Excellent Care for All Act, 2010,* expanded the scope of the Patient Ombudsman to include clients of assisted living agencies. The Ministry also included information on how to make such complaints on its website.

Recommendation 21

To protect assisted living clients from harm and poor-quality services, we recommend that Ontario Health:

- *define serious incidents and include the reporting of them as a requirement in the accountability agreements with assisted living agencies;*

  Status: In the process of being implemented by April 2025.

Details

In our 2021 audit, we found that only two health regions required assisted living agencies to report serious incidents to them, as outlined in their accountability agreements with the agencies. These health regions, however, did not define what constitutes a serious incident or provide examples of such. For the agencies we engaged with, in 2019–20 and 2020–21, no such incidents were reported to their health regions.

In our follow-up, we found that Ontario Health plans to incorporate the inclusion of high-risk events in the next amendment cycle for service accountability agreements with all assisted living agencies across

Ontario, which is scheduled for April 2025. The agreement will encompass agency reporting requirements for defined serious incidents in accordance with the concurrent development of the complaints and appeals process by an Ontario Health working group that supports the implementation of the 2023 assisted living policy changes.

- *develop a standard format of complaints log, require assisted living agencies to document all information in the log, and track and monitor this information fully;*

  Status: In the process of being implemented by March 2025.

Details

In our 2021 audit, we found that, depending on the health region, the level of detail recorded in the complaint logs varied significantly. For example, one region included the nature of the complaint, the agency involved, a description of the issue, any action taken, a contact at the health region and the outcome, while another region provided very little and, in some cases, no detail about the complaints. For over 20% of the entries, the logs did not contain sufficient information for us to understand the nature of the complaint and so we could not categorize them.

In our follow-up, Ontario Health informed us that the data sub-group of the Assisted Living Services Working Group had initially explored various data aspects to determine a standardized format for the complaint log, but subsequently determined that each assisted living agency has historically been monitoring complaints independently as an operational matter. Ontario Health therefore revised its approach to support assisted living agencies in implementing the 2023 assisted living policy changes, which include requirements for agencies to inform clients about the complaints and appeal process. The working group intends to develop a work plan outlining the deliverable of assisting agencies to implement policy changes, with a target completion date by March 2025.

- *follow up, on a timely basis, with assisted living agencies to confirm each complaint is appropriately resolved or refer the cases to an appropriate third party as noted in* ***Recommendation 20****.*

  Status: In the process of being implemented by March 2025.

Details

In our 2021 audit, our review of a sample of complaints indicated that health regions did not consider themselves to be responsible for a thorough complaint investigation process. We also found that, in some cases, health region staff could not provide us with enough information to provide a clear understanding of what had occurred and whether the health region's follow-up was adequate.

In our follow-up, Ontario Health informed us that it has established a working group to support assisted living agencies in implementing the 2023 assisted living policy changes, which include requirements for agencies to inform clients about the complaints and appeal process. The working group intends to develop a work plan outlining the deliverable of confirming that agencies resolve complaints on a timely basis, with a target completion date by March 2025.

Recommendation 22

To protect assisted living clients from harm and poor-quality services, we recommend that the Ministry of Health, through regulation under the Connecting People to Home and Community Care Act, 2020*, develop appropriate processes whereby assisted living services clients can appeal each type of complaint, including those related to quality of care, that they do not believe were appropriately resolved.*

Status: Fully implemented.

Details

In our 2021 audit, we noted that the *Connecting People to Home and Community Care Act, 2020,* did not contain any independent appeal model for complaints relating to quality of services.

In our follow-up, as noted in **Recommendation 20**, we found that a regulatory change was made in March 2020 under the *Excellent Care for All Act, 2010*, to enable clients to appeal all complaints to the Patient

Ombudsman, including complaints that relate to quality of care.

Agency-Operated Assisted Living Buildings

Recommendation 23

To protect vulnerable adults living in assisted living buildings from the risk of financial exploitation and fire, we recommend that the Ministry of Health, in conjunction with Ontario Health:

- *update the inventory of assisted living buildings that was compiled for this audit and include other relevant information, including the characteristics of services provided to clients in those buildings;*

  Status: Fully implemented.

Details

In our 2021 audit, we noted that neither the Ministry nor many health regions had information on the location of assisted living buildings where the agency that provided care services to clients was also the clients' landlord. In addition, when we requested information on agency-operated assisted living buildings from the health regions, four of the 14 regions were not aware of which assisted living services were delivered in agency-operated buildings and had to obtain this information from their assisted living agencies at our request.

In our follow-up, the Ministry indicated that Ontario Health was responsible for collecting the data required to implement this recommendation. As of September 2023, Ontario Health has an updated inventory of assisted living buildings for each health region that includes the type of services available to clients in those buildings.

- *develop mechanisms to segregate the provision of services from landlord responsibilities, such as competitively procuring services from another agency;*

  Status: Little or no progress.

Details

In our 2021 audit, we noted that the Ministry's 1994 policy suggested that, as much as possible, service delivery should not include housing management since it helps in "striking a power balance between consumer and service provider." We further noted that the Ministry had not sought to competitively acquire services for the tenants of buildings from another agency unrelated to the landlord.

In our follow-up, we found that the new assisted living services policy acknowledges the importance of segregation. It states that Ontario Health should favour as much as possible initiatives proposed by assisted living agencies where the agency is not also the provider of the accommodation. In situations where the assisted living agency is also the owner of the building in which the client lives, it is the responsibility of the agency to ensure that the client understands that issues or complaints related to their health-care services will not impact on their housing security and, likewise, issues or complaints about their landlord will not impact on the care they receive, subject to lawful action that may be taken by the landlord. However, the policy does not otherwise outline any mechanisms to segregate services and landlords. Given that assisted living agencies are engaged on an indefinite term basis without being re-procured, Ontario Health does not have an obvious opportunity to make changes to these arrangements to segregate service providers from landlords. Ontario Health did not yet have any examples of situations where it had successfully segregated the services from a landlord. The Ministry informed us that it will engage with the Assisted Living Services Working Group on potential actions that can be taken to ensure safeguards are in place to protect assisted living clients who reside in buildings where the housing and services are linked.

- *monitor whether assisted living agencies charge for other provincially funded services, including personal support and/or homemaking services, and take corrective actions where non-compliances are noted;*

  Status: In the process of being implemented by December 2024.

Details

In our 2021 audit, we found that the Ministry did not have any information on whether assisted living agencies were charging clients for personal support services or homemaking services. The charging of personal support services violates the *Home Care and Community Services Act, 1994*; the assisted living agency is funded to provide homemaking services based on assessed needs. As well, some agencies were charging clients for medication management services even though the service was provincially funded. The health regions did not establish any process to prevent such agencies from billing clients for publicly funded services, for example, by requiring agencies to obtain a special-purpose auditor opinion that confirms that clients are not billed for care services that have also been paid for through the public purse.

In our follow-up, we found that the new assisted living services policy finalized in July 2023 had more specific provisions prohibiting clients being charged for services, and also stated that if an assisted living agency charges a client for additional scheduled services and/or non-essential services other than the assisted living services set out in the client's care plan, the agency is required to clearly itemize their charges on an invoice provided to the client that demonstrates the charges are not for eligible assisted living services. The Ministry informed us that it would work with Ontario Health through the Assisted Living Services Working Group to establish mechanisms to monitor compliance with provisions of the new policy, to be completed by December 2024.

- *identify which assisted living buildings should be considered as care occupancy under the* Fire Protection and Prevention Act, 1997 *and share the listing with the Office of the Fire Marshal for enforcement of the Fire Code.*

  Status: Fully implemented.

Details

In our 2021 audit, we noted that only 59 or 13% of the 449 assisted living buildings were classified as "care occupancies." Assisted living buildings that a local fire department determines fall under the "care occupancy" classification are required to adhere to additional fire safety requirements because of the enhanced risk that fire poses to certain vulnerable populations. Fire Code requirements that apply to buildings containing care occupancies are more stringent than those that apply to buildings containing only residential occupancies.

In our follow-up, the Ministry informed us that since our report was released in 2021, it had discussed the recommendation further with the Office of the Fire Marshal, which advised that it is the responsibility of the building owner/operator to comply with the Fire Code and that the Ministry should not be involved in identifying which assisted living buildings should be considered as care occupancies under the Act. The building owners/operators are therefore required to be aware of their building's occupancies classification and comply with the applicable requirements. The Ministry noted that under the Fire Code, it is the role of the Chief Fire Official to classify the building or part thereof in accordance with its major occupancy. When assistance is needed by the building owner/operator with classifying the building's major occupancy, it is recommended that they work collaboratively with their local fire department, which is the authority responsible for fire safety enforcement in their jurisdiction.

The Ministry had sent a memorandum to all assisted living agencies in December 2021, reminding those who are also landlords of buildings that meet the definition of care occupancy in the Fire Code to comply with these regulatory requirements. Further, the assisted living agency boards are required to declare compliance with requirements set out in the service agreement and relevant legislation on an annual basis, which would help affirm the agencies' compliance with the Fire Code and other legislation.

Recommendation 24

To provide assisted living clients with protection against infection from COVID-19 and future infectious disease outbreaks, we recommend that the Ministry of Health, in conjunction with Ontario Health:

- *identify aspects of assisted living buildings that require oversight, including infection prevention*

and control, care standards and safety, and work with other partners, such as public health units, to conduct regular, risk-based inspections;

Status: Little or no progress.

Details

In our 2021 audit, we found that public health units had little involvement with assisted living buildings, despite some requirements to inspect and ensure safe premises in these buildings. We contacted a sample of public health units; they informed us that they respond to outbreaks but do not perform any proactive infection prevention and control inspections.

In our follow-up, the Ministry informed us that it will continue to work with Ontario Health to examine opportunities to strengthen risk-based inspections, including the development of an inspection protocol to ensure assisted living agencies comply with infection prevention and control as well as care standards and safety.

- *work with the Ministry for Seniors and Accessibility to share the listing of assisted living buildings with the Retirement Homes Regulatory Authority such that buildings that meet the conditions in the* Retirement Homes Act, 2010 *are regulated as retirement homes.*

  Status: Fully implemented.

Details

In our 2021 audit, we noted that the Ministry had not shared the list of buildings where assisted living services were provided with the Retirement Homes Regulatory Authority. We confirmed with the Authority that during the course of our audit, it had found one such assisted living building that appeared to meet the definition of a retirement home under the *Retirement Homes Act, 2010* and that the Authority was in the process of working with that building owner to ensure that it was in compliance with the Act.

In our follow-up, we found that in January 2023, the Ministry provided the Ministry for Seniors and Accessibility a summary list of assisted living agencies, including addresses as well as whether the building was owner-operated. The Ministry for Seniors and Accessibility in turn shared this with the Retirement Homes Regulatory Authority.

Chapter 1
Section
1.03

Ministry of Health, Ontario Health–CorHealth Ontario

Follow-Up on 2021 Value-for-Money Audit:

Cardiac Disease and Stroke Treatment

RECOMMENDATION STATUS OVERVIEW

		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	5	1		4		
Recommendation 2	2	1			1	
Recommendation 3	2			2		
Recommendation 4	4			3	1	
Recommendation 5	2			2		
Recommendation 6	1			1		
Recommendation 7	2	1		1		
Recommendation 8	4	1		2	1	
Recommendation 9	2	2				
Recommendation 10	3			3		
Recommendation 11	2	2				
Recommendation 12	4			2	2	
Recommendation 13	2			2		
Recommendation 14	2	1		1		
Recommendation 15	2				2	
Total	**39**	**9**	**0**	**23**	**7**	**0**
%	**100**	**23**	**0**	**59**	**18**	**0**

Overall Conclusion

The Ministry of Health (Ministry) and Ontario Health-CorHealth Ontario (OH-CorHealth), as of November 3, 2023, have fully implemented 23% of actions we recommended in our *2021 Annual Report*. The Ministry and OH-CorHealth have not made progress in implementing any other of our recommendations.

CorHealth Ontario was a standalone provincial agency during our initial audit, but was amalgamated into Ontario Health in December 2021.

The Ministry and OH-CorHealth have fully implemented recommendations such as updating the funding model for cardiac procedures, adjusting the number of transcatheter aortic valve implantation (TAVI) procedures funded to cover all eligible patients, increasing the stipend to encourage more stroke neurologists to

participate in the Ontario Telestroke Program, and completing a procurement process for computerized tomography perfusion (CT-Perfusion) that provides all eligible hospitals with access to this software at a centrally negotiated price.

However, the Ministry and OH-CorHealth have made little progress on 59% of the recommendations, including the development of new wait-time targets, the development and implementation of a plan to expand its Integrated Heart Failure Care Initiative, and the establishment and execution of a plan to implement the recommendations in CorHealth Ontario's Cardiac, Stroke and Vascular Rehabilitation Call-to-Action report.

The Ministry and OH-CorHealth informed us that, due to the COVID-19 pandemic and health human resources constraints, they were required to re-prioritize activities to address immediate challenges, and this was also true for hospital operations. This limited their ability to progress toward implementing our recommendations. The Ministry will not implement 18% of our recommendations, such as expanding CorHealth Ontario's role to include prevention, non-hospital care, and the ability to provide performance-based funding to hospitals. The Office of the Auditor General of Ontario continues to support the implementation of these important recommendations.

The status of actions taken on each of our recommendations is described in this report.

Background

In 2021, the Ministry of Health (Ministry) provided funding of about $1.1 billion to hospitals to perform cardiac and stroke procedures and provide in-hospital care for cardiac and stroke patients. This treatment occurred primarily at 20 designated cardiac centres and 28 designated stroke centres—hospitals with the specialized equipment and staff expertise needed to perform cardiac and stroke procedures.

Overall, our audit found that emergency/acute treatment for cardiac disease and stroke was generally being provided in alignment with best practice standards and guidance, including those adopted by CorHealth Ontario (CorHealth) from Heart & Stroke, a Canadian charity involved in research, advocacy and health-promotion programs related to cardiac disease and stroke. We also found that the overall mortality rate following cardiac and stroke events in Ontario was similar to or lower than the rates in other Canadian provinces.

Nonetheless, provincial treatment-time targets for emergency cardiac and stroke procedures were not being met. We identified opportunities to provide better or more cost-efficient treatment. For example, we found that while many patients were well enough to no longer require care in acute hospital beds, they still had to stay in those beds while waiting to be transferred to a more appropriate care setting, such as an inpatient rehabilitation setting or a long-term care home. We estimated that, in 2019/20 alone, if these patients had been transferred without delay to more appropriate care settings, the Province would have saved over $150 million.

The following were some of our significant findings:

- The amount of dedicated funding given to hospitals was outdated and did not cover the actual costs or patient demand for cardiac procedures, leading to delays in performing some procedures. For example, CorHealth estimated that in 2018/19, hospitals were underfunded by about $28 million compared with their actual costs to perform cardiac procedures. While hospitals could make up for funding shortfalls by taking from the hospital's global budget, this budget had to cover all hospital operations. As a result of the funding deficit, hospitals were delaying some cardiac procedures to the upcoming year, when additional dedicated funding was due to be provided. For example, one hospital informed us that in 2019/20 it saw 325 cardiac patients that needed transcatheter aortic valve implantation (TAVI) procedures, but because the hospital was funded for only 265 TAVI procedures, it deferred 60 of these procedures until 2020/21. Nine of these patients died in 2020/21 before a TAVI procedure could be performed.

- Hospitals were generally not providing timely emergency treatment for heart attacks. CorHealth had set treatment-time targets for a procedure called primary percutaneous coronary intervention (PPCI), used to reopen the artery and restore blood flow for patients. Under the targets, 75% of such patients should receive a PPCI within 90 minutes of arriving at a hospital that performs PPCI, or within 120 minutes of arriving at a hospital that does not perform PPCI (which requires that the patient be transferred). Between the second quarter of 2017/18 (when CorHealth started regularly collecting data) and 2020/21, fewer than 60% of such heart attack patients received a PPCI procedure within the target times.
- Wait lists for cardiac procedures grew, resulting in worsening health conditions and more deaths while people waited. During the five-year period before the COVID-19 pandemic, the average number of patients on wait lists for cardiac procedures grew about 44% (from 5,450 in 2015/16 to about 7,850 in 2019/20) and the number of patients dying while on a wait list grew about 42% (from 147 in 2015/16 to 209 in 2019/20). During the pandemic (which started impacting health-care delivery at the end of 2019/20 and through 2020/21), the average number of patients waiting for cardiac procedures grew further by over 6% (from about 7,850 in 2019/20 to about 8,340 in 2020/21) and the number of people dying while on a wait list grew further by over 10% (from 209 to 231).
- Hospitals were often not providing timely emergency treatment for stroke. "Time is brain" is a fundamental rule of stroke treatment: the longer the delay in treatment, the more permanent brain damage is expected. CorHealth adopted treatment-time targets for two key emergency stroke procedures that can break up or remove blood clots in ischemic stroke patients.
  - One target concerned a medication called tissue plasminogen activator (tPA), a clot-dissolving drug used to restore blood flow. CorHealth's target was to treat patients with tPA within a median time of 30 minutes of their arrival to hospital. Our audit found this target has never been met province-wide, though there was some improvement from 2015/16 to 2019/20, when the median time in which patients received tPA dropped from 50 to 45 minutes.
  - The other target related to a procedure called endovascular thrombectomy (EVT), a procedure to remove a blood clot from a large vessel in the brain using a catheter. This procedure was to be initiated within a median time of 60 minutes of a patient's arrival at hospital. This target has never been met province-wide since 2017/18, when CorHealth started tracking hospital performance against the EVT target. During the first two quarters of 2020/21, the median time it took to start the EVT procedure was 75 minutes.
- Hospitals were not able to transfer many cardiac and stroke patients to a more appropriate care setting, which constrained acute hospital bed availability. There were times that patients had to remain in a hospital bed despite no longer requiring acute care because there were no beds available at a more appropriate care facility, such as inpatient rehabilitation or long-term care. Hospitals categorize these patients as Alternate Level of Care (ALC). In 2019/20, over 5,300 cardiac disease patients categorized as ALC spent over 82,000 days in acute hospital beds, while over 3,500 stroke patients categorized as ALC spent over 62,000 days in acute hospital beds. We estimate that the Province could have saved over $150 million in 2019/20 (over $94 million associated with cardiac disease patients and $56 million associated with stroke patients) if all ALC patients had been transferred from acute hospital beds to their homes or more appropriate health-care settings immediately after being deemed ALC.

- Hospital staff spoke favourably to us about the work performed by CorHealth, but the agency was limited in its ability to improve cardiac and stroke care in Ontario. Unlike comparable organizations, such as Cancer Care Ontario, CorHealth did not have oversight authority to require hospitals to follow the standards it established. CorHealth was also unable to direct or modify funding to providers so as to encourage performance improvement or compliance with best practices. Further, CorHealth focused primarily on cardiac disease and stroke care for adults in a hospital setting, which meant its work did not extend to primary prevention, paediatrics, or community-based care (such as rehabilitation). This limited the potential benefits from CorHealth's oversight of cardiac and stroke rehabilitation, including monitoring the performance of rehabilitation providers. In a June 2018 report, CorHealth made recommendations to the Ministry for improving cardiovascular rehabilitation in Ontario, which highlighted the need for a provincial and regional oversight structure.
- Purchase prices of cardiac equipment and supplies were not centrally tracked or reviewed to determine whether savings were possible through province-wide group buying. We noted that the difference in price that Ontario hospitals paid for the same types of devices varied as much as 367%. For example, one hospital was able to procure a simple ablation catheter at an average price of about $300, while another hospital paid about $1,400 per simple ablation catheter.

We made 15 recommendations, consisting of 39 action items, to address our audit findings. We received commitment from the Ministry and Ontario Health-CorHealth Ontario that they would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between March 2023 and July 2023. We obtained written representation from the Ministry of Health and Ontario Health-CorHealth Ontario (OH-CorHealth) that effective November 3, 2023, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Cardiac Procedures Are Not Always Performed on a Timely Basis and Wait Lists for Procedures Have Grown

Recommendation 1

To improve wait-time reporting and provide patients with timelier cardiac disease procedures, we recommend that the Ministry of Health direct CorHealth Ontario (CorHealth) to:

- *develop separate wait-time targets for urgent and emergency procedures and separately track and report performance against these targets;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that wait times for urgent and emergency cardiac procedures were tracked and reported together against the same wait-time target, which overstates how quickly Ontario is providing care for urgent scheduled procedures.

In our follow-up, we found that OH-CorHealth had not drafted any new wait-time targets for cardiac procedures and was not separately tracking or reporting wait times for urgent and emergency cardiac procedures. OH-CorHealth informed us that, due to health human resource constraints, the work to improve wait-time tracking and reporting will begin in future years,

with no definitive timetable in place at the time of our follow-up.

- *evaluate cardiac procedures with no treatment-time targets to determine whether timely delivery of care can impact patient outcomes;*
- *set treatment-time targets for identified procedures, and publicly report performance against these targets;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that not all cardiac procedures had treatment-time targets to compare with actual wait times.

In our follow-up, we found that while the Ministry of Health (Ministry) and OH-CorHealth still intend to act on these recommendations, they have made no progress to date and have no definitive timetable in place for when this work will begin.

- *regularly assess performance of hospitals against all treatment-time targets for cardiac procedures and work with hospitals to take the necessary actions to move toward widespread achievement of these targets;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that treatment-time targets for cardiac procedures were not consistently met, while wait times, wait lists and the number of deaths while on wait lists for cardiac procedures had grown.

In our follow-up, we found that the Ministry received updates from hospitals outlining their patient volumes and wait lists in the second and third quarter of the 2022/23 fiscal year, and OH-CorHealth was regularly assessing the performance of hospitals against existing cardiac treatment-time targets through annual outcome reports. However, no evidence was provided to show that this information was used to guide interventions aimed at improving widespread achievement of treatment-time targets, and there was no target timeline to do so.

- *analyze hospitals' practices of managing wait lists for cardiac procedures to understand the reasons for growing wait lists and identify corrective actions.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that wait times, wait lists and number of deaths while on wait lists for cardiac procedures had grown.

In our follow-up, we found that the Ministry hosted meetings with hospitals that perform cardiac procedures in the second and third quarter of 2022/23 to gain insights on wait-list management practices and on the causes of long wait times. In September 2022, the Ministry and OH-CorHealth issued a report in response to growing wait times for atrial fibrillation ablation procedures. The report summarizes wait-list management strategies that hospitals can use, and recommends further capacity building to meet the increasing demand for complex ablations.

Cost-Effective Cardiac Treatment Approaches and Practices Are Not Widely Used Provincially

Recommendation 2

To allow for patients with aortic valve stenosis, a type of cardiac disease, to receive more effective care and to reduce their length of stay in hospital, we recommend that the Ministry of Health:

- *assess the number of transcatheter aortic valve implantation (TAVI) procedures needed to cover all patients who are eligible, and adjust funding accordingly;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that TAVI procedures were not performed on everyone who could likely benefit from these procedures in Ontario, and that some patients who are eligible for TAVI procedures may need to undergo more invasive surgery to receive treatment in a timely manner.

In our follow-up, we found that the Ministry increased the number of funded TAVI procedures in 2022/23 to account for shifting eligibility criteria and forecasted growth in demand. The Ministry based this increase on an analysis performed by CorHealth to estimate the TAVI procedures required to cover all eligible patients in 2021/22, with funded 2022/23 volumes exceeding the 2021/22 estimate.

- *direct CorHealth to develop a standard for delivery of TAVI, and work with hospitals to confirm compliance with the standard to ensure TAVI can be performed cost-effectively.*

  Status: Will not be implemented.

Details

In our 2021 audit, we found that some patients who are eligible for TAVI procedures may need to undergo more invasive surgery to receive treatment in a timely manner. Surgeries involve longer hospital stays and generally are more expensive than a less-invasive procedure.

In our follow-up, we found that the Ministry does not have any plans to direct OH-CorHealth to develop additional standards for the delivery of TAVI. OH-CorHealth continues to monitor compliance of hospitals that perform TAVI procedures against patient eligibility criteria and guidelines for facility quality requirements. As part of this, OH-CorHealth monitors the hospital length of stay for patients undergoing TAVI procedures and will follow up with hospitals experiencing longer length of stays compared to the other hospitals. OH-CorHealth plans to perform the next analysis of this kind (length of stay following a TAVI procedure by hospital) by July 2024.

Recommendation 3

To allow patients with heart failure to receive high quality of care in the community and reduce emergency department visits and hospitalizations, we recommend that the Ministry of Health:

- *direct CorHealth to collect data to formally evaluate the Integrated Heart Failure Care Initiative in regions where it was adopted to determine what factors contributed to the success of the Initiative;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that the Integrated Heart Failure Care Initiative, which promoted an integrated system for heart failure care with involvement by cardiac centres and local community providers, led to reductions in readmission rates and improvements in the number of patients who received best-practice care from the providers who implemented it.

In our follow-up, we found that the Ministry had not directed OH-CorHealth to collect data to evaluate the Integrated Heart Failure Care Initiative (Initiative). The Initiative itself is a multi-year endeavour that is not yet complete, so collection of data to inform what contributed to the Initiative's success is ongoing. The Ministry informed us that a formal evaluation of the Initiative was underway but did not provide an estimated completion date.

- *develop and implement a plan to expand the Initiative to all appropriate regions.*

  Status: Little or no progress.

Details

In our 2021 audit, we found that the Integrated Heart Failure Care Initiative, which promoted an integrated system for heart failure care with involvement by cardiac centres and local community providers, had not been widely adopted in the province.

In our follow-up, we found that in April 2023, one element of the Initiative was expanded to all cardiac centres by OH-CorHealth (the requirement that cardiac centres should have onsite or formal access to an outpatient multidisciplinary heart function clinic). However, at the time of our follow-up, neither the Ministry nor OH-CorHealth had a plan for how the remaining elements of the Initiative would be expanded to all appropriate regions.

Recommendation 4

To allow patients throughout the province with cardiac disease to receive more effective care in a consistent manner, we recommend the Ministry of Health:

- *direct CorHealth to develop and implement standards for remote monitoring and work with hospitals to implement this provincially;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that remote monitoring—a type of health-care delivery that can result in earlier detection of changes in a patient's health condition, prevent adverse events, and result in significant financial savings compared to hospitalization—was not available in several cardiac centres.

In our follow-up, we found that no work to implement remote monitoring standards provincially had begun and the Ministry had not directed OH-CorHealth to develop and implement these standards. The Ministry informed us that it does intend to address this recommendation but no definitive timeline existed at the time of our follow-up.

- *perform a reassessment of the quality-based procedures for patients with congestive heart failure to determine whether funding for remote monitoring should be included;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that remote monitoring was not being used by most hospitals as it was not required to receive congestive heart failure quality-based procedure funding.

In our follow-up, we found that no progress had been made on this recommendation. The Ministry informed us that its work with OH-CorHealth related to its Integrated Heart Failure Care Initiative, which is expected to run until March 31, 2024, should help inform future decisions regarding the heart failure funding policy. This would include considerations for funding related to remote care.

- *identify regions that could benefit from rapid assessment clinics and work with hospitals to ensure these clinics operate in a consistent manner;*

  Status: Will not be implemented.

  The Office of the Auditor General of Ontario continues to support that the expansion of rapid assessment clinics across Ontario hospitals would provide more heart failure patients with access to the appropriate level of care.

Details

In our 2021 audit, we found that not all cardiac centres had rapid assessment clinics. To facilitate access to the appropriate level of care, these clinics help triage patients who present to an emergency department with signs of a potential heart problem.

In our follow-up, we found that the Ministry does not plan to implement this recommendation, asserting that the concern of heart failure patients having access to the appropriate level of care is being addressed as part of a wider, integrated heart-failure initiative. While this initiative includes having an integrated care model where a co-ordinator in hospitals helps navigate patients through the health-care system, this does not necessarily mean that a patient who presents to an emergency room with heart-failure symptoms would be triaged appropriately to begin interacting with this co-ordinator.

- *identify patient groups that have benefited most from hospitals currently using an integrated comprehensive care model and work with hospitals and community providers to implement integrated care groups provincially where deemed appropriate.*

  Status: Little or no progress.

Details

In our 2021 audit, we found that integrated comprehensive care models were being used by some cardiac centres, with benefits that included improved patient satisfaction, reductions in emergency department visits and hospital readmission rates, and decreased patient length of stay.

In our follow-up, we found that despite still intending to do so, the Ministry had not conducted work to understand which patient groups benefited most from the integrated comprehensive care model to inform who should be the intended users of such a model if the program is expanded. Further, the Ministry had not developed a timetable to begin and complete this work.

More Accurate, Non-Invasive and Cost-Effective Diagnostic Test for Coronary Artery Disease Not Widely Used in Ontario Despite Expert Recommendations

Recommendation 5

To expand the use of cost-effective diagnostic testing that can reduce the need for more invasive testing to diagnose coronary artery diseases, we recommend the Ministry of Health:

- *work with stakeholders (including CorHealth Ontario and Ontario Health) to determine whether computerized tomography coronary angiogram (CT-Angiogram) should be recommended as the primary diagnostic test for certain cardiac patients, such as non-urgent chest pain patients, to help diagnose coronary artery disease; and*
- *work with hospitals to support the full adoption of CT-Angiogram where deemed appropriate.*

Status: Little or no progress.

Details

In our 2021 audit, we found that CT-Angiogram, a relatively accurate, non-invasive and cost-effective alternative to other tests, was not widely used in Ontario.

In our follow-up, we found that, in 2023, OH-CorHealth established a cardiac-imaging task group (with the first meeting of the group being on July 11, 2023) to advise the Ministry on barriers to clinical uptake of CT-Angiogram and improve access to the test. While this group could work with stakeholders to determine whether CT-Angiogram should be recommended as the primary diagnostic test for certain cardiac patients, OH-CorHealth was not planning to make this a required area of review for the group, based on the advice of its own clinical advisors. OH-CorHealth was performing analysis to understand the system impact of CT-Angiogram adoption on the broader diagnostic imaging sector to inform its next steps.

Cardiac Rehabilitation Is Underused Despite Its Effectiveness in Reducing Deaths and Health-Care Costs

Recommendation 6

To provide patients with cardiac disease with access to the appropriate amount and the type of rehabilitation that will best meet their needs, we recommend that the Ministry of Health develop and implement a data strategy to begin collecting information on outpatient cardiac rehabilitation to assess why patients with cardiac disease are not completing rehabilitation programs they have been referred to, and take corrective action to increase the adherence rate by raising awareness and understanding through an effective communications strategy.

Status: Little or no progress.

Details

In our 2021 audit, we found that the Ministry had not centrally tracked outpatient cardiac rehabilitation data, which made it challenging to determine whether all patients who could benefit from cardiac rehabilitation actually receive it, and to determine why patients chose not to participate in or did not complete their prescribed program.

In our follow-up, we found that OH-CorHealth's data strategy—which had launched in November 2020, was paused during the pandemic, and resumed as a pilot in the summer of 2021/22—has continued to the present. For the most recent data available in the third quarter of 2022/23, 49 rehabilitation programs

were providing information on individuals who were referred to cardiac rehabilitation and who had experienced a cardiac event in the 12 months prior to the referral. The information collected at the time showed that patients who underwent primary percutaneous coronary intervention were less likely to be referred for cardiac rehabilitation than cardiac surgery patients. OH-CorHealth is planning to conduct a qualitative evaluation of reasons why patients with cardiac disease who were referred to cardiac rehabilitation did not complete their program. However, at the time of our follow-up, OH-CorHealth had no set timeline to begin and complete this evaluation. Once these reasons are identified, the Ministry will still need to address the underlying reasons why cardiac patients are not completing their program.

Emergency Stroke Procedures Not Always Performed on a Timely Basis

Recommendation 7

To provide emergency care to stroke patients in a timely manner, we recommend that the Ministry of Health:

- *direct CorHealth to analyze the critical success factors, and identify the best practices, of hospitals that routinely perform better than the provincial average for the administration of tissue plasminogen activator (tPA) and the performance of endovascular thrombectomy (EVT);*

  Status: Fully implemented.

Details

In our 2021 audit, we found that treatments for stroke patients were generally not administered in a timely manner, which increases the risk that the patient suffers permanent brain damage.

In our follow-up, we found that in an October 2021 report (prepared after the fieldwork on our 2021 audit had concluded), and in subsequent September 2022 and January 2023 reports, OH-CorHealth documented the drivers of strong performance as identified through discussions with endovascular thrombectomy (EVT) hospitals and the Ministry. These reports identified best practices for timely administration of EVT, such as notifying the intervention team when a stroke patient is en route so a room and the team can be ready upon their arrival, and requiring all EVT patients to be sedated, which removes the need to wait for an anaesthesiologist to determine whether sedation is needed prior to the procedure. Further, in December 2021, OH-CorHealth conducted a virtual webinar for hospitals to share best practices in reducing door-to-needle time for administering tissue plasminogen activator (tPA). During the webinar, the hospitals identified steps that help to facilitate an efficient process for tPA, such as clearly outlining roles and responsibilities of attending staff and getting commitment from emergency department and intensive care unit nurses to stay with the patient from arrival through to tPA delivery.

- *require other hospitals to implement the identified best practices from above where possible, and monitor performance to determine whether these practices are being effectively implemented.*

  Status: Little or no progress.

Details

In our 2021 audit, we found that some hospitals had developed their own best practices to reduce the length of time patients have to wait to receive treatment, but that these were not widely adopted.

In our follow-up, we found that while OH-CorHealth has helped to disseminate best practices related to providing timely stroke care to hospitals, the Ministry was not requiring other hospitals to implement these practices, where possible, to reduce stroke-treatment times. The Ministry informed us that, due to staffing challenges in emergency departments, it had put this work on hold until there is enough human resource stability to introduce and sustain best practices. Therefore, the Ministry had no timetable in place to implement this recommendation at the time of our follow-up.

Program Changes Are Needed to Provide Patients with Timelier Access to Appropriate Stroke Treatment and Care

Recommendation 8

To allow for all stroke patients to receive appropriate care in a timely manner, we recommend that the Ministry of Health:

- *direct CorHealth to identify the barriers and initiatives to increase the percentage of stroke patients receiving tissue plasminogen activator (tPA) and endovascular thrombectomy (EVT) across the province and implement a plan to achieve the target rates;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that the percentages of stroke patients receiving tPA and EVT were below the provincial target and Canadian Stroke Best Practices Recommendations, respectively.

In our follow-up, we found that there was no plan in place to meet target rates because the Ministry and OH-CorHealth had not settled on a timeline target for EVT to be adopted provincially for hospitals providing this procedure; however, they were conducting work to improve access. For example, in March 2022, OH-CorHealth developed transport maps and volume-impact estimates to identify regions that could benefit from a model where patients are transported directly to a hospital where EVT is provided rather than first providing tPA at the nearest hospital prior to transfer to an EVT-capable hospital. OH-CorHealth specifically identified Northwestern Ontario as a region with difficulties meeting the aforementioned targets, noting factors such as an inability to recruit health human resources, a lack of 24/7 physician coverage, and the lack of CT scanning in the eastern part of the region. As a result of this exercise, Thunder Bay Regional Health Sciences Centre is working to find a long-term solution for recruiting physicians with neurology-intervention expertise. At the time of our follow-up, no plans were in place to increase the percentage of Ontarians who receive tPA after experiencing a stroke.

- *work with CorHealth to develop or provide supports to initiatives or programs (such as funding the FAST campaign run by Heart & Stroke) that increase public awareness of stroke symptoms and appropriate actions (such as the need to call an ambulance) if symptoms of a stroke are occurring;*

  Status: Will not be implemented.

  The Office of the Auditor General of Ontario continues to support initiatives and programs that increase public awareness of stroke symptoms and appropriate actions if symptoms of a stroke are occurring.

Details

In our 2021 audit, we found that provincial support for an effective stroke awareness program was discontinued despite the program's effectiveness in helping Ontarians understand and identify the signs of stroke so they know to call 9-1-1.

In our follow-up, we found that the Ministry had no plans to develop or provide supports to initiatives or programs that increase public awareness of stroke symptoms and appropriate actions if symptoms of a stroke are occurring. The Ministry is still considering what further actions it can take to promote health, prevent chronic disease, and improve health outcomes for those living with chronic disease.

- *evaluate what additional changes (if necessary) are needed to achieve the target percentage of stroke patients treated on stroke units and implement those actions;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that the percentage of stroke patients treated in a designated stroke unit, which includes beds attended to by an interprofessional team who specialize in treating stroke patients, was below the provincial target of 75%.

In our follow-up, we found that in September 2022, as part of a Stroke Unit Task Group meeting, OH-CorHealth presented a current assessment on the state of stroke unit access in Ontario. The assessment noted challenges, such as Alternate Level of Care patients "blocking the bed" for new stroke patients while waiting for admission

to another care setting, variation in how stroke units are organized, and recruitment/retention challenges for staff with stroke expertise. Various opportunities for improvement were identified through this assessment. For example, OH-CorHealth recommended to the Ministry that new funding models be explored for stroke care to incentivize use of stroke units and to ensure stroke patients receive best-practice care. Further, in June 2023, OH-CorHealth revised the provincial stroke unit definition and stroke unit criteria to improve accountability. OH-CorHealth developed a plan to improve stroke unit access which involves three phases, the first of which is expected to be completed by the end of 2023/24, and concluding with best-practice adoption by hospitals and the beginning of hospital-specific action plans. Phases 2 and 3 of the plan involve addressing gaps to help hospitals meet best practices and developing a measurement framework to support stroke unit hospitals in improving quality of care, respectively. Phase 2 planning had not yet started at the time of our follow-up and its start date is uncertain.

- *work with stakeholders, including CorHealth and stroke neurologists, to identify any changes needed, such as changes to the stipend offered to neurologists, to encourage more stroke neurologists to participate in Telestroke.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that calls to the Ontario Telestroke Program had increased almost 90% over a four-year period while the number of stroke neurologists handling these calls only increased from 13 neurologists to 15. Based on an analysis prepared by CorHealth, the relatively low level of compensation for these professionals was the main reason for the low participation of stroke neurologists in Telestroke.

In our follow-up, we found that in February 2022, the Ministry worked with the Ontario Medical Association to increase the stipend offered to neurologists for one day's participation in the Ontario Telestroke Program from $850 to $1,500, which it applied retroactively to April 1, 2021. This helped increase the roster of participating physicians from 15 to 24 in February 2023.

Effective Diagnostic Test Can be Expanded Provincially to Determine Appropriate Treatment for More Stroke Patients

Recommendation 9

To provide stroke patients with timely access to diagnostic testing that will allow them to receive the most appropriate type of care, we recommend that the Ministry of Health direct CorHealth to:

- *complete its procurement of computerized tomography perfusion (CT-Perfusion) imaging technology for all eligible hospitals and provide support to identify and address any barriers that prevent hospitals from using or accessing CT-Perfusion; and*

- *continue to monitor the need for CT-Perfusion among other hospitals provincially and work with the hospitals to obtain the CT-Perfusion technology.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that only 16 hospitals were using CT-Perfusion imaging technology—a diagnostic test that can help determine whether ischemic stroke patients are candidates for EVT—which was significantly fewer than the 44 hospitals that CorHealth identified should have this software.

In our follow-up, we found that in July 2022, OH-CorHealth and MMC Plexxus Sourcing Collaborative finalized a provincial contract for CT-Perfusion imaging software for all Ontario stroke sites. Under this contract, any Ontario hospital could obtain a standard price for this software. As of May 2023, OH-CorHealth identified that 25 hospitals were using CT-Perfusion software while five more were purchasing the software and an additional hospital received approval to purchase it. Further, OH-CorHealth identified 18 hospitals that are "potential adopters" of CT-Perfusion imaging technology. The Ministry told us that the software may still be cost prohibitive for smaller stroke volume hospitals, so it is unrealistic to expect all tPA-administering hospitals to adopt it. As hospitals are responsible for their own business decisions, further expansion is at their discretion.

Not All Stroke Patients Have Timely Access to Appropriate Amount, Type of Rehabilitation Services

Recommendation 10

To provide stroke patients with access to appropriate amounts and types of rehabilitation that will best meet their health needs, we recommend that the Ministry of Health:

- *work with stakeholders, including CorHealth and rehabilitation providers, to understand challenges in meeting the best practice of providing 180 minutes of inpatient rehabilitation per day;*
- *take the appropriate action to address these identified challenges;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that stroke patients received significantly less than the best practice benchmark of 180 minutes of inpatient rehabilitation per day. Patients who receive 180 or more minutes per day of rehabilitation experience better outcomes.

In our follow-up, we found that, since our audit, OH-CorHealth had not performed work to understand barriers to meeting this best-practice benchmark. The Ministry informed us that health human resource constraints have historically been the main barrier, that this is an issue experienced across the health-care system, and that no plans to staff these positions to the level needed to meet the benchmark have been developed. While the Ministry still plans to address these recommendations, it had no defined timetable at the time of our follow-up.

- *fund physiotherapy services for all stroke patients who need it, regardless of age.*

  Status: Little or no progress.

Details

In our 2021 audit, we found that stroke survivors aged 20 to 64 that were not hospitalized for their stroke were ineligible for publicly funded physiotherapy services.

In our follow-up, we found that in April 2022, the Ministry announced a $5-million investment in a community post-stroke rehabilitation program. The first step toward developing the program involved asking Ontario Health to assess the current state of community stroke rehabilitation services and to map access points to these services to identify opportunities to improve access to post-stroke care. The Ministry was reviewing Ontario Health's recommendations on how to expand this across the province, but had not committed to a timeline to implement these recommendations at the time of our follow-up.

Hospital Beds Are Taken Up by Cardiac and Stroke Patients Who No Longer Require Hospital Acute Care

Recommendation 11

To give cardiac and stroke patients cost-effective and appropriate care once they no longer require hospitalization, we recommend that the Ministry of Health, in collaboration with Ontario Health:

- *require hospitals to report on which type of facility patients deemed Alternate Level of Care are waiting to be admitted to; and*
- *analyze this information to determine, by region, the need for additional beds in other types of facilities and to identify opportunities for improving co-ordination among hospitals and other facilities.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that hospital beds were occupied by cardiac and stroke patients who no longer needed hospital care and were waiting to be transferred home or to an opening at another facility that provides inpatient care.

In our follow-up, we found that Ontario Health was collecting data on the hospital/facility type and the most appropriate discharge destination for patients who no longer required treatment in a hospital bed. Using this information, in combination with other information collected, the Ministry provided one-time

funding of about $72 million in 2022/23 to support the implementation of initiatives aimed at addressing alternate level of care and improving patient flow. This included activities such as bed creation in hospitals and expanding models of home care and community services. Activities and associated funding were detailed on a region-by-region basis, with identified lead hospitals and/or other organizations to execute the work.

CorHealth Ontario Faces Constraints and Does Not Have Complete Oversight of Cardiac and Stroke Care

Recommendation 12

To allow for more fulsome oversight and improvement of the entire cardiac disease and stroke care system, we recommend that the Ministry of Health, in collaboration with Ontario Health:

- *provide CorHealth the ability to allocate and adjust funding to hospitals and other service providers based on provider performance against established performance targets;*

- *modify CorHealth's role to oversee additional aspects of cardiac disease and stroke care, including prevention and non-hospital care, such as recovery and rehabilitation, with the expectation to set standards and to carry out performance monitoring for the entire system;*

  Status: Will not be implemented.

  The Office of the Auditor General of Ontario continues to support that the expansion of Ontario Health-CorHealth Ontario's role to include performance-based funding and oversight of additional aspects of care can help improve cardiac and stroke care in Ontario.

Details

In our 2021 audit, we found that CorHealth did not have the power to adjust hospital and service provider funding to improve their performance, and that its role did not include oversight of prevention activities nor non-hospital care, such as cardiac and stroke rehabilitation.

In our follow-up, we found that the Ministry did not plan to transfer any funding responsibilities to OH-CorHealth, which is now part of Ontario Health rather than a standalone organization, nor did the Ministry plan to expand OH-CorHealth's mandate to include further oversight.

- *centralize co-ordination and oversight of provincial paediatric cardiac disease and stroke care that has funding, priorities, and deliverables distinct from adult cardiac disease and stroke care;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that CorHealth did not oversee paediatric cardiac and stroke conditions, and that additional standards, monitoring, and interventions for paediatric patients could lead to better and more consistent results provincially.

In our follow-up, we found that the Ministry had not yet begun to centralize co-ordination and oversight of cardiac and stroke care for paediatric patients, asserting that broader oversight of paediatrics was needed first. While the Ministry still plans to implement this recommendation, it had no timeline for implementation at the time of our follow-up.

- *establish and execute a plan to implement the recommendations in CorHealth's Cardiac, Stroke and Vascular Rehabilitation Call-to-Action report.*

  Status: Little or no progress.

Details

In our 2021 audit, we found that the Ministry had not made any progress on implementing the recommendations made in CorHealth's Cardiac, Stroke and Vascular Rehabilitation Call-to-Action report.

In our follow-up, we found that the Ministry had no plan in place to implement the recommendations in the Cardiac, Stroke and Vascular Rehabilitation Call-to-Action report. While the Ministry still intends to act on these recommendations, it had no timeline for implementation at the time of our follow-up.

Procurement Practices and Funding Rates for Cardiac and Stroke Care Need to Be Reviewed and Updated

Recommendation 13

To procure necessary cardiac and stroke supplies, devices and equipment in a cost-effective manner, we recommend that the Ministry of Health, in collaboration with Ontario Health:

- *collect cost information on cardiac and stroke equipment and supplies from hospitals, and identify those items where savings can be achieved through group procurement, or direct Supply Ontario to do this; and*
- *develop and regularly update a schedule, mindful of the need to consider the terms of existing hospital contracts with suppliers, to conduct all identified group procurements in a timely manner, with an aim to co-ordinate with other organizations, including CorHealth, Supply Ontario, and Ontario's existing shared service organizations, as necessary.*

Status: Little or no progress.

Details

In our 2021 audit, we found that hospitals were primarily responsible for procuring their own equipment and supplies for cardiac and stroke procedures, with some hospitals participating in ad hoc group-procurement processes.

In our follow-up, we found that the Ministry had not collected cost information to identify items where savings could be achieved through group procurement. The Ministry informed us that it would be exploring value-based procurement with Supply Ontario, an organization created in November 2020 to provide and support supply chain management; however, no work on this had occurred at the time of our follow-up and no timeline was in place to implement these recommendations.

Recommendation 14

To better match funding to the hospital care needs of cardiac disease and stroke patients, we recommend that the Ministry of Health, in collaboration with Ontario Health:

- *develop and implement a process to update funding rates for cardiac procedures on a regular basis;*

Status: Fully implemented.

Details

In our 2021 audit, we found that funding rates for most cardiac procedures were outdated, with the last full update completed nearly 15 years prior.

In our follow-up, we found that in March 2022, the Ministry updated the funding rates for cardiac procedures. Rather than funding every individual procedure separately, the revised methodology incorporates case-costing data to pay hospitals for each cardiac-related admission, with funding for each admission based on the procedure with the highest estimated cost that occurs during that admission. This methodology can be updated on a regular basis to incorporate updated case-costing data for cardiac procedures.

- *assess quality-based procedure funding criteria for stroke patients to determine whether the criteria should be expanded to cover treatment costs for more patients, including patients treated through surgical interventions and patients who experience a stroke in hospital.*

Status: Little or no progress.

Details

In our 2021 audit, we found that funding for stroke care would not cover many stroke patients, with about 7,000 stroke hospitalizations excluded from funding because the stroke occurred after the patient was admitted to the hospital and/or because the stroke was listed as a secondary diagnosis rather than the primary diagnosis leading to admission.

In our follow-up, we found that the Ministry and OH-CorHealth had not reassessed the quality-based procedure funding criteria for stroke patients. The Ministry informed us that, in combination with OH-CorHealth, it does plan to assess funding criteria for stroke patients to determine whether the criteria

should be expanded in the future, but no specific timing for this assessment had been determined at the time of our follow-up.

Fewer Cardiac Patients Sought and Received Care during COVID-19, Resulting in Growing Wait Times and Backlogs

Recommendation 15

To address the impact of COVID-19 on the provision of cardiac and stroke care, we recommend that the Ministry of Health work with CorHealth Ontario and Ontario Health to:

- *assess the prevalence of unidentified cardiac and stroke conditions as a result of the COVID-19 pandemic and determine the impact of these patients on the cardiac disease and stroke system going forward in order to identify additional funding or initiatives that may be needed to address these patients' health-care needs;*

  Status: Will not be implemented.

Details

In our 2021 audit, we found that wait lists for cardiac procedures grew as a result of a directive issued twice by the Chief Medical Officer of Health requiring that all non-essential and elective surgeries stop or be reduced to minimum levels to ensure that hospitals had sufficient capacity to treat COVID-19 patients.

In our follow-up, we found that the Ministry will not be implementing this recommendation, as the Ministry does not believe that it possesses the data-collection abilities to assess the prevalence of unidentified cardiac and stroke conditions resulting from the pandemic.

- *monitor the impact of the surgical recovery plan by periodically measuring and publicly reporting the cardiac procedure backlog and provide the necessary resources to help hospitals achieve this plan.*

  Status: Will not be implemented.

Details

In our 2021 audit, we found that the Ministry planned to invest $324 million in various initiatives, which included extending operating room hours with the intention to fund 67,000 additional procedures, a portion of which would be cardiac procedures.

In our follow-up, we found that the Ministry did not monitor the impact of the surgical recovery plan based on cardiac procedure backlogs. Rather, the Ministry was using average wait times—which Ontario Health (formerly Health Quality Ontario) continues to post publicly—and counts of patients who waited longer than target wait times for surgeries, to monitor progress on surgical recovery. While this is not the same as reporting the number of people waiting for care, and is therefore not equivalent to monitoring the cardiac procedure backlog, there is still significant overlap since it does show how long people are waiting and how many are waiting longer than provincial targets.

Chapter 1
Section
1.04

Ministry of Economic Development, Job Creation and Trade
Ministry of Energy
Ministry of Finance
Ministry of Public and Business Service Delivery
Treasury Board Secretariat

Follow-Up on 2021 Value-for-Money Audit:

COVID-19 Economic Response and Supports for Businesses

RECOMMENDATION STATUS OVERVIEW

		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	1	1				
Recommendation 2	1				1	
Recommendation 3	1		1			
Recommendation 4	2	2				
Recommendation 5	1	1				
Recommendation 6	2	1		1		
Recommendation 7	1					1
Recommendation 8	3	2		1		
Total	**12**	**7**	**1**	**2**	**1**	**1**
%	**100**	**59**	**8**	**17**	**8**	**8**

Overall Conclusion

The Ministry of Economic Development, Job Creation and Trade; the Ministry of Energy; the Ministry of Finance; the Ministry of Public and Business Service Delivery; and the Treasury Board Secretariat, as of July 28, 2023, have fully implemented 59% of the actions we recommended in our *2021 Annual Report*.

The Ministry of Economic Development, Job Creation and Trade has fully implemented several recommended actions, such as compiling lessons learned from the delivery of the Ontario Small Business Support Grant to inform the design and delivery of future economic support programs; reviewing and improving the assessment criteria to require additional financial information or guarantees from applicants that are assessed as high financial risk; and reinforcing

the importance of applicants declaring any actual, potential or perceived conflict of interest in their applications for funding. In addition, the Treasury Board Secretariat has fully implemented the requirement for ministries to develop clear and measurable objectives.

However, the Ministries have made little progress on 17% of the recommended actions: ensuring public reporting on outcome-based performance measures (Treasury Board Secretariat); reviewing whether actual, potential or perceived conflicts of interest exist for a recipient; and determining whether or not funds should be recovered (Ministry of Economic Development, Job Creation and Trade). We also determined that the Ministry of Finance and the Ministry of Energy do not plan to implement the recommendation to recover over $16 million in funds paid to ineligible recipients in relation to property tax and energy cost rebates.

The status of actions taken on each of our recommendations is described in this report.

Background

To alleviate the impact of the COVID-19 pandemic, the Province of Ontario announced on March 31, 2021, $50.9 billion in financial support would be distributed from 2020 to 2024. The funding was split between supports for the health-care sector and for the economy. At the time, provincial ministries had received approval to deliver approximately $36.5 billion or 72% of the total commitments, of which we calculated that over $11.2 billion was earmarked for businesses.

Out of the $11.2 billion, approximately $4.5 billion (or 40.2%) was allocated to the five programs and one initiative that we audited: the Ontario Small Business Support Grant, third-party non-consulting services to review high-risk applications for the Ontario Small Business Support Grant program, Property Tax and Energy Cost Rebates, the Ontario Together Fund, Personal Protective Equipment Rebates (Main Street Relief Grant) and the Digital Main Street–Digital Transformation Grant. We determined that, as of July 31, 2021, $3.4 billion (or 76%) of the authorized $4.5 billion had been spent.

We found that the Province had not established any short-term or long-term objectives for its suite of economic support programs for businesses—in other words, what it sought to achieve with the over $11.2 billion in spending authorized as of March 31, 2021. Ministries also did not establish outcome-based measures with which program success could be evaluated. Where individual ministries tracked spending under individual programs, this information was not consolidated, nor was it tracked as COVID-19 economic support spending. We collected this information.

Our audit also found that, as a consequence of speeding up the delivery of programs once a funding decision was made, eligibility controls were either missing entirely, poorly designed, or not applied. For example, in the case of the Ontario Small Business Support Grant, payments were made to thousands of ineligible or suspicious applications. For this program, the Province initially relied on applicant-reported information without verifying whether the information was true, asking for supporting documentation, or at a minimum, assessing the reasonableness of the information being provided.

Besides examining five targeted support programs, our audit confirmed that the Province did not inform business owners in advance of publicly announcing restrictions to business operations. This meant businesses did not have sufficient time to prepare for closing or reopening their operations, in some cases further contributing to financial losses. For example, business owners found out on April 1, 2021, through a public announcement, that the Province would be imposing a province-wide "emergency brake" effective April 3, only two days later.

Some of our significant findings were:

- In August 2021, the Province wrote off over $210 million paid to approximately 14,500 ineligible recipients of the Ontario Small Business Support Grant, identified through application reviews performed by a consulting

firm during the course of the program. The Ministries of Finance; Economic Development, Job Creation and Trade (Economic Development Ministry); and Government and Consumer Services (now the Ministry of Public and Business Service Delivery) did not make any attempts to recover funds paid to ineligible recipients. Excluded from the $210 million was a further roughly $6 million paid to 212 suspicious recipients that were still under investigation by the Economic Development Ministry. These recipients were reported by public tips, financial institutions, as well as internal review by the Ministries.

- The amounts granted in the Ontario Small Business Support Grant were not proportionate to businesses' needs. The minimum grant awarded was $10,000. Some recipients reported that they lost as little as $0.02 or experienced no change at all in their revenues, yet received $10,000.
- Some businesses that experienced significant revenue declines were not eligible for the Ontario Small Business Support Grant. Only businesses that were required to close or significantly restrict services due to the December 26, 2020, province-wide shutdown were eligible for supports. Other businesses that nonetheless were impacted by the pandemic did not receive supports. Examples include laundromats and dry cleaners; manufacturing, supply chain, transportation and logistics services; and wineries and breweries.
- The Economic Development Ministry did not validate information about the progress of projects supported by the Ontario Together Fund. Instead it relied on self-reported information from the grant recipients. One company that received $1.8 million in funding went bankrupt while other projects were not completed by the date required in the agreement. At the time of our audit, 15 or 28% of the 54 Ontario Together Fund projects had been delayed in various stages. The Ministry approved a total of $15.8 million in funding for these delayed projects, $9.7 million of which had already been paid out to the businesses by July 31, 2021.
- The Economic Development Ministry did not identify actual, potential or perceived conflicts of interest as defined by contracts. For example, the Chief Executive Officer of a company that was awarded a $2.5 million contract under the Ontario Together Fund was a member of the Ministers' COVID-19 Vaccine Task Force. In addition, the Chief Technology Officer and Executive Vice President of Marketing of the same company was a member of the Canadian Automotive Partnership Council, which the Economic Development Minister also sat on.
- In the Personal Protective Equipment (PPE) Rebates program, eligible businesses could receive up to $1,000 toward their costs incurred for PPE. The Economic Development Ministry told us the grant amount was determined by "an estimate made at the time to provide a reasonable level of urgent assistance to small businesses to offset unexpected PPE costs." The committed budget for this program was $65 million and the program ran from November 16, 2020, to March 31, 2021, or about five months. Despite being widely communicated, the application uptake was only 18% of the committed budget for the program.
- We found that the delivery of the Digital Main Street–Digital Transformation Grants benefited from well-established systems and processes.

We made eight recommendations, consisting of 12 action items, to address our audit findings. We received commitment from the Treasury Board Secretariat as well as the Ministries of Finance; Economic Development, Job Creation and Trade; Government and Consumer Services (now the Ministry of Public and Business Service Delivery); and Energy that they would take action to address our recommendations.

Standing Committee on COVID-19 Economic Response and Supports for Businesses

On March 23, 2022, the Standing Committee on COVID-19 Economic Response and Supports for Businesses (Committee) held a public hearing on our 2021 audit of COVID-19 Economic Response and Supports for Businesses. In February 2023, the Committee tabled a report in the Legislature resulting from this hearing. The Committee endorsed our findings and recommendations, and made 12 additional recommendations. The Ministries reported back to the Committee in June 2023. The Committee's recommendations and our follow-up on its recommendations are found in **Chapter 3**, **Section 3.02** of our *2023 Annual Report*.

Status of Actions Taken on Recommendations

We conducted assurance work between April 2023 and July 2023. We obtained written representation from the Ministry of Economic Development, Job Creation and Trade; the Ministry of Energy; the Ministry of Finance; the Ministry of Public and Business Service Delivery; and the Treasury Board Secretariat that effective November 20, 2023, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Some Small Businesses Not Eligible for Ontario Small Business Support Grant

Recommendation 1

To determine whether the Ontario Small Business Support Grant was effective in providing supports to small businesses that were impacted by public health restrictions, we recommend that the Ministry of Economic Development, Job Creation and Trade, in collaboration with the Ministry of Finance, and the Ministry of Government and Consumer Services, review lessons learned from the delivery of the Ontario Small Business Support Grant and provide this information to the Ontario Jobs and Recovery Committee to inform the design and delivery of future economic support programs for businesses.

Status: Fully implemented.

Details

In our 2021 audit, we found that the program eligibility criteria for the Ontario Small Business Support Grant meant that some small businesses were ineligible for supports even though they had been impacted by public health restrictions affecting their operations. For example, only businesses that were required to close or significantly restrict services due to the December 26, 2020, province-wide shutdown were eligible for supports. Other businesses that nonetheless experienced significant revenue declines did not receive supports. For example, hotels were not required to close but had to significantly restrict their other income-producing services, such as hosting weddings, events and meetings in their non-accommodation facilities. Our audit also found that some businesses received financial support that was more than their reported revenue loss. For example, some recipients reported that they lost as little as $0.02 or experienced no change at all in their revenues, yet received $10,000.

In our follow-up, we found that the Ministry of Economic Development, Job Creation and Trade (Ministry) submitted a lessons-learned document on the delivery of the Ontario Small Business Support Grant to the Treasury Board/Management Board of Cabinet in January 2023. The document was submitted to the Treasury Board instead of the Ontario Jobs and Recovery Committee because the committee was no longer operational.

The document outlined recommendations for future small business grants based on key audit observations

from our 2021 audit. One of the key recommendations in the lessons-learned document was to eliminate the auto-approval approach for all incoming applications for future small business support grants to significantly reduce the number of ineligible businesses receiving payments. The Ontario Small Business Relief Grant program, which was launched in January 2022 to provide financial support to small businesses that were required to close indoor operations, required all applications to be reviewed by Ministry staff. Another recommendation in the lessons-learned document is for the creation and delivery of mandatory training for all staff on program requirement/eligibility criteria and Transfer Payment Ontario (TPON—system used for application processing). According to the Ministry, training material was delivered to staff for both the Ontario Travel and Tourism Small Business Support Grant, launched in June 2021, and the Ontario Small Business Relief Grant, launched subsequent to our 2021 audit.

Another recommendation noted in the lessons-learned document was a mandatory requirement for submission of documents at the time of application to assess authenticity and eligibility. According to the application guides, both the Ontario Travel and Tourism Small Business Support Grant and the Ontario Small Business Relief Grant require applicants to provide business documentation (such as void cheques, business bank statements, identification of all businesses owned or controlled by the applicant including the businesses' names and business numbers) at the time of application. For the Ontario Small Business Relief Grant, the business number and legal name was to be confirmed in real time against the Canada Revenue Agency database via Service Ontario's Business Directory. In addition, the Ministry (in conjunction with the Ministry of Public and Business Service Delivery) is also considering establishing a direct relationship with financial institutions prior to any new program launch to identify key contacts for each financial institution to support the review and verification of banking documents.

Over $16 Million Paid to Over 3,000 Ineligible Recipients

Recommendation 2

So that property tax and energy cost rebates made to ineligible businesses are recovered on a timely basis, we recommend that the Ministry of Finance and the Ministry of Energy continue to recover funds paid to ineligible recipients.

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

In our 2021 audit, we found that the Ministry of Finance and Ministry of Energy had determined that payments were made to ineligible businesses during the course of the Property Tax and Energy Cost Rebates program because the initial system and manual controls were not strong enough to detect and screen out all the types of ineligible businesses that applied. About $14.3 million in property tax reimbursements was paid to 2,463 ineligible businesses, and about $1.7 million in energy cost reimbursements was paid to 602 ineligible businesses. As of October 4, 2021, the Ministry of Finance and the Ministry of Energy had recovered approximately $850,000 from 229 businesses, or about 5.3% of the payments.

In our follow-up, we found that the Ministry of Finance and the Ministry of Energy have recovered approximately $930,000 of ineligible payments (comprising $420,000 by the Ministry of Finance and $510,000 by the Ministry of Energy). However, the total recovery of approximately $930,000 is only about 5.8% of the total ineligible payments of over $16 million. The Ministries of Finance and Energy told us that "the government will not pursue further recovery of the property tax and energy costs rebate made to ineligible recipients" due to the "significant challenges and global economic uncertainty businesses have faced over the past three years." In June 2023, the Ministries of Finance and Energy received approval from the Lieutenant Governor for the write-off of ineligible payments.

Economic Development Ministry Did Not Have Sufficient Monitoring Processes over Projects

Recommendation 3

So that the Ministry of Economic Development, Job Creation and Trade can effectively oversee the progress of projects approved under the Ontario Together Fund, we recommend that the Ministry validate information reported by funding recipients in interim reports to ensure that the information is complete and accurate.

Status: In the process of being implemented by January 2024.

Details

In our 2021 audit, we found that the Ministry of Economic Development, Job Creation and Trade (Ministry) did not validate information about the progress of projects and instead relied on self-reported information from the grant recipients. Site visits were all conducted virtually through a live walkthrough using webcams due to public health restrictions, but were never recorded. In addition, the Ministry told us that during the interim reporting process, it did not typically perform external checks on the financial condition of companies, such as a review of annual reports, media scans and (if the company is public) its valuation on the stock exchange.

In our follow-up, the Ministry told us that staff now review the interim reports for completeness. According to the Ministry, for the ongoing projects, the Ministry will review financial statements, conduct site visits (in person where safe to do so), and conduct media scans as part of the interim report review process. The Ministry told us that the new practice will be implemented starting January 2024.

Contract Worth $1.8 Million Awarded to Business That Went Bankrupt

Recommendation 4

So that funding under the Ontario Together Fund is awarded to businesses that have the capacity to complete their projects, we recommend that the Ministry of Economic Development, Job Creation and Trade:

- *review and improve its assessment criteria to require additional financial information or guarantee from applicants that are assessed as high financial risk;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that the Ministry of Economic Development, Job Creation and Trade (Ministry) awarded a $1.8 million contract to a company that went bankrupt eight months later. Prior to the company declaring bankruptcy in May 2021, the Ministry had paid $1,087,164, or approximately 61% of the contract value to the company. When assessing the business's application, Ministry staff noted concerns regarding the business's financial situation and rated the working capital risk as high because external financing for the project was unconfirmed and revenues up to 2019 were minimal. Despite this risk assessment, the Ministry awarded the contract to the business. The contract that the Province signed with the business was unsecured, which meant that the Ministry did not have priority in reclaiming what it paid. According to the Ministry, it did not expect to recover any portion of the $1,087,164 that had been paid out.

In our follow-up, the Ministry informed us that, in order to ensure that businesses participating in the Ontario Together Fund have the capacity to undertake projects, the Ministry, for new applicants subsequent to our audit, requested additional financial information for projects that are assessed as high financial risk. The requirement of project financing was incorporated into the contracts with the applicants. For two recipients, the Ministry was able to obtain guarantees from parent companies confirming that they would meet financing commitments in case of any cash shortfall from the applicant.

- *monitor and mitigate changes to each project's overall risks during its lifecycle.*

  Status: Fully implemented.

Details

In our follow-up, we found that the Ministry of Economic Development, Job Creation and Trade (Ministry) staff monitor projects and project risk by conducting and documenting virtual site visits and onsite visits, including having the company provide a virtual tour of its facility when possible. According to the Ministry, the project monitoring guide provides guidance on assigning risk and follow-up, as required. The Ministry raised its monitoring level based on interim site visits for four projects that were behind schedule, and amending agreements with extensions were signed.

Over One-Quarter of Funded Projects Have Been Delayed

Recommendation 5

To prevent further delays in future Ontario Together Fund projects, we recommend that the Ministry of Economic Development, Job Creation and Trade use provisions in contracts, including clawback measures, to recover funds from recipients that are unlikely to complete projects.

Status: Fully implemented.

Details

In our 2021 audit, we found that 15 or 28% of the 54 Ontario Together Fund projects were delayed in various stages, meaning that these businesses received money to help produce Personal Protective Equipment (PPE) or other pandemic-related equipment but were unable to deliver on their agreement. The Ministry of Economic Development, Job Creation and Trade (Ministry) had approved a total of $15.8 million in funding for these delayed projects, $9.7 million of which had already been paid out to the businesses by July 31, 2021. The Ministry extended the project-completion deadline for all these projects. On average, the Ministry granted an extension from three to six months for these companies.

In our follow-up, we found that the Ministry had noted that there were 19 Ontario Together Fund projects that were eligible for clawbacks and holdbacks due to shortfalls in eligible project investment since inception of the program. The Ministry exercised clawbacks on all 19 projects. In addition, there was one project that was unlikely to be completed and the Ministry demanded funds back from this company.

Perceived Conflicts of Interest Were Not Disclosed or Identified

Recommendation 6

So that any actual, potential or perceived conflicts of interest are identified prior to contracts being awarded to businesses under the Ontario Together Fund, we recommend that the Ministry of Economic Development, Job Creation and Trade, as part of the application and assessment process:

- *review whether actual, potential or perceived conflicts of interest exist and determine whether or not funds should be recovered and if the contract should be disengaged;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that the Ministry of Economic Development, Job Creation and Trade (Ministry) did not identify actual, potential or perceived conflicts of interest as defined by contracts. For example, the Chief Executive Officer of a company that was awarded a $2.5 million contract was a member of the Ministers' COVID-19 Vaccine Task Force. In addition, the Chief Technology Officer and Executive Vice President of Marketing of the same company was a member of the Canadian Automotive Partnership Council, which the Economic Development Minister also sat on. At the time of our audit, the Ministry told us that it was unaware of these perceived conflicts. Ministry staff had not taken steps to determine whether any actual, potential or perceived conflicts of interest existed during the assessment process.

In our follow-up, the Ministry noted that it does not have full visibility on interests/activities of company officers, and the onus is on grant recipients to report any actual, potential or perceived conflicts of interest as it relates to them. With respect to conflicts of interest identified in the audit, the Ministry worked with its Legal Services Branch to conclude that it was unaware

of any facts or information that would lead it to conclude that the Chief Executive Officer's participation in the Ministers' COVID-19 Vaccine Task Force could constitute a conflict of interest. However, the Ministry had not yet taken any additional steps to assess whether participation on the COVID-19 Vaccine Task Force had influenced the awarding of the contract to the company or the amount of the contract.

- *reinforce the importance of applicants declaring any actual, potential or perceived conflict of interest in their applications for funding.*

  Status: Fully implemented.

Details

In our follow-up, we found that, to reinforce that applicants are required to disclose actual, potential or perceived conflicts of interest at the application stage, the Ministry had included company attestation regarding conflicts of interest in the Ontario Together Fund application form. In addition, the conflict-of-interest-disclosure requirement was added in the program guidelines. These guidelines state that, as part of the application process, each applicant would be required to declare that they have no actual, potential, or perceived conflicts of interest related to the application process and/or the execution of the project (subject to funding approval).

No Centralized Tracking of Approved Funding

Recommendation 7

To facilitate proper oversight in the Province's COVID-19 spending, we recommend that the Treasury Board Secretariat compile COVID-19 program expenditure data from provincial ministries and report amounts spent against amounts authorized.

Status: No longer applicable.

Details

In our 2021 audit, we found that the Treasury Board Secretariat (Secretariat)—the central provincial body responsible for facilitating approval of funding requests from ministries and monitoring the status of spending against approved amounts—did not track how much of the $50.9 billion the Province committed to as part of its COVID-19 response had been authorized for spending or how much of the authorized funding had been spent. As of March 31, 2021, based on our own analysis of more than 300 business case submissions to the Treasury Board/Management Board of Cabinet from March 2020 to March 31, 2021, we found that a total of $36.5 billion had been authorized to be spent.

According to the Secretariat, as time-limited COVID-19 funding winds down, there is no need to present COVID-19 funding against actual spending.

Program Results Not Publicly Communicated

Recommendation 8

So that the Province of Ontario can assess the effectiveness of its COVID-19 economic support and recovery initiatives for businesses, we recommend that the Treasury Board Secretariat:

- *require ministries responsible for the economic support and recovery initiatives for Ontario's businesses to develop clear, measurable short and long-term objectives for the initiatives;*
- *establish outcome-based performance measures based on the objectives;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that none of the three action plans the Province released during the first year of the COVID-19 pandemic contained clear and measurable outcomes for the Province's COVID-19 economic support programs. The three action plans were the primary way through which the Province communicated to Ontarians how it intended to support the various sectors in the province, such as health, education, social services, and the economy in response to the COVID-19 pandemic. We found that all three plans made general commitments intended to (1) protect

people's health, and (2) support jobs and the economy. However, such broad commitments are difficult to measure. Our audit also found that most of the performance measures established for the programs we audited were output-based, such as the number of applications received and approved and the number of contracts awarded. As a result, the various ministries could not assess whether programs achieved their objectives. The only outcome-based metric we identified was for the Digital Main Street Grant (number of businesses that launched an online store after receiving support). We also noted that ministries reported on the results of the output-based performance measures only through the quarterly progress reports submitted to the Treasury Board/Management Board of Cabinet, which were not publicly available.

In our follow-up, we found that the Treasury Board Secretariat (Secretariat) is implementing the first phase of the Transfer Payment Performance Measurement Framework. According to the Secretariat, the Transfer Payment Performance Measurement Framework will require ministries to use a common central platform (Transfer Payment Ontario system) to report on program outcomes for all new time-limited and discretionary transfer payment programs (including economic support and recovery initiatives). All ministries were responsible for identifying existing performance measures that align with the framework and submitting their plans to transition collection to Transfer Payment Ontario by June 2022. According to the Secretariat, all ministries have submitted their Transfer Payment Performance Measurement Framework implementation plans. In addition, in May 2022, the Secretariat revised/updated the business case template for in-year Treasury Board/Management Board of Cabinet requests that contained an updated "Ongoing Performance Monitoring and Evaluation" section for ministries to include performance measurement plans to demonstrate progress toward key objectives and outcomes.

According to the Secretariat, full implementation of the Transfer Payment Performance Measurement Framework is an ongoing process during which all new programs are required to be compliant from program launch; and all existing programs are to be transitioned as transfer payment agreements are renewed. The Secretariat plans to continue to monitor the implementation of requirements for existing programs through implementation plans, which are submitted annually.

- *publicly report on the results.*

  Status: Little or no progress.

Details

According to the Secretariat, in alignment with 2022/23 reporting, ministries were directed to provide information in their 2022/23 annual reports regarding their performance/outcomes, including for programs in response to the COVID-19 pandemic. Although the Secretariat has recommended that ministries publicly report on performance measures, we saw no evidence of any public reporting of relevant performance measures by the Ministries of Economic Development, Job Creation and Trade, Finance or Energy in their annual reports as recommended by the Secretariat.

Chapter 1
Section
1.05

Ministry of Health
Ministry of Public and Business Service Delivery
Ministry of Labour, Immigration, Training and Skills Development

Follow-Up on 2021 Value-for-Money Audit:

COVID-19 Personal Protective Equipment Supply

RECOMMENDATION STATUS OVERVIEW						
		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	1				1	
Recommendation 2	2	1	1			
Recommendation 3	1		1			
Recommendation 4	4	4				
Recommendation 5	3	2	1			
Recommendation 6	2	2				
Recommendation 7	2	1	1			
Recommendation 8	1	1				
Total	**16**	**11**	**4**	**0**	**1**	**0**
%	**100**	**69**	**25**	**0**	**6**	**0**

Overall Conclusion

The Ministry of Health, Ministry of Public and Business Service Delivery (MPBSD) and Ministry of Labour, Immigration, Training and Skills Development, as of November 17, 2023, have fully implemented 69% of actions we recommended in our *2021 Annual Report*. The Ministries made progress in implementing an additional 25% of the recommended actions.

The Ministry of Health fully implemented five (45%) of the recommended actions, such as creating an expiration guidance document to provide its warehouse instruction on when to ship personal protective equipment (PPE) and other supplies to health-care providers to prevent obsolescence or expiry. The Ministry was also in the process of implementing recommendations from experts who had been debriefed and interviewed about lessons learned from COVID-19 that could inform future pandemic planning. One early lesson was to use a flexible seasonal plan for management of future pandemics that will be kept current and relevant, and that would undergo an annual planning cycle to be reviewed and updated. As a result,

the Ministry was in the process of implementing a flexible seasonal plan to replace the Ontario Health Plan for an Influenza Pandemic, which included inventory management and control guidelines and an ethical allocation framework for PPE distribution.

For its part, the MPBSD had fully implemented four (36%) recommendations, such as developing a virtual inventory tool survey for data collection to capture information about PPE and critical supplies equipment consumption, inventory and deliveries. MPBSD had also put in place long-term agreements for procurement of critical PPE, including entering into domestic arrangements for surgical masks, N95 respirators, nitrile gloves, hand sanitizers and disinfectant cleaners. These agreements have the ability to scale up the production of PPE to meet demands brought on by an extraordinary event.

On July 31, 2023, the transition of staff and business operations from the Supply Chain Ontario division of MPBSD to Supply Ontario took place, including the transfer of responsibilities for the management, oversight and operations of the provincial stockpile of PPE and critical supplies and equipment.

The Ministry of Labour, Immigration, Training and Skills Development inspectors continued to verify that PPE, when it was required, was available and properly worn and used by workers. Ministry inspectors also checked for appropriate instruction and training on the use of PPE. Training is considered important for worker safety, and inspectors check for it when responding to workplace complaints (reactive field visits) and during regular inspections (proactive field visits).

The Ministry of Health will not be implementing our recommendation regarding changing the stockpiling in the Ontario Health Plan for an Influenza Pandemic to a requirement that health-care employers maintain a four-week, eight-week or 32-week supply of PPE as appropriate to their health-care setting requirements and report regularly to the Ministry of Health on their supply levels.

The status of actions taken on each of our recommendations is described in this report.

Background

This special audit was the last in a series undertaken by our Office concerning the Province's response to coronavirus disease (COVID-19). It looked at the preparedness and response of the provincial government in procuring, managing and distributing personal protective equipment (PPE) for both the health and non-health sectors.

Overall, we concluded that Ontario did not have sufficient PPE to respond to the COVID-19 pandemic. Long-standing issues had been identified but not addressed by the Ministry of Health, dating back to the early 2000s and the outbreak of Severe Acute Respiratory Syndrome (SARS).

Since that time, the Ministry had not maintained a sufficient centralized emergency PPE stockpile, leaving the Province with minimal usable PPE inventory to distribute in a time of crisis. For example, all N95 respirators had passed their expiry date. We confirmed there was no legislated requirement for the Province to monitor whether individual health-care providers maintained sufficient supplies of PPE either, as recommended under the Ontario Health Plan for an Influenza Pandemic.

Although provincial plans were under way to centralize provincial procurement of PPE, that was not in place when COVID-19 was declared an emergency in Ontario. As a result, the Province had to develop new ways of procuring PPE and obtaining province-wide information on PPE consumption rates, needs and availability during the pandemic.

Our testing confirmed that PPE was allocated in accordance with a newly developed Ethical Allocation Framework. However, the Ontario government did not publicly and transparently communicate how it was allocating its scarce PPE stock, and whether the newly developed Ethical Allocation Framework was being used to guide allocation decisions.

Some of our significant observations were:

- Most PPE in the emergency stockpile had expired by 2017. Our 2017 audit of Emergency

Management in Ontario reported that more than 80% of the pallets of stockpiled PPE supplies had already expired and the Ministry had begun destroying the supplies without replacing them.

- Health-care workers were not always properly protected with PPE. Our review of violation orders issued by the then Ministry of Labour, Training and Skills Development in 2020 found a tenfold increase in orders issued for PPE violations to health-care providers (including long-term-care homes and hospitals), with 229 orders issued in 2020 compared to only 22 in 2019. PPE violations resulted from employees' lack of access to appropriate PPE when required, and employers failing to ensure that employees were trained on how to properly wear, use and store PPE.
- The Ministry of Health did not have complete and consolidated information on PPE in the health-care sector at the start of the pandemic to make informed decisions. The Ministry had to create new reporting channels to obtain information about PPE availability and use in the health-care sector. In January 2020, the Ministry contacted health-care providers to obtain this information voluntarily from them, and contacted suppliers for information about supply. On March 27, 2020, the Minister of Health issued an order to health-care providers under the *Health Protection and Promotion Act* requiring them to report the quantity of PPE they had, their consumption rates and forecasts of future supply levels, beginning April 1, 2020. Initially, this information was collected by Ontario Health but on June 5, 2020, the Ministry of Government and Consumer Services (now named the Ministry of Public and Business Service Delivery) took over this responsibility.
- Centralized Supply Chain Ontario (Supply Ontario) was established on November 5, 2020, with a mandate to centralize the Province's procurement and supply chain, including the supply chain for the broader public sector, which includes the health-care sector. In January 2021, Supply Ontario's first Board of Directors was established, with the goal to have the agency fully operational by November 2023. Supply Ontario will be responsible for collecting and analyzing inventory, procurement and other data relevant to the centralized supply chain.

We made eight recommendations, consisting of 16 action items, to address our audit findings. We received commitment from the ministries that they would take action to address our recommendations.

Standing Committee on Public Accounts

On March 30, 2022, the Standing Committee on Public Accounts (Committee) held a public hearing on our COVID-19 Personal Protective Equipment Supply audit. In February 2023, the Committee tabled a report in the Legislature resulting from this hearing. The Committee endorsed our findings and recommendations. The Ministry of Health and Ministry of Public and Business Service Delivery reported back to the Committee in June 2023. The Committee's recommendations and our follow-up on its recommendations are found in **Chapter 3**, **Section 3.03** of our *2023 Annual Report*.

Status of Actions Taken on Recommendations

We conducted assurance work between June 2023 and August 2023. We obtained written representation from the Ministry of Health, the Ministry of Public and Business Service Delivery and the Ministry of Labour, Immigration, Training and Skills Development that effective November 17, 2023, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Co-ordinated PPE Procurement Systems Not in Place in Ontario Prior to the COVID-19 Pandemic

Recommendation 1

So that the personal protective equipment (PPE) emergency supply recommendations in the Ontario Health Plan for an Influenza Pandemic (Health Pandemic Plan) are followed and the risk of a future potential PPE shortage is minimized, we recommend that the Ministry of Health include a requirement in the Health Pandemic Plan that health-care employers must maintain a four-week, eight-week or 32-week supply of PPE as appropriate to their health-care setting requirements, and report regularly to the Ministry of Health on their supply levels.

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

When the COVID-19 pandemic began in early 2020, many health-care providers in Ontario were not adequately prepared with PPE. In our 2021 audit, we found that although the Ontario Health Plan for an Influenza Pandemic recommends that health-care providers maintain their own four-week emergency stockpile of PPE, there was no requirement in place for any party to oversee the stockpiling and monitor whether emergency supplies were in fact put in place. The latest update of the Ontario Health Plan for an Influenza Pandemic in 2013 recommended that outpatient and homecare settings plan to keep on hand twice the volume of PPE they would normally use in a four-week period of an influenza season. The recommendation for inpatient settings was to keep on hand volumes eight times as high as normally used in that four-week period, including stockpiles of N95 respirators and surgical masks.

In our follow-up, we found that the Ministry of Health will not be changing the Ontario Health Plan for an Influenza Pandemic stockpiling practice to require that health-care employers maintain a four-week, eight-week or 32-week supply of PPE as appropriate to their health-care setting requirements, and report regularly to the Ministry of Health on their supply levels.

The Ministry of Health worked closely with the Ministry of Public and Business Service Delivery to finalize the transfer of the health-care stockpile of PPE to Supply Ontario, which was completed as of July 31, 2023. PPE and critical supply equipment in the provincial stockpile will be available through the Supply Ontario PPE Supply Portal to health-care workers and their employers. Health-care providers are expected to be able to leverage the provincial stockpile to meet their stockpile requirements. The provincial stockpile is to be maintained to the levels identified through demand planning, surge planning for emergencies and to meet supply chain risk.

Recommendation 2

To obtain benefit from the procurement and use of personal protective equipment (PPE) from the emergency provincial stockpile before inventory expires, we recommend that the Ministry of Health:

- *develop and implement inventory management and control guidelines that include the requirement to monitor expiration dates and plan for the rotation of PPE with instructions on when to ship out PPE to health-care providers for use before it expires.*

  Status: Fully implemented.

Details

In our 2017 audit of Emergency Management in Ontario, we found that more than 80% of the province's 26,000 pallets of stockpiled emergency PPE supplies had expired, and the Ministry had begun destroying the supplies. In 2016, the Ministry began a review of the stockpile program with the aim of modernizing it, but that plan was not completed before the COVID-19 pandemic occurred. The Ministry of Health indicated to us that, had the PPE in the emergency stockpile been properly managed and rotated out for use in the health-care sector before it expired, and then replenished, the Province would have been in a better position when the pandemic hit. Storage of the expired

supplies was costing more than $3 million a year, and no one was monitoring PPE expiration dates and planning for distribution of the PPE prior to its expiration.

In our follow-up, we found that in January 2022, the Ministry of Health developed and distributed an expiration guidance document that provided instructions to its warehouse on when to ship PPE and other supplies to health-care providers so that they were shipped before they expired. This was being accomplished by using an inventory-control method called First Expiring, First Out (FEFO), such that items that expired first were the first items to be shipped out. This attempts to prevent obsolescence or expiry at the source of picking. As part of the Ministry's October 1, 2022, contractual agreement with its warehouse vendor, Metro Supply Chain Inc., orders with products that are closest to their expiry are shipped out first. The Ministry of Health informed us that it meets weekly with Metro Supply Chain Inc. (Metro) and Supply Chain Ontario (formerly MPBSD) to reinforce the FEFO guidelines. Since the October 1, 2022, contractual agreement with Metro was signed, in June 2023, about $53 million of PPE had expired. The majority of the expired stock is due to the high volume of new products acquired early in the pandemic when there was a shortage of respirators, masks and sanitizer to meet demand. Once the supply chain stabilized, some products became more appropriate than others and demand for other products declined, resulting in additional inventory of expired and obsolete products.

In addition, the Ministry of Health was executing a number of strategies to reduce waste in its stockpiles, including inventory monitoring of lot codes and expiry dates, and giving out PPE to clients, regional warehouses or non-health sector partners that could accommodate quick consumption rates. In partnership with MPBSD, the Ministry of Health continued to monitor PPE inventory data and flagged expiry dates for distribution. It ran daily and weekly reports that tracked:

- received and outbound PPE inventory and consumption data;
- net inventory reports on product status (e.g., expired, available, donated); and
- product expiry dates based on warehouse vendor data provided.

As part of the Ministry-established Slow-Moving Products Group, representatives from the Ministry of Health, MPBSD (Pandemic Program) and Mohawk Medbuy Corporation continued to work collaboratively on initiatives to distribute excess or slow-moving products and to explore additional distribution channels for moving products prior to their expiry. This included initiatives such as sharing upcoming expiry alerts with their customers to encourage distribution of these products to avoid their expiration. In addition, from December 2021 through April 2022, various branches of the Ministry of Health participated in the Supplemental Stockpile Access Program. This short-term program encouraged hospitals, long-term care homes and home-care sectors to order targeted, soon-to-expire products within the stockpile. The program resulted in the delivery of PPE valued at $7.3 million to health-care providers before it expired. The Ministry of Health and MPBSD stated that, while they had put in place processes to ensure that PPE was distributed to health-care providers before it expired, they accepted that holding inventory so as to be able to respond to events that created sudden surges in demand, like pandemics, would likely result in some PPE expiring and being written off, should the surge in demand not materialize.

- *update the Ontario Health Plan for an Influenza Pandemic with the inventory management and control guidelines.*

  Status: In the process of being implemented by September 2024.

Details

In our 2021 audit, we found that the provincial PPE emergency stockpile for the health-care sector was and is intended to serve as a last resort emergency option for health-care providers to request supplies from once they had exhausted their own stockpile and could

not secure PPE from their suppliers. However, as per the Ministry of Health's direction, health-care providers had to try to procure PPE through their regular suppliers throughout the pandemic. The Ministry's Emergency Operations Centre within the Ministry of Health is responsible for maintaining the emergency stockpile, as well as for co-ordinating the response to threats and hazards to the health of Ontarians and the health-care system. The amount of PPE that was needed to be procured for the Province during the COVID-19 pandemic highlighted the need for a well-stocked, usable emergency stockpile. From the start of the pandemic through December 2020, more than 1 billion units of PPE were ordered and received by the Ministry of Health and the Ministry of Government and Consumer Services, and provided to Ontario by the government of Canada.

In our follow-up, we found that the Ministry of Health has held debriefs and interviews to gather COVID-19 lessons learned to inform future pandemic planning. For example, during our follow-up, we found that the Ministry of Health had conducted a debrief with the co-chairs of the Respiratory Season Touchpoint and the associated Pediatric Surge Table. These two tables were key COVID-19 response structures for the Ministry of Health, Ontario Health and Public Health Ontario leadership. This debrief resulted in the development of the Seasonal Respiratory Pathogens Readiness and Response Planning Guide (Planning Guide), which was publicly released in July 2023 to help the provincial health-care system prepare for and respond to seasonal respiratory pathogens. In addition, the Ministry told us that an early lesson from the debriefs was that it was preferable that future pandemics be managed using a flexible seasonal plan that will be kept current and relevant, and that will undergo an annual planning cycle. The Ontario Health Plan for an Influenza Pandemic will therefore be replaced by a flexible seasonal plan that will include inventory management and control guidelines in September 2024.

The Planning Guide can be escalated to respond to public health emergencies or pandemics and is intended for regular use by health system agencies, organizations, employers and health-care service providers.

Recommendation 3

To complete the modernization of Ontario's supply chain process for the procurement of personal protective equipment (PPE), collect the data needed to make informed procurement decisions and obtain value for money in PPE procurement, we recommend that the Ministry of Government and Consumer Services (MGCS) work with Supply Ontario to put in place the systems that will enable Supply Ontario to collect the information it needs about Ontario's PPE supply and regularly report this information to MGCS.

Status: In the process of being implemented by April 2024.

Details

In our 2021 audit, we found that when COVID-19 spread into Ontario in January 2020 and escalated into a pandemic in March 2020, Ontario's initiative to centralize procurement was still in development and not yet ready to respond to the crisis in PPE supply. In February 2021, Ontario's Long-Term Care COVID-19 Commission was set up to examine the pandemic's effects on long-term-care homes in the province. It heard testimony from the Minister of Health that the ongoing centralization process had delayed restocking the Province's depleted PPE stocks by the time COVID-19 struck and the need for PPE had become acute.

Our 2017 audit of Emergency Management in Ontario noted that the Provincial Emergency Management Office created a supply chain group in 2008. It was to involve members from all levels of government and the private sector, working together to plan the provision of strategic resources when and where they would be needed during large-scale emergencies. However, the group never met or initiated any actions. In 2016, the government of Ontario established the Healthcare Sector Supply Chain Strategy Expert Panel to review and recommend improvements to Ontario's health-care supply chain. The panel recommended that Ontario create a robust data-collection system to analyze data from the health-care sector and use this information to make better procurement decisions.

In our follow-up, we found that the transition of staff and business operations from the Supply Chain Ontario (SCO) division in MPBSD to Supply Ontario

took place on July 31, 2023, including the transfer of responsibilities for the management, oversight and operations of the provincial stockpile of PPE and critical supplies and equipment (CSE).

Supply Ontario is a board-governed independent centralized supply chain agency under the *Supply Chain Management Act (Government, Broader Public Sector and Health Sector Entities), 2019*, and is accountable to the Minister of the Treasury Board Secretariat (TBS). Also, effective July 31, 2023, Supply Ontario will continue to utilize the government's Integrated Financial Information System (IFIS). IFIS is the Ontario government's financial system used in every ministry for financial management, transactions and reporting purposes; and SCO allocation will continue to be captured under MPBSD. Using IFIS will help to address the limitations of Supply Ontario's existing financial recordkeeping solution, with Supply Ontario temporarily leveraging IFIS as a tool to record operational spending until Supply Ontario has an adequate Enterprise Resource Planning (ERP) system in place that will manage its day-to-day business activities, such as financial, human resources and procurement. The Office of the Provincial Controllership Division in TBS is working to develop an appropriate approach to the recording of expenses associated with this transition. TBS, MPBSD and the Ministry of Health will report on the progress of the transition of the PPE/CSE program and inventory as part of their 2024–25 Strategic Planning Process and further report on the progress of Supply Ontario toward implementation of Supply Ontario's ERP system. SCO currently manages and provides oversight and tracking of all purchases/procurement, storage/warehousing, disposal and shipment of PPE/CSE. This includes the management of all related contracts, including funding, which currently resides with SCO within MPBSD, such as:

- domestic contracts for N95 respirators, masks and gloves and other contracts for products held in the stockpile;
- associated support contracts, such as consulting and fee for service contracts; and
- warehousing and distribution contracts.

In addition, SCO also holds contracts related to the Enterprise Vendor of Record (VOR) Program (a list of vendors resulting from a procurement process that meets the requirements of the government procurement directive) and the Ontario Tenders Portal (handles the bidding process). Presently, SCO tracks and monitors provincial stockpile inventory from several different third-party logistics providers' systems, and combines these reports using Microsoft Excel. Also, inventory is accounted for by two different ministries, requiring further manual effort to track transfers, receipts from the federal government and other data required for inventory accounting. Effective July 31, 2023, inventory ownership will continue to be recorded on the Ministry of Health and MPBSD books, but Supply Ontario manages the entire program. It is acknowledged that a more sophisticated software will be required that is more efficient and provides real-time reporting and this is being considered by Supply Ontario as part of Supply Ontario's procurement of an ERP system. Transfer of ownership of inventory is expected to occur on April 1, 2024, as part of Supply Ontario's Strategic Planning Process or when Supply Ontario has acquired and implemented its ERP system.

PPE Data Collection and Analysis, Procurement, Storage and Distribution Systems Were Not Ready for a Pandemic

Recommendation 4

In order for the province to make informed procurement decisions on personal protective equipment (PPE) and to be in a position to quickly provide PPE to health-care providers as needed, the Ministry of Health and Ministry of Government and Consumer Services should:

- *continue to collect information on inventory and consumption (or "burn") rates of PPE for both the health-care sector and non-health-care sector during the COVID-19 pandemic and after it has ended;*

Status: Fully implemented.

Details

In our 2021 audit, we found that, because of the Ontario health-care sector's decentralized procurement approach, for the first three months of 2020 the Ministry of Health did not know:

- how much PPE health-care providers had on hand;
- how much PPE they were procuring or receiving; and
- how much PPE was being used each day (burn rates).

On March 27, 2020, the Minister of Health issued an order requiring health-care providers to provide information to the Province on PPE. By issuing an order, the Minister of Health was giving direction under the *Health Protection and Promotion Act* to the specific health-care providers named. Specifically, starting April 1, all health-care providers (for example, public and private hospitals, psychiatric facilities, independent health facilities, long-term-care homes and others) had to report the quantity of PPE they had on hand, their PPE consumption rates and their forecasts of future PPE supply levels. Initially, this information was collected by Ontario Health. On June 5, 2020, the Ministry of Government and Consumer Services (MGCS) took over this responsibility. Hospitals reported this information to Ontario Health using an existing data collection tool called Bed Census. Ontario Health engaged an accounting firm to help consolidate hospital information on its behalf. Primary care providers (such as family physicians and medical clinics) and more than 3,000 other health-care providers (such as long-term-care homes, mental health and addictions facilities, and home care providers) reported their information via individual Excel spreadsheets, which Ministry staff were to then consolidate. In comparison, we noted that British Columbia, Alberta and Saskatchewan each already had a centralized procurement system in place, which helps facilitate such data collection at the provincial level.

In our follow-up, we found that, to help accurately access and address the province's inventory needs and inform future demand, MPBSD has implemented a virtual inventory tool survey for data collection to capture information about consumption, inventory and deliveries. This survey is used for identifying the current status and anticipated demand for PPE and critical supplies equipment across multiple sectors within the province, such as the health-care and non-health-care sectors. Although there was a previous Minister's Order for the health-care entities that directed health-care entities to complete and submit the survey, it has elapsed. There is no current policy document that directs participants to complete and submit the survey because Supply Ontario uses multiple inputs for demand modelling, including:

- input from ministries and the sectors they support;
- input from the Office of the Chief Medical Officer of Health and the Ministry of Labour, Immigration, Training and Skills Development;
- input directly from customers; and
- input from order history and trends.

MPBSD uses submission statistics included in the dashboard view of the survey to keep track of the health-care and non-health-care sectors that have filled in the survey. For 2023 to date, only 10.42% of the health-care sector regularly reports its PPE inventory levels to MPBSD, while the rate of survey completion is even lower for non-health-care sectors, at 9.17%. Supply Ontario is in the process of changing the rate of reporting to encourage completion, but on a less frequent basis in order to reduce reporting burden.

- *obtain pre-pandemic burn rates for both sectors to help inform Supply Ontario on its post-pandemic procurement needs;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that initially, almost all hospitals (94%) reported all the required PPE information. However, only about half (55%) of long-term-care homes provided the required information. We noted that other providers had even lower reporting rates, with retirement homes, for example, at 43%. This left a significant gap in the overall PPE information

the Province had available to inform its PPE procurement decisions. In early April 2020, the Ministry of Health did not know the extent to which PPE use and demand had increased due to COVID-19. These data shortcomings limited its ability to plan and strategize procurement and distribution of PPE at a time when it was receiving urgent requests for supplies and information. Specifically, our review of April 2020 meeting minutes of the Ministry's Control Table noted that the Ministry did not know:

- whether health-care providers were able to purchase and were receiving PPE directly;
- whether certain health-care providers—such as long-term-care homes, family physicians and medical clinics—were more vulnerable than others to disruptions in the supply chain caused by the pandemic; and
- the extent to which PPE demand and usage had increased due to COVID-19.

In our follow-up, we found that MPBSD had determined there were no material pre-pandemic burn rates for PPE for non-health-care sectors. In addition, the Ministry of Health stated that the pre-pandemic burn-rate data was no longer relevant because COVID-19 is expected to continue for the long term and that Ontario's PPE health-care sector stockpile strategy must continue to prepare for COVID-19 surges and increased demand beyond pre-pandemic rates.

Alternatively, MPBSD established the Integrated Demand and Supply Planning (IDSP) tool, which is a detailed forecasting model to project PPE consumption. This model can be adjusted based on the conditions of a particular scenario, such as the number of workers, or the consumption rate. For example, demand and historical shipments are reviewed by sector to monitor trends, and a supply plan (based on contracts or other procurements) is calendarized to forecast incoming supply to the stockpile and to determine when staffing levels will impact demand (such as in schools over the summer) when supply-level adjustments will need to be made to reflect demand. This tool can be used to identify when PPE supplies will drop into unsafe stock levels or will be completely depleted, allowing the supply team time to plan purchases or deliveries from contracts to meet demand. We found the team met on a regular basis to review the tool and make supply plans, as well as review the forecast for 18 months to determine whether additional procurement approvals/contracts were required.

- *reassess the 2006/07 recommended quantities of PPE that should be kept in the provincial emergency stockpile;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that between February 5 and March 18, 2020, when Ontario declared a state of emergency, hundreds of health-care providers and others made 1,674 requests for PPE items from the provincial emergency stockpile, sending 1,162 separate emails to the Ministry of Health. Given the number of email requests sent, it was evident that many health-care providers had not maintained a local supply and were in a situation where they required emergency supplies from a provincial stockpile that had mostly expired.

In our follow-up, we found that MPBSD established the Integrated Demand and Supply Planning (IDSP) tool used to maintain the recommended quantities of PPE to be kept in the stockpile. This amount is generally three months of forward coverage, but was not a static quantity because the stockpile is now continuously reassessed through the ongoing IDSP process. The IDSP tool estimates remaining inventory over time, so that when a product inventory level is forecasted to be lower than three months of forward coverage, the planning team is alerted that action is required. This allows the supply team to plan for competitive procurement, if required, and ensures that safety stock levels are adjusted with demand.

- *develop clear guidelines on how health-care and non-health-care providers can request needed PPE and distribute these guidelines to all health-care and non-health-care providers who may request PPE from the provincial emergency stockpile in the future.*

  Status: Fully implemented.

Details

In our 2021 audit, we reviewed a sample of requests from long-term-care homes and noted there were many significant delays at the beginning of the pandemic in supplying PPE to them. We noted that two main factors contributed significantly to the delays in long-term-care homes receiving PPE from the provincial stockpile at the beginning of the pandemic. First, the Ministry of Health did not have sufficient inventory on hand to support the initial requests for PPE. Second, further information and clarifications were needed from entities making the requests.

The initial requests had insufficient information on matters such as quantities and types of PPE being requested because at the time, the Ministry of Health did not have a tool in place to intake detailed requests for PPE such as quantities and types of PPE needed, and when the requestor anticipated running out of PPE they already had on hand.

Prior to the pandemic, regular channels of communication had not been developed between the Ministry of Health and the long-term-care homes and retirement homes to instruct them on how to send the Ministry clear and detailed requests for the PPE they needed.

In our follow-up, we found that on August 4, 2022, MPBSD implemented the PPE Supply Portal for all orders from the emergency stockpile, from where all in-scope organizations (vetted by Supply Ontario) can order PPE from the government's stockpile through an integrated order management system. This new model will streamline the PPE-request process and capitalize on the stabilization of the supply chain to co-ordinate distribution of PPE.

On August 24, 2022, the Ministry of Health released Addendum: Guidelines for Pandemic Stockpile Use, which includes an Ethical Allocation Framework, identifying criteria to help determine priority for available PPE supply in the event of scarcity during a COVID-19 response. The guidance also includes information and guidelines for health-care providers on stockpiling, inventory management practices and accessing needed PPE from the emergency stockpile. These guidelines were distributed through regular communication channels, such as emails, public posts on the Ministry's website, memos to the sector and notifications on organization websites.

Recommendation 5

To help inform the newly established Supply Ontario agency on best practices for procurement of personal protective equipment (PPE) for both the health-care and non-health-care sectors, and to improve the province's response to any future event such as a pandemic, we recommend that the Ministry of Health and Ministry of Government and Consumer Services:

- *collaborate to develop lessons learned in the creation of new procurement processes and warehouse and distribution centres; and*
- *help transfer this knowledge and incorporate lessons learned and best practices into Supply Ontario's operations.*

Status: Fully implemented.

Details

In our 2021 audit, we found that the Ministry of Health, recognizing that its emergency stockpile had expired, that Ontario's health sector had significant PPE procurement needs, and that it did not have sufficient PPE procurement experience or the ability to respond quickly in a globally competitive environment, jointly with Ontario Health partnered informally with the University Health Network (UHN) to help facilitate the procurement of PPE for the provincial emergency stockpile. A Memorandum of Understanding was subsequently signed in August 2020 between the Ministry of Health, Ontario Health and UHN. On March 19, 2020, the Ministry of Health and Ontario Health also partnered with the Ministry of Government and Consumer Services (MGCS) and health sector Shared Services Organizations (Plexxus and Mohawk Medbuy) to consolidate planning, sourcing and monitoring of PPE. Also, the warehouse space that the Province had

available prior to COVID-19 needed to be significantly expanded to store the much larger orders of PPE being received and distributed from the increasing emergency provincial stockpile. The Ministry of Health, Ontario Health and MGCS entered into new contracts to set up warehouses and regional distribution centres.

In our follow-up, we found that the government approved the transfer of the functions and staff from MPBSD to Supply Ontario (see **Recommendation 3**). With that decision in place, the collaboration to develop lessons learned and the transfer of knowledge and best practices was complete. Memos were distributed to all ministers and deputy ministers announcing the transfer, including the management, oversight and operations of the provincial stockpile of PPE and CSE managed by the Supply Chain Ontario division as of July 31, 2023. In addition, early lessons learned from COVID-19 include the need to improve on the management of future pandemics by using a flexible seasonal plan that will be kept current and relevant. Going forward, the flexible seasonal plan will undergo an annual planning cycle, as mentioned below.

- *revise the Ontario Health Plan for an Influenza Pandemic to incorporate lessons learned.*

  Status: In the process of being implemented by September 2024.

Details

In our 2021 audit, we found that the Ministry of Health, recognizing that its emergency stockpile had expired, that Ontario's health sector had significant PPE procurement needs, and that it did not have sufficient PPE procurement experience or the ability to respond quickly in a globally competitive environment, jointly with Ontario Health partnered informally with the University Health Network (UHN) to help facilitate the procurement of PPE for the provincial emergency stockpile. Beginning in April 2020, the Ministry of Government and Consumer Services (MGCS) took responsibility for procuring some categories of PPE and distributing PPE to these non-health-care facilities. Similar to the Ministry of Health's procurement process, the procurement process for MGCS involved multiple reviews and authorizations. However, MGCS's procurement process was handled internally by its staff, without the involvement of third parties such as UHN or an external accounting firm. The warehouse space that the Province had available prior to COVID-19 needed to be significantly expanded to store the much larger orders of PPE being received and distributed from the increasing emergency provincial stockpile. The Ministry of Health, Ontario Health and MGCS entered into new contracts to set up warehouses and regional distribution centres. The terms of the contracts incorporate fixed and variable components to accommodate the varying inventory levels throughout the year, and the contracts have a renewal option.

In our follow-up, we found that the Ministry of Health has held debriefs and interviews to gather COVID-19 lessons learned to inform future pandemic planning. For example, we found, at the time of our follow-up, that the Ministry of Health conducted a debrief with the co-chairs of the Respiratory Season Touchpoint and the associated Pediatric Surge Table. These two tables were key COVID-19 response co-ordination structures for the Ministry, Ontario Health and Public Health Ontario leadership. This debrief resulted in the development of the Seasonal Respiratory Pathogens Readiness and Response Planning Guide (Planning Guide), which was publicly released in July 2023 to help the provincial health-care system prepare for and respond to seasonal respiratory pathogens. In addition, the Ministry told us that an early lesson from the debriefs was that it was preferable that future pandemics be managed by using a flexible seasonal plan that will be kept current and relevant, and that will undergo an annual planning cycle. The Ontario Health Plan for an Influenza Pandemic will therefore be replaced by a flexible seasonal plan that will include inventory management and control guidelines in September 2024.

The Planning Guide can be escalated to respond to public health emergencies or pandemics and is intended for regular use by health-system agencies, organizations, employers and health-care providers.

Pandemic Revealed Ontario's Vulnerability to Disruption of PPE Supply

Recommendation 6

*For the Ontario Government, health sector and non-health-care sector to have sufficient supply of personal protective equipment (PPE) available during and after the COVID-19 pandemic and to make Ontario less vulnerable to sudden market movements in price and supply, we recommend that the Ministry of Health, the Ministry of Government and Consumer Services and Supply Ontario collaborate and use the information on PPE supply and burn rates they collect in modernizing Ontario's supply chain process (**Recommendation 3**) and improving procurement decisions (**Recommendation 4**) to:*

- *analyze both qualitatively and quantitatively what the optimal balance is between manufacturing PPE domestically and procuring PPE internationally, and use this information in future decision-making; and*
- *put in place long-term formal agreements with domestic companies that can be triggered when emergencies arise, where these companies can scale up the production of PPE to meet peak demands brought on by health events such as pandemics.*

Status: Fully implemented.

Details

In our 2021 audit, we found that COVID-19 spread very rapidly worldwide from China; within only a few weeks, countries around the world began to try to procure large quantities of PPE. On February 7, 2020, the World Health Organization reported that the global demand for PPE had increased a hundredfold. Prices rose 20 times higher than normal and orders for PPE were backlogged for four to six months.

In Ontario, many health-care providers anticipated shortages, as suppliers placed limits on the amounts they could order, and the Province at first was not able to provide clarity on procurement and distribution from its emergency PPE stockpile. Reacting to Ontario's vulnerability to disruption of its PPE supply, some of the province's health-care providers made procurement decisions that required additional effort and costs. As global demand surged, the availability of PPE worldwide was significantly reduced. The worldwide shortage of PPE caused suppliers in January 2020 to place strict limits on the quantity of PPE that Ontario's health-care providers could order. During our audit, we confirmed with three of the province's main distributors (two of which were also suppliers) of PPE—Cardinal Health, Medline/Medical Mart and Stevens, all of whom received their products from manufacturers such as 3M—that they allocated PPE on the basis of historical purchasing percentages. Pre-pandemic, Ontario produced little to none of its own PPE. We noted in our 2007 Outbreak Preparedness and Management report that "medical supplies such as masks, gloves, gowns, and hand sanitizers were mostly made outside Canada, in places where the influenza pandemic may originate and where border closure is a possibility during a global epidemic."

In August 2020, as a result of the worldwide supply shortages and to reduce the risk of supply chain interruptions that had been prevalent since the start of the pandemic, the Ontario government and the federal government entered into separate agreements with 3M Canada to expand its Brockville, Ontario, manufacturing facility to produce made-in-Ontario N95 respirators. Further, the Treasury Board/Management Board of Cabinet approved an accelerated competitive procurement of surgical/procedure masks for a period of five years, valued up to $190 million, and to be awarded via multiple contracts. We found there were two subsequent contracts awarded during the period of our 2021 audit with a fourth and final contract undergoing final due diligence. On April 1, 2020, the Province launched the $50-million Ontario Together Fund, and in March 2021, extended it with an additional $50 million, to support Ontario businesses in retooling their operations and increasing their capacity to manufacture PPE. The Fund's purpose was both to help with the ongoing response to the COVID-19

pandemic and to prepare Ontario for future public health emergencies. Recipients of the grant committed to making PPE in Ontario and agreed that they would not export the PPE abroad without the approval of the Province. However, in many cases, the Province does not have any contractual procurement commitments with these businesses.

In our follow-up, we found that MPBSD has implemented a category management approach which prioritized domestically produced PPE where possible and where security of the supply chain was a key consideration. Category management considered and analyzed the data to determine the optimal procurement strategy by using marketplace research to determine what products were available domestically or internationally, along with the supply-chain risks and other factors considered in procurement strategies for decision-makers.

In addition, the government introduced the Building Ontario Businesses Initiative (BOBI), which requires action (expanding on the typical technical requirements to incorporate the evaluation of criteria such as social and economic considerations in procurement) to level the playing field for Ontario businesses. This initiative was piloted in the PPE/CSE program and resulted in changes in the factors used in decision-making for procurement approvals by the Treasury Board/Management Board of Cabinet. As a result, the OPS Procurement Directive, which ensures that goods and services are acquired through a process that is fair, open, transparent, geographically neutral and accessible to qualified vendors, was updated, effective September 1, 2023, to include the BOBI that applies to all ministries, all provincial agencies and other organizations. In addition, MPBSD has put in place long-term agreements for critical PPE, including domestic arrangements for surgical masks, N95 respirators, nitrile gloves, hand sanitizers and disinfectant cleaners. These agreements have the ability to scale up the production of PPE to meet demands brought on by an extraordinary event. As well, all contracts are transferrable to Supply Ontario when required.

SARS Recommendation on Transparent Communication about PPE Allocation Not Followed

Recommendation 7

To provide the public with transparent information on the supply and distribution of personal protective equipment (PPE), we recommend that the Ministry of Health and the Ministry of Government and Consumer Services:

- *publicly communicate the Ethical Allocation Framework for PPE and post it on their websites;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that, on April 5, 2020, the government established a sub-table under the then Health Command Table called the "Control Table." Its first meeting took place on April 7, 2020. Its task was to decide how health-care providers should access PPE in response to COVID-19 and how PPE should be distributed. On May 14, 2020, the public release of the Ethical Allocation Framework (Framework) was included in a decision note of the Control Table as one of the "next steps," and was not publicly posted on a website or broadly distributed. As of May 31, 2021, the Framework had not been publicly highlighted and disclosed.

During our audit, we were informed by the Ministry of Health that it intended to present the Framework to stakeholders via personal presentations instead of posting it publicly. We noted that the Ministry of Health and the Ministry of Government and Consumer Services had presented the Framework on June 2, 2020, to Community Health Ontario (which represents the majority of the non-profit home care, community support, mental health, addictions and community-governed primary health care organizations in Ontario), explaining the process that would be followed for allocation of PPE and the allocation criteria that would be used. Although other stakeholders requested similar presentations to gain an understanding of the Framework, these stakeholders informed us that they did not

receive any information or presentations regarding the Framework. Unlike Ontario, British Columbia publicly posted its COVID-19 Emergency Prioritization for PPE in its Pandemic Personal Protective Equipment (PPE) Allocation Framework in March 2020.

In our follow-up, we found that on August 24, 2022, the Ministry of Health publicly released the Addendum: Guidelines for Pandemic Stockpile Use, that includes the Ethical Allocation Framework. These guidelines were distributed through regular communication channels, such as emails, public posts on the ministry's website, memos to the sector and notifications on organization websites.

- *incorporate the Ethical Allocation Framework for PPE into the updated Ontario Health Plan for an Influenza Pandemic.*

  Status: In the process of being implemented by September 2024.

Details

In our 2021 audit, we found that, as mentioned above, the Ethical Allocation Framework had not been publicly posted on a website or broadly distributed.

In our follow-up, we found that the Ministry of Health has held debriefs and interviews to gather COVID-19 lessons learned to inform future pandemic planning (see **Recommendations 2** and **5**). For example, at the time of our follow-up, the Ministry had conducted a debrief with the co-chairs of the Respiratory Season Touchpoint and associated Pediatric Surge Table. This debrief resulted in the development of the Seasonal Respiratory Pathogens Readiness and Response Planning Guide (Planning Guide), which was publicly released in July 2023 to help the provincial health system prepare for and respond to seasonal respiratory pathogens. The Planning Guide can be escalated to respond to public health emergencies or pandemics and is intended for regular use by health-system agencies, organizations, employers and health-care service providers. The Ontario Health Plan for an Influenza Pandemic will therefore be replaced with a flexible seasonal plan that will include the Ethical Allocation Framework for PPE in September 2024.

Health-Care Workers Were Not Always Properly Protected with PPE

Recommendation 8

To reduce the risk of exposure of health-care providers and their patients to infection and illness by safer and more effective use and handling of personal protective equipment (PPE) by staff, we recommend that the Ministry of Labour, Training and Skills Development complete the activities outlined in the Occupational Disease Action Plan (as listed in **Appendix 7** *of our 2019 audit report on Health and Safety in the Workplace), assess the plan's effectiveness periodically, and make adjustments if necessary.*

Status: Fully implemented.

Details

In our 2021 audit, we obtained all 3,729 field visit reports that the Ministry of Labour, Training and Skills Development (MLTSD) issued to health-care providers in 2020 and the 1,384 issued in 2019. Our review of these found a tenfold increase in orders issued for PPE violations compared to the prior year: out of the 599 orders issued for violations, MLTSD issued 229 orders for PPE violations to 148 health-care providers (including to 64 long-term-care homes and 20 hospitals) in 2020, compared to only 22 orders for PPE violations (out of a total of 713 orders) to 17 health-care providers in 2019 (with one hospital, one long-term-care home and one retirement home receiving an order in both years). About half of the 229 orders resulted from inspections due to complaints or notifications of COVID-19 illness, while the other half were issued as a result of risk-based inspections.

Frequent PPE violations resulted from lack of sufficient training of employees by employers on the proper use and storage of PPE during work breaks; employees' lack of access to appropriate PPE (including N95 respirators) when required; and employers failing to ensure that employees were trained on how to properly wear and use PPE. In January 2017 the Ministry of Labour, Training and Skills Development developed the Occupational Disease Action Plan (ODAP), whose goal is to prevent hazardous exposures in the

workplace and to reduce illnesses and fatalities associated with occupational diseases. The 28 activities to be undertaken under the ODAP include developing and implementing training initiatives and standards, identifying and managing health hazards, and developing and implementing enforcement strategies. Our Office's 2019 report on Health and Safety in the Workplace noted details of this plan and found that the Ministry had implemented only one-half of the 28 activities to be undertaken under the ODAP by November 2019.

In our follow-up, we found that the Ministry of Labour, Immigration, Training and Skills Development has decided to stop tracking the implementation of the activities outlined in the ODAP. The Ministry stated that the ODAP was closed, with 61% of its activities implemented. Although the ODAP was no longer active, Ministry inspectors continued to check that PPE was available and properly worn and used by workers. Ministry inspectors also checked for appropriate instruction and training on the use of PPE by employers. These were considered important features of worker safety, and inspectors checked for these when responding to workplace complaints (reactive field visits) and during regular inspections (proactive field visits). For example, the Ministry conducted a search of orders for violations issued in the health-care sector between March 11, 2020, and July 31, 2023, that were associated with field visits (proactive and reactive) and that were coded as being related to COVID-19. The Ministry found that, of the entire data set of orders provided by August 2023, about 95% of the orders were in "complied" or "in process" status.

Chapter 1
Section
1.06

Ministry of Education

Follow-Up on 2021 Value-for-Money Review:

Financial Reporting of School Boards in Ontario

RECOMMENDATION STATUS OVERVIEW

		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	2	2				
Recommendation 2	1	1				
Recommendation 3	1	1				
Recommendation 4	2	2				
Recommendation 5	1			1		
Recommendation 6	2		2			
Recommendation 7	2	2				
Recommendation 8	1	1				
Recommendation 9	1	1				
Recommendation 10	2	2				
Recommendation 11	2	2				
Recommendation 12	1	1				
Recommendation 13	1	1				
Recommendation 14	2	2				
Recommendation 15	2	1		1		
Recommendation 16	1		1			
Recommendation 17	2		2			
Total	**26**	**19**	**5**	**2**	**0**	**0**
%	**100**	**73**	**19**	**8**	**0**	**0**

Overall Conclusion

The Ministry of Education (Ministry), as of October 20, 2023, has fully implemented 73% of actions we recommended in our *2021 Annual Report*. This includes the Ministry updating its illustrative note disclosure guidance for school boards and requiring school boards to use consistent terms for education property tax revenues.

The Ministry has made progress in implementing an additional 19% of the recommended actions. This includes meeting with school boards that received qualified audit opinions for their 2019/20 fiscal year financial statements to understand the rationale for these opinions with a view to having these entities

receive unqualified audit opinions for fiscal year 2023/24.

However, the Ministry has made little progress on 8% of the recommended actions. Specifically, the Ministry has not replaced the legislated accounting framework disclosures in its school board illustrative financial statements with disclosures that reference preparation in accordance with Canadian Public Sector Accounting Standards.

The status of actions taken on each of our recommendations is described in this report.

Background

In 2019/20, the Ministry of Education (Ministry) provided the province's 72 district school boards and 10 school authorities (school boards) with $25.6 billion. School boards used this money to administer Ontario's elementary and secondary education programs.

The Ministry is responsible for overseeing school boards' financial health and how they make use of funding. Audited financial statements are a primary tool for oversight. The *Education Act* (Act) governs school boards and requires the treasurer of every board to prepare annual financial statements covering the period from September 1 to August 31—the school year. These financial statements must be audited, submitted to the Ministry, and made publicly available on each school board's website within six months after the school year-end. The Ministry reviews the audited financial statements to confirm that school boards are compliant with the Act. Parents, guardians and the public can also read these financial statements to evaluate the quality of school board financial management in their region.

Our review assessed whether the financial statements of Ontario's school boards for the 2018/19 and 2019/20 fiscal years were effectively prepared and communicated. We assessed whether financial information was publicly available, relevant, reliable, comparable, understandable and clearly presented in a manner that maximized its usefulness to financial statement users, in accordance with Canadian Public Sector Accounting Standards (Canadian PSAS).

Overall, our review found that school board financial statements were prepared in accordance with Canadian PSAS. However, there were several opportunities to improve the quality of school board financial reporting in Ontario by implementing best practices for financial statement disclosures.

Some of our significant findings were:

- School boards inconsistently disclosed education property tax revenues. Only one school board disclosed a detailed description of the nature of education property tax revenues. Collectively, school boards used 11 different terms (such as "municipal grants" and "provincial grants in lieu of taxes") to refer to property tax revenue in their financial statements. Further, in both 2018/19 and 2019/20, 34 school boards did not separately disclose the amount of property tax revenue, even though property taxes contribute approximately $7 billion or 29% of total provincial funding to school boards.
- The financial statements of 18 school boards did not receive a "clean opinion" in 2018/19 (16 in 2019/20) because auditors were unable to determine whether fundraising revenue was complete. School fundraising revenue (unaudited) for these 18 school boards totalled $31.4 million in 2018/19 ($16.2 million in 2019/20). These school boards received qualified opinions because they did not have adequate documentation and controls in place for auditors to verify the completeness of their cash fundraising.
- School board financial statements stated that they were prepared in accordance with legislated requirements, instead of referring to Canadian PSAS. Reporting under a legislated framework may have created the perception that Ontario's school board financial statements were not prepared in accordance with Canadian PSAS, and therefore not comparable to other jurisdictions' school board financial statements or to broader public sector entities in Ontario, even though the legislation actually results in the same accounting as Canadian PSAS.

- Seventy-one school boards had entered into 33 partnership agreements to provide bus transportation services to students. These agreements were considered to be "government partnerships" under Canadian PSAS. Nine school boards incorrectly accounted for their school bus transportation partnerships in both 2018/19 and 2019/20, including a $26 million overstatement of expenses for the two boards that had fully consolidated their partnership interests. The remaining seven school boards understated their assets, liabilities, and in some cases revenues, by not recording their share of the partnership's financial results.
- Twenty-seven school boards in 2018/19 (27 in 2019/20) did not disclose the names of their lenders on loans that totalled approximately $2.4 billion. Canadian PSAS require the nature of investments and related party transactions, such as borrowing through a provincial agency, to be disclosed. Ontario regulations also establish limitations for school board borrowing, including who school boards can borrow from, investing and other financial transactions. Another eight school boards did not disclose details about their $222 million in investments. Failure to disclose this information meant the Ministry and other users could not use the audited financial statements to evaluate school boards' compliance with all debt and investment regulations.
- The Province did not consolidate the 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, cyber insurance and fleet automobile insurance. OSBIE is collectively controlled by 79 school boards. Canadian PSAS require the financial results of controlled entities to be fully consolidated in the Province's statements. The Province has not historically reported in its consolidated financial statements OSBIE's financial results, which included $128 million in net assets and $11 million in comprehensive income as of December 31, 2020, and for the year then ended, respectively.

We made 17 recommendations, consisting of 26 action items, to address our findings. We received commitment from the Ministry that it would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between March 2023 and October 2023. We obtained written representation from the Ministry that effective November 28, 2023, it has provided us with a complete update of the status of the recommendations we made in the original review two years ago.

Detailed Review Observations

Recommendation 1

To improve the comparability and usefulness of the school board financial statements, we recommend that the Ministry of Education:

- *expand its illustrative note disclosure guidance to include illustrative examples of the consolidated statements of financial position, operations, change in net debt and cash flows; and*
- *require school boards to follow the illustrative guidance.*

Status: Fully implemented.

Details

In our 2021 review, we found that the Ministry's illustrative note disclosures guidance did not provide school boards with financial statement templates

such as the consolidated statements of financial position, operations, change in net debt and cash flows. School boards may use different terms to describe the same sources of revenues or expenses, thus reducing their comparability.

In our follow-up, we found that the Ministry updated its illustrative note disclosures guidance to include sample consolidated statements of financial position, operations, change in net debt and cash flows. The Ministry communicated the requirement to follow this guidance as part of its training sessions held with school boards in September 2022.

Inadequate Education Property Tax Disclosure

Recommendation 2

To more clearly communicate the role of education property taxes in school board funding, we recommend that the Ministry of Education revise its illustrative school board financial statement note disclosures to clearly describe how school board funding arises and the relationship between property taxes and the Grants for Student Needs (GSN).

Status: Fully implemented.

Details

In our 2021 review, we found that disclosure of education property taxes was limited in the Ministry's illustrative school board financial statement note disclosures and did not clearly describe the education property tax arrangement in Ontario. We also found no discussion of how property tax revenues were generated or how they fit into the Grants for Student Needs (GSN) funding formula in the financial statements of 13 school boards in 2019/20 (14 in 2018/19).

In our follow-up, we found that the Ministry revised its illustrative school board financial statement note disclosures to explain that:

- the GSN is composed of provincial legislative grants and local taxation in the form of education property tax;
- municipalities collect and remit education property taxes to school boards in their region on behalf of the Province; and
- the Ministry provides school boards with additional funding, up to the level set by the GSN funding formulas.

Recommendation 3

To improve the clarity and comparability of school board financial statements for taxpayers and users of the financial statements, we recommend that the Ministry of Education revise its illustrative financial statements to add a separate line item for property taxes in the statement of operations and in a property tax note disclosure.

Status: Fully implemented.

Details

In our 2021 review, we found that, of the 82 school boards in Ontario, 34 school boards did not separately disclose the amount of property tax revenue recognized and received in 2018/19 and 2019/20. Instead of separately disclosing the amount of property tax revenue on the statement of operations, or in the notes to the financial statements, school boards recorded education property taxes as part of provincial grants. Without a separate disclosure, taxpayers could not easily determine how much of their education property tax payments contributed to the total funding of their school board.

In our follow-up, we found that the Ministry revised its illustrative financial statements for the statement of operations to add a separate line item under GSN revenues to disclose property taxes. In addition, the Ministry amended the illustrative note disclosure for the property tax accounting policy to clarify that tax revenue received from municipalities is recorded as part of the GSN.

Recommendation 4

To improve the clarity and comparability of school board financial statements, we recommend that the Ministry of Education:

- *establish a single, financial statement line-item description for property tax revenue remitted to school boards; and*
- *revise the illustrative notes disclosures to use the same line-item description as the face of the financial statements.*

Status: Fully implemented.

Details

In our 2021 review, we found that school boards did not consistently use the same terminology when referring to property tax revenue in the statement of operations and financial statement note disclosures. For example, five school boards referred to property tax revenue as a "municipal grant," which is contradictory to the underlying source of this tax stream since the rate is set by the Province.

In our follow-up, we found that the Ministry revised its illustrative note disclosures and directed school boards to use "education property tax" as the single financial statement line-item description for property tax revenues. In addition, the Ministry now requires school boards to use education property tax to describe property tax revenues in their note disclosures as on the face of their financial statements.

Use of a Legislated Accounting Framework Reduces the Comparability and Understandability of School Board Financial Statements

Recommendation 5

To improve the clarity of presentation of school boards' accounting framework and the comparability of school board financial statements, we recommend that the Ministry of Education replace the legislated accounting framework disclosures in its school board illustrative financial statements with disclosures that reference preparation in accordance with Canadian PSAS.

Status: Little or no progress.

Details

In our 2021 review, we found that Ontario school board financial statements state that they are prepared in accordance with a special legislated accounting framework instead of Canadian PSAS as the basis for their accounting. Under this legislative accounting framework, school boards are required to record the funding that they received to acquire or construct capital assets in revenue over the life of the asset, rather than at the time they received the funding. Amounts not yet recognized in revenue are recorded as a liability (also known as "deferred capital contributions").

In our follow-up, we found that the Ministry had not made any progress in replacing the reference to the legislative accounting framework in its illustrative note disclosures due to concerns raised by some school board auditors. The Ministry is working with school board auditors to address their concerns and continues to work toward the implementation of this recommendation by August 31, 2025.

Financial Statements of 18 School Boards Received Qualified Opinions, Diminishing Their Reliability and Usefulness

Recommendation 6

To improve the credibility of school board financial statements and usefulness of the audit opinions to donors such as parents, students, and local community members, we recommend that the Ministry of Education:

- *facilitate discussions between the impacted school boards and their external auditors to understand the level of documentation and controls required to provide them with a sufficient level of audit evidence; and*
- *require school boards to implement, where cost-effective, solutions and controls to enable school boards to receive unqualified audit opinions.*

Status: In the process of being implemented by December 2024.

Details

In our 2021 review, we found that 16 school boards received qualified audit opinions on their financial statements in 2019/20 (18 in 2018/19). The auditors of these school boards were unable to conclude whether revenue from fundraising activities was complete (that is, whether all school-generated funds were reported on the financial statements), since the school boards' documentation and controls over their fundraising activities were limited, especially in the case of cash fundraisers.

In our follow-up, we found that, in November 2022, the Ministry established a working group composed of Ministry staff and school board representatives. The aim of the group was to gain an understanding of current practices and controls over school fundraising activities, and their resulting impact on the audits of school board financial statements.

In January 2023, the Ministry held meetings with school boards that had received qualified opinions to discuss their school fundraising practices, understand their auditors' rationale for issuing a qualified opinion, and identify cost-effective solutions that school boards should implement to enable them to receive unqualified opinions.

Six of the 16 affected school boards have received an unqualified opinion for their 2021/22 fiscal year financial statements. From March 2023 to September 2023, the Ministry held further meetings with the remaining school boards to facilitate discussions and identify solutions for their 2022/23 fiscal year financial statements. The Ministry indicated that these school boards may require additional time for implementation of some of the identified solutions, such as the use of online donation tools, which could delay full implementation of this recommendation until the 2023/24 fiscal year. Further, the Ministry will review these school boards' 2023/24 fiscal year financial statements in December 2024 to assess their progress in receiving an unqualified opinion from their auditors.

Some School Boards Lacked Evidence of Board Approval and Management's Statement of Responsibility

Recommendation 7

In order to improve the reliability and accountability of school board financial statements, we recommend that the Ministry direct all school boards to:

- *append a signed statement of management responsibility to all audited financial statements currently published on their websites; and*
- *attach a signed statement of management responsibility to future financial statements at the time they are issued.*

Status: Fully implemented.

Details

In our 2021 review, we found that the audited financial statements of 10 school boards for 2019/20 (five for 2018/19) did not include a signed statement of management's responsibility. Canadian PSAS require audited financial statements to be accompanied by a formal acknowledgement of management's responsibility for the preparation of the financial statements in accordance with the applicable accounting framework, and their approval by the appropriate minister or elected official (for example, school trustee).

In our follow-up, we found that the Ministry directed school boards to append a signed statement of management responsibility to all audited financial statements currently published on school board websites, as well as for all future financial statements. Although the Ministry included this direction in its annual financial statement instructions to school boards for the 2021/22 fiscal year, we found that four of the 10 school boards did not append a signed statement of management responsibility in their 2021/22 audited financial statements. The Ministry has followed up with these four school boards to resolve this issue for their 2022/23 fiscal year financial statements.

Recommendation 8

In order to improve the reliability and accountability of school board financial statements, we recommend that the Ministry require school boards to include board signatures on the face of the financial statements as evidence of board approval, and publish those signed copies on their websites.

Status: Fully implemented.

Details

In our 2021 review, we found that 17 school boards were missing board signatures in their 2019/20 financial statements (14 for 2018/19).

In our follow-up, we found that the Ministry updated its annual financial statement instructions to school boards for fiscal year 2021/22 to require school boards to include board signatures on the face of the financial statements as evidence of board approval. However, we found that seven of the 17 school boards did not have board signatures on their 2021/22 financial statements. In addition, one school board did not publish its 2021/22 fiscal year financial statements at all. The Ministry has followed up with these eight school boards to resolve this issue for their 2022/23 fiscal year financial statements.

School Boards Incorrectly and Inconsistently Account for Transportation Partnerships

Recommendation 9

In order to improve the accuracy and usefulness of the school boards' financial statements to users, we recommend that the Ministry of Education develop and implement a standardized proportionate consolidation accounting policy for the accounting of school boards' transportation partnerships in accordance with Canadian PSAS.

Status: Fully implemented.

Details

In our 2021 review, we found that of the 71 school boards that are party to transportation partnership agreements, nine incorrectly accounted for their interest in their 2019/20 financial statements (nine in 2018/19). Furthermore, 16 school boards in six transportation partnerships applied different accounting policies for reporting the financial results of the same partnership in 2019/20 (16 in 2018/19).

In our follow-up, we found that the Ministry developed and implemented a standardized proportionate consolidation accounting policy for the accounting of school boards' transportation partnerships. The Ministry communicated this accounting policy in its illustrative note disclosures and training materials, and shared the policy with school boards in September 2022.

However, we found, during our follow-up work, that seven of the nine school boards were still incorrectly accounting for their transportation partnership interest in their 2021/22 audited financial statements. In addition, 12 of the 16 school boards in four transportation partnerships continued to apply different accounting policies for reporting the financial results of the same partnership in 2021/22. The Ministry committed to following up with these school boards.

Recommendation 10

In order to improve the accuracy of the financial statements for users, we recommend that the Ministry of Education:

- *update its illustrative school board financial statement disclosures to include a list of the transportation consortium partner names; and*
- *direct school boards to include transportation consortia condensed financial information in the notes to their financial statements, consistent with the Ministry's illustrative note disclosure guidance.*

Status: Fully implemented.

Details

In our 2021 review, we found that of the 71 school boards that are party to transportation partnership agreements, 36 school board financial statements did not disclose all information required under Canadian PSAS about the agreement. This omission of information prevents users from properly evaluating the

financial impact on school boards of the transportation partnerships, particularly considering that the financial statements for most consortia are not publicly available.

In our follow-up, we found that the Ministry updated its illustrative note disclosures to include a list of the transportation consortium partner names. The updated disclosures require school boards to disclose the names of the transportation consortium partners, and provide condensed financial information for the partnership in the notes to their consolidated financial statements. In addition, the Ministry communicated these new requirements in training materials that it shared with school boards in September 2022.

Insufficient Note Disclosure on Debt, Investments and Related Party Transactions

Recommendation 11

In order to improve the transparency, comparability and usefulness of financial statements for the board of trustees and other users, we recommend that the Ministry of Education:

- *update the template investment note disclosure to include details about the nature of investments; and*
- *update the template debt disclosure to include the name of the lender.*

Status: Fully implemented.

Details

In our 2021 review, we found that of the 82 school boards in Ontario, 27 did not include sufficient disclosures in their 2019/20 financial statements (27 in 2018/19) to enable users to evaluate the nature of long-term debt held, and eight (eight in 2018/19) did not disclose details on the nature of the investments they held.

In our follow-up, we found that the Ministry updated its illustrative note disclosure for investments to include details about the type of investments. In addition, the Ministry updated its illustrative note disclosure for debt to include the names of lenders. These updates were included in the Ministry's illustrative note disclosures, which were communicated to school boards in September 2022.

Recommendation 12

In order to improve the usefulness and transparency of the financial statements for users, we recommend that the Ministry direct school boards to disclose the Ontario Financing Authority as a related party as described in the Ministry's illustrative guidance.

Status: Fully implemented.

Details

In our 2021 review, we found that of the 82 school boards in Ontario, 26 (2019/20) school board financial statements (26 in 2018/19) did not meet the related party disclosure requirements under Canadian PSAS, by failing to disclose their relationship with other provincially controlled entities such as the Ontario Financing Authority.

In our follow-up, we found that the Ministry directed school boards to disclose transactions with the Ontario Financing Authority as a related party in its illustrative note disclosures. In addition, the Ministry highlighted this requirement in training materials that it shared with school boards in September 2022.

Recommendation 13

In order to improve the transparency, consistency and comparability of financial statements to users, we recommend that the Ministry of Education prepare and distribute standardized note disclosures for the adoption of newly issued Canadian PSAS standards that are expected to apply to school boards.

Status: Fully implemented.

Details

In our 2021 review, we found that most school boards did not disclose the adoption of the new PS 3430, *Restructuring Transactions* standard, in their 2018/19 statements. In addition, 69 of the 2017/18 school board financial statements did not disclose the adoption of

the then-new PS 2200, *Related Party Disclosures* standard, even though the Ministry provided a sample note for this standard in its illustrative note disclosure for the 2017/18 year-end.

In our follow-up, we found that the Ministry expanded its illustrative note disclosures to include a note that outlines the future adoption of newly issued Canadian PSAS standards that are expected to apply to school boards. For example, this new note included the adoption of PS 3400, *Revenues,* PS 3160, *Public Private Partnerships,* and Public Sector Guideline 8, *Purchased Intangibles*, which are effective for school boards' 2023/24 fiscal year financial statements.

Timeliness of School Board Financial Statements

Recommendation 14

So that the audited school board financial statements are available to parents, guardians and taxpayers on a timely basis, we recommend that the Ministry of Education:

- *direct school boards to publish audited financial statements on the school board website in an annual Ministry memo which clearly communicates the publishing deadline; and*
- *publish a central listing of audited financial statements of school boards and school authorities on a timely basis.*

Status: Fully implemented.

Details

In our 2021 review, we found that the 2018/19 audited financial statements for 15 school boards were not posted by the Broader Public Sector (BPS) Business Documents Directive deadline (i.e., six months after year-end). Similarly, the 2019/20 audited financial statements for 15 school boards were not posted on the school board website by the March 1, 2021, deadline in accordance with the *Education Act*.

In our follow-up, we found that, in September 2022, the Ministry communicated the publishing deadlines—under the *Education Act* and the BPS Business Documents Directive—for school boards' audited financial statements in its annual financial statement instructions to school boards. In addition, the Ministry published a central listing of school boards' and school authorities' audited financial statements on its website in July 2022.

Recommendation 15

So that the audited school board financial statements are available to the board of trustees to enable timely decision-making and response to audit findings, we recommend that the Ministry of Education:

- *identify school boards that historically missed Ministry deadlines for the audit of their financial statements and engage these school boards to develop and implement strategies to comply with reporting deadlines;*

Status: Little or no progress.

Details

In our 2021 review, we found that in 2019/20, audit opinions for 21 school boards (20 school boards in 2018/19) were dated after the Ministry's internal deadline for submission of audited financial statements. In addition, audit opinions for three school boards were dated after the February 28, 2020, deadline set by the Province, without having received a deadline extension from the Ministry.

In our follow-up, we found that the Ministry has not engaged school boards that historically missed financial statement deadlines to develop and implement a plan to comply with its reporting deadlines.

- *continuously monitor and review actual reporting timelines for the submission of audited school board financial statements against pre-established targets, and take corrective action when such targets are not met.*

Status: Fully implemented.

Details

In our 2021 review, we found that in 2019/20, audit opinions for 21 school boards (20 school boards in 2018/19) were dated after the Ministry's internal deadline for submission of audited financial statements. In addition, audit opinions for three school boards were dated after the February 28, 2020, deadline set by the Province, without having received a deadline extension from the Ministry.

In our follow-up, we found that, beginning in November 2022, the Ministry developed and implemented a new process to monitor and follow up with school boards that miss the deadline for submitting their audited financial statements. In addition, the Ministry now maintains a log that it uses to track the timeliness of the submission of school board financial statements against its internal deadline. We found that the Ministry followed up with school boards that missed the Ministry's internal deadline to submit their 2021/22 fiscal year financial statements.

Ontario School Boards' Insurance Exchange Is Accounted for Incorrectly and Corresponding Disclosures Are Incomplete

Recommendation 16

To better hold OSBIE accountable for its use of public funds, we recommend that the Ministry of Education work with the Office of the Provincial Controller Division (Treasury Board Secretariat) to consolidate OSBIE's financial results into the consolidated financial statements of the Province in accordance with Canadian PSAS commencing with the year ended March 31, 2023.

Status: In the process of being implemented by March 2025.

Details

In our 2021 review, we found that the financial results of the Ontario School Boards' Insurance Exchange (OSBIE) were not included in the Province's consolidated financial statements, even though Ontario school boards, which are consolidated, collectively control OSBIE.

In our report on the Public Accounts of the Province of Ontario, which forms part of our *2022 Annual Report*, we highlighted the anticipated consolidation of OSBIE into the Province's consolidated financial statements for the year ended March 31, 2023, with agreement on this overall consolidation by the Office of the Provincial Controller Division (Treasury Board Secretariat) and the Ministry of Finance. We also received commitment on this consolidation from the Comptroller General and the President of the Treasury Board, the Deputy Minister of Finance and the Minister of Finance.

At the time of our follow-up, we noted that the Province did not consolidate OSBIE's financial results in its consolidated financial statements for the year ended March 31, 2023. Based on our discussions with the Ministry, the financial information to enable the consolidation of OSBIE by school boards, and ultimately the Province, is not yet available. The Ministry is working with OSBIE to supply the financial information for school boards to proportionately consolidate their share of OSBIE's results as part of their 2023/24 fiscal year financial statements, which will be reported in the consolidated financial statements of the Province for the year ended March 31, 2025.

Recommendation 17

To improve the usefulness and transparency of the school board financial statements, we recommend that the Ministry of Education:

- *revise its school board illustrative note disclosures to include the method of accounting for OSBIE, the school board's proportionate share of OSBIE's financial results, a summary of OSBIE's financial position and results, and the nature and amount of transactions between the school board and OSBIE; and*
- *require school boards that hold membership in OSBIE to adopt this disclosure in their financial statements starting with the fiscal year ended August 31, 2023.*

Status: In the process of being implemented by August 2024.

Details

In our 2021 review, we found that the school boards' disclosures lacked sufficient information for users to understand how the school board's financial statements account for OSBIE, and/or the school board's share of the risks and benefits associated with OSBIE's operations.

In our follow-up, we found that the Ministry revised its illustrative note disclosures to include the nature and amount of transactions between the school board and OSBIE, which primarily comprise the payment or refund of insurance premiums. The note disclosures also require school boards to include a condensed version of OSBIE's financial position and results. Further, the Ministry has stipulated that school boards should consolidate their proportionate share of OSBIE's assets, liabilities, revenues and expenses.

We noted that the Ministry has not reached an understanding with school boards and OSBIE on how to calculate each school board's proportionate share of OSBIE. In addition, as mentioned in **Recommendation 16**, the Ministry is in the process of working with OSBIE to obtain the necessary financial information to enable school boards to consolidate their proportionate share of OSBIE. As a result, until these issues are resolved, the Ministry has deferred the requirement for school boards to adopt its revised note disclosure until August 2024.

Chapter 1
Section
1.07

Ministry of Municipal Affairs and Housing

Follow-Up on 2021 Value-for-Money Audit:

Homelessness

RECOMMENDATION STATUS OVERVIEW						
		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	1		1			
Recommendation 2	2		1	1		
Recommendation 3	4	1	3			
Recommendation 4	2			2		
Recommendation 5	3			3		
Recommendation 6	3			3		
Recommendation 7	3	3				
Recommendation 8	2	2				
Recommendation 9	2	2				
Recommendation 10	1		1			
Recommendation 11	3	1	1	1		
Recommendation 12	4	2		2		
Total	**30**	**11**	**7**	**12**	**0**	**0**
%	**100**	**37**	**23**	**40**	**0**	**0**

Overall Conclusion

The Ministry of Municipal Affairs and Housing (Ministry), as of November 14, 2023, has fully implemented 37% of the actions we recommended in our *2021 Annual Report*, and made progress in implementing an additional 23% of the recommended actions.

The Ministry has fully implemented or has made progress in implementing recommendations such as re-evaluating and implementing changes to its funding model, including using the latest census data to recalculate the current funding allocation; fully documenting the rationale for all final funding decisions; following the government directive in selecting grant recipients; developing distinct service categories and guidance to municipalities and Indigenous Program Administrators for reporting on the use of provincial funding; and establishing and requiring municipalities to track common performance indicators aimed at measuring the root causes of homelessness and priority groups experiencing homelessness.

However, the Ministry has made little progress on 40% of the recommended actions, such as requiring that municipalities have a consistent, fair, effective and documented process in place to prioritize people in need of housing and accompanying supports, based on assessed need; tracking whether people residing in shelters and referred for services attended the referral; tracking the length of time it takes for an individual referred for supports to receive those supports; developing provincial shelter standards to be complied with by all municipalities and their third-party service providers; requiring municipalities to conduct periodic surprise inspections of shelters and to provide the inspection results to the Ministry to inform future policy development; and developing and setting targets for common performance indicators to be reported on by all municipalities in their Housing and Homelessness Plans. In this report, "municipalities" refers to the 47 municipal service managers in Ontario that include 37 Consolidated Municipal Service Managers, which may be regional governments, counties or cities; and 10 District Social Services Administration Boards—municipal boards established for 10 districts in Northern Ontario, comprising the various municipalities in each region. The status of actions taken on each of our recommendations is described in this report.

Background

Individuals or families experiencing homelessness can have living situations ranging from being at imminent risk of losing housing, couch surfing with friends or family, temporarily staying in shelters, to living on the streets.

Our audit found that most of the work being done to address homelessness has been city-specific. As a result, there exists only a patchwork of data, making it difficult to systemically understand the state of homelessness in Ontario. Using the latest available data at the time of this follow-up, taken from a 2021 municipal enumeration and 2021 population data from Statistics Canada, we calculated that for every 10,000 people in Ontario, 16 people were homeless, similar to the time of our audit.

Funding for homelessness initiatives from all three levels of government increased over the five-year period 2016/17 to 2020/21, although the largest contributor remained the Ontario government. In 2020/21, the Province contributed 68% of all funding, followed by 23% from municipalities and 9% from the federal government. At the time of our follow-up, the Ministry was no longer collecting information on municipal contributions to homelessness programs. Not including municipal funding, contributions by the provincial and federal governments in 2022/23 were 85% and 15% respectively.

Since 2010, the provincial government has taken a fractured approach to preventing and reducing homelessness. At the time of our audit, five ministries had put forward at least 14 strategies to address factors related to homelessness, such as poverty, mental health, addictions and violence against women.

The Ministry of Municipal Affairs and Housing (Ministry) spent $654 million in 2022/23 on programs related to homelessness, including the Community Homelessness Prevention Initiative, the Home for Good program and the Indigenous Supportive Housing Program ($356 million on average annually from 2016/17 to 2020/21, for a total of $1.8 billion over the five years).

We conducted our audit at the Housing Division of the Ministry and four municipalities: the City of Toronto, the City of Ottawa, the City of Greater Sudbury and the District of Cochrane. These four municipalities accounted for 46% of Ontario's homeless population identified during the latest provincial enumeration in 2021 (59% in 2018) and 48% of total Ministry funding for homeless initiatives in 2022/23 (47% in 2020/21).

Our audit concluded that the Ministry does not have an overarching strategy that effectively co-ordinates actions for the reduction of homelessness with other provincial ministries, municipalities and third-party service providers.

Some of our significant findings were:

- The government's lack of supports for people transitioning from correctional facilities, healthcare facilities and the child welfare system was a contributing factor to the number of people who became homeless. According to data provided by the Ministry of the Solicitor General, over the last three fiscal years ending 2020/21, an annual average of almost 3,900 individuals were released from custody who had no stable housing. The Ministry of Children, Community and Social Services had limited information on how many teenagers were homeless or at imminent risk of homelessness once they aged out of the child welfare system at age 18; however, the Ministry determined there was a strong link between involvement with child welfare and homelessness.
- Lack of affordable housing was an obstacle to reducing homelessness. According to Statistics Canada, housing is considered affordable when it does not exceed 30% of an individual's pre-tax income. Social assistance was often the primary source of income for people who were homeless or at imminent risk of homelessness and was offered through Ontario Works and the Ontario Disability Support Program. Yet social assistance generally did not cover the average cost of a one-bedroom apartment in the province, $1,241 per month in October 2020 according to data from the Canada Mortgage and Housing Corporation. That amount was $72 more than the maximum Ontario Disability Support Program monthly payment for a single person, and $508 above the top monthly support payment to an eligible Ontario Works recipient.
- The Ministry did not evaluate the effectiveness of programs and services provided to people who were homeless or at risk of homelessness. We found that the data collected by the Ministry was insufficient to monitor and assess the quality of services and supports provided by municipalities and Indigenous Program Administrators. This was because all reporting was output based; the service levels were not tracked on a unique household basis, resulting in people being counted multiple times for the same service; reporting of service levels was inconsistent and fluctuated significantly from year to year; and targets or baseline levels of planned service for funds provided did not exist.
- Some municipalities had not established standards for shelter operations and none were sufficiently performing inspections of shelters to ensure that health and safety standards are being met. Of the four municipalities we met with, only two (Ottawa and Toronto) had put in place shelter standards, and only one (Ottawa) conducted regular inspections of all its emergency shelter sites in accordance with a defined inspection schedule and process. However, over the three-year period 2018 to 2020, inspection reports were not provided to shelter operators until 99 to 471 days after inspections took place.
- Homeless encampments were prevalent throughout the COVID-19 pandemic. Some people chose to live in encampments rather than emergency shelters. This impacted other members of the community who wanted to use the parks but were unable to due to open drug use and trafficking, increased litter and general social disorder. Safety for the encampment occupants was also at risk. The City of Toronto noted that in 2020 the fire department responded to 253 fires in encampments—a 250% increase over the same period in 2019. Although these encampments contravened municipal law, municipalities told us they chose to clear encampments only as a last resort, and only once everyone there had been offered a safe space indoors.

We made 12 recommendations, consisting of 30 action items, to address our audit findings. We received commitment from the Ministry that it would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between April and July 2023. We obtained written representation from the Ministry of Municipal Affairs and Housing that effective November 14, 2023, it has provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Preventing and Reducing Homelessness

Recommendation 1

To take a more co-ordinated and cohesive action-oriented approach to preventing and reducing homelessness in Ontario, we recommend that the Ministry of Municipal Affairs and Housing take a lead role, in collaboration with other ministries that fund or directly provide services and supports to people who are homeless or are at risk of homelessness, in developing a provincial strategy with specific actions, targets, and timelines to collectively aim to address the issues that contribute to homelessness.

Status: In the process of being implemented by March 2025.

Details

In our 2021 audit, we found that, since 2010, five different ministries had issued at least 14 strategies to address services and supports aimed at vulnerable groups. Some of the strategies could also benefit people experiencing homelessness or at risk of homelessness. However, the Province had not created an overarching provincial strategy specifically aimed at preventing or reducing homelessness.

In our follow-up, we found that the Ministry had begun to take steps to obtain the information necessary for developing an overall provincial strategy by requiring each municipality to maintain a by-name list of unhoused individuals and their required supports beginning January 2022, and with updated requirements that took effect April 1, 2023. The information collected on the by-name lists, such as the needs of people experiencing homelessness, is expected to help municipalities and the Ministry better understand contributing factors of homelessness in order to improve service delivery and address homelessness in their communities. The Ministry has instructed the municipalities to use the data and information obtained from the lists (Housing and Homelessness Plans) to inform municipal strategies, due for Ministry approval beginning in the fiscal year 2024/25. These plans will further inform discussion with other provincial ministries toward developing a provincial homelessness strategy, which the Ministry expects to complete by March 2025.

Also, under the Multi-Ministry Supportive Housing Initiative (discussed in the first action item of **Recommendation 3**), the Ministry is engaging with the ministries of Health, the Attorney General, the Solicitor General, and Children, Community and Social Services to improve Ontario's supportive housing. This work includes developing an integrated approach to local planning to meet local supportive housing needs.

In November 2022, the Associate Minister of Housing also held a series of supportive housing roundtable engagement sessions with 150 representatives of developmental services and of organizations that focus on justice, Francophone affairs, seniors and long-term care, youth, health, violence against women and human trafficking, as well as municipalities and Indigenous partners, in order to better understand how to improve Ontario's supportive housing system. At the time of our follow-up, the Ministry was analyzing the results of the roundtable engagement sessions to inform the work needed to improve Ontario's supportive housing system, but it did not yet have a draft report available for our review.

Recommendation 2

To better measure homelessness, track progress to inform whether initiatives are reducing homelessness, and to continually identify best practices for implementation, we recommend that the Ministry of Municipal Affairs and Housing:

- *update the work done in 2015 by the Expert Advisory Panel on Homelessness and implement all unfulfilled recommendations;*

  Status: In the process of being implemented by December 2024.

Details

In our 2021 audit, we reported that the Ministry had established an Expert Advisory Panel on Homelessness in 2014 to give advice on how to define and measure homelessness; prioritize and set targets for ending homelessness; and build the evidence base and capacity to implement best practices around the province. We found, however, that 10 of the 23 recommendations made by the Expert Advisory Panel on Homelessness in its 2015 report, *A Place to Call Home*, had not been addressed. We reported that completing these recommendations would give the Ministry a better foundation for understanding homelessness across the province, what actions municipalities were taking and how effective these actions have been.

In our follow-up, we found that the Ministry had implemented eight additional recommendations made by the Expert Advisory Panel. However, two recommendations had yet to be implemented. These recommendations were that municipalities carry out local equity impact assessments to work toward equitable outcomes of housing and homelessness plans and policies; and that the Ministry support local municipalities with tools, resources and funding to support local capacity to carry out equity impact assessments.

The Ministry expects to have the remaining two recommendations implemented by December 2024.

- *develop specific actions for service delivery to address identified root causes of homelessness.*

  Status: Little or no progress.

Details

In our 2021 audit, we found that the 2015 recommendations of the Expert Advisory Panel on Homelessness (discussed in the first action item of **Recommendation 2**) focused on measuring and studying homelessness, but not on taking direct action to provide immediate solutions to address the root causes of homelessness.

In our follow-up, we found that the Ministry was making efforts to collect information needed to identify root causes of homelessness and service delivery needs, but had not yet developed specific actions municipalities should take to address identified causes.

In March 2022, the Ministry released the Homelessness Prevention Program Performance Indicators Technical Guidelines, which list the outcomes and related performance indicators that will be used to measure progress. This guide provides municipalities with information and data definitions for collecting and reporting information through their by-name lists. The information collected on the by-name lists, such as the needs of people experiencing homelessness, is expected to help municipalities and the Ministry better understand contributing factors of homelessness in order to improve service delivery and address homelessness in their communities.

The Ministry's position is that the causes of homelessness, and the solutions needed to address its root causes, can vary by community, so the by-name lists will be used by municipalities in developing their own strategies to address root causes in their communities. These local strategies will begin to be updated in April 2024. The Ministry itself has not, however, developed a strategy for all municipalities to address systemic and common root causes of homelessness.

Transitioning from Provincial Institutions

Recommendation 3

To reduce and prevent homelessness following transitions from provincial institutions and service systems such as corrections, health, and child welfare, we recommend that the Ministry of Municipal Affairs and Housing, in collaboration with the Ministry of the Solicitor General, the Ministry of Health, and the Ministry of Children, Community and Social Services:

- *identify necessary data about people in provincial institutions who will not have stable housing available upon their transition, to use in assessing the extent of the homelessness issue and inform future policy decisions;*
- *where the data is not being collected, work with the relevant ministry to collect the data;*

  Status: In the process of being implemented by April 2025.

Details

We found in our 2021 audit that the Ministry of Municipal Affairs and Housing (Ministry) had taken little action to develop or implement an approach to systematically count and measure how many people experiencing homelessness were transitioning out of provincial institutions and systems such as hospitals (including mental health facilities), correctional facilities and the child welfare system. The ministries that oversee these service systems are responsible for discharge planning and collecting data on people who are discharged from provincial institutions without a permanent address. During our audit, we noted that provincial institutions from which people are discharged did not always collect and have readily available information that could aid in setting policies and implementing programs to assist these people with housing when they leave the provincial institutions.

In our follow-up, we found that the Ministry had taken steps in collaboration with the ministries of the Solicitor General, Health, and Children, Community and Social Services to identify needed data and work with the relevant ministry to develop processes to collect the data through the Multi-Ministry Supportive Housing Initiative. In April 2022, the three ministries held seven community engagement sessions across the province to discuss local planning needs for supportive housing. At the time of our follow-up, the Ministry of Health was leading this work and collaborating with the ministries of Municipal Affairs and Housing, and Children, Community and Social Services to review the feedback and develop and refine options to facilitate local planning for supportive housing. Further, in November 2022, the Associate Minister of Housing held a series of supportive housing roundtable engagement sessions (discussed in **Recommendation 1**) and noted data gaps, such as the need for integrated data between ministries and municipalities, because of the challenges posed by managing separate municipally co-ordinated by-name lists and service wait lists. It also noted the need to make use of existing reporting requirements and streamline them where possible.

The Ministry of the Solicitor General released a framework in September 2022 in which it requires correctional facilities (with the consent of the individual) to use a standardized Community Reintegration Form to identify supports needed for all individuals in the custody and care of the Ministry of the Solicitor General, at each step in their journey, to support their reintegration into their communities. Collection of this data, including information on individuals' identified (self-reported) needs, such as housing, and whether the individuals were referred to community supports, is expected to aid in future policy development.

Further, since the Ministry released the *Ontario Service Manager By-Name List 2022* (BNL) guidelines in April 2022, municipalities have been required to track and report on the number of people experiencing homelessness who transition out of provincial institutions, including correctional institutions, health facilities and child welfare settings, to understand the extent of homelessness among this sub-group. Municipalities have been required to report to the Ministry on these outcomes starting with the 2022/23 fiscal year. Year-end reports were not available at the time of our

follow-up. Following the first year of reporting, the Ministry informed us that it would ensure that all data is being collected appropriately to identify gaps by the 2024/25 fiscal year-end.

- *establish processes to have accommodation in an appropriate setting immediately available for people transitioning from provincial institutions and service systems;*

  Status: In the process of being implemented by April 2025.

Details

In our 2021 audit, we found that, although the provincial government had established the Improving Transition Planning and Services to Reduce Homelessness Working Group in 2015 to identify practices needed to reduce and prevent homelessness following transitions from provincial service systems, there were no formal discharge-planning policies in place to require that plans for housing exist for people without stable housing who are leaving correctional facilities, health-care facilities or the child welfare system.

In our follow-up, we found that the Ministry of Municipal Affairs and Housing, in collaboration with the Ministry of the Solicitor General, the Ministry of Health, and the Ministry of Children, Community and Social Services, had begun to establish processes to have appropriate accommodations immediately available for people transitioning from provincial institutions. In November 2022, the Associate Minister of Housing held a series of seven supportive housing roundtable engagement sessions in six regions (Toronto, London, Kingston, Sudbury, Thunder Bay and Richmond Hill), as well as one session for provincial associations, to collect information and feedback to better understand how to improve Ontario's supportive housing system. The types of services and organizations that participated in the roundtables are noted in our discussion of **Recommendation 1**.

At the time of our follow-up, the Ministry of Municipal Affairs and Housing was analyzing the results of the November 2022 roundtable engagement sessions. The Ministry informed us that it would use feedback from these engagement sessions to develop a policy framework. As noted in the second action item of **Recommendation 3**, the Ministry expects to have collected better data by April 2024, after which time it says it plans to establish processes to have appropriate accommodations available for people transitioning from provincial institutions. It expects this to be in place by April 2025.

- *where effective practices are observed (for example, the initiative undertaken by the University Health Network and the Targeted Engagement and Diversion program) share and apply lessons learned with other municipalities.*

  Status: Fully implemented.

Details

We found in our 2021 audit that positive initiatives were being completed to help provide housing and supports to people at risk of homelessness transitioning out of provincial institutions. These included the Social Medicine Initiative, which had been started by Toronto's University Health Network. As described to us, approaches include providing food delivery to patients discharged from the internal medicine ward and linking lower-income patients with a financial coach to help them access financial support. Another positive initiative was the Targeted Engagement and Diversion Program, which is operated by one of the emergency shelters in Ottawa in partnership with a local health association, Ottawa Inner City Health. Through this program, paramedics, police or outreach workers bring people experiencing homelessness who have health-care needs, including substance abuse, to special health-care units within local homeless shelters instead of emergency rooms. However, we found that these positive initiatives and practices were not always being shared amongst municipalities.

In our follow-up, we found that the Ministry had partnered with the Canadian Alliance to End Homelessness to develop a By-Name List Best Practice Guide to help municipalities maintain their by-name lists (discussed in action items one and two of **Recommendation 2**). The Best Practice Guide, which the Ministry shared with municipalities in April 2022, includes examples of how communities are working across

sectors to improve reintegration and referrals after people are discharged from provincial institutions. It describes best practices across six areas: community participation; data collection, use and storage; maintaining a by-name list; using person-level data; using system-level data; and continuous improvement.

The Ministry told us it will continue to look for opportunities to share and apply lessons learned with other municipalities.

Housing and Supports

Recommendation 4

To provide placement for people most in need of housing supports, we recommend the Ministry of Municipal Affairs and Housing:

- *require that municipalities have a consistent, fair, effective and documented process in place to prioritize people in need of housing and accompanying supports, based on assessed need;*

  Status: Little or no progress.

Details

We found in our 2021 audit that the Ministry had required all municipalities to establish and begin maintaining a by-name list by the end of 2021. This is a real-time, up-to-date list of the names and needs of people experiencing homelessness who require assistance from the municipality to access housing services and supports. At the time of our audit, three of the four municipalities we met with were using a common assessment tool to evaluate the level of support needed by individuals or households, and the fourth municipality had developed its own tool. However, our review of the lists and processes at the four municipalities whose representatives we met with found that processes used did not lend themselves to determining whether people most in need of housing placements were the first to receive them.

In our follow-up, we found that as part of the *Ontario Service Manager By-Name List 2022* (BNL) guidelines released in April 2022, the Ministry has indicated municipalities should have formalized and documented criteria and procedures for deciding who should be prioritized for housing and/or services when these resources become available. The guideline further states that, although criteria and processes for prioritizing offers for services and supports will vary by municipality based on local needs, prioritization and matching processes from the by-name list should be clear, transparent and consistently applied.

However, we noted that the Ministry had not taken any steps to ensure municipalities have put in place formalized and documented criteria and procedures for deciding who should be prioritized for housing and/or services when these become available.

- *confirm that municipalities are following their documented process and people are being housed according to level of assessed need.*

  Status: Little or no progress.

Details

During our follow-up, we found that the Ministry has no oversight process to ensure that municipalities have in place, and are following, a consistent, fair, effective and documented process to prioritize people in need of housing and accompanying supports.

Recommendation 5

In order to better inform policy and decision-making with respect to funding and the level and type of services needed, and to provide timely and cost-effective services, we recommend the Ministry of Municipal Affairs and Housing require municipalities, in combination with shelters operated with the use of provincial funding to:

- *track the types of supports required for people staying in shelters in a way that will allow for systemic analysis;*

- *record whether people referred for services attended the referral;*

  Status: Little or no progress.

Details

We found in our 2021 audit that, at all municipalities we met with, the only way to determine whether an individual had been referred to and received needed supports was to review the individual's case notes kept by shelter staff. This information was stored electronically or in paper files at the shelter by the case worker assigned to the individual. Municipalities we contacted could not provide us with system-level health and housing information about individuals, such as the nature of their mental health and addiction issues, or medical condition/physical disability, whether these individuals had received the appropriate services and supports to help them manage or overcome their challenges, or if they had been placed in permanent housing with support services to address their needs.

In our follow-up, we found that the Ministry had established the By-Name List Best Practice Guide in April 2022 (see action items one and two of **Recommendation 2**), which require municipalities to collect information about people experiencing homelessness (with their consent), including those residing in emergency shelters, and about their support needs and any services they have received or been referred to. However, the Ministry has not made it a requirement for municipalities to collect information about the types of support available to people residing in an emergency shelter and whether they attended their referrals and received the support they need.

- *track the length of time it takes for an individual referred for support to receive those supports.*

  Status: Little or no progress.

Details

We found in our 2021 audit that none of the four municipalities we examined collected or maintained wait-list information for mental health and addiction support services. As a result, we obtained average wait times for residential mental health or addiction treatment programs from Connex Ontario, an organization funded by the Ministry of Health to provide information on publicly funded addiction and mental health resources available to Ontarians. The average wait time in Ontario for such services was 102 days in 2020/21 (up 52% from 67 days in 2018/19).

In our follow-up, we found that the Ministry had not made it a requirement for service managers to track how long it takes for an individual referred for support to receive the service.

Shelter Inspection and Safety

Recommendation 6

To protect the health and safety of residents and staff in homeless shelters, we recommend that the Ministry of Municipal Affairs and Housing:

- *develop and issue provincial shelter standards required to be complied with by all municipalities and their third-party service providers;*
- *require municipalities to conduct periodic surprise inspections of shelters, including offsite and temporary shelter locations; and*
- *require municipalities to consolidate and provide the number and results of inspections conducted to the Ministry, summarized in a manner that can inform future homelessness funding and shelter policy development.*

  Status: Little or no progress.

Details

We found in our 2021 audit that the Ministry had not developed provincial shelter standards or service directives to which municipalities and third-party shelter operators had to adhere. Of the four municipalities we met with (Toronto, Ottawa, Sudbury and Cochrane), only two (Ottawa and Toronto) had in place standards that shelters in their areas must adhere to. However, we found that only Ottawa had conducted regular inspections of all its shelter sites, in accordance with a defined inspection schedule and process it had developed.

In our follow-up, we found that the Ministry had not made progress in developing provincial shelter standards, nor in requiring municipalities to conduct periodic inspections and report to the Ministry the number and results of inspections they conducted. The Ministry stated it intends to consult municipalities on shelter standards and inspections and will develop next steps informed by the consultation.

Funding

Recommendation 7

To fairly allocate funding to municipalities based on need, we recommend the Ministry of Municipal Affairs and Housing:

- *revisit the options identified in past funding reviews and re-evaluate its funding model for the Community Homelessness Prevention Initiative;*
- *implement changes to the funding model;*

  Status: Fully implemented.

Details

We found in our 2021 audit that Ministry funding for the Community Homelessness Prevention Initiative (which provided about 84% of the Ministry's homelessness funding for operating purposes) was not allocated based on current need. Rather, a significant proportion was allocated based on 2013 historical program spending and outdated 2011 Statistics Canada data. Although the Ministry conducted reviews in 2014 and 2016 on how funds should be allocated to municipalities, at the time of our audit it still allocated 50% of the funding based on historical levels of program spending.

In our follow-up, we found that in order to develop an approach to basing its funding on more current indicators of need, the Ministry completed a funding model review in September 2021, and in November 2022 consulted with municipalities on the funding model for the new Homelessness Prevention Program, which consolidates the Ministry's three key funding programs addressing homelessness (the Community Homelessness Prevention Initiative, Home for Good and the Strong Communities Rent Supplement Program). The resulting funding model changes were approved and implemented for the 2023/24 fiscal year. Changes included replacing the outdated historical spending with measures of homelessness and supportive housing from Ontario Works and Ontario Disability Support Program caseload data, measures of supportive housing units using a survey administered to municipalities, and updated Statistics Canada data. All indicators have been updated to use the latest available data.

- *use the latest census data from Statistics Canada to recalculate the current funding allocation under the Community Homelessness Prevention Initiative.*

  Status: Fully implemented.

Details

We found in our 2021 audit that the information used to calculate the funding allocation under the then Community Homelessness Prevention Initiative was outdated. Specifically, although the latest update from Statistics Canada at that time had been available since 2016, the Ministry was still using data from the 2011 census.

In our follow-up, we found that under the new Homelessness Prevention Program (see the first action item of **Recommendation 2**), the updated funding model used four socioeconomic indicators (deep core housing need, low-income measure, Indigenous population, youth population), which accounted for half of the allocation calculation. All four indicators were updated using 2021 census data. The funding model changes were implemented in 2023/24.

Recommendation 8

To provide funding to grant recipients in an objective and transparent manner based on submitted applications, we recommend that the Ministry of Municipal Affairs and Housing:

- *include fully documented rationales for all final funding decisions; and*
- *follow the Transfer Payment Accountability Directive in selecting grant recipients.*

Status: Fully implemented.

Details

In our 2021 audit, we reported that in 2017, when the Ministry launched the Home for Good program (intended to provide both operating and capital funding to assist priority populations, comprised of the chronically homeless, youth, Indigenous people, and people transitioning out of provincial institutions), municipalities were required to submit a business case to the Ministry. We found that, although a robust process to review proposals was in place, including defined criteria to score and rank the proposals, five municipalities were not selected despite having overall higher scores than others who did receive funding. We also found that decisions by senior Ministry officials for the final funding selections for the Home for Good program were not documented. We were told that senior Ministry officials provided direction to fund those municipalities that they anticipated would be assisting the highest number of people who were chronically homeless. This approach was not in accordance with the Transfer Payment Accountability Directive, which requires that funding decisions be documented.

In our follow-up, we found that the Ministry had allocated two sets of funding through submitted applications for two separate funding amounts. It allocated $30.3 million to municipalities under the Canada-Ontario Community Housing Initiative and another $16 million in budget savings from program underspending, using a call for proposals for all municipalities and Indigenous Program Administrators. The Ministry created a Business Case Template for proposals and evaluated all submissions it received based on pre-set criteria. As the Ministry based its recommendations entirely on the scoring of the criteria during the evaluations, it was able to show that it had documented its rationale for recommending projects by grant recipients for funding allocations.

Recommendation 9

To have consistent and meaningful reporting on the use of provincial funding information, we recommend that the Ministry of Municipal Affairs and Housing:

- *develop distinct service categories;*

Status: Fully implemented.

Details

We found in our 2021 audit that municipalities were required to report to the Ministry on how they spent their homelessness funding allocations among five service categories. Although the Ministry provided some guidance on how funding could be spent under each category, the categories were broad and not well defined, and certain types of expenses could be recorded under different categories. As a result, we found inconsistent categorizing of spending between municipalities and within the same local region, limiting the usefulness of expense information reported to the Ministry.

In our follow-up, we found that the Ministry introduced revised service categories in 2022/23 as part of the implementation of the consolidated Homelessness Prevention Program and updates to the Indigenous Supportive Housing Program. Specifically, for the Homelessness Prevention Program, the Ministry established more detailed service categories under three areas: operating (which includes supportive housing;

community outreach and support services; housing assistance; and emergency shelter solutions); capital (new facilities and retrofits for supportive housing and emergency shelters); and administration. For the Indigenous Supportive Housing Program, the Ministry established the following service categories: housing assistance, support services, administration and capital (new facilities and retrofits).

- *provide specific guidance to municipalities and Indigenous Program Administrators on how to classify program costs according to their defined service categories.*

  Status: Fully implemented.

Details

We found in our 2021 audit that the Ministry's guidance to municipalities regarding categorization of costs stated that some activities may be provided under more than one service category. In addition, for each of the service categories, the Ministry's program guidelines stated that the use of the funding is not limited to the examples provided in the guideline. For this reason, it was not clear what services were actually included under each category.

In our follow-up, we found that the Ministry had identified specific spending activities for each service category. Details and guidance are provided in the guideline documents for both the Homelessness Prevention Program and the Indigenous Supportive Housing Program. The guidelines provide a definition of what is to be included in each category and a listing that includes examples of eligible expenses.

Recommendation 10

To gain assurance that provincial homelessness funding is being used appropriately and effectively, we recommend that the Ministry of Municipal Affairs and Housing require municipalities and Indigenous Program Administrators to develop and implement processes to verify that funding provided to third parties for service delivery is being used in accordance with the province's Transfer Payment Accountability Directive.

Status: In the process of being implemented by April 2025.

Details

We found in our 2021 audit that the four municipalities we examined gave third-party service providers between 44% and 91% of their 2020/21 provincial funding for programs related to homelessness. These third parties deliver programs, supports and services to people experiencing, or who are at risk of, homelessness in their municipalities. We found that all four municipalities collected financial reports, including audited financial statements, from each agency they funded, as well as performance indicator data to comply with Ministry reporting requirements. However, we noted that municipalities rarely used this data for purposes other than Ministry reporting. We also found that, of the four municipalities we met with, only Ottawa had a process for verifying and validating the information received from service agencies, in order to obtain some assurance over the accuracy and quality of what was reported to it.

In our follow-up, we found that the Ministry entered into an agreement in October 2022 with an external advisor (KPMG) to obtain advice and guidance on strengthening financial accountability. This was to include verification of third-party funding through independent verifications such as audited expenditures, site visits and spot checks, and ensuring that processes are in place to verify that funding provided to third parties for service delivery is being used in accordance with the oversight requirements of the Province's Transfer Payment Accountability Directive. In early May 2023, KPMG engaged three municipalities (York, Toronto and Brantford) with a set of standardized questions regarding their management of contracts with third parties and related financial accountability mechanisms. The final report of the advisor was not available at the time of our follow-up audit. The Ministry stated it plans to leverage the

findings of the advisor's report to consult with municipalities and Indigenous Program Administrators in late 2023, and to develop and implement enhanced accountability measures for homelessness programs by April 2025.

Data Limitations

Recommendation 11

To better understand changes in the growth, distribution and demographics of homelessness both provincially and at the municipal level, and to better direct policy toward the specific groups experiencing homelessness and the underlying reasons causing their homelessness, we recommend that the Ministry of Municipal Affairs and Housing:

- *use data obtained through the enumeration process to begin in 2021, to set a baseline for the periodic assessment of progress toward reducing chronic homelessness;*

  Status: In the process of being implemented by April 2025.

Details

We found in our 2021 audit that the first and only completed attempt to capture province-wide data on people experiencing homelessness was made in 2018. The purpose of the 2018 enumeration was to provide the Ministry and municipalities with baseline data on the homeless population, which could be used to measure and report on homelessness over time. However, the Ministry found gaps and limitations in the 2018 enumeration data. On March 19, 2021, the Ministry issued a directive to municipalities to do a point-in-time count, before December 15, 2021, of people in their service area who are homeless.

In our follow-up, we found that the 2021 enumeration had been completed by all 47 municipalities to provide a snapshot and estimate of the number of people experiencing homelessness, along with information about select characteristics and circumstances of these people. (See the Overall Conclusion for the meaning of "municipality" used in this report.) The Ministry compiled and compared the 2021 enumeration counts to 2018 levels, and although it did not identify gaps or limitations with the enumeration data, it did not establish a baseline level of chronic homelessness. The Ministry informed us that it would establish a baseline by April 2025.

- *establish and require municipalities to track common performance indicators aimed at measuring the root causes of homelessness and priority groups experiencing homelessness, as recommended by the Expert Panel on Homelessness;*

  Status: Fully implemented.

Details

We found in our 2021 audit that the Ministry required municipalities to develop Housing and Homelessness Plans and, in those plans, to set goals, objectives and measurable targets to reduce homelessness and improve the outcomes for people experiencing or at risk of homelessness. However, the Ministry had not prescribed or specified any common goals, objectives or targets for all municipalities to work toward. Instead, it allowed municipalities to set their own particular set of performance measures to allow them to develop whatever they considered most appropriate for their communities. The result was that the Ministry had been unable to analyze the data in any meaningful way.

In our follow-up, we found that the Ministry had developed a set of performance indicators to monitor and track progress on the achievement of outcomes, including the goal of measuring reductions in homelessness and chronic homelessness. As a condition of Homelessness Prevention Program funding, municipalities are required to report annually on common performance indicators by provincial priority group. Examples of performance indicators to be measured and reported on by priority group include:

- number/percent of at-risk households (or households experiencing homelessness) assisted to

retain housing by provincial priority group by housing type;
- number/percent of at-risk households (or households experiencing homelessness) assisted who retained housing for 12 months or more;
- number/percent of at-risk households (or households experiencing homelessness) who received community outreach and support services;
- number/percent change in units of supportive housing stock preserved and created;
- emergency shelter usage and capacity;
- number/percent of people experiencing homelessness by provincial priority group, including chronic homelessness; and
- number of people who become homeless (new or return).

Municipalities report on each performance indicator in their annual year-end report to the Ministry.

- *develop and set targets for common performance indicators to be reported on by all municipalities in their Housing and Homelessness Plans.*

  Status: Little or no progress.

Details

As noted in the second action item of **Recommendation 11,** in our 2021 audit we found that the Ministry had not prescribed or specified any common goals, objectives or targets for all municipalities to work toward when developing their Housing and Homelessness Plans.

In our follow-up, we found that the Ministry had begun internal planning for the next cycle of Housing and Homelessness Plans, including the use of common performance indicators and targets. A March 2023 briefing summary prepared by the Ministry noted that a challenge to the current Housing and Homelessness Plans was that municipalities are not required to use specific common outcomes, performance measures and targets. It further noted that municipalities have provided feedback that they would benefit from having a standardized approach, including common outcomes and performance measures.

As part of its recommended option to the Minister, the Ministry has included consideration of reporting on common outcomes with targets to reduce homelessness, increase accountability and complement year-end reporting. However, at the time of our follow-up, the Ministry had made no commitment to take action.

Recommendation 12

To sufficiently monitor and assess the quality of homelessness services and support provided by municipalities, we recommend that the Ministry of Municipal Affairs and Housing, in collaboration with municipalities:

- *develop standard, required indicators that measure standard, defined outcomes for those accessing the services funded through provincial homelessness programs, and report on them annually;*

- *require municipalities to report at a consolidated level, standard, defined outcomes of individuals receiving services and supports on a unique basis;*

  Status: Fully implemented.

Details

We found in our 2021 audit that municipalities were required to provide the Ministry with an annual report containing service levels achieved during the year for funding provided through the three key programs—the Community Homelessness Prevention Initiative (CHPI); Home for Good; and the Indigenous Supportive Housing Program. However, we found that the data collected by the Ministry for the three programs was insufficient to monitor and assess the quality of services and supports provided by individual municipalities, and that it was inadequate to inform policy and program development. We also found that performance indicators for the largest program (CHPI) measured the number of households who received services from Ministry-funded programs, but not the longer-term outcomes of people who received services.

In our follow-up, we found that as a component of the Homelessness Prevention Program, the Ministry has developed standard indicators that

municipalities must track to assess defined outcomes for those accessing the services funded through provincial homelessness programs, and report on them annually, as discussed in the second action item of **Recommendation 11**.

Further, the Ministry has also required municipalities to report on the defined outcomes of individuals receiving services and supports, and made doing so a condition of Homelessness Prevention Program funding. Municipalities are required to report annually on common performance indicators by provincial priority group; these priority groups have been outlined in the Ministry's March 2022 Homelessness Prevention Program Performance Indicators Technical Reporting Guide. For each performance indicator, municipalities are to report multiple data elements in a year-end report to the Ministry, starting with fiscal year 2022/23. For example, each municipality is to report on the outcome that people at risk of homelessness remained housed. One of the performance indicators to measure this is the number and percentage of at-risk participant households (or households experiencing homelessness) assisted who retained their housing for 12 months or more.

The Ministry plans to review year-end reports and analyze data reported to inform future work to address homelessness.

- *establish a process to effectively validate the accuracy of data used in the standard, defined indicators;*

  Status: Little or no progress.

Details

We found in our 2021 audit that the Ministry did not have procedures to validate the quality and reliability of information received from the municipalities. Based on our analysis of data reported by municipalities to the Ministry, we noted that the number of households able to obtain supports and services, and the number of households at risk of homelessness who were assisted to retain their housing, fluctuated significantly year over year by municipality. The Ministry informed us that it only assessed municipalities' data for reasonableness through communications with municipalities throughout the year, and that it relies on the municipalities to validate third-party data they submit. However, three of the four municipalities and the Indigenous Program Administrator we met with did not have procedures in place to validate third-party reporting. The Ministry itself identified that a more regular and robust review process would allow issues to be identified and resolved earlier in the process.

In our follow-up, we found that the Ministry had not yet begun to develop a process to validate data reported by municipalities. The Ministry stated that, following the review of year-end reports received from municipalities, it will conduct data analysis to establish a process for data validation. The Ministry expects to complete this by March 2024.

- *use the information reported to identify provincial and regional trends in services and regions that require further focus and support.*

  Status: Little or no progress.

Details

We found in our 2021 audit that the Ministry had not analyzed the reasons for large differences in data in required annual reporting between and within municipalities from one year to the next. The Ministry told us that it did not compare data collected by municipalities across fiscal years, or use the data for any regular analysis, as municipalities have the discretion and flexibility to change which programs they fund with provincial money and to change their program offerings each year.

In our follow-up, we found that the Ministry had not completed any analysis to identify provincial and regional trends in services and regions that require further focus and support. The Ministry stated that following the review of year-end reports received from municipalities, it will conduct data analysis on provincial trends and areas of future focus. The Ministry expects to complete this by March 2024.

Chapter 1
Section
1.08

Ministry of Transportation

Follow-Up on 2021 Value-for-Money Audit:

Inspection and Maintenance of the Province's Bridges and Culverts

RECOMMENDATION STATUS OVERVIEW

		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	2		2			
Recommendation 2	2	2				
Recommendation 3	4	2	2			
Recommendation 4	2	2				
Recommendation 5	2	2				
Recommendation 6	3	2	1			
Recommendation 7	2	1			1	
Recommendation 8	1		1			
Recommendation 9	3		2			1
Recommendation 10	1		1			
Total	**22**	**11**	**9**	**0**	**1**	**1**
%	**100**	**50**	**41**	**0**	**4.5**	**4.5**

Overall Conclusion

The Ministry of Transportation (Ministry), as of November 17, 2023, has fully implemented 50% of actions we recommended in our *2021 Annual Report*. The Ministry has made progress in implementing an additional 41% of the recommended actions.

The Ministry has fully implemented recommended actions such as finalizing a Flood Response Guidelines for MTO Structures memo and issuing Guidelines for Emergency Inspection of Structures. The Ministry conducted its biennial webinar for internal staff, ,during which the Ministry's head office reminded its inspectors of the quality assurance requirements for consultant assignments, including the need to time-stamp photos. Also, the Ministry tested and deployed a tablet version of the Bridge Management System (BMS), which allows for the automatic upload of photos in the field. The Ministry explored the use of drones during inspections, conducted a pilot project and used drones on select bridge-inspection assignments. Based on these experiences, four of the five regions have purchased drones. In addition, to ensure

that safety and capital-planning decisions for the province's bridges are based on reliable and accurate inspection data, the Ministry has added a number of data-integrity checks to its BMS that would warn an inspector if the data appeared to be out of order before an inspection report was finalized. Finally, to improve the quality of its bridge inspections, the Ministry reinstated the practical field inspection component of the Ontario Structure Inspection Manual (OSIM) training.

The Ministry is in the process of implementing a new OSIM that will clarify and provide guidance for inspectors on how to quantify the degradation of a structure's material condition from "excellent" to "good" when they calculate the overall material condition of a bridge, and is incorporating tables into the OSIM that will allow inspectors to identify and summarize the elements that are critical to the structure's integrity. It is also developing an OSIM-training certification program that includes course and testing. In addition, the Ministry is updating its Structure Inspection Quality Assurance Requirements for Consultant Structure Inspections memo to ensure adequate oversight, receiving accurate inspection information, and enforcing its quality assurance processes for regional offices to verify that information is being observed and documented in the inspection files and is accurately recorded in the Ministry's systems. The Ministry is developing a new Structure Rehabilitation Manual (SRM), incorporating up-to-date construction methods used in bridge repair and rehabilitation so that construction methods are applied consistently across the province. It is also implementing a rating system for culverts (tunnels carrying a stream or open drain under a road) that includes key performance index (KPI) targets. The Ministry's Structures Office has begun reviewing regional maintenance work, auditing one of its five regions each year to determine whether the maintenance work is performed adequately.

However, the Ministry's Structures Office has told us that it will not be implementing one (4.5%) of our recommended actions. It will not audit a sample of contracts to ensure that the regions are performing quality assurance checks because the Structures Office continues to re-inspect a sample of bridges annually, and there are also year-end OSIM inspection-attestation memos confirming that engineers completed their oversight requirements for consultant assignments. The Office of the Auditor General of Ontario continues to support the implementation of this recommendation because it is necessary to review consultant work to ensure the quality of bridge inspections. Moreover, the Ministry had previously indicated, in response to our 2021 audit report, that the Structures Office would audit a sample of bridge inspections to validate that the quality of assurance checks had been undertaken. The Ministry anticipated that this work would begin within 12 months.

The status of actions taken on each of our recommendations is described in this report.

Background

As part of its mandate to deliver a safe highway network that promotes mobility for people and goods, the Ministry of Transportation (Ministry) is responsible for inspecting, maintaining and repairing approximately 3,000 bridges and 2,000 large culverts (tunnels carrying a stream or open drain under a road) located on provincial highways and in northern areas of the province. Under the *Public Transportation and Highway Improvement Act*, the province's bridges must be inspected every two calendar years by, or under the direction of, a professional engineer using the Ontario Structure Inspection Manual (OSIM). Regular visual inspections are conducted to ensure that bridges remain safe and in good repair, and to identify safety hazards and repair and maintenance needs. Enhanced and emergency inspections may be performed if serious deterioration or damage is suspected.

At the time of our audit, 89% of Ontario's bridges were in good condition, meeting the Province's goal of 85% of bridges being in good condition at all times. As

well, 10% of bridges were assessed to be in fair condition and 1% of bridges were assessed to be in poor condition. Poor condition was not an indication of any safety concern, but rather indicated that capital maintenance to rehabilitate the bridge was needed within a year.

The Ministry's Bridge Management System (BMS) supports the OSIM inspection and management process. Inspectors enter data into the BMS at the time of inspection, and the system calculates the Bridge Condition Index (BCI). The condition data and inventory information are uploaded into the Asset Management System, an analytical tool that generates individual bridge rehabilitation needs and expenditure requirements for capital planning. The expert engineer we contracted to assist us with our audit conducted an independent inspection of 15 bridges across the province and recorded virtually the same BCI results as Ministry inspectors, with minor variances.

Our audit found that, although the OSIM was widely used across Canada for bridge inspection, it did not provide a uniform inspection approach for all structures in Ontario, and it lacked a standard flood response protocol for structures affected by floods or at risk from flooding. Also, when guiding inspectors in how to record the material condition of a structure, the OSIM used less precise, qualitative descriptions rather than quantitative measurements of the degradation between "excellent" and "good."

In addition, the OSIM inspection tables used to assess the elements of a structure could not flag or describe those elements that were considered critical to a bridge's safety. Therefore, the deterioration or poor condition of a bridge element as assessed by the BCI may not predict the likelihood of failure of the bridge or even of the element itself. In addition, the BCI may not capture the actual repair and maintenance needs of these elements. As a result, Ministry staff calculated a modified BCI value for each bridge in order to assess its priority for repair.

Although the Ministry performed inspections on every bridge every two years, as required, we found there were issues with the quality of these inspections. Also, the Ministry performed audit inspections and provided recommendations to the regions to correct any errors, but did not follow up to ensure that its recommendations were being addressed.

Some of our significant findings were:

- Some inspectors were performing six or more inspections per day, contrary to the OSIM and Ministry guidance. The OSIM stipulated that all visual inspections should involve an element-by-element assessment of material defects and that an inspector should plan to spend approximately two to three hours on a typical bridge site in order to have enough time to adequately assess the condition of all elements. The Ministry did not assess the reasonableness of the number of inspections being completed in a day for either consultant inspectors or its own inspectors.
- The Ministry could not verify how much time was spent inspecting some bridges, since some inspection photos did not include the required time-stamps. Following our 2009 audit of Bridge Inspection and Maintenance, the Ministry's Bridge Office instructed Ministry engineers on how to assess consultants' work, including that they ensure inspection photographs have the date and time printed on them. When this practice was not enforced, the Ministry could not verify whether a consultant had spent enough time to conduct a thorough inspection of a bridge.
- Consultant inspection files were missing information or contained errors. We examined 173 inspection reports submitted by consultants and found errors and omissions that could have impacted the data the Ministry used to prioritize bridge maintenance and rehabilitation. Specifically, we found 10 instances where the condition of different portions of the bridge was incorrectly measured or recorded, and 31 inspections where a significant change in the bridge's calculated condition was not accompanied by an explanation.

- The Ministry's Structure Rehabilitation Manual (SRM) was outdated. This manual, used for planning rehabilitation work on bridges and culverts and their structural components, had last been updated in 2007. Since then, there were major changes in practice to all stages of rehabilitation work. The Ministry was issuing interim policy memos to provide updated guidance, but had not incorporated them into a revised manual to standardize guidance and simplify access to updates.
- The Ministry was unaware whether maintenance and repair work was conducted in a timely manner by the regions. The regions did not track as required the completion of maintenance work identified by inspectors and did not submit confirmation to the Ministry when work was completed. The Ministry's Head Office informed us that it did not follow up with the regions to confirm they were tracking and conducting maintenance work in a timely manner. It did not receive the regions' maintenance tracking spreadsheets or keep track of their completed work.

We made 10 recommendations, consisting of 22 action items, to address our audit findings. We received commitment from the Ministry that it would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between April 2023 and August 2023. We obtained written representation from the Ministry of Transportation that effective November 17, 2023, it has provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Quality of Inspection Manual and Standards

Recommendation 1

To improve the guidance given to bridge inspectors and provide a more uniform inspection approach across the province that yields a more accurate assessment of structures, we recommend that the Ministry of Transportation:

- *update the Ontario Structure Inspection Manual (OSIM) to provide clarity and guidance on how inspectors can quantify the degradation of a structure's material condition from excellent to good, for the calculation of the overall material condition of a bridge;*

  Status: In the process of being implemented by January 2024.

Details

In our 2021 audit, we found that the Ontario Structure Inspection Manual (OSIM) does not provide clear guidance on recording the transition of the condition of structures, which results in less precise quantitative assessments. The structural engineering expert we retained observed that when guiding inspectors in how to record the material condition of a structure, the OSIM does not adequately quantify the degradation of material condition from "excellent" to "good" over time. Instead, it describes the condition in qualitative terms. Our expert noted that the descriptors in the OSIM are "vague," leaving various inspectors and jurisdictions to interpret the OSIM requirement and to develop their own degradation curve in accordance with their interpretations. When it reported on its 2018 and 2019 audits of bridge inspections, the Ministry's Bridge Office noted a similar issue in its examination of factors that can skew inspection results.

In our follow-up, we found that the Ministry has established a working group tasked with reviewing and updating the OSIM to ensure it provides clear guidance on quantifying the degradation of a structure's material condition from "excellent" to "good." The working

group is made up of 10 structural engineers from all five ministry regions, as well as the head office (Structures Office, formerly the Bridge Office). In 2022, the Ministry's working group held discussions to create a draft version of the updated OSIM. The updated draft includes the reordering of the document so that it is more logical to a new inspector, guidance on how to downgrade an element from "excellent" to "good," and an updated Section 2.4 Material Condition States. In addition, the updated draft merged some condition state summary tables to avoid repetition and inconsistencies.

The Ministry's working group plans to create a final draft and present it to the Ministry's Bridge Committee for its required comments. The Bridge Committee is made up of the Heads of the Structural Section in each of the five regions, the Manager of the Structures Office, and the Head of Bridge Design and Bridge Management in the Structures Office. After obtaining the required comments and endorsement from the Bridge Committee, the updated OSIM will be posted for 21 business days on the Ministry's technical consultation portal to obtain comments on the proposed changes from Ministry consultants from the engineering community. At the time of our follow-up, the date for posting had not been finalized. The Ministry intends to publish the new OSIM by January 2024.

- *incorporate in the OSIM inspection tables that are used in assessing the elements of a structure the ability to identify and summarize the elements that are critical to the structure's integrity.*

  Status: In the process of being implemented by January 2024.

Details

In our 2021 audit, we found that the OSIM does not differentiate between elements based on how critical they are to the structure's integrity. The OSIM inspection tables used to assess the elements of a structure do not include any way to flag and detail those elements that are considered critical or potentially vulnerable. This is important because, while the OSIM is widely used across Canada for bridge inspection, it does not incorporate all the information that is relevant to the safety of a bridge in calculating the Bridge Condition Index (BCI).

In our follow-up, we found that the Ministry has been revising the reporting of critical elements to include some check boxes with each element for the inspector to "check" if they deem it to be a critical element. In addition, guidance is also being provided to define a list of specific elements. The Ministry stated that guidance will be provided to inspectors to identify these critical elements before going on inspections. As stated above, the Ministry established a working group that has been tasked with reviewing and updating the OSIM. The Ministry's working group plans to create a final draft and present it to the Ministry's Bridge Committee, as mentioned above, for its comments and endorsement. The working group has held discussions and is currently in the process of finalizing necessary changes to the OSIM to send to the Bridge Committee with the intent to incorporate its changes and finalize the document by January 2024.

Recommendation 2

To reduce the risk posed to the province's bridges, culverts and roadways by the potential for more frequent and intense floods and extreme weather events, we recommend that the Ministry of Transportation:

- *develop a standard flood response protocol for assessing, monitoring and inspecting provincial structures affected by floods, or at risk from flooding; and*

- *create a flood inspection manual for structures that are at risk from flooding, and review and update it periodically.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that Ontario had not developed a standard flood response protocol for assessing, monitoring and inspecting provincial structures affected by floods or at risk from flooding. As a result, Ministry staff and contractors lack guidelines for performing these tasks uniformly across the province's five regions, meaning that safety standards may differ across the province. Also, not all regions have the experience of dealing with the threat of major flooding events.

In our follow-up, we found that in November 2022 the Ministry finalized a memo, Flood Response Guidelines for MTO Structures. The objective of the memo is to give guidance to structural engineers on what to look for when they are assessing structures in response to a flood and how to respond to a flood event. Whenever a Ministry's Structural Section Head is made aware of a flood event, the guidelines of this memo must be followed. The guidelines contain the specific procedures that the structural engineer needs to follow with respect to the initial assessment, site inspection, structure-closure criteria, monitoring of the structure and post-flood inspection.

In addition, we found that in March 2023, the Ministry's Structures Office issued Guidelines for Emergency Inspection of Structures. The purpose of these guidelines is to provide bridge-inspections guidance on the types of emergency inspections that may occur and to show some of the common defects that are encountered. Some of the scenarios addressed by the guidelines include emergency inspections of structures after floods, fires, earthquakes and vehicle collisions with the structure. The Flood Response Guidelines for MTO Structures memo serves as an appendix to this document. In the event of a flood, these two Ministry-created documents should be used in conjunction to address the risk posed to the province's bridges. The Ministry's practice is to update its manuals as required. This would occur if there is a change in a Code or Standard, when MTO internal reporting procedures change, or when additional information is obtained. Typically, this occurs on a five- to 10-year cycle, but varies greatly depending on comments received by users, or if new information becomes available.

Quality of Inspections

Recommendation 3

So that the bridge inspections are documented and are being performed in accordance with legislation, and so that accurate and thorough bridge inspection data is captured for decision-making, we recommend that the Ministry of Transportation:

- *implement practices that will enforce the guidance in the OSIM on the length of time an inspection should take, and regularly review the number of inspections completed per day by inspectors to assess their reasonableness and to take corrective action where it is necessary;*

  Status: In the process of being implemented by January 2024.

Details

In our 2021 audit, we reviewed a number of inspections conducted in 2018 and 2019 in Central, Northeastern and West regions and found that more than a dozen inspectors, both consultants and Ministry inspectors, had performed six or more inspections on the same day. Our review determined that inspectors, from three different engineering firms, had spent less than one hour inspecting each bridge. Moreover, we found instances where the time elapsed between the first and last photograph taken of the bridge was less than 20 minutes. We similarly highlighted this issue in our 2009 value-for-money audit of Bridge Inspection and Maintenance. There, we noted several instances where an inspector performed more than 10 inspections in a single day. We recommended that the Ministry take steps to confirm that thorough inspections are being conducted, including assessing the reasonableness of the number of inspections that are performed by an inspector in a single day. Yet, in spite of the OSIM protocol and our 2009 audit recommendation, the Ministry had not been assessing the quality of its inspections or considering how many inspections it is reasonable to complete in a day, for either its consultants or its own inspectors. We noted, however, that the Ministry had the information at hand to conduct such

an assessment, as much of the inspection data available to the Ministry gives a clear indication of the time spent on inspections.

In our follow-up, we found that the Ministry created a working group, as mentioned above, to review and update the Structure Inspection Quality Assurance Requirements for Consultant Structure Inspections memo. This memo provides requirements to Ministry engineers to ensure adequate oversight of inspections performed by consultant engineers. As part of this review, the working group will address the required time that should be spent on inspections and incorporate guidance into the newly updated OSIM. The quality assurance memo has been provided to the Bridge Committee, as mentioned above, for its review. The Ministry intends to publish the updated quality assurance memo by January 2024.

- *communicate to all bridge inspectors the requirement to date- and time-stamp all photographs taken during an inspection;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that following our 2009 value-for-money audit of Bridge Inspection and Maintenance, the Ministry's Bridge Office provided instructions in September 2009 to Ministry engineers on how to assess consultants' work, including that they ensure that the photographs submitted with their inspections have both the date and the time printed on them. Nevertheless, our 2021 audit found that photos still did not always include the required time-stamps.

In our follow-up, we found that in April 2022, the Ministry conducted its biennial webinar for its internal staff during which the Ministry reminded its inspectors of the quality assurance requirements for consultant assignments, including the need to time-stamp photos. Attendance at the webinar was mandatory, and the Ministry recorded the webinar for those who could not make it. Since certificates were not issued for this webinar, attendance was not closely tracked. However, the Ministry told us that, based on the recording, there were 84 people (out of 100 invitees) in attendance. Consultants did not attend this webinar because regional offices conducted a consistency exercise with them (see **Recommendation 6**).

- *assess the feasibility of using current camera technology to assist in instantaneously uploading photos that are automatically date- and time-stamped;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that seven of 28 consultant bridge inspectors hired by the Ministry in 2018 and 2019 submitted photographs that did not have time-stamps (hours and minutes), which prevented us and the Ministry from determining the amount of time consultants spent on the bridges they inspected. We also found that:

- photographs from two inspectors did not include the date, meaning that the Ministry would not be able to verify the duration of the inspection, the date of the inspection, and whether the inspection was conducted within the dates specified in the contract; and
- one inspector did not submit any photographs at all as part of his inspection report, making it impossible to determine whether the inspector actually visited the bridge site.

In our follow-up, we found that the Ministry has tested and deployed a tablet version of its Bridge Management System (a system that stores the inspection reports), which allows for automatic upload of photos in the field. Using the tablet technology, a bridge inspector is able to upload photos of bridges that are automatically date- and time-stamped by the camera technology.

- *enforce its quality assurance process for its regional offices to verify that the information that is being observed and documented in the inspection files is accurately recorded in the Ministry's systems.*

  Status: In the process of being implemented by January 2024.

Details

In our 2021 audit, we examined 173 electronic inspection reports from 2018 and 2019 submitted by consultants, and found errors and omissions that could impact the data the Ministry uses to prioritize bridge maintenance and rehabilitation. In our review we found:

- 10 inspection reports where the condition of different portions of the bridge was incorrectly measured and recorded. We reviewed the Bridge Management System in May 2020 and found that these errors had not been corrected.
- 11 inspections where the consultant did not provide enough photographic documentation to support the inspection results. Omitting photographs of the observed defects limits the Ministry's ability to review and confirm inspection results.
- 31 inspections where a substantive change in the bridge's calculated condition was not accompanied by a sufficiently detailed explanation for such a significant change.

In our follow-up, we found that the Ministry has started a process of updating its memo, Structure Inspection Quality Assurance Requirements for Consultant Structure Inspections. The Ministry already started discussing the quality assurance requirements with staff at the 2022 OSIM Inspection webinar, and further updates will be communicated through the Bridge Committee and at the 2024 OSIM Inspection webinar. According to the Ministry, the previous iteration of the Quality Assurance memo was completed in 2009 when the Ontario Structures Inspection Manual and Bridge Management System were introduced.

In 2022, the Structures Office started a process to review the requirements of the memo to better align with the current realities of the bridge-inspection process in Ontario, since the current BMS has data checks in place and its structural engineers have more expertise conducting bridge inspections. As a result, the high level of quality assurance provided by the 2009 memo is no longer required. The updated Quality Assurance memo has been provided to the Bridge Committee, as mentioned above, for its review. The Ministry intends to publish the updated Quality Assurance memo by January 2024.

Recommendation 4

In order to achieve cost-efficiencies and resolve accessibility issues in bridge inspections, we recommend that the Ministry of Transportation:

- *prepare a business case for incorporating new technology in the inspection process; and*
- *if possible, incorporate new technology such as drones to assist with the inspection process.*

Status: Fully implemented.

Details

In our 2021 audit, we noted that in our 2009 audit of the Bridge Inspection and Maintenance Program we found that having only limited access to bridges means that inspectors are forced to leave some elements uninspected, or to estimate their condition from a distance or without seeing them, which increases the risk of inaccurate assessments. When estimation is involved, different inspectors can arrive at different assessments of the same bridge components because of their own individual judgment. In our 2021 audit, we also noted that we found numerous studies, and confirmed with faculty at the University of Waterloo, that advancements made since our 2009 audit in drone, sensor and software technologies for performing inspections could help resolve accessibility issues and improve the accuracy and consistency of condition assessments by removing human judgment from the equation.

In our follow-up, we found that the Ministry used a Transportation Association Canada (TAC) presentation from October 2021 to examine how drones are used by various jurisdictions and consultants throughout Canada. Also, in September 2022, Ministry staff attended an Innovation Demonstration Event where attendees were provided with demonstrations of next-generation drone technologies. In February 2023, the Ministry's structural engineers prepared an information note seeking approval to purchase drones to assist with the inspection of structures. The Ministry has conducted a test flight to ensure applicability of using a drone for structure inspections, as well as required its consultants to use a drone for some of their bridge inspections to gain experience in viewing drone

inspections. During our follow-up, we found that four of the five Ministry regions have acquired and started using drones to assist during bridge inspections.

Compiling and Recording Inspection Data for the Capital Planning Process

Recommendation 5

So that the Ministry of Transportation (Ministry) bases its safety and capital planning decisions for the province's bridges on reliable and accurate inspection data, we recommend that the Ministry:

- *update inspection and data entry practices where they are seen to be outdated or open to error;*

  Status: Fully implemented.

Details

Our 2021 audit noted that, in all of the audit inspection reports we reviewed, the Ministry found deviations and consistently recommended almost word for word: "Regions should be reminded of the importance of correcting inventory, components and quantity information that affects accuracy of BCI values." When we asked the Ministry to explain why its Bridge Office needed to repeat this recommendation each year, it gave us the following explanations:

- Errors the Bridge Office audit inspection finds are not system errors, but human errors. Some are errors contained in inspection reports that were reviewed and considered complete by regional staff.
- Sometimes inaccurate dimensions were input in the Bridge Management System (BMS) for a bridge under audit, possibly because the bridge may have been altered in a rehabilitation, and the new dimensions were not yet entered into the system, causing differences between the BCI assessed by inspectors and the BCI assessed by Bridge Office auditors.
- The Bridge Office does not follow up on its recommendations to correct the bridge data, as the regions are custodians of the data and are responsible for making any required changes.

In our follow-up, we found that the Ministry has added a number of data-integrity checks to its BMS that would warn an inspector if the data appears to be out of order before the inspection report is finalized. Specifically, the BMS would give a warning if the surface area of a bridge element is entered incorrectly or if there is no explanation provided for a significant change in bridge condition. In addition, during its annual OSIM webinar, as mentioned above, the Ministry reiterated to its structural engineers the requirements related to reviewing inspection reports. In particular, the webinar emphasized that the structural engineers who review the inspection reports are responsible for ensuring that the information is documented and input accurately into the BMS.

- *have its Bridge Office inspection auditors follow up on their recommendations to the province's road network regions and ensure that errors its auditors have found in data that affects the accuracy of the Bridge Condition Index values are corrected, or that documentation exists demonstrating that no corrections are needed.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that the Ministry performs audit inspections and provides recommendations to the regions without taking follow-up action to ensure that its recommendations are being followed. We selected a sample of inspections to verify whether the changes to the element quantities that were recommended in the 2017 and 2018 Bridge Office (Structures Office) audit inspection reports were actually made in the Bridge Management System (BMS) by the regional staff. We found that the noted incorrect quantities were not corrected in the BMS for any of the samples we reviewed.

In our follow-up, we found that in July 2021, the Structures Office issued a memo, Process for Completing Structures Office Bridge Audit Inspections, requiring regional Structural Sections to provide written responses by the end of September in response to the Structures Office Bridge Audit Inspections'

recommendations made by the end of May. The Ministry's Structure Inspection Structures Office completed a bridge audit in 2021 that looked at 12 structures located across three Ministry regions. The Structures Office did not find any issues with the bridge data, so no recommendations were issued. On completion of its bridge audit, the Structures Office issued a report stating that no deficiencies were found.

Training and Oversight of Inspectors

Recommendation 6

To improve quality of its bridge inspections, we recommend that the Ministry of Transportation (Ministry):

- *reinstate the practical field inspection component of the Ontario Structure Inspection Manual (OSIM) training;*

  Status: Fully implemented.

Details

In our 2021 audit, we reviewed the last five OSIM workshops/webinars held between 2012 and 2020 and found that the Ministry's program lacked rigour and testing to confirm that inspectors understand the OSIM and the inspection data they need to record. For example, we noted that until 2012, as part of its training program, the Ministry would take all in-house and consultant inspectors to bridges to conduct on-site inspections. This practical component was done to help inspectors with the consistency and accuracy of their inspections. The Ministry has not provided this practical component to its consultants since 2014, and it has not provided it to in-house inspectors since 2018. Our research of other jurisdictions in Canada found that, unlike Ontario, Quebec's transportation ministry requires its inspectors to take part in on-the-job field training. We noted in particular that, since 2018, rather than focusing on on-the-job training, the Ministry has been focused on instructing inspectors on data entry into the Bridge Management System in order to address data-accuracy issues.

In our follow-up, we found that in April 2022, the Ministry issued an MTO Bridge Inspection Consistency Exercise memo, reinstating the practical field inspection component. All regions were required to conduct a consistency exercise by summer 2022 to ensure that all staff and consultants conducting inspections had field inspection training. The intent was to evaluate whether each inspector has the necessary experience to inspect structures. The expectation was that each region inspect a structure that represents the complexity of an inspector's assignment. Inspectors were expected to provide any relevant information they would otherwise report on in an inspection, for example, pictures, maintenance needs, quantity review, comments, suspected performance deficiencies and overall structural safety. To test inspectors, regions could give the correct tombstone data or add some misinformation to see whether inspectors picked up on the mistakes. For the external consultant inspections, regions must review all of a consultant's reports with the consultant, out in the field or at a safe location, as soon as possible.

The Ministry plans to continue this consistency exercise to ensure all new inspectors take field training before inspecting structures. This is in addition to formal training, including testing inspectors as part of the Ministry's certification process, which the Ministry expects to develop by March 2024 (see the third action under **Recommendation 6**).

- *include quality assurance procedures for inspections as part of the future OSIM inspection training curriculum for Ministry staff;*

  Status: Fully implemented.

Details

In our 2021 audit, we reviewed the training material provided to inspectors from 2010 to 2021 and found no information about the quality assurance procedures for inspections that inspectors should know. In response to our 2009 audit, the Ministry developed the quality assurance procedures in 2009 to improve the quality of inspections; however, the Ministry confirmed that, more than 10 years after they were developed, the

quality assurance memo and procedures may not be known by all Ministry inspectors, including new staff.

In our follow-up, we found that the Ministry's Structures Office conducted its regular OSIM webinar in April 2022. During this information session, the Ministry presented excerpts from the Ministry's Structure Inspection Quality Assurance Requirements for Consultant Structure Inspections memo, stressing the importance of following all memo requirements to its regional structural engineers when overseeing consultant assignments, including how the Ministry verifies the quality of OSIM inspections for both in-house and consultant inspectors. In addition, the Quality Assurance memo was reshared with Ministry staff.

- *finalize the testing approach and test the inspectors as part of its certification process at the end of the OSIM training workshop.*

  Status: In the process of being implemented by March 2024.

Details

In our 2021 audit, we found that the Ministry does not test in-house and consultant attendees' knowledge of the training material at the completion of the training. Certificates of training completion are automatically issued. In comparison, the transportation ministry of Alberta tests its inspectors as part of the certification process. After we identified this lack of testing in 2020, the Ministry acted upon our finding and incorporated a quiz at the end of its OSIM inspection workshop in April 2021. However, this quiz has yet to be implemented as an ongoing instrument to test trainees at the completion of their training.

In our follow-up, we found that the Ministry has held discussions with the Ontario Good Roads Association (OGRA), an association dedicated to improving municipal roads and related infrastructure in Ontario by providing training, knowledge and advocacy to its member municipalities, along with several other training providers. OGRA's expertise was used to develop an outline for a Ministry-approved certification program for in-house and consultant inspectors. The certification program will include topics related to various bridge materials, as well as updates to the inspection manual and the in-house inspector's level of responsibility in regards to supervision of inspections. By March 2024, the Ministry plans to finalize an agreement with OGRA or another service provider to develop, with the Ministry's input, the bridge inspection courses that inspectors must complete to gain certification. Going forward, the Ministry plans to make it a requirement for its inspectors to take the courses to gain certification.

Recommendation 7

To ensure that its regional staff are aware of and follow its quality assurance requirements and other internal policies, the Ministry of Transportation (Ministry) should:

- *communicate the quality assurance requirements that are required to be performed by regions for consultant inspections through the biennial workshops held for Ministry staff;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that regional structural engineers and project managers did not always oversee and conduct quality checks of inspectors' work to ensure that their inspections followed the OSIM standards and Ministry requirements. Without these quality assurance checks, the Ministry cannot verify the accuracy, completeness and consistency of the data produced during bridge inspections.

In our follow-up, we found that, during its biennial OSIM webinar conducted in April 2022, the Ministry presented our Office's findings on quality assurance requirements to its structural engineers who perform bridge inspections. The presentation reiterated the requirements of the Ministry's 2009 Structure Inspection Quality Assurance Requirements for Consultant Structure Inspections, such as conducting random spot checks when a consultant is on-site, reviewing a sample of consultant inspections before the assignment is

completed, and ensuring that supporting photographs are date- and time-stamped. In addition, the Structure Inspection Quality Assurance Memo for Consultant Structure Inspections was reshared with Ministry staff.

- *audit a sample of contracts to ensure that regions are performing the quality assurance checks.*

  Status: Will not be implemented.

  The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

In our 2021 audit, we sampled four contracts that included hundreds of bridge inspection assignments that the Ministry awarded to consultant firms and checked whether quality assurance checks had been performed. We found that:

- In three of the four contracts, regions did not provide feedback to consultants on their performance, as required by the quality assurance policy.
- In three of the four contracts we sampled, regional staff did not visit 3% to 5% of bridge sites inspected by consultants, as its policy requires, to ensure that consultants were conducting inspections in the manner required by the quality assurance policy.
- In all four contracts we sampled, regional staff did not reinspect 3% to 5% of bridges in order to compare results to consultant inspections, as required by the quality assurance policy. Staff from one region informed us that they were not aware that they were supposed to complete these quality assurance tasks.

In our follow-up, we found that the Ministry's Head Office (Structures Office) will not audit a sample of contracts to ensure that regions are performing quality assurance checks as required by the 2009 Quality Assurance memo. Instead, the Structures Office continues to rely on the year-end OSIM inspection attestation memos signed off by the Ministry's engineers that they have completed their oversight requirements for consultant assignments.

The Ministry told us that it realized that the 2009 memo was written at a time when the inspection methods and the BMS were new, so higher quality assurance was required due to the uncertainty. Since that time, the quality assurance needs have not been as high. As a result, the Ministry is currently reviewing the 2009 Quality Assurance memo to determine the appropriate quality assurance procedures needed. For example, the Ministry has software that performs data checks, which addresses some of the quality assurance procedures. In addition, the Ministry started conducting a consistency exercise, as mentioned above, which ensures the competency of bridge inspectors and conveys the expectations for the way Ministry bridge inspections should be conducted.

Nevertheless, according to the Ministry, the quality assurance procedures continue to be performed at the regional level. However, limited supporting documentation of the quality assurance procedures being performed at the regional level was available at the time of our follow-up. Although the Structures Office will not be implementing this recommendation at this time, the regions will continue to perform the procedures as required by the Quality Assurance memo.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation because reviewing consultant work is necessary to ensure that a quality bridge inspection is obtained. As well, the Ministry had responded in our 2021 audit report that the Structures Office would audit a sample of bridge inspections to validate that the quality assurance checks had been undertaken. The Ministry had anticipated that this work would begin within 12 months.

Risk of Inconsistent Rehabilitation Practices Due to Ministry's Use of Outdated Structure Rehabilitation Manual

Recommendation 8

To ensure that construction methods used in the repair and rehabilitation of bridges are up to date and are applied consistently across the province, we recommend that the Ministry of Transportation update its Structure Rehabilitation Manual to incorporate all of the interim policy memos it has issued since its last update, and assess if any other relevant information should be included.

Status: In the process of being implemented by June 2024.

Details

In our 2021 audit, we found that the Structure Rehabilitation Manual was last updated in April 2007. Since then, there have been major changes in practice to all four stages (Condition Surveys, Rehabilitation Selection, Contract Preparation and Construction) of the rehabilitation work. For example:

- Part I–Section 1.3 of the manual describes the history of protective treatments for structures in Ontario. Historical context is important in understanding the performance and deterioration of structures over time, and potential impacts on repairs and rehabilitation treatments. The current version of the manual covers the protective treatments in use in Ontario from the 1950s to the early 2000s. The section does not capture treatment strategies that have emerged since the last publication and that now are part of the current standard.
- Some of the information in Part 4–Guidance to Designers, requires updates and supplements.

We noted in our audit that the Ministry was aware of the major changes in practice and had been issuing numerous interim policy memos to provide updated guidance to designers who rely on the Structure Rehabilitation Manual. However, a risk exists that designers will miss some of these policy memos or neglect to incorporate their guidance into their practice. As a result, the manual was not meeting its intended purpose, which is to facilitate consistent practice and quality control.

In our follow-up, we found that the Ministry formed a Structure Rehabilitation Manual (SRM) team that has been meeting regularly to develop a new and reformatted manual. The SRM team consists of a core team made up of structural engineers from the Ministry, and an extended team made up of regional structural engineers to brainstorm and provide overall thoughts and topics to improve or add to the new manual. In addition, these structural engineers from the Ministry's regional offices will be engaged to review sections of the manual and provide overall comments. The final draft of the SRM is scheduled to be completed by the end of 2023. Before publishing a new manual, the SRM team needs to present the updates to, and obtain comments from, the Ministry's Bridge Committee, and post the changes to the technical consultation portal to obtain input from the Ministry's consultants by early 2024. The Ministry intends to publish the new Structure Rehabilitation Manual by June 2024.

Inspection and Maintenance of Culverts

Recommendation 9

To improve the accuracy and usefulness of its data on the condition of large culverts, we recommend that the Ministry of Transportation:

- *review and update the existing rating system to better represent the actual condition of large culverts;*

  Status: In the process of being implemented by February 2024.

Details

In our 2021 audit, we found that Ministry staff noted that, while the Bridge Condition Index (BCI) is a good indicator of bridge deterioration, where visual inspection of the components can effectively forecast the rate of deterioration, BCI deterioration ratings are not representative of culvert conditions. A Ministry analysis found little

correlation between a culvert's age and its true condition; as well, a culvert may have a very poor appearance without needing work.

In our follow-up, we found that the Ministry has developed a rating system for its culverts and is in the process of calibrating it against the skilled assessment of the Ministry's structural engineers. The new rating system will act as a key performance indicator for culverts. The analysis to ensure accuracy of the new rating system is expected to be finalized in February 2024 through a policy memo.

- *review and update the deterioration model for large culverts used in the Asset Management System to predict future repair needs;*

  Status: No longer applicable.

Details

In our 2021 audit we noted, through our review of an internal memo sent to senior management in the Ministry, that Ministry staff who conducted culvert inspections from 2010 to 2015 have found that the Ministry's guidelines and schedules for maintenance and rehabilitation work may not be applicable to culverts:

- Culverts rated in poor condition (BCI <60) may not actually require rehabilitation or replacement within one year, as the guidelines stipulate.
- Culverts rated in fair condition (BCI 60–70) may not actually need rehabilitation or repair within five years, as stipulated by the guidelines.

This means that the deterioration models used by the Ministry and coded into the Asset Management System for planning capital work show more rapid deterioration than the actual deterioration observed by inspection staff. As a result, without accurate measures of its culverts' current condition or forecasting of their future condition, the Ministry cannot accurately plan and budget long-term capital work required for the culverts. In particular, there is a risk that the Ministry may order work on culverts prematurely when their actual condition does not require rehabilitation or replacement. To correct for the BCI ratings when applied to culverts, Ministry engineers apply judgment when needed to adjust the BCI. Ministry engineers informed us that they may ignore the data until these engineers point out that large culverts need work for other reasons, often when they become functionally deficient.

In our follow-up, we found that the Ministry is planning to transition away from the Asset Management System and will not be using its deterioration models. The Ministry has started a parallel project called Transportation Asset Management System (TAMS) in which it will seek vendors to propose a system that will determine asset deterioration and propose needs. The Structures Office will use TAMS to develop deterioration models to predict future repair needs for large culverts.

- *develop performance targets for large culverts, measure the culverts against the targets, and report on their condition publicly.*

  Status: In the process of being implemented by September 2024.

Details

In our 2021 audit, we noted that the Ministry does not have a performance target for large culverts, even though this asset is valued at $5 billion. As a result, there is no benchmark against which to compare the Ministry's performance in maintaining and repairing culverts. Many jurisdictions have such performance targets for culverts. For example, the Township of Enniskillen in Ontario sets a target of 100% for maintaining its large culverts in better than poor condition. The Ontario Township of Russell's target is to maintain the average condition of its culverts at fair or good. The US Federal Highway Administration sets 10% as the upper limit for all National Highway System bridges and culverts classified in poor condition. California's target for having its culverts in good or fair condition is 90%.

In our follow-up, we found that the Ministry developed a new key performance indicator for culverts, as part of its new Transportation Asset Management System (TAMS), as noted above. The Ministry is in the process of finalizing the new performance indicator and target for culverts with the aim of completing the process by February 2024 and measuring provincial culverts against this target in 2024. The Ministry stated

that the date for reporting publicly on performance targets for large culverts has not yet been confirmed but is expected to meet the September 2024 deadline.

Recommendation 10

To validate that regions are tracking the maintenance needs of the province's bridges and completing maintenance work in a timely manner going forward, the Ministry of Transportation Head Office should obtain the information from the regions or through the Bridge Management System and ensure that maintenance work is completed on a priority basis.

Status: In the process of being implemented by June 2027.

Details

In our 2021 audit, we noted that the regions were not required to submit confirmation to the Ministry that maintenance work had been completed. As a result, the Ministry's Head Office (Structures Office) was unaware whether maintenance work was completed in a timely manner. We obtained maintenance tracking spreadsheets from 2017 to 2020 from three of the five regions and found that these regions did not always record the procedures for acting on maintenance recommendations resulting from the biennial inspections.

- One region's spreadsheet with work dates completed from one bridge co-ordinator could not be located for one of the years.
- For two regions, we could not determine whether all recommended maintenance work, regardless of priority level, was actually performed because the completed work dates were not always recorded.
- For one region, none of the maintenance work on any spreadsheet was given priority levels, as required by the 2017 procedures document.
- For two regions that did track their completed work, we could not determine whether the work was completed in a timely manner because dates were not specified.

Since the regions do not track the completion of maintenance work as required, it cannot be confirmed that their maintenance work is being completed in a timely manner. We asked the Ministry's Head Office whether it followed up with the regions to confirm they are tracking and conducting maintenance work in a timely manner in accordance with the 2017 memo. The Head Office informed us that it does not receive the regions' maintenance tracking spreadsheets and does not monitor the completed work because the regions are responsible for tracking and managing their maintenance work.

In our follow-up, we found that the Ministry's Head Office (Structures Office) began reviewing regional maintenance work to determine whether the maintenance work is adequately performed. The Structures Office's approach is to audit one of its five regions each year. We found that, at the time of our follow-up, the Structures Office has audited one of its regions and concluded that maintenance work was being performed in a timely manner and no high-urgency maintenance needs from previous years were outstanding. Based on the Structures Office's schedule of reviewing one region each year, the Ministry intends to finish auditing all of its regions by June 2027.

Chapter 1
Section
1.09

Ontario Cannabis Retail Corporation

Follow-Up on 2021 Value-for-Money Audit:

Ontario Cannabis Retail Corporation

RECOMMENDATION STATUS OVERVIEW						
		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	7	6				1
Recommendation 2	9	7				2
Recommendation 3	2	2				
Recommendation 4	4	3	1			
Recommendation 5	5	5				
Recommendation 6	2	1	1			
Recommendation 7	7	4	2	1		
Recommendation 8	3	3				
Recommendation 9	2	2				
Recommendation 10	5	4	1			
Recommendation 11	1			1		
Recommendation 12	5	4	1			
Recommendation 13	4	2	2			
Recommendation 14	2	2				
Recommendation 15	3	3				
Recommendation 16	2	2				
Total	**63**	**50**	**8**	**2**	**0**	**3**
%	**100**	**79**	**13**	**3**	**0**	**5**

Overall Conclusion

The Ontario Cannabis Retail Corporation (OCRC), as of November 15, 2023, has fully implemented 79% of actions we recommended in our *2021 Annual Report*. OCRC has made progress in implementing an additional 13% of the recommended actions.

OCRC has fully implemented recommendations such as creating a more structured, consistent and transparent approach to its product selection. It has established and documented standard operating

procedures that guide its personnel during product selection, and developed evaluation criteria for product selection that it uses in documenting evaluations and the rationale for its decisions on product selection. After the evaluation is completed, OCRC communicates its decision on the product selection to the licensed producer. OCRC has also established a formal process for licensed producers to appeal product-selection decisions. In order to strengthen oversight of its third-party logistics provider, Domain Logistics, OCRC formalized the roles and responsibilities of both entities by creating a matrix that identifies tasks performed by both entities and specific personnel responsible for implementing and overseeing them. As well, OCRC's internal audit team has developed standard operating procedures for reviewing and verifying invoices submitted by Domain Logistics, and OCRC has developed new key performance indicators for Domain Logistics and has set targets for them. To build public awareness around the use of cannabis, as well as to promote responsible consumption and protect youth, OCRC has released a number of articles through the Education Hub section on its website with information on differences between legal and illegal cannabis products and on the effects of excessive cannabis use.

OCRC is in the process of implementing recommendations such as requiring Domain Logistics to incorporate performance metrics into its subcontractor agreements. Domain Logistics is currently working on revising its agreements with delivery subcontractors to incorporate delivery performance metrics. In addition, OCRC is working on implementing its social responsibility strategy. The social responsibility team has created goals and timelines and is working to achieve them. OCRC has also presented its planned strategic activities to the Finance and Governance Committee of its Board of Directors.

However, OCRC has made little or no progress on 3% of the recommended actions. For example, it has not explored tools such as Ontario's Digital Identity Program to strengthen controls over online ordering of cannabis by individuals under the age of 19. OCRC is awaiting further details and instructions on the Province's launch of this digital ID program. OCRC has also not required Domain Logistics to incorporate longer data-retention requirements into all subcontractor agreements. OCRC informed us that OCRC's Privacy and Freedom of Information team is planning to perform a privacy impact assessment to determine appropriate data-retention requirements. OCRC plans to implement this recommendation by March 2024.

The status of actions taken on each of our recommendations is described in this report.

Background

According to the *Ontario Cannabis Retail Corporation Act, 2017* (Act), the Ontario Cannabis Retail Corporation's (OCRC's) mandates are "to buy, possess and sell cannabis and related products; to determine varieties, forms or types of cannabis and related products to sell and the prices at which to sell them; and to promote the socially responsible use of cannabis." In the years since legalization, the legal cannabis industry in Canada has experienced a great deal of change, as has the agency itself. Originally created as a subsidiary of the Liquor Control Board of Ontario (LCBO), OCRC became a standalone corporation within its first eight months. Internally, the agency experienced a high turnover of its senior executives.

At the time of our audit, OCRC employed 223 full-time-equivalent employees and 12 contract staff. A significant part of its operations (including distribution centre staffing) was outsourced to a third-party service provider, Domain Logistics, which managed the distribution centre and delivery to e-commerce (online) customers and private retail stores. Since 2018/19, OCRC's business had grown in response to the scaling up of Ontario's retail marketplace. During this time, OCRC's revenue had grown tenfold while its expenses (including the cost of sales, and selling, general and administrative expenses) had increased sixfold.

For the fiscal year ending March 31, 2023, OCRC's revenue totalled $1.47 billion ($652 million in 2021), with a gross margin for online customer sales totalling $11.1 million ($37 million in 2021). Its wholesale operation had increased significantly since OCRC's

inception, with a gross margin of $311.8 million for the same year end ($108 million in 2021). While OCRC's revenues had increased and the corporation had weathered many operational challenges, our audit concluded that OCRC needed to strengthen some areas of its operations in order to effectively administer the *Ontario Cannabis Retail Corporation Act, 2017* and its regulations.

Some of our significant findings were:

- Product availability was a common complaint from retail sellers. Our July 2021 survey of authorized retailers found that 47% of respondents were "not satisfied" and 19% were "very dissatisfied" with the availability of products from OCRC. From January 1, 2021 to June 30, 2021, we found that on, any given day, about 19% of all wholesale cannabis products listed by OCRC were not in stock or available for retail stores to order.
- OCRC had recently implemented a value-based pricing approach for listed cannabis products, which was not based on sufficient analysis and was not transparent to licensed producers. Provinces such as British Columbia, Alberta, Manitoba and Quebec used a fixed mark-up pricing approach and OCRC originally used the same approach, but switched to a value-based pricing approach in 2020. However, a thorough analysis of the risks and benefits of this new pricing approach had not been prepared to allow the Board to perform a proper assessment prior to approval. A value-based pricing approach is theoretically based on customers' perceived value of a product, which incorporates product attributes, benchmarking with other similar products, and customer preferences. Our audit found that category managers and OCRC's pricing analyst did not document what considerations or market research data went into their pricing decisions.
- OCRC did not have a formal appeal process for product listing decisions, and senior management sometimes reversed product listing rejections without any documented rationale, contributing to a perceived lack of fairness as seen by licensed producers.
- OCRC did not have effective mechanisms to oversee the use, retention and safeguarding of customer information retained by its service providers. In May 2021, it developed a data strategy that focused on data analytics capabilities. At the time of our audit, the strategy had not been shared with the Board for feedback, direction or approval. While the new data strategy focused on building OCRC's data analytics function, it lacked a data governance component, including identification of what data the enterprise acquired, where that data resided, how that data was being used and what compliance obligations applied. As well, it did not have effective mechanisms to oversee the use and retention of customer data gathered by Domain Logistics and its subcontractors, which created privacy concerns.
- OCRC did not have sufficient verification of age controls in place to prevent minors from purchasing cannabis through its online store. Specifically, it relied on customers' self-declaration of age and did not verify customers' ages using independent information sources. Online (e-commerce) customers were simply required to enter their date of birth to confirm their age before they entered OCRC's online store (Ontario Cannabis Store, or ocs.ca) to browse or purchase products.
- OCRC did not have documentation to support its non-competitive procurement decisions. Since January 2019, when the agency began operating as a standalone agency, 24 of its procurements had been non-competitive, for a total value of approximately $7 million. The audit found that OCRC had no documentation in any of these cases and no business cases were prepared.

We made 16 recommendations, consisting of 63 action items, to address our audit findings. We received commitment from the Ontario Cannabis Retail Corporation that it would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between April 2023 and August 2023. We obtained written representation from the Ontario Cannabis Retail Corporation that effective November 15, 2023, it has provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Merchandising

Recommendation 1

To have a more structured, consistent and transparent approach to its product listing calls and its product listing selections, we recommend that the Ontario Cannabis Retail Corporation:

- *establish and document standard procedures for product selection;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that Ontario Cannabis Retail Corporation (OCRC) did not offer any in-house training or provide job aids or standard operating procedures to its category managers. Category managers informed us that they relied on their own retail industry experience and familiarity with products and licensed producers to evaluate product submissions. Given the newness of the legal recreational cannabis industry in Canada, OCRC is limited in its ability to recruit category managers with direct cannabis industry experience. As a result, there is a greater need for rigor, structure and standardization in the product selection process.

In our follow-up, we found that OCRC has established standard operating procedures for its category managers who select cannabis products, to guide them in documenting their evaluations. Each product item is scored on five categories: product innovation, cost/value (compared to other products in the market), execution (producer's ability to fill purchase orders and satisfy quality assurance requirements), market support (producer has a plan to raise market awareness) and performance (past sales figures). OCRC has also made the scoring guidance publicly available on its website, allowing the licensed producers to see the product listing criteria and requirements. In addition, the category managers received an internal briefing in January 2022 on factors they should look at when scoring the submissions, which was presented to them by the Senior Director of Merchandising.

- *develop a set of core evaluation criteria for each product category;*
- *document evaluations, considerations and rationale for decisions on product selection;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that OCRC did not have formal assessment criteria or frameworks to evaluate product submissions by licensed producers. Its Supplier Manual does not have a specific list of formal and mandatory criteria that category managers must use for scoring submissions. As a result, individual category managers had wide discretion in choosing which submitted products to list. We reviewed all the submissions and documentation supporting the listing of products for the February 2021 product listing call, and found that category managers documented only their final decisions, not the decision-making process or the meetings where decisions were made. For example, there was no documentation to demonstrate how category managers scored each submission, how they weighted different assessment criteria, or their rationale for accepting or rejecting a submission. OCRC did not require category managers to document the product-evaluation process sufficiently and support it with clear and consistent criteria, and as a result their decision-making was not transparent.

In our follow-up, we found that OCRC has established a scoring system for its category managers to use when evaluating products. (See the first action

item in **Recommendation 1** for the five scoring areas.) When licensed producers submit their products, OCRC ensures that each item is given a documented score, decision and supporting commentary. OCRC has created a template for product evaluations, and it documents both pre-submission and formal submission evaluations, and communicates its decisions to the producers.

- *gain a better understanding of production cycles and the seasonality of cannabis products in order to inform timelines of bulletins, submissions and purchase orders;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that tight timelines for product listing submissions and deliveries for new listings introduced supply chain challenges for licensed producers, because new products can take up to 16 weeks from the start of development, through production to packaging, before product delivery is possible. For new product listing calls completed in 2021, the time between publication of the Assortment Needs Bulletin and the date when producers had to submit the products averaged eight weeks. We reviewed all purchase orders from the February 2021 new product listing call, and found that OCRC issued purchase orders between seven weeks and one week before the required delivery date. Specifically, for the first product launch date, 8% of purchase orders were issued less than three weeks before the required delivery date, 88% of purchase orders were issued between three and four weeks before, and only 4% of purchase orders were issued more than four weeks before. This means that successful producers had only three and a half weeks or less, on average, from the time when the purchase quantity was confirmed to the time when new products had to be shipped to OCRC's warehouse. Given the typical 16-week production process, many producers we interviewed expressed concerns about the difficulty in meeting OCRC's purchase requests within the short turnaround time. They indicated that, at times, resources had to be prioritized to serve the Ontario market over other provinces to meet OCRC's timelines and quantities.

In our follow-up, we found that in August 2022, OCRC's merchandising team engaged licensed producers to review the plant growing cycles. Following this research, OCRC ran a licensed producer engagement event in fall 2022 where it suggested alternative product call cycles. During the engagement, OCRC's Insights team conducted one-on-one interviews with nine licensed producers of different types and sizes to obtain their feedback on the product call schedule. Even though the findings did not show major concern among the producers around the product call timing, OCRC has adjusted the timing of product calls to four times a year. The merchandising team felt that this adjustment would support advanced planning and improve co-ordination between licensed producers and OCRC, and better support producers' product manufacturing and growth cycles.

- *formalize communication with licensed producers throughout the product selection process, including supplier notification of product call schedule changes;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that OCRC did not provide sufficient notification to licensed producers about the cancellation of two product calls in 2021 and other changes. Producers had to proactively, and frequently, monitor OCRC's website for changes to the product call schedule. OCRC also did not include the last revision date on its website, making it difficult for producers to keep track of when changes were made and the period to which they applied.

In our follow-up, we found that OCRC had established three main instances when it communicates product selection information to the licensed producers: the Assortment Needs Bulletin (to communicate types of product OCRC is looking for), pre-screen feedback and final selection outcomes. Since our 2021 audit, OCRC has not made any changes to the scheduled dates of the product calls.

- *establish a formal process for licensed producers to appeal product selection decisions;*

  Status: Fully implemented.

Details

In our 2021 audit, we found OCRC did not have a formal appeal process for product listing decisions. However, our best practice research showed that the Liquor Control Board of Ontario (LCBO) has a Listing Appeals Committee that reviews rejected and discontinued products and is responsible for the appeal process for product listing decisions. Some licensed cannabis producers we interviewed indicated that they sometimes escalated their concerns about rejected products to OCRC's CEO, and that OCRC sometimes reversed its initial rejections. OCRC's merchandising team confirmed that there were such instances, and that such communications were verbal and were not formally documented or tracked. While we did not come across any preferential treatment given to licensed producers for product listings, such informal escalations and decision reversals can create a perceived lack of fairness, equity and independence. Not all licensed producers may have the same level of access and relationship to the OCRC senior leadership team.

In our follow-up, we found that OCRC has developed and implemented an appeal process for licensed producers. Starting January 2022, the Senior Manager of Business Process and Planning has led the development of this process, consulting with OCRC departments such as policy, merchandising, legal and communications. OCRC's CEO approved the new process in February 2022, and it became publicly available on OCRC's website the same month. Under the new process, appeals should be completed within 20 days, at the conclusion of which the licensed producer is notified in writing of the decision. Appeal decisions are to be made by the Ontario Cannabis Store Product Submission Appeals Committee, which consists of the Director of E-Commerce, Director of Supply Chain, Director of Quality & Regulatory Compliance, Senior Director of Merchandising and a Vice President of the Executive Office.

- *undertake analysis of product listing approaches in other jurisdictions and perform a thorough cost and benefit analysis to determine if the current product call schedule is an effective approach.*

  Status: No longer applicable.

Details

In our 2021 audit, we found that OCRC's product listing process at the time was not as formal and as transparent as it could be. This may have led to the perception and risk of preferential treatment being given to certain licensed producers.

In our follow-up, we found that OCRC has communicated with other provinces to learn about their product listing approaches to inform its product call schedules. Additionally, OCRC attended a product listing webinar hosted by Health Canada where other jurisdictions presented their approaches, followed by questions and answers. After conducting this research, OCRC determined that performing a cost/benefit analysis is not feasible, as Ontario has vastly different market conditions and a different distribution model than other provinces. In addition, OCRC had developed its current approach after having consultations with the Ministry of Finance.

Recommendation 2

For the Board to make an informed policy decision on whether or not Ontario Cannabis Retail Corporation should continue to employ a value-based pricing approach, we recommend that senior management prepare a formal business case for presentation and approval by their Board of Directors that would include:

- *jurisdictional research on pricing approaches used by other Canadian provinces and territories;*
- *the comparison of product purchase costs prior to and post implementation of this new pricing approach;*
- *the comparison of gross margin prior to and post implementation of this new pricing approach;*
- *a summary of the pros and cons of the continuing use of this approach with respect to financial*

targets, fairness and transparency of pricing between larger and smaller licensed cannabis producers;

- *a summary of any complaints/issues that have arisen resulting from the use of this pricing approach;*
- *a summary of what data is or is not available to be used in the value-based pricing approach and, if continued, plans and timelines to obtain the necessary information;*
- *a comparison of product prices in Ontario compared to other provinces in Canada (given the volume in Ontario, an Ontarian would likely expect Ontario prices to be lower);*
- *a formal recommendation of either the continued use of the current pricing approach or a change to use the pricing method used by other provinces in Canada; and*
- *a draft of the policy and formal procedures to be consistently followed and used by all category managers (including documentation requirements for decisions made).*

Status: Fully implemented.

Details

In our 2021 audit, we found that OCRC's value-based pricing approach for listed cannabis products was not based on sufficient analysis and was not transparent to licensed producers. Provinces such as British Columbia, Alberta, Manitoba and Quebec use fixed mark-up pricing. OCRC originally used this approach, but switched to value-based pricing in 2020. We found that a thorough analysis of risks and benefits of this new pricing approach had not been prepared to allow OCRC's Board of Directors to perform a proper assessment prior to approval. A value-based pricing approach is theoretically based on customers' perceived value of a product, which incorporates product attributes, benchmarking with other similar products, and customer preferences. However, our audit found that category managers and OCRC's pricing analyst did not document what considerations or market research data went into their pricing decisions.

In our follow-up, we found that OCRC considered preparing a business case for its value-based pricing model, but, based on its research and applicable comparisons, determined that a business case recommending a fixed mark-up would better enable it to address our key findings. It presented the business case to its Board of Directors in November 2022. OCRC conducted an assessment to understand best practices and to inform its proposed approach, and evaluated wholesale and retail pricing structures at comparable government wholesalers in Alberta and British Columbia, and regulators in Saskatchewan and Manitoba.

OCRC was not able to determine the effects of value-based pricing on product purchase costs, since the size and scope of the regulatory environment have evolved dramatically since value-based pricing was first approved. In particular, the increased number of producers and the size of OCRC's product catalogue have placed downward pressure on purchase costs, making it difficult to correlate value-based pricing with product costs. OCRC has looked at how margins are affected by value-based pricing and noted that, since the average margins differ under value-based pricing and fixed mark-up by design, it is not feasible to complete a gross margin comparison. Fixed mark-up allows OCRC to strategically lower the margins to achieve the desired market outcome.

OCRC completed an analysis of the pros and cons of value-based pricing and highlighted that this model would result in different product-to-product prices for producers of different sizes within the same subcategory. In order to summarize the complaints and issues with value-based pricing, OCRC conducted a producer study, consisting of a short questionnaire, to measure stakeholder satisfaction. Pricing was a top-ranked issue among respondents, with many reporting negative experiences around transparency and wholesale price calculations.

In its business case to its Board, OCRC noted its limited ability to compare its pricing models to prices in the illegal market due to difficulties in measuring illegal market prices accurately and consistently. In OCRC's assessment and comparison of prices across Canadian

provinces, it also evaluated business models at comparable government wholesalers (Alberta, British Columbia and Quebec) relative to Ontario's. It has formally recommended to its Board the adoption of a fixed mark-up pricing approach, similar to models used in Alberta and British Columbia, the provinces with comparable distribution models. During the transition to the fixed mark-up approach, OCRC has put in place formal processes that govern pricing and listing.

Recommendation 3

To formalize and improve transparency about the product delisting process such that licensed producers and consumers are well informed about factors that contribute to the decision to delist a cannabis product, we recommend that OCRC:

- *formally document the delisting process and criteria and post this information on the OCRC website; and*
- *improve internal documentation on delisting decisions, including providing reasons to support decisions for delisting.*

Status: Fully implemented.

Details

We found in our 2021 audit that in January 2021, OCRC initiated its first formalized product review exercise, to determine which products to discontinue. OCRC has set criteria that if the average sale of a product is less than 0.5 units per store per week or the product has been out of stock more than 12 of the past 26 weeks (due to a licensed producer being unable to keep up with product demand), the product becomes a candidate for removal from the product listing catalogue. Category managers may decide to change a delisting decision based on their discussions with licensed producers. Such discretionary changes in delisting decisions are not documented or supported by written communication. Because the master list of products for the delist process is an Excel spreadsheet that is continually updated, deviations from the established delisting criteria are not tracked.

In our follow-up, we found that OCRC has formally documented the delisting process along with the criteria and has shared this information with licensed producers through a webinar held in October 2022. This information was also included in a Supplier Manual that is publicly available on OCRC's website. In addition, OCRC's merchandising team has developed standard operating procedures, which it last revised in November 2022, outlining the delisting process, including roles and responsibilities, procedures and specific criteria that need to be met to support delisting decisions. The updated standard operating procedures require OCRC to include the reason for any decision to delist a product.

Supply Chain and Logistics Management

Recommendation 4

In order to improve its inventory management, improve product availability for ordering by private retail stores and to reduce the number of out-of-stock occurrences or product returns to licensed producers, we recommend that OCRC:

- *implement a process to obtain retail store sales data on a weekly or bi-weekly basis;*

Status: In the process of being implemented by January 2024.

Details

We found in our 2021 audit that OCRC's inventory forecasts differed significantly from its actual inventory demand. One of the likely contributing factors to the differences between forecasts and actual demand is that OCRC does not receive timely point-of-sale data from retail stores. OCRC forecasts inventory on a weekly basis but receives retail sales reports only once a month from the Alcohol and Gaming Commission of Ontario (AGCO).

In our follow-up, we found that OCRC's information technology team has started a new project with a goal to obtain point-of-sale data from the retail stores. The estimated completion date is January 2024. Once point-of-sale data can be accessed, it will be available to the inventory management team to assist them in forecasting and planning. Originally, OCRC received the store data from AGCO. However, under the new

approach, OCRC will receive the store data directly from cannabis stores and share it with AGCO and Health Canada (in line with federal and provincial requirements). At the time of our audit, OCRC was in the process of onboarding Ontario's cannabis stores to enable OCRC to receive their point-of-sales data.

- *establish a formal process to perform on-going analysis of differences between forecasts and the actual demand and investigate and address the root causes of the variances;*
- *undertake in-depth analysis of the accumulative differences and root causes for over- and under-stocking and develop actions to minimize these occurrences; and*
- *improve the forecasting model using better information to provide a more accurate estimation of future demand.*

Status: Fully implemented.

Details

We found in our 2021 audit that product availability has been a common complaint from private retail stores. Our July 2021 survey of authorized retailers found that 47% of respondents were "not satisfied" and 19% "very dissatisfied" with the availability of products from OCRC. From January 1, 2021, to June 30, 2021, we found that on any given day, about 19% of all wholesale cannabis products listed by OCRC were not in stock and available for retail stores to order. Our review of a sample of weekly forecasts in that period found that OCRC underestimated inventory demand 42% of the time, while actual demand was on average 145% higher. OCRC overestimated inventory demand the other 58% of the time, with an average difference between forecast and actual sales of 40%. OCRC did not have a process in place to regularly analyze differences between forecast and actual inventory needs, or to investigate and address the root causes of the variances. Its forecasting model did not incorporate seasonal demand for some products, customer preferences and trends, and market saturation data.

In our follow-up, we found that in September 2022, OCRC set up a new Supply Chain Planning System. The new system outlines a formalized process and allows OCRC's demand planning team to make more accurate product forecasts. OCRC has started using Excel worksheets with information regarding fill rates for each individual stock item to assist in identifying which products have inventory shortages to minimize such occurrences. This allows OCRC to reallocate and acquire products in a timely manner, so that retailers can have sufficient inventory to meet demand. As a result of this work, OCRC's in-stock rate increased to 94% for more popular items and to 90% for all items in OCRC's catalogue (compared to 81% during our 2021 audit).

Recommendation 5

In order for OCRC to conduct and strengthen its oversight of Domain Logistics' performance and billing so that it consistently receives value for money, we recommend that OCRC:

- *formalize and clarify OCRC roles and responsibilities for overseeing the operational and financial performance of Domain Logistics;*
- *develop standard operating procedures for the OCRC logistics team to follow to monitor Domain Logistics' performance and billings;*

Status: Fully implemented.

Details

We found in our 2021 audit that OCRC did not have robust oversight of Domain Logistics, a third-party provider managing OCRC's warehousing and delivery functions. At the time of our audit we noted that the OCRC team tasked with managing the relationship with Domain Logistics did not have standard operating procedures to guide its work in overseeing Domain's performance. OCRC was not sufficiently and routinely reviewing the reports submitted by Domain Logistics and not reviewing supporting documents for the costs Domain billed to OCRC.

In our follow-up, we found that OCRC had developed a matrix that identifies various processes relating to oversight of Domain Logistics. The matrix also specifies personnel from both OCRC and Domain who are responsible, accountable or should be

consulted or informed for each process. In addition, in March 2023, OCRC's internal audit team developed and approved standard operating procedures for reviewing invoices submitted by Domain Logistics. Internal audit aims to assess whether the invoices accurately capture Domain's performance and the payment amounts have proper supporting documentation. Per the documented procedures, Domain is to provide the OCRC internal audit team with supporting documentation for each invoice, and the internal audit team will reconcile the billings. This document is scheduled to be reviewed every two years unless earlier changes to the process are required.

- *review key performance metrics required for effective oversight of Domain Logistics;*
- *establish a target for each key performance metric and review Domain's performance against these targets on a monthly basis; and*
- *develop and implement a detailed monthly review process of Domain Logistics' invoices to enable OCRC to obtain and analyse costs related to supply chain that can inform current oversight work and future contract negotiations and amendments.*

  Status: Fully implemented.

Details

We found in our 2021 audit that the agreement between OCRC and Domain Logistics contained key performance metrics for the provider to report on: the order fill rate, accuracy of inventory counts, order processing time and the number of safety incidents in the warehouse. However, in contrast to the Alberta Gaming, Liquor and Cannabis Commission, OCRC's agreement with Domain Logistics did not have performance metrics such as delivery accuracy, on-time delivery or order accuracy. Domain Logistics gave OCRC weekly reports with data for each metric in the agreement, but even though OCRC had been working with Domain Logistics for three years, there were no established targets for these metrics. Domain Logistics was not held accountable for achieving measurable performance targets for its services. Without performance targets agreed to and set by OCRC, the reporting did not challenge Domain to achieve any set performance standards. We also noted that OCRC reimbursed Domain Logistics for any costs incurred on behalf of OCRC and paid Domain an additional management fee based on costs incurred. Under the agreement, OCRC bore the financial risks and covered all costs incurred by Domain Logistics. Based on our review of invoices submitted by Domain Logistics to OCRC, we found that OCRC had never requested or reviewed supporting documentation for costs billed. As a result, OCRC had not validated the accuracy of these invoices.

In our follow-up, we found that OCRC had increased Domain's key performance indicators to 13 and has established a target for each indicator. We also found that OCRC had developed a process for regular review of key performance indicators. OCRC conducts these reviews on a monthly basis and compares the results to the targets. During this review, OCRC compares the monthly financial performance to its most recent forecast. Material variances are discussed with Domain. In the invoice review process discussed in the second action item of **Recommendation 5**, OCRC's internal audit reviews every invoice Domain bills to OCRC to ensure that amounts are reasonable, and assesses whether the amounts are accurate and have proper supporting documentation.

Recommendation 6

To receive value for money and high quality of services from all of its vendor contracts, we recommend that OCRC:

- *finalize and implement a Vendor Management Framework, including formal processes and systems to assess vendor performance and validate compliance with service agreements;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that individual business units within OCRC were responsible for managing and overseeing various agreements with vendors. There was no consistent or standard approach for effective management of vendors of various sizes

and importance to OCRC's operations. In the fourth quarter of 2020, OCRC drafted a Vendor Management Framework which, if put in place, could provide direction to its business units on managing vendor contracts, including monitoring and documenting vendor performance. At the time of our 2021 audit, this Vendor Management Framework had not yet been implemented.

In our follow-up, we found that OCRC has implemented the Vendor Management Framework, which provides direction to its business units on managing and overseeing existing contracts. In addition, OCRC now requires all manager-level staff and above to complete a training module (developed internally) on appropriate vendor management. The training allows OCRC to ensure that its managerial staff are familiar with the Vendor Management Framework and are ready to apply it if necessary.

- *provide periodic reports to its Board on significant services provided by third party vendors and vendor performance, the continuing cost/benefits from these services, oversight results under key agreements, and recommendations for contract amendments based on this work.*

  Status: In the process of being implemented by February 2024.

Details

In our 2021 audit, we found that there had been no periodic reporting to the Board on the results of OCRC's oversight of key third-party service providers, including Domain Logistics. At the time of our audit, OCRC did not have a consistent or standard approach to monitor the performance of any of its vendors.

In our follow-up, we found that OCRC had begun implementation of a new governance process. The objective of this process is to identify and categorize vendors that are critical to ongoing business operations. The extent to which a vendor is critical to OCRC's operations will determine the level of oversight and the reporting requirements that OCRC will apply to a specific vendor. The draft was presented to the Senior Director of Internal Audit and Chief Legal and Administrative Officer in June 2023, and the procurement team was working on a presentation for the senior leadership team to receive their approval. Upon approval, OCRC intends to start reporting on significant vendor performance and the status of the contracts to its Board. The reporting is expected to start in February 2024.

Recommendation 7

For OCRC to improve its overall oversight of Domain Logistics and to confirm that contractual requirements are met in a cost-effective manner, we recommend that OCRC:

- *obtain complete information on all subcontractors engaged by Domain Logistics and how they are engaged (e.g., through a competitive RFP process, etc.) and maintain the list current;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that the agreement between OCRC and Domain Logistics required Domain to obtain written consent from OCRC before engaging subcontractors. With the exception of transportation and delivery services, we noted that OCRC did not have a current list of subcontractors engaged by Domain and did not track its own formal consents to Domain to engage subcontractors.

In our follow-up, we found that OCRC had obtained a list of subcontractors from Domain Logistics that OCRC classifies as critical, meaning that they could interfere with OCRC's capacity to store and deliver product and could impact OCRC's business. Domain Logistics provides the list to OCRC on a quarterly basis. At the time of our follow-up, the list consisted of seven subcontractors that provide delivery services, temporary warehouse workers and security services. Subcontractors are selected based on their service offers and cost.

- *regularly review agreements between Domain Logistics and its subcontractors to confirm that they are aligned with OCRC's policies and the primary agreement with Domain Logistics;*

  Status: In the process of being implemented by March 2025.

Details

In our 2021 audit, we found that OCRC provided Domain Logistics with standard template agreements to use for the delivery companies it engages as subcontractors. However, the agreements did not include delivery time performance metrics. In addition, through our review of hiring documentation, we found that not all required checks had been completed or documented by the staffing agencies that Domain Logistics engaged to provide temporary staff for OCRC's distribution centre. For example, hiring requirements include two reference checks, but our review of documentation for agency staff in 2020 found that in 18 out of 20 cases, only one or no references had been checked when agency staff were hired.

In our follow-up, we found that OCRC checks compliance through the annual attestation that Domain Logistics completes to confirm that it has satisfied all the criteria in its agreement with OCRC and that the subcontractors operate in line with OCRC policies. In addition, OCRC also reviews Domain subcontractors' key performance indicators on a monthly basis. OCRC will discuss with Domain the sharing of subcontractor agreements during the next review of OCRC's service agreement with Domain in March 2025.

- *identify subcontractors whose performance is critical for operations;*
- *confirm that Domain Logistics establishes, obtains and retains relevant performance information from subcontracted service providers (e.g., that service providers confirm recipient's age prior to direct delivery, delivery time performance, etc.);*

  Status: Fully implemented.

Details

In our 2021 audit, we found that the agreement between OCRC and Domain Logistics required Domain to obtain written consent from OCRC before engaging subcontractors, although with the exception of transportation and delivery services, OCRC did not have a current list of Domain's subcontractors and did not track formal consents to engage subcontractors. For example, OCRC had not provided formal consent for engaging specific staffing agencies, a security services firm and a construction company. And although OCRC had approved delivery subcontractors, OCRC did not have a line of sight into the delivery companies' operations and performance. OCRC did not require Domain Logistics to provide periodic reports on delivery subcontractors' performance, even though timeliness of delivery is a key factor for customer satisfaction. While delivery companies submitted regular summary reports to Domain Logistics, these reports did not show key performance data such as the actual time of delivery.

In our follow-up, we found that, as noted in the first action item of **Recommendation 7**, OCRC had identified Domain's critical subcontractors. Working with OCRC, Domain had developed a dashboard showing its subcontractors' status in key performance indicators. Domain also obtained confirmation from its subcontractors that the subcontracted delivery drivers had completed training in age verification, as described in **Recommendation 12**.

- *have Domain Logistics incorporate performance metrics such as delivery time performance into all subcontractor agreements;*

  Status: In the process of being implemented by March 2024.

Details

In our 2021 audit, we found that the standard template agreements OCRC provided to Domain Logistics to use for the delivery companies it engaged as subcontractors did not include delivery time performance metrics.

In our follow-up, we found that OCRC was working with Domain Logistics to incorporate appropriate delivery metrics into Domain's subcontracts. OCRC had informed Domain of the changes it required in the subcontractor agreements, and Domain was working on implementing them with a targeted date of completion of March 2024.

- *have Domain Logistics incorporate longer data retention requirements (e.g., minimum one year) into all subcontractor agreements;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that subcontractors kept data on deliveries for only 30 days. This limited any analysis that Domain Logistics or OCRC could undertake regarding the performance of delivery service providers.

In our follow-up, we found that longer data-retention requirements had not yet been incorporated into all subcontractor agreements. OCRC's Privacy and Freedom of Information team was planning to perform a privacy impact assessment to determine appropriate data-retention requirements. OCRC planned to implement this recommendation by March 2024.

- *obtain monthly subcontractor cost and performance information from Domain Logistics and analyse to confirm cost-effective performance to make and/or address any needed improvements as soon as possible.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that Domain Logistics had a number of active leases for equipment used in the warehouse that OCRC leases, such as security equipment, conveyers and racking. The arrangement with Domain Logistics required OCRC to reimburse the full cost for leased equipment, and to pay Domain a management fee for administering these leases, which increases in tandem with the increased cost of the leases. This arrangement left OCRC responsible for ensuring that value for money is obtained for all expenses incurred by Domain. In 2020/21, OCRC paid approximately $1.6 million to Domain for the leases. Our analysis showed that over the course of the leases, OCRC will have made lease payments covering the full value of the equipment, $12 million. However, there were no bargain purchase options at the end of the leases. At the time of our audit, with some leases nearing expiry, OCRC did not have clarity on whether it would continue to lease or directly buy replacement equipment. We noted that it is important for OCRC to monitor staffing arrangements and costs incurred by Domain Logistics, given that OCRC pays Domain Logistics for all costs incurred plus a management fee that increases as costs increase. Therefore, OCRC is responsible for ensuring that value for money is obtained for all expenses incurred by Domain Logistics.

In our follow-up, we found that OCRC was obtaining monthly cost and performance information on Domain Logistics' critical subcontractors. In addition, OCRC obtained a cost/benefit analysis from Domain providing a rationale for outsourcing to subcontractors. The analysis considers the benefits of the current transportation, security and staffing solutions and compares the costs to market rates.

Customer Service

Recommendation 8

To improve customer service related to the timeliness for addressing inquiries, claims and complaints, we recommend that OCRC:

- *establish more timely performance targets for its customer support centre based on customer feedback;*
- *align the customer support centre resources and processes to achieve more timely performance targets; and*
- *ensure that all customers receive a timely follow up.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that the recent transition from outsourced to in-house customer care staffing in February 2021 had resulted in longer wait times for inquiries, claims and complaints due to about a 50% reduction in dedicated customer care support and more retail stores. For example, the target length of time for OCRC to resolve customers' claims and complaints increased from 15 days to 40 days for product quality issues, and to 30 days for delivery and purchase order issues. In addition, the resolution time for these cases significantly increased after the transition. For example, the average time to resolve product quality

complaints increased from 14 days to 59 days. We also noted that 53% of retailers who responded to our July 2021 survey described themselves as "not satisfied" or "very dissatisfied" with OCRC's ability to deal with customer complaints in a timely manner.

In our follow-up, we found that since OCRC has fully migrated its customer support service from using an external provider to being an in-house function, it had been monitoring its new customer support model, including monitoring and reviewing key performance indicators and looking at customer feedback in order to improve internal processes. For the fiscal year 2023/24, OCRC had updated the performance targets for its customer support centre. Some of OCRC's goals include improving the average time it takes to handle a call, its customer survey response rate, resolution rate and average speed of answer. Since our 2021 audit, the service levels for e-commerce customers who contacted OCRC by phone or chat have improved from 42% and 32% to 96% and 97% respectively. For e-commerce customers, the average speed of answer for calls improved to 30 seconds compared to 9.5 minutes in 2021. For wholesale customers, the average speed of answer for phone calls was 27 seconds in 2023 compared to 4.5 minutes in 2021.

Recommendation 9

To reduce customer complaints related to product quality, we recommend that OCRC:

- *provide similar customer feedback and information to smaller licensed producers that is being presented to the top ten (by volume) licensed producers;*

  Status: Fully implemented.

Details

We found in our 2021 audit that OCRC forwarded all product quality complaints to the respective licensed producers for follow-up. In addition, OCRC prepared scorecards for its 10 largest producers (by volume), containing overall statistics on customer quality complaints relating to their products. OCRC also facilitated meetings four times a year with these 10 producers, where information on quality issues was shared and discussed. Although OCRC notified smaller producers when it received complaints relating to their products, it did not share and discuss general information on quality issues with them. These smaller producers accounted for 43% of all customer complaints and 35% of OCRC's revenue, and likely would benefit from such information

In our follow-up, we found that OCRC had implemented standard operating procedures around customer care and complaint handling. OCRC was also providing consistent feedback to all types of licensed producers on quality and complaints in order to raise awareness around customer issues with their products. OCRC shares this feedback through a Vendor Compliance Report that is available to each licensed producer through the OCRC Data Portal.

- *use customer complaints data to inform future product listing decisions.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that smaller licensed producers would benefit from more customer complaints data, and OCRC could benefit from discussions and evaluations of the overall quality of products. We noted that 70% of all quality-related product complaints related to vapes. Although OCRC informed us that many of these complaints may be due to the complexity of this product, we were not able to verify this or determine if the vapes were defective, since the complaint files we sampled did not contain any information about the results of investigations by their producers.

In our follow-up, we found that OCRC had started tracking a new metric called complaints per million units (CPMU), which is found by dividing the number of units customers complained about for a specific product by the number of units of this product sold in millions. Merchandising is using the CPMU metric to inform its product listing decisions. CPMU is considered in the execution scoring criteria in OCRC's product call process, described in **Recommendation 1**.

Promoting Responsible Consumption and Protecting Youth

Recommendation 10

To build awareness about the risks of purchasing and using cannabis from the illegal cannabis market and to provide education on responsible consumption, we recommend that the Ontario Cannabis Retail Corporation:

- *use the findings from National Research Council to educate the public on characteristics of cannabis that is produced and sold legally as compared to cannabis products purchased in the illegal market;*
- *provide education to the public on how to distinguish between legal and illegal sources of cannabis, including mail order websites;*

  Status: Fully implemented.

Details

In our 2021 audit, we found OCRC had not provided any information or education to the public on the differences between regulated cannabis products and products sold in the illegal market (including mail order marijuana websites that operate without a licence from Health Canada), and the risks associated with purchasing cannabis products in the illegal market. Cannabis bought on the illegal market can be laced with harmful chemicals. In February 2020, OCRC and the OPP collaborated with the National Research Council to test cannabis products seized from the illegal market. They found that these products do not meet OCRC's strict safety and quality controls on the amount of THC and product ingredients, packaging, labelling, production, testing and marketing, as well as the product's appeal to young persons. Illegal products may also contain fillers or unknown contaminants.

In our follow-up, we found that the National Research Council has conducted a comparative study on legal and illegal cannabis on behalf of OCRC. OCRC released it to the public on its website in April 2022. In addition, OCRC has a number of articles available in the Education Hub on its website covering how to ensure the customer is purchasing legal cannabis and how to spot unregulated cannabis products. They describe unregulated stores and mail order marijuana websites, and the consequences of purchasing from these sources. OCRC's website also shares a list of provincial cannabis retail stores and a picture of the provincial cannabis retail seal that every authorized cannabis store in Ontario must display so that customers can verify that the cannabis they are purchasing is legal.

- *provide links or reference to Public Health Ontario's and Public Safety Canada's information on cannabis consumption and purchasing;*
- *provide education on excessive cannabis consumption;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that other provinces have put in place initiatives and programs focusing on cannabis education, research, harm prevention and responsible consumption. For example, the Newfoundland Labrador Liquor Corporation (NLC) works with the RCMP and Mothers Against Drunk Driving (MADD) to create awareness about the dangers of cannabis-impaired driving and offers a program that allows participants to virtually experience the dangers of impaired driving. At the time of our audit, OCRC had begun implementing its social responsibility strategy, but had no similar cannabis-awareness initiative. Public Health Ontario provides information such as the health effects of cannabis exposure in pregnancy and breastfeeding; the risks of simultaneous use of alcohol and cannabis; and the risks of driving under the influence of cannabis. Public Safety Canada has information on its website about buying cannabis online and the risks of purchasing from illegal sources. However, OCRC's online store (Ontario Cannabis Store, or ocs.ca) did not have links or references to these resources.

In our follow-up, we found that OCRC has provided links to Public Health Ontario's and Public Health Canada's information on cannabis consumption and purchasing on its website in the Education Hub. In addition, we found that information on the excessive consumption of cannabis is also available in the Health Effects section of the Education Hub.

- *implement the social responsibility strategy approved by the Board in November 2020.*

  Status: In the process of being implemented by October 2024.

Details

In our 2021 audit, we found that even though promoting social responsibility is a legislated requirement of OCRC, it had no staff assigned to develop a social responsibility strategy until late 2020. At the time of our audit, OCRC had only one employee dedicated to its social responsibility program. In November 2020, OCRC's Board of Directors approved a social responsibility strategy to implement between 2021 and 2024, whose objective is public education on responsible cannabis consumption and safeguarding youth and children.

In our follow-up, we found that OCRC was working on a social responsibility strategy with the estimated completion date of October 2024. The social responsibility team created implementation plans and timelines for specific strategy pillars and developed strategic activities that it presented to the Finance and Governance committee in May 2023.

Recommendation 11

In order to have strong controls over the online ordering of cannabis products by individuals under the age of 19, we recommend that OCRC explore tools such as the Government of Ontario's future digital identification program, while balancing the mandate of reducing the illegal market.

Status: Little or no progress.

Details

In our 2021 audit, we found that OCRC did not have sufficient age-verification controls in place to prevent minors from purchasing cannabis through its online store. The Act prohibits the sale of cannabis to those under 19 years of age. However, when OCRC sells cannabis online, it relies on customers' self-declaration of age and does not verify customers' ages using independent information sources, such as Equifax (a global data, analytics and technology company that provides comprehensive databases of consumer information). In 2019, Health Canada warned that simple self-attestation of age may be easily misrepresented and that additional steps must be taken to prevent youth access to promotional content for cannabis.

In our follow-up, we found that OCRC has engaged the Province on its Digital Identity Program and has attended two meetings to discuss possible opportunities to achieve the necessary age controls over online ordering. OCRC is awaiting further details and instructions on the Province's launch of its digital ID program.

Recommendation 12

In order to have stronger oversight of age-verification processes of Domain Logistics' delivery subcontractors and Canada Post, to have a better understanding of the extent of attempted purchases of cannabis by individuals under the age of 19 and to minimize the risk of cannabis products being delivered to underage individuals, we recommend that OCRC:

- *develop appropriate policies and procedural training material for companies that are contracted directly by OCRC or Domain Logistics to deliver cannabis products, with a focus on age verification;*
- *require Domain Logistics to provide training and guidance on age verification to subcontracted delivery companies in line with OCRC's policies;*
- *align Domain's delivery processes with the regulatory framework set by the Alcohol and Gaming Commission of Ontario for private cannabis retail stores;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that when customers purchase cannabis products on the OCRC website, they can select either Canada Post or Domain Express delivery. For customers who select Domain Express, products are delivered by one of the two delivery service providers subcontracted by Domain Logistics. Domain Logistics requires all of its delivery subcontractors to verify

age of recipient when delivering cannabis products. During COVID lockdowns, the Alcohol and Gaming Commission of Ontario required cannabis retailers and their direct employees to hold a certification from CannSell—a mandatory training program designed to educate learners about cannabis legislation, regulations and compliance, usage, consumption and product knowledge. However, OCRC and Domain Logistics did not have any mandatory training or certification requirements for individuals who deliver cannabis products. Moreover, neither OCRC nor Domain Logistics had set specific protocols or standards for delivery companies or guidance for deliveries to condominium or apartment buildings.

In our follow-up, we found that OCRC had developed training materials to be provided to the companies that deliver product on its behalf. The training materials were provided to and discussed with Domain Logistics, and Domain provided them to its delivery subcontractors. The delivery process was aligned to cannabis regulations and CannSell requirements approved by the Alcohol and Gaming Commission of Ontario.

- *obtain periodic formal reports from Domain Logistics on the performance of delivery providers, including records or reports on age verification upon delivery, including the form of ID checked and the number of unsuccessful deliveries because of a recipient being under the age of 19;*

  Status: In the process of being implemented by January 2024.

Details

In our 2021 audit, we found that delivery subcontractors did not have to document the age-verification process that was performed. Therefore, it was not possible for Domain Logistics to validate that age verification was performed at the time of delivery. For example, there was no record of the type of photo ID checked (not all photo ID shows the date of birth). In addition, recipient signatures were not always required or recorded by Domain Logistics' subcontractors. For example, one delivery subcontractor did not request signatures during COVID-19.

In our follow-up, we found that Domain had set up dashboards that were being regularly shared with OCRC. These dashboards provided OCRC with information on whether the delivery providers were meeting their targets for key performance indicators. OCRC was continuing to work with Domain Logistics to obtain regular reports on which type of identification documents were checked during successful deliveries, with an estimated completion date of January 2024. Further, Domain Logistics has been providing training to its subcontractors on which types of ID can be accepted as proof of age. If none of these documents are presented, the delivery subcontractor labels the delivery as "incomplete." Reports listing incomplete deliveries are disclosed to Domain Logistics and OCRC daily.

- *request that Canada Post provide OCRC with all information on age verification and unsuccessful deliveries as required under its contract and follow up with Canada Post on any identified issues after reviewing this information.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that the agreement between OCRC and Canada Post for cannabis delivery services states that if the recipient appears to be 30 years of age or younger, then Canada Post will request government-issued identification for proof of age. The agreement also indicates that Canada Post will provide digital confirmation that a Canada Post employee has complied with proof of age processes. However, Canada Post has not been providing OCRC with any records or reports on age verification upon delivery, or the number of unsuccessful deliveries because a recipient was under the age of 19.

In our follow-up, we found that Canada Post provides OCRC with access to its parcel tracking system. This allows OCRC to see age-verification information for each delivery, which OCRC reviews regularly. Canada Post employees code the reason for not completing a delivery, including cases where "Valid proof of identification [was] not provided." Any concerns are escalated to Corporate Security. To date, no escalations

have been reported. Corporate Security reviews the reports of incomplete deliveries due to age identification on a quarterly basis and investigates further if necessary. No instances have required further investigation thus far.

Information and Data Management

Recommendation 13

To improve data and information management, governance, and compliance with laws and regulations, we recommend that the Ontario Cannabis Retail Corporation:

- *present its recent data strategy to the Board for feedback, direction and approval;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that in May 2021, OCRC developed a new data strategy that focused on data analytics capabilities. However, at the time of our audit, OCRC had not shared this strategy with its Board for feedback, direction and approval.

In our follow-up, we found that OCRC developed a data strategy that supports overall data management and governance and presented it to the Board of Directors in September 2022.

- *develop a data governance framework covering data collection, ownership, security, privacy and retention, and regularly review this framework to ensure compliance with applicable legislative requirements and best practices;*

  Status: In the process of being implemented by March 2024.

Details

In our 2021 audit, we found that OCRC's data strategy lacked a data governance component, including identification of what data the enterprise has, where the data resides, how the data is used and what compliance obligations apply. At the time of our audit, OCRC had not yet developed an inventory list of all data sets, and their classification and retention schedules.

In our follow-up, we found that in December 2022, OCRC created a data governance policy whose purpose is to establish uniform data governance standards across OCRC and to identify the shared responsibilities for assuring the integrity of the data, and effectively and efficiently serving OCRC's needs. The policy provides direction on the classification, ownership and security of data, and clarifies accountability for data and information. At the time of our audit, OCRC was in the process of determining data retention standards with an aim to include these standards in its data policy by March 2024.

- *obtain access to the data gathered by Domain Logistics and its subcontractors;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that the agreement between OCRC and Domain Logistics clearly states that all data pertaining to OCRC is the exclusive property of OCRC. However, we found that OCRC did not have access to all data collected by Domain and its subcontractors.

In our follow-up, we found that Domain Logistics now collects recipient name, ID type, signature and carrier correspondence with customers in the course of package delivery. In the event of a complaint or privacy breach whose investigation requires access to the information collected by Domain, OCRC works with Domain to access that information and Domain provides the requested information.

- *implement appropriate safeguarding and retention standards to be complied with by Domain Logistics and its subcontractors.*

  Status: In the process of being implemented by March 2024.

Details

In our 2021 audit, we found that OCRC did not have access to all data in Domain Logistics' and its subcontractors' systems, including customer information, and did not know how customer information was being safeguarded. As well, OCRC lacked effective

mechanisms to oversee the use and retention of customer data gathered by Domain Logistics and its subcontractors. Domain and its delivery subcontractors obtain data relating to OCRC customers and transactions, such as name, email address, phone number and delivery address. Delivery companies gather additional data, including signatures, form of ID checked, time of delivery and delivery notes.

In our follow-up, we found that OCRC implemented a data governance policy in December 2022 that also applies to its third-party providers. As a result, Domain is required to follow the same data safeguarding standards as OCRC. OCRC is also bound by Ontario's *Freedom of Information and Protection of Privacy Act* (FIPPA), which establishes rules for handling personal information in the public sector. We found that FIPPA requires an institution that uses personal information to retain the information for at least one year after use. Even though Domain deletes delivery information after 30 days, OCRC stores the purchase records in its internal systems, allowing OCRC to fulfill the FIPPA requirement to retain personal information for one year. In August 2023, OCRC, working with Domain, conducted a privacy impact assessment to ensure the protection of OCRC's personal customer information that is collected, used, retained and destroyed in the course of Domain's operations. This assessment outlined privacy risks and recommended mitigations needed to ensure privacy compliance. OCRC is in the process of creating an internal policy outlining specific data-retention requirements for each type of information collected, with an estimated date of March 2024 for completing this policy.

Procurement

Recommendation 14

To comply with its own procurement policy and to confirm that it is obtaining value for money from its procurement contracts, we recommend that OCRC:

- *use competitive procurement in accordance with its procurement policy; and*
- *when competitive procurement is not used, complete and document the required business case.*

Status: Fully implemented.

Details

In our 2021 audit, we found that since January 2019, when OCRC began operating as a standalone agency, over half of its procurements had been non-competitive. OCRC had awarded 24 non-competitive contracts valued at approximately $7 million out of a total of 42 contracts ($43 million). While appropriate management approvals were obtained at OCRC for awarding these contracts and special circumstances or exception clauses had been invoked, no business cases had been prepared. OCRC had no documentation in any of the 24 cases to support the special circumstances or exceptions it relied on to justify non-competitive procurement. In the absence of supporting documentation, we could not verify whether the special circumstances or exceptions cited by OCRC existed and justified non-competitive procurement.

In our follow-up, we found that OCRC was using competitive procurement in accordance with its policy. Per the procurement policy, OCRC's procurement team is involved in purchases of all consulting services and all goods and non-consulting services valued over $25,000. OCRC conducts competitive procurement through open competition or invitational competition, depending on the good or service being procured and its value. By using competitive procurement, OCRC aims to ensure that its procurements are open, fair and transparent. Also, since March 2022, OCRC has required a business case for all new non-competitive procurements consistent with the requirements of OCRC's procurement policy, and has created a mandatory non-competitive form to document business cases. The form requires the requester of the non-competitive procurement to list the purpose, value, business rationale and how the procurement complies with procurement policies and Supply Chain Ontario measures. All non-competitive procurements are approved by responsible individuals per OCRC's procurement delegation of authority thresholds and all non-competitive

procurements valued at over $250,000 are reported to the Finance and Governance Committee of the Board of Directors.

Performance Measurement and Accountability

Recommendation 15

So that OCRC can measure and report on its performance regarding its mandate, business objectives and operational results, we recommend that OCRC:

- *develop and formalize both financial and non-financial performance metrics (targets and actual results) overall and for each area of its business with targets for each strategic objective;*
- *develop consistent reports, dashboards, scorecards for management use and for regular reporting to the Board; and*
- *enhance reporting on consistent trended financial and non-financial performance metrics (targets and actual results) in its annual reports.*

Status: Fully implemented.

Details

In our 2021 audit, we found that OCRC did not have a consistent set of non-financial metrics to measure its yearly performance and progress, even though it had been tracking a set of consistent metrics related to its financial objectives. Many of the targets OCRC had set for itself were vague, difficult to measure, or moving targets. We also noted that until 2021/22, OCRC had not set performance targets and timelines. OCRC internally monitored and publicly reported on customer satisfaction, order fill rate, inventory turnover and customer counts, but did not regularly report on and discuss operational performance with its Board using consistent metrics, dashboards or scorecards.

In our follow-up, we found that OCRC's business plan for 2022–2025 includes relevant financial and non-financial performance indicators to be tracked. The plan has been approved by the Minister of Finance. For its financial key performance indicators, OCRC has set targets for desired level of revenues, expenses and net profit for the Province. OCRC also has set non-financial performance indicators to help it achieve its strategic objectives. These indicators include growth in product assortment, reduction in complaints, customer sentiment score and views of the social responsibility section on OCRC's website. In addition, OCRC has developed reports, dashboards and scorecards that it presents to the Board of Directors on a quarterly basis. OCRC also reported on its key objectives and its progress against targets in its latest annual report.

Human Resources Management

Recommendation 16

To effectively manage human resources and objectively assess performance, we recommend that the Ontario Cannabis Retail Corporation:

- *develop and implement a Board-approved performance management framework for all employee levels within the organization, including process and procedures for employee performance reviews, rating criteria and annual goal setting with quantitative performance measures which align with OCRC's strategic objectives and business plans; and*
- *develop and obtain Board approval for a standard compensation approach for all employee levels linked to a performance management framework incorporating corporate performance.*

Status: Fully implemented.

Details

In our 2021 audit, we found that OCRC had not established a robust employee performance management framework. We reviewed a sample of 25 employee performance reviews from 2018/19 to 2020/21 and found that OCRC did not have formal procedures and guidance on managing employee performance that included setting employee annual objectives and conducting performance reviews. In 2018/19 and 2019/20, OCRC based performance awards solely

on company performance, without consideration of individual performance. In 2020/21, performance awards were calculated on 70% of corporate performance and 30% individual employee performance. OCRC determined annual individual performance based on an informal assessment of whether employees achieved their goals satisfactorily, without stating clear and specific criteria for what constituted the satisfactory achievement of goals. There was no guidance for setting annual goals.

In our follow-up, we found that OCRC had developed a three-level rating system for each employee's individual performance (does not meet expectations, meets expectations, exceeds expectations), with 30% of the eligible performance award for non-bargaining unit employees based on individual performance and 70% based on company performance. The system was presented to the Board of Directors in fiscal year 2022/23 and approved prior to rollout. To assist managers with employee reviews, OCRC's human resources team provided a training deck that outlines rating criteria and the specific performance measures employees are graded on.

The integrated performance management program outlines a compensation approach that incorporates an individual's achievement of performance goals as well as corporate performance. Every fiscal year, each OCRC employee meets with their manager and sets two business goals and one in-role developmental goal. For performance reviews, employees are graded based on their core competencies, technical role requirements and goal attainment.

Chapter 1
Section
1.10

Ministry of Municipal Affairs and Housing

Follow-Up on 2021 Value-for-Money Audit:

Land-Use Planning in the Greater Golden Horseshoe

RECOMMENDATION STATUS OVERVIEW						
		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	3			3		
Recommendation 2	1			1		
Recommendation 3	3			3		
Recommendation 4	2	2				
Recommendation 5	2			2		
Recommendation 6	1			1		
Recommendation 7	3			3		
Recommendation 8	2			2		
Recommendation 9	1			1		
Recommendation 10	2			2		
Recommendation 11	1			1		
Recommendation 12	3			3		
Total	**24**	**2**	**0**	**22**	**0**	**0**
%	**100**	**8**	**0**	**92**	**0**	**0**

Overall Conclusion

The Ministry of Municipal Affairs and Housing (Ministry), as of July 19, 2023, has fully implemented only 8% of actions we recommended in our *2021 Annual Report*.

The Ministry has fully implemented only our recommendation to determine the information and supports needed by municipalities to help them conform with Ontario's land-use planning policies, including meeting conformity deadlines; and to provide sufficient information and support to municipalities in a timely manner to help them meet those deadlines.

The Ministry has made little or no progress on 92% of the recommended actions, including establishing and publicly communicating a deadline for the Ministry to finalize the performance indicators for Ontario's A Place to Grow: Growth Plan for the Greater Golden Horseshoe (Growth Plan); developing and publicly reporting on the performance indicators for the Growth Plan; establishing and publicly communicating a formal application and review process for Minister's Zoning Orders; collecting and analyzing information to

report on performance indicators, such as density and long-term housing supply targets for the Growth Plan; and reviewing the impact of the amendments contained in Schedule 6 of Bill 229, the *Protect, Support and Recover from COVID-19 Act (Budget Measures), 2020*, considering comments received from municipalities, conservation authorities and the public, and addressing the concerns identified in the review. The Ministry has also not made any progress on assessing whether other provincial ministries should be included in the One Window Protocol that allows input/feedback on municipal planning submissions. The Ministry has not added the Ministry of Health or the Ministry of Education to the Protocol despite these ministries being responsible for long-term planning for schools and hospitals. The work on many of the recommendations has been put on hold pending the review of the Growth Plan and the Provincial Policy Statement. However, the Ministry could not provide a timeline for the completion of the policy review.

The status of actions taken on each of our recommendations is described in this report.

Background

Land-use planning is the process that guides decisions about where and what type of development can occur—for example, where to build homes, factories, hospitals, schools, roads and other essential infrastructure—and where different types of development should not occur. In Ontario, the government—primarily through the Ministry of Municipal Affairs and Housing (Ministry)—develops legislation, regulations, policies and plans that govern how land-use planning is to be conducted for private and municipal lands. These laws, policies and plans set provincial priorities and thresholds for growth and the protection of significant natural and cultural heritage features. Municipalities then decide, through their own official plans and zoning bylaws, how lands within their jurisdiction are used.

Our audit examined land-use planning in the Greater Golden Horseshoe (GGH), the region centred around the City of Toronto and stretching north to Georgian Bay, south to Lake Erie, west to Wellington County and Waterloo region, and east to the counties of Peterborough and Northumberland. In the 25-year period from 1996 to 2021, the GGH's population increased by 57%, from 6.5 million to an estimated 10.2 million. The Ministry forecasts it will increase another 45% to 14.8 million by 2051. Historically, much of the growth in the region occurred in the form of sprawl, characterized by scattered, low-density development, which highlighted the need for effective land-use planning.

The Province developed the Growth Plan for the GGH to avoid the negative outcomes of unchecked growth, such as the loss of farmlands and natural spaces, poor air and water quality, increased traffic congestion and commute times, increased risk of chronic diseases, and costly infrastructure and services. The Growth Plan came into effect in 2006 and was last amended in 2020. It contains high-level policies about where growth and development should occur in the region. Under the Growth Plan, municipalities must meet targets for intensification, density, transit and designated greenfield area.

Our audit found that the goals of the Growth Plan had been undermined by numerous changes to land-use planning policies, insufficient collaboration between the Ministry and other entities responsible for infrastructure planning, and the Province's intervention in municipalities' decision-making through Minister's Zoning Orders.

Some of our significant findings were:

- Many municipalities were falling short of 2006 Growth Plan targets. We found, for example, that only three of the 20 single- and upper-tier municipalities in the GGH (excluding the City of Toronto) met the 40% intensification target each year from 2015 to 2019. Intensification aims to make efficient use of existing infrastructure and avoid continuously expanding urban areas. When municipalities do not meet these intensification targets, more new residential

development occurs outside already-developed areas, creating further sprawl. We also found that, as of 2016 (the most recent year for which data was available), actual density rates in downtown and major transit station areas in the GGH varied widely, for example, from a low of 26 residents and jobs per hectare in the Vaughan Metropolitan Centre area (which is 15% of the target) to a high of 575 residents and jobs per hectare in the Yonge-Eglinton Centre area. Our analysis of population and employment growth rates of all downtown areas between 2011 and 2016 found that, based on current trends, only four (Downtown Hamilton, Downtown Toronto, Downtown Mississauga, and Uptown Waterloo) of the 25 urban growth centres were on pace to meet their density targets by 2031—the first year that municipalities are expected to meet their density targets for downtown areas.

- MZOs were being used to fast-track development and circumvent normal planning processes. In the two-year period from March 2019 to March 2021, 44 MZOs were issued. Prior to this, an MZO was issued about once a year. Planning processes that often took months or years to complete because they ensured that sufficient due diligence was conducted through technical studies and public consultation were being bypassed by MZOs. While originally intended to be used only in special circumstances, such as in areas with no municipal governance, since 2019 the government had publicly stated on several occasions that its reason for issuing MZOs was to overcome potential barriers and delays to development.
- Lack of transparency in issuing MZOs was generating criticisms of conflict of interest and unfairness. We found that there was no formal process that interested parties were required to follow to request an MZO. We also found that there were no established criteria according to which the Minister assessed requests for MZOs. Therefore, we could not determine what factors the Minister considered in deciding whether to issue an MZO, or whether the Minister assessed the merits of each MZO against the same set of factors. The Ministry was able to provide us with supporting documentation for all 44 MZOs issued from March 2019 to March 2021, but the level of detail in those documents varied greatly. In our review of the documentation, we noted that 17 (or 39%) of the 44 MZOs facilitated development projects by the same seven development companies or groups of companies.
- MZOs disrupted other planning processes. The various stakeholders we interviewed—including subject-matter experts, municipal planners, and those involved in long-term planning for schools, hospitals and transportation—informed us that MZOs disrupted other planning processes that normally require years of preparation and consultation. For example, 13 or nearly one-third of the 44 MZOs issued from March 2019 to March 2021 permitted development in areas that may not have had existing or planned municipal services, such as water and wastewater systems. Municipal representatives told us that these MZOs presented significant challenges not only to their land-use planning but also their fiscal planning processes. This is because municipal services such as water and wastewater systems require significant upfront costs and must be planned prior to developments proceeding.
- "Enhanced" MZOs could trump municipal Site Plan Control, and were no longer required to be consistent with provincial land-use policy. Bill 197, the *COVID-19 Economic Recovery Act, 2020*, expanded the scope of the Minister's powers, allowing the Minister to issue enhanced MZOs. Enhanced MZOs could override the use of site plan control, by which a municipality examines the design and technical aspects of a proposed development to ensure it is attractive and compatible with the surrounding area. In addition,

Bill 257, the *Supporting Broadband and Infrastructure Expansion Act, 2021*, amended the *Planning Act* to provide that all MZOs were not required, and were deemed never to have been required, to be consistent with the Provincial Policy Statement. This amendment goes against one of the purposes of the *Planning Act*, which provides for a land-use planning system led by provincial policy.

- Opportunities existed to better co-ordinate infrastructure planning with land-use planning. Our audit found examples where decisions about important public infrastructure and services appeared to be disconnected from, or inconsistent with, land-use planning policies. For example, the proposed GTA-West Highway (also known as Highway 413), which would run from the Highway 401/407 interchange near Milton to Highway 400 near Kleinburg, had been the subject of criticism from environmental groups, municipalities, and members of the public. An August 2020 report by Environmental Defence, Sustainable Vaughan and Transport Action Ontario noted that the proposed highway would result in the loss of thousands of hectares of prime agricultural lands, including about one thousand hectares in the Greenbelt, and would have a significant impact on rivers, valleys, wetlands, conservation areas and forested areas. Despite the concerns and criticism, the Ministry of Transportation, which was developing the Transportation Plan for the GGH at the time of our audit, told us that it was including the GTA-West Highway in its proposed Transportation Plan.

We made 12 recommendations, consisting of 24 action items, to address our audit findings. We received commitment from the Ministry that it would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between March 2023 and September 2023. We obtained written representation from the Ministry of Municipal Affairs and Housing that effective November 20, 2023, it has provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Insufficient Data on Whether 2006 Growth Plan Policies Have Controlled Urban Sprawl in the Greater Golden Horseshoe

Recommendation 1

So that the Ministry of Municipal Affairs and Housing (Ministry) can assess and publicly report on whether the policies in the A Place to Grow: Growth Plan for the Greater Golden Horseshoe (Growth Plan) are effective in meeting the objectives of the plan, we recommend that the Ministry:

- *establish and publicly communicate a deadline for the Ministry to finalize the performance indicators for the Growth Plan;*
- *develop and publicly communicate the performance indicators by the established deadline, including the date by which the Ministry will begin reporting on the indicators and the frequency of ongoing reporting; and*
- *publicly report on the results for each performance indicator, including what the results mean in terms of achieving the vision of the Growth Plan, by the dates communicated in the second action item in this recommendation.*

Status: Little or no progress.

Details

In our 2021 audit, we found that 15 years after the Province first released its A Place to Grow: Growth Plan for the Greater Golden Horseshoe (Growth Plan) in 2006, the Ministry of Municipal Affairs and Housing (Ministry) did not know whether the policies contained in the Growth Plan had been effective in achieving its goals. Consequently, the Ministry did not have the necessary data to inform changes to Growth Plan policies. The purpose of these policies is to provide targets municipalities are expected to achieve, such as focusing on new development to accommodate population and employment growth, and designing communities that are transit-friendly. Since 2006, the Ministry had only once, in 2015, publicly reported on municipalities' progress in implementing the Growth Plan policies. Our review of the 2015 performance report identified areas where progress was still needed to achieve the visions of the 2006 Growth Plan. For example, in 2011, there were insufficient densities (defined as the number of people and jobs per hectare) within 43% of major transit station areas to support basic transit service. At the time of our audit in 2021, the Ministry was still finalizing the updated set of performance indicators to measure outcomes following the most recent amendments to the Growth Plan in 2019 and 2020.

In our follow-up, we found that the development of performance indicators for the Growth Plan was put on hold following the 2022 election while the Province completes its policy review of the Growth Plan and the Provincial Policy Statement, which may result in the revocation of the Growth Plan. As of July 2023, the Ministry was conducting public consultations on a proposed Provincial Planning Statement that takes policies from the Growth Plan and the Provincial Policy Statement. The public consultation deadline for comments was August 4, 2023. The Ministry was unable to provide a timeline for the policy review and only planned to proceed based on government direction following the completion of the policy review.

Recommendation 2

So that the Ministry of Municipal Affairs and Housing (Ministry) can assess whether the policies in the A Place to Grow: Growth Plan for the Greater Golden Horseshoe are effective in meeting the objectives of the plan, we recommend that when municipalities are not making progress towards meeting Growth Plan targets, the Ministry work with municipalities to determine, understand and address the reasons for not making progress.

Status: Little or no progress.

Details

In our 2021 audit, we found that many municipalities were falling short of 2006 Growth Plan targets. For example, only three of the 20 single- and upper-tier municipalities in the Greater Golden Horseshoe (excluding the City of Toronto) met the 40% intensification target each year from 2015 to 2019. We also found that, as of 2016 (the most recent year for which data was available in 2021), actual density rates in downtown and major transit station areas in the Greater Golden Horseshoe varied widely, for example, from a low of 26 residents and jobs per hectare in the Vaughan Metropolitan Centre area (which is 15% of the target) to a high of 575 residents and jobs per hectare in the Yonge-Eglinton Centre area. Our analysis of population and employment growth rates of all downtown areas between 2011 and 2016 found that, based on current trends, only four (Downtown Hamilton, Downtown Toronto, Downtown Mississauga, and Uptown Waterloo) of the 25 urban growth centres were on pace to meet their density targets by 2031—the first year that municipalities are expected to meet their density targets for downtown areas.

In our follow-up, we found that the Ministry had not done any analysis to understand the reasons why municipalities are not making progress on the Growth Plan targets. Although the Ministry confirmed that it had access to some municipal data (including Municipal Property Assessment Corporation data), all analysis of municipal data was put on hold pending completion

of the policy review of the Growth Plan and the Provincial Policy Statement, as noted in **Recommendation 1**. According to the Ministry, it plans to consider comments received from municipalities as part of the policy review to better understand municipal-specific challenges in meeting Growth Plan targets.

Recommendation 3

So that the Ministry of Municipal Affairs and Housing (Ministry) can assess whether the policies in the A Place to Grow: Growth Plan for the Greater Golden Horseshoe (Growth Plan) are effective in meeting the objectives of the plan, we recommend that the Ministry:

- *determine how it will collect the information necessary to report on established performance indicators such as density targets for designated greenfield areas and long-term housing supply information;*
- *obtain and analyze this information on an ongoing basis; and*
- *work with municipalities to establish a consistent basis for calculating municipalities' progress toward targets set out in the Growth Plan.*

Status: Little or no progress.

Details

In our 2021 audit, we found that the absence of consistent, reliable and timely data limited the Ministry's ability to accurately measure municipalities' performance against targets and to assess the effectiveness of the policies in achieving the objectives of the Growth Plan. We also found that the Ministry was not collecting the necessary information to accurately measure whether municipalities were achieving density targets in the developed portions of the designated greenfield areas (target of 40 or 50 people and jobs per hectare). The Ministry also did not have information about long-term housing supply to assess whether municipalities were maintaining enough residential housing supply to support population growth for at least three years—a requirement introduced in the 2017 amendment to the Growth Plan. In addition, the audit found that the Ministry and municipalities used different data when calculating intensification rates. The Ministry used property assessment data from the Municipal Property Assessment Corporation (MPAC) to calculate intensification, while municipalities used the number of building permits issued. Building permits are counted at the time a development is approved, while MPAC property assessments are based on built structures. The difference in data sources can mean the difference between municipalities meeting or not meeting their targets.

In our follow-up, we found that the Ministry introduced a new regulation under the *Planning Act* called Municipal Planning Data Reporting (O. Reg. 73/23). Starting in June 2023, the regulation requires 29 single- or lower-tier municipalities to report information on planning matters both quarterly and annually. Application data for planning approvals (for example, official plan amendment applications, zoning bylaw amendment applications, plans of condominium, plans of subdivision) must be reported on a quarterly basis. However, there is no requirement for data to be collected from the remaining 74 lower-tier municipalities in the Greater Golden Horseshoe area.

In February 2022, the Ministry procured updated property assessment data from the Municipal Property Assessment Corporation and, as of September 2023, the Ministry had engaged with Statistics Canada to access 2021 Census data. However, according to the Ministry, all work related to collecting data and developing performance indicators is on hold pending completion of the policy review of the Growth Plan and the Provincial Policy Statement, as noted in **Recommendation 1**.

Municipalities Face Challenges Implementing Growth Plan Policies

Recommendation 4

So that municipalities have the necessary information and sufficient time to update their official plans to conform with provincial plans, we recommend that the Ministry of Municipal Affairs and Housing work with municipalities on an ongoing basis to:

- *determine what information and supports are needed by municipalities to help them conform, including meeting conformity deadlines;*

  Status: Fully Implemented.

Details

In our 2021 audit, we found that significant changes in land-use planning policies over the previous 10 years created instability in the land-use planning process in the Greater Golden Horseshoe (GGH). This instability made it challenging for municipalities to ensure their planning documents were up to date and conformed with these policies. For example, when the Ministry amended the Growth Plan in 2017, it gave municipalities five years, until July 2022, to update their official plans. However, the Ministry amended the Growth Plan again in 2019 and 2020. This forced many municipalities to redo studies and planning work that they had completed. One municipality (Regional Municipality of York) had to redo the technical work that cost "several millions."

In our follow-up, we found that the Ministry, between November 2021 and December 2022, held 107 meetings with 20 of the 21 relevant municipalities to determine the information and supports needed, and to support municipalities' work toward conforming with provincial plans. According to the Ministry, it did not meet with the City of Orillia because Orillia was undergoing a municipal restructuring. As of July 2023, 19 of the 21 municipalities conformed with provincial plans through their own Official Plans or Official Plan Amendments.

- *provide such information and supports to municipalities in a timely manner that will enable municipalities to meet conformity deadlines.*

  Status: Fully Implemented.

Details

In our 2021 audit, we found that municipal staff received little guidance from the Ministry about how to implement land-use planning policies such as those in the Growth Plan. In our survey of municipal planners in 2021, 70% of respondents said that, based on their experience over the previous five years, they have not received sufficient guidance or direction from Ministry staff whenever they asked for help or clarification, for example in areas such as land needs assessment and Indigenous engagement.

In our follow-up, we found that the Ministry had met with municipalities in an effort to determine the information and supports they need, and to support municipalities' work toward conforming with provincial plans. As noted in the first action item of **Recommendation 4**, as of July 2023, 19 of the 21 GGH municipalities conformed with provincial plans through their own Official Plans or Official Plan Amendments. The remaining two relevant municipalities (City of Orillia and City of Kawartha Lakes) were still working toward conformity. According to the Ministry, the City of Orillia is currently consulting the public on: 1) options for intensification, which could affect the amount of land needed to conform; and 2) the preliminary results of its technical land evaluation, which will help determine the recommendations it makes to City Council in fall 2023/winter 2024 related to municipal restructuring. The Ministry told us that the City of Kawartha Lakes has not yet conformed with provincial plans because it has been focusing on resolving ongoing Ontario Land Tribunal appeals of its previous Official Plan and various secondary plans.

Recommendation 5

So that municipalities have the information they need to effectively implement the policies in the Provincial Policy Statement and various provincial plans, we recommend that the Ministry of Municipal Affairs and Housing work with municipalities to:

- *determine what areas existing and new Ministry staff can benefit from training in; and*
- *provide such training on a regular ongoing basis.*

  Status: Little or no progress.

Details

Our review of Ministry staffing data found that, at the time of our 2021 audit, nearly two-thirds of the 43 staff responsible for liaising with municipalities had been in their positions for only two years or less. The

average length of time that Ministry staff had been in their position was four years. Our review of the 2019 and 2021 Employee Engagement Survey results for all Ministry staff in the central region, including those involved in the planning function, noted that only 35% of respondents in 2019 and 50% of respondents in 2021 stated that they had a clear understanding of their job and what was expected of them; and only 15% of respondents in 2019 stated that their directors and senior managers provided clear direction.

In our follow-up, we found that in July 2022, the Ministry had asked the Long Range Planners of Ontario (a stakeholder group representing 20 large single- and upper-tier municipalities) about training recommendations for Ministry staff. As of September 2023, however, no suggestions on training had been received.

The Ministry told us that it has offered training related to, for example, Indigenous consultation and legislative changes, and has led virtual forums between municipal planners and their peers to promote leading practices; however, it is unclear which staff participated because training is optional and the Ministry does not record attendance. Also, the Ministry informed us that it has not offered internal training in land needs assessment in recent years, even though this was another needed training area highlighted by municipal planners in our 2021 audit. According to the Ministry, the focus on land needs assessment may not be necessary once the new Provincial Planning Statement is adopted, and any need for future internal training in this area will depend on the outcome of the policy review.

Improvements Needed in Ministry's Collaboration with Local and Provincial Partners

Recommendation 6

So that land-use planning is well integrated with other related planning processes in the province, consistent with the policies of the Growth Plan for the Greater Golden Horseshoe, we recommend that the Ministry of Municipal Affairs and Housing proactively engage with other provincial ministries and entities responsible for planning processes related to land-use planning on an ongoing basis, for example through the Planning System Implementation Committee.

Status: Little or no progress.

Details

In our 2021 audit, through discussions with stakeholders and our own research, we found examples where planning and decisions on important public infrastructure and services appeared to be disconnected from, or inconsistent with, land-use planning policies, including focusing growth on already built-up areas, and prohibiting development on prime agricultural lands and the Greenbelt. As of March 2021, the Planning System Implementation Committee (established in the 1990s to promote a co-ordinated planning system) included staff from the Ministry of Municipal Affairs and Housing; the Ministry of Agriculture, Food and Rural Affairs; the Ministry of Economic Development, Job Creation and Trade; the Ministry of the Environment, Conservation and Parks; the Ministry of Natural Resources and Forestry; the Ministry of Transportation; the Ministry of Tourism, Culture and Sport; and the Ministry of Northern Development. However, the committee did not include representatives from the Ministry of Education or Ministry of Health—the ministries that oversee long-term planning for schools and hospitals. The committee also met infrequently and often did not adequately cover timely topics, such as significant changes to land-use planning policies.

In our follow-up, we found that, since December 2021, Ministry staff had met with partners in other ministries on 38 occasions to discuss specific Growth Plan conformity matters. The Ministry also held director-level and Assistant Deputy Ministers' meetings with partner ministries in 2022 to provide updates on and discuss the Growth Plan. Although the Planning System Implementation Committee continues to meet regularly, as of July 2023, there were still no representatives on the committee from the Ministry of Health or the Ministry of Education.

Recommendation 7

So that land-use planning interests of other provincial ministries are appropriately considered and reflected in municipal planning policies, we recommend that the Ministry of Municipal Affairs and Housing:

- *finalize the screening criteria for circulating municipal planning submissions to the Ministry of Infrastructure;*
- *formalize the participation of the Ministry of Health and the Ministry of Long-Term Care in the One Window Protocol (Protocol); and*
- *assess, during the next review of the Protocol in 2023, whether other provincial ministries should be included in the Protocol in light of their mandates.*

Status: Little or no progress.

Details

In our 2021 audit, we found that opportunities exist to improve the Ministry's One Window Protocol (Protocol), specifically the process through which it seeks comments from other provincial ministries on municipal planning submissions. The Ministry uses screening criteria to determine which ministries to circulate submissions to and seek comments from based on areas that affect their interests. We reviewed a sample of municipal submissions for official plans and official plan amendments from 2010 to 2020 to determine whether the Ministry sought feedback from other appropriate provincial ministries to ensure that their land-use planning interests were considered. In one-third of the cases we sampled, we found the provincial review could have benefitted from being circulated to other ministries, given the nature of the proposed policies and amendments.

According to the Ministry at the time of our follow-up, it plans to complete the review of the One Window Protocol in June 2024 and the review will provide an opportunity to renew the screening criteria. The Ministry told us that the participation of other ministries (including the Ministry of Health and the Ministry of Long-Term Care) in the One Window Protocol is currently on hold while the Ministry reviews the Growth Plan and the Provincial Policy Statement, and is subject to government direction.

Recommendation 8

So that conservation authorities continue to effectively exercise independent authority to direct development away from flood- and erosion-prone areas, we recommend that the Ministry, in collaboration with Ministry of Northern Development, Mines, Natural Resources and Forestry:

- *review the impacts of the amendments contained in Schedule 6 of Bill 229 considering comments received from municipalities, conservation authorities and the public;*
- *based on the results of this review, address the concerns identified.*

Status: Little or no progress.

Details

In our 2021 audit, we found that conservation authorities had lost the independent power to exercise their mandate. Conservation authorities perform a key land-use planning role; they ensure that development is directed away from flood- and erosion-prone areas in order to protect people and their properties. In June 2024, Bill 229, the *Protect, Support and Recover from COVID-19 Act (Budget Measures), 2020* amended the *Conservation Authorities Act* and the *Planning Act* in a way that significantly reduces the oversight and appeal powers of conservation authorities, and limits their ability to make independent decisions. The changes mean that conservation authorities are required to approve application permits for developments resulting from a Minister's Zoning Order to rezone lands within a municipality. In addition, the Ministers of Northern Development, Mines, and Natural Resources and Forestry are able to issue or reject development permits on behalf of a conservation authority. Prior to the amendments, conservation authorities had the sole authority to decide whether to

issue or reject permit applications in areas within their jurisdiction.

During our follow-up, the Ministry told us that it was not aware of any concerns raised by municipalities in regard to amendments in Bill 229 and therefore had not reached out to the Ministries of Northern Development and Natural Resources and Forestry to collaborate on this recommendation.

Broad and Frequent Use of Minister's Zoning Orders Undermines the Land-Use Planning Process

Recommendation 9

So that Minister's Zoning Orders (MZOs) are not used as a way to circumvent the normal planning process in order to speed up development projects, we recommend that the Ministry of Municipal Affairs and Housing work with municipalities to identify and implement ways to make the land-use planning process more streamlined and efficient while still complying with due diligence and public consultation requirements under the Planning Act.

Status: Little or no progress.

Details

In our 2021 audit, we found that Minister's Zoning Orders (MZOs) were being used to fast-track development and circumvent normal planning processes. From 2000 to February 2019, an MZO was issued about once a year; however, in the two-year period from March 2019 to March 2021, 44 MZOs were issued.

In our follow-up, we found that, since 2021, the Ministry has introduced changes and launched consultations aimed at streamlining the land-use planning system:

- In April 2022, Bill 109 received royal assent and introduced changes to the *Planning Act*, such as requiring applicants be notified within 30 days to confirm the completeness of their applications or to request additional information; requiring municipalities refund certain planning application fees if decisions are not made within legislated timelines; and providing the Minister with new discretionary authorities to refer official plan decisions to the Ontario Land Tribunal.
- In October 2022, the Ministry issued a guideline for the Community Infrastructure and Housing Accelerator (CIHA) tool that was enabled by Bill 109. The CIHA guideline sets expectations for the municipality to undertake public consultation before requesting a Minister's Zoning Order (MZO). Moving forward, the CIHA will be the primary tool used to support municipal council requests to advance local priorities. A CIHA order does not need to conform with the municipality's official plan and cannot be appealed to the Ontario Land Tribunal.
- In November 2022, the government passed Bill 23, *More Homes Built Faster Act*, with a series of associated consultations on the Environmental Registry of Ontario. The objective of the changes is to create a more streamlined system to accelerate the development of housing and increase housing supply, according to provincial priorities.

In addition, the Ministry has offered funding to help municipalities modernize and streamline their land-use planning processes. In January 2022, the Province announced three funding programs for municipalities: Streamline Development Approval Fund, Municipal Modernization Program, and Audit and Accountability Fund. The Streamline Development Approval Fund provides $45 million to help Ontario's 39 largest municipalities modernize, streamline and accelerate processes for managing and approving housing applications. Similarly, the Municipal Modernization Program provides $28 million to help small and rural municipalities find better, more efficient ways to deliver local services for residents and businesses. The government also announced over $8 million in the Audit and Accountability Fund for urban municipalities to identify potential savings and efficiencies through third-party reviews.

However, despite these initiatives to streamline municipal planning processes, the Minister has

continued to issue a significant number of MZOs over the last three fiscal years. From 2020/21 to 2022/23, the Minister issued 102 MZOs (75 were in response to requests by municipalities and 27 were identified as a provincial priority directly by the Ministry).

Recommendation 10

To improve transparency and accountability for Minister's Zoning Orders (MZOs), we recommend that the Ministry of Municipal Affairs and Housing:

- *establish and publicly communicate a formal application and review process, which clearly sets out the following:*
  - *the types of matters for which interested parties may request an MZO;*
  - *the criteria that the Minister will use to determine whether to issue an MZO; and*
  - *the required studies, analyses, or due diligence that the requester of the MZO must submit to support its request; and*
- *when issuing MZOs, publicly and clearly communicate the following:*
  - *the parties who requested the MZO;*
  - *the factors that the Minister considered in deciding whether to issue the MZO; and*
  - *the reasons why the development cannot proceed through the normal planning application process.*

Status: Little or no progress.

Details

In our 2021 audit, we found that the application and decision-making processes for issuing MZOs, as well as public communications about them, are not transparent. In addition, MZOs bypass public consultation and cannot be appealed to the Ontario Land Tribunal. This lack of transparency is contrary to the purposes of the *Planning Act* and good land-use planning principles. We found that there is no formal process that interested parties are required to follow to request an MZO. We also found that there are no established criteria according to which the Minister assesses requests for MZOs.

We also noted that there is no legislative requirement for the Minister to inform the public about an MZO prior to issuing it. As a result, members of the public only become aware of an MZO after it has been issued. We found that none of the publicly available information for issued MZOs described what uses were previously permitted on the lands. The Ministry did not identify what would be lost to the development (for example, agricultural land, parks and open space, employment use), nor did it provide the reasons why an MZO was issued.

In September 2023, the Minister of Municipal Affairs and Housing indicated that the Ministry would undertake a review of the use of Minister's Zoning Orders. According to the Ministry, it has commenced scoping the review. This recommendation will be taken into account as part of the review process.

Recommendation 11

To prevent or minimize disruption in other long-term planning processes that are impacted by Minister's Zoning Orders (MZOs), we recommend that the Ministry of Municipal Affairs and Housing incorporate and document consultation with impacted municipalities (including both upper- and lower-tier municipalities) in the MZO review process to be established in response to ***Recommendation 10.***

Status: Little or no progress.

Details

The various stakeholders that we interviewed as part of our 2021 audit—including subject-matter experts, municipal planners, and those involved in long-term planning for schools, hospitals and transportation—informed us that MZOs disrupt other planning processes that normally require years of preparation and consultation. For example, 13 or nearly one-third of the 44 MZOs issued from March 2019 to March 2021 would permit development in areas that may not have existing or planned municipal services such as water and wastewater systems. Municipal representatives told us that these MZOs present significant challenges not only to their land-use planning, but also their fiscal

planning processes. This is because municipal services, such as water and wastewater systems, require significant upfront costs and must be planned prior to developments proceeding. Of the 44 MZOs issued from March 2019 to March 2021, 38 were issued in municipalities with a two-tier system, yet the Province often does not inform or consult upper-tier municipalities prior to issuing the MZOs.

In September 2023, the Minister of Municipal Affairs and Housing indicated that the Ministry would undertake a review of the use of Minister's Zoning Orders. According to the Ministry, it has commenced scoping the review. This recommendation will be taken into account as part of the review process.

Recommendation 12

So that when Minister's Zoning Orders (MZOs) are issued they are consistent with the purposes of the Planning Act *which recognizes the decision-making authority and accountability of municipal councils, and provides for a land-use planning system led by provincial policy, we recommend that the Ministry of Municipal Affairs and Housing:*

- *incorporate public consultation in the MZO review process to be established in response to* ***Recommendation 10****;*
- *work with municipalities when issuing enhanced MZOs so that local considerations are sufficiently addressed in Minister overrides of site plan controls; and*
- *publicly communicate, for each MZO, whether the issuance of the MZO is consistent with the Provincial Policy Statement and where it is not consistent, describe why the MZO is being issued and steps taken to minimize or avoid the negative impact of issuing the MZO.*

Status: Little or no progress.

Details

In our 2021 audit, we found that changes to the *Planning Act* that started in 2017 have reduced the transparency and accountability requirements for issuing MZOs. In 2017, Bill 139, the *Building Better Communities and Conserving Watersheds Act, 2017*, removed the ability for individuals to appeal an MZO to the then Ontario Municipal Board (now the Ontario Land Tribunal). As discussed earlier, MZOs already bypass public consultation requirements and the Minister does not always consult affected stakeholders such as municipalities and conservation authorities. Therefore, removing the ability for anyone to appeal MZO decisions in Bill 139 eliminated the last remaining opportunity for stakeholders and the general public to comment on MZOs outside of judicial reviews.

We found that "enhanced" MZOs can trump municipal site plan control, and are no longer required to be consistent with provincial land-use policy. Bill 197, the *COVID-19 Economic Recovery Act, 2020* expanded the scope of the Minister's powers, allowing the Minister to issue enhanced MZOs. Enhanced MZOs can override the use of site plan control, by which a municipality examines the design and technical aspects of a proposed development to ensure it is attractive and compatible with the surrounding area. In addition, Bill 257, the *Supporting Broadband and Infrastructure Expansion Act, 2021*, amended the *Planning Act* to specify that MZOs are not required, and are deemed to never have been required, to be consistent with the Provincial Policy Statement. This amendment goes against one of the purposes of the *Planning Act*, which provides for a land-use planning system led by provincial policy.

In September 2023, the Minister of Municipal Affairs and Housing indicated that the Ministry would undertake a review of the use of Minister's Zoning Orders. According to the Ministry, it has commenced scoping the review. This recommendation will be taken into account as part of the review process.

Chapter 1
Section
1.11

Ministry of the Environment, Conservation and Parks

Follow-Up on 2021 Value-for-Money Audit:

Ontario Clean Water Agency

RECOMMENDATION STATUS OVERVIEW						
		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	1		1			
Recommendation 2	3	1			2	
Recommendation 3	1			1		
Recommendation 4	3		3			
Recommendation 5	2		1	1		
Recommendation 6	1			1		
Recommendation 7	1	1				
Recommendation 8	1			1		
Recommendation 9	3		3			
Recommendation 10	4		2	2		
Recommendation 11	7	0	3	4		
Recommendation 12	1	1				
Recommendation 13	2	1	1			
Recommendation 14	3	2		1		
Recommendation 15	5			5		
Recommendation 16	1				1	
Recommendation 17	2	1	1			
Recommendation 18	2		2			
Recommendation 19	2			1	1	
Recommendation 20	1				1	
Recommendation 21	1		1			
Total	**47**	**7**	**18**	**17**	**5**	**0**
%	**100**	**15**	**38**	**36**	**11**	**0**

Overall Conclusion

The Ontario Clean Water Agency (OCWA) and the Ministry of the Environment, Conservation and Parks (Ministry), as of November 20, 2023, have fully implemented 15% of actions we recommended in our *2021 Annual Report*. An additional 38% of recommended actions were in the process of being implemented.

OCWA has fully implemented or has made progress on implementing recommendations such as creating the First Nations Advisory Circle and committing to implement any resulting recommendations by the advisory circle; working with all of its municipal clients who send their biosolids to landfills to implement new environmentally friendly initiatives focused on reducing greenhouse gas emissions through co-digestion or other related initiatives; identifying quantifiable outcome-based measures; referring municipalities to Infrastructure Ontario if they require financing for drinking-water and wastewater projects; inputting all testing schedules into its information system to alert operators of upcoming tests; and working with its clients to identify the installation dates of critical assets, so that the useful life of assets can be tracked and managed accordingly.

The Ministry has also fully implemented or has made progress on implementing recommendations such as reminding owners of drinking-water and wastewater systems to report to the Ministry in a timely manner when there is a change to the operators of their facilities; and proactively standardizing Environmental Compliance Approvals for all wastewater systems by including consistent definitions and testing requirements for bypasses, overflows and key wastewater contaminants.

However, OCWA and the Ministry have made little or no progress on 36% of the recommendations.

OCWA has made little progress on recommendations such as assessing the turnaround times taken to resolve adverse water-quality incidents and taking steps to expedite resolving such incidents; following up that owners take timely corrective action to address the cause of overflows/bypasses and contaminant exceedances; working with clients to ensure that asset management plans are in place to address the risks associated with climate change; accounting for all regional and corporate overhead costs when setting contract prices; accurately assessing the condition of clients' assets before making cost projections; annually re-evaluating contracts that generate negative margins; and charging a greater margin on fixed-price contracts to account for the risk of increasing costs, or adding a contract clause to account for significant changes in costs.

The Ministry has also made little progress on publicly reporting all relevant details about bypasses, overflows and spills in a timely manner.

In addition, the Ministry will not be implementing three of our recommendations, including to require operators-in-charge to hold a licence or certificate of the same class as, or higher than, the class of the facility they are overseeing, and to require facility operators to perform regular CPIC checks on employees that have access to critical assets and IT systems. We continue to believe these recommendations should be implemented.

The status of actions taken on each of our recommendations is described in this report.

Background

The Ontario Clean Water Agency (OCWA) is a Crown agency that provides drinking-water and wastewater treatment services to an estimated 4.5 million Ontarians. Though it reports to the Ministry of the Environment, Conservation and Parks (Ministry), the agency receives no transfer payments from the government. It acquires contracts in competition with private-sector organizations and, at the time of our follow-up, it had 147 agreements with municipalities to operate and maintain drinking-water and wastewater facilities (about 200 agreements in 2020). In 2022, it generated $261 million in revenues ($223 million in 2020), with $7 million in net income ($10 million in 2020),

employed about 930 people (almost 900 people at the time of our audit), and operated 27% (same in 2020) of municipal drinking-water systems in the province.

Our audit found that compared to private operators, OCWA did well in treating drinking water compared to private operators and municipally run facilities. It had fewer contaminant exceedances than facilities operated by other operators and resolved any exceedances quickly. When it came to wastewater, OCWA reported fewer bypasses and overflows of untreated sewage per facility than private operators and municipally run facilities. However, OCWA-operated municipal residential drinking-water systems did experience more boil water advisories on average than other operators.

We found that OCWA could have done more to support First Nation communities (some of which had been under boil water advisories for years). We also saw there was opportunity for OCWA to reduce the amount of biosolids being sent to landfills, and to prepare its clients for the impacts of climate change.

Some of our significant findings were:

- Seed funding provided by the Province was no longer needed to sustain OCWA's operations. In 2003, OCWA made a $120-million loan to the Ontario Infrastructure and Lands Corporation, using seed money it received from the Province to help it sustain its operations. Since OCWA had been generating a profit from its operations from 2015 to 2021, it no longer needed the interest income generated by the loan to sustain its operations. This loan was due to mature in March 2023.
- OCWA had significant investment assets, but no plan to return generated funds to the Province. According to its strategic plan, OCWA planned to focus its efforts on growing its revenues from $223 million in 2020 to $303 million by 2026. As of December 31, 2020, OCWA had an accumulated surplus of $233 million and $75 million invested in bank balances, term deposits and other notes, but it did not transfer surplus funds to the Province. In our discussion with the Ministry, we were told that it had no plans to request a stipend or profits from OCWA.
- OCWA assigned operational staff mostly based on historical numbers, and no workload measures were in place to assess the effectiveness and efficiency of staff. OCWA's regional staffing allocation in 2020 had significant discrepancies in the number of staff assigned per facility in each region. For example, OCWA managed five facilities in the South Peel region, and had assigned 178 staff at a ratio of over 35 staff per facility. Six other regions, however, had a ratio of less than one staff per facility.
- Bypasses, overflows and spills occurring at OCWA-operated wastewater facilities were reported to the Ministry as required, but the Ministry's spills database lacked key details such as the start and end times of each event, the name of the facility where the spill occurred, the volume of the spill, the environmental impact caused by the spill, and detailed information on its cause.
- OCWA managed assets, including planning and preventative maintenance, without complete information on the age, criticality or performance of those assets. As of July 2021, 71% of the assets in OCWA's asset management system were missing an installation date, 42% were missing cost information such as purchase price or replacement cost, and no performance data was available for any of the assets. OCWA relied on local operational staff to identify major repairs.
- OCWA's electronic monitoring system was not able to identify adverse test results. OCWA's Process Data Management system stored test results from its regular testing of drinking-water and wastewater samples, but not the allowable limits for tested contaminants. Because of this, the system could not flag adverse test results. Similarly, because the system did not store the maximum amount of water a drinking-water treatment facility was permitted to take from

a water source, it could not flag when a facility had exceeded its maximum water intake. Instead, OCWA relied on facility operators and labs to manually identify issues and report any exceedances noted.

We made 21 recommendations, consisting of 47 action items, to address our audit findings. We received commitment from OCWA and the Ministry that they would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between April 2023 and July 2023. We obtained written representation from the Ontario Clean Water Agency (OCWA) and the Ministry of the Environment, Conservation and Parks that effective November 20, 2023, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Mandate

Recommendation 1

In order to clarify the role of the Ontario Clean Water Agency, we recommend the Ministry of the Environment, Conservation and Parks assess whether the agency's goals should focus on revenue and income growth or on providing cost-effective drinking-water and wastewater services to clients who need these services.

Status: In the process of being implemented by December 2023.

Details

Our 2021 audit found that OCWA's role in Ontario's water and wastewater services was unclear. OCWA's original mandate was "to provide reliable and cost-effective water and wastewater services on a cost-recovery basis." In 2010, the "cost-recovery basis" was dropped from its mandate to allow OCWA to earn a profit on its contracts and to play a role in making Ontario an innovation hub for all things water. In April 2016, an external consultant's review concluded that OCWA's mandate and its core business was not aligned with the goals and priorities of the Province. At the time of our audit, the Ministry told us that providing drinking-water and wastewater treatment was OCWA's priority. However, OCWA approached the Ministry with plans for putting greater emphasis on loan financing and revenue growth. Through the approval of OCWA's 2020 business plan, the Ministry supported OCWA's approach toward revenue growth.

During our follow-up, we found that the Ministry was still in discussions with OCWA to ensure the agency considers balancing the needs of revenue growth and providing cost-effective water/wastewater services. OCWA continues to service First Nations, rural, and northern communities that generate minimal profit or modest losses because these clients are often overlooked by private-sector competitors.

In June 2023, the Ministry commenced a third-party-led mandate review for OCWA as required under the Agencies and Appointments Directive. Among other things, the review will look at:

- whether the provincial agency is carrying out the activities and operations that represent its mandate;
- whether, and the extent to which, the mandate continues to be relevant to the goals and priorities of the Government of Ontario; and
- whether all or part of the functions of the provincial agency are best performed by the provincial agency, or whether they might be better performed by a ministry, another provincial agency or another entity.

The Ministry told us it would like to see the outcome of this review before implementing anything related to our recommendation. It expects the mandate review to be completed by December 2023.

Recommendation 2

In order to improve the quality of water on First Nations and make it safe for human consumption, we recommend that the Ontario Clean Water Agency work with the Ministry of the Environment, Conservation and Parks and the federal government through the Ontario First Nations Technical Services Corporation to:

- *create the First Nations Advisory Circle and implement any resulting recommendations by the advisory circle;*

  Status: Fully implemented.

Details

Our 2021 audit found that OCWA planned to create a First Nations Advisory Circle of five to seven members to act as an advisory body in which participating First Nations would share their knowledge and unique experiences on how the agency could enhance its partnerships with First Nation communities and better support their drinking-water and wastewater treatment needs and concerns. The goal was to have the advisory circle in place by September 2021.

In our follow-up, we found that in December 2021, OCWA established a First Nations Advisory Circle to gain a greater understanding of the broader water issues facing First Nation communities from an Indigenous perspective. The First Nations Advisory Circle meets on a quarterly basis to discuss First Nation/OCWA issues, and has held five meetings since it was established.

According to OCWA, its Board of Directors will review any advice and recommendations from the First Nations Advisory Circle and approve it for management's implementation. No recommendations had been provided by the First Nations Advisory Circle at the time of our follow-up.

- *complete assessments of First Nation community water systems for the 26 First Nation communities with boil water advisories;*

- *provide training to First Nation operators once the water facilities' upgrades are completed.*

  Status: Will not be implemented.

  The Office of the Auditor General continues to support the implementation of this recommendation.

Details

Our 2021 audit found that there were 44 long-term water advisories active at 26 First Nation communities as of July 2021. Between 2018 and 2020, OCWA provided drinking-water-related services to two First Nation communities with six water advisories. These two clients remained on the boil water advisory list despite OCWA working to support or operate their drinking-water systems. According to the Ministry, OCWA is not responsible for eliminating boil water advisories, but instead is mandated to help improve drinking water for First Nation communities through training and operational support, as long as it receives payment for the services provided.

At the time of our follow-up, OCWA stated that as a self-funded entity, it was not in a position to complete the work identified in this recommendation, and would not be implementing these recommended actions. However, it would work with the First Nation Advisory Circle to identify how to most effectively support First Nations communities moving forward.

Drinking Water Testing, Reporting Adverse Results, and OCWA's Performance

Recommendation 3

In order to provide safe and reliable water services, we recommend that the Ontario Clean Water Agency assess the turnaround times taken to resolve adverse water-quality incidents and take steps to expedite the resolving of such incidents.

Status: Little or no progress.

Details

Our 2021 audit found that OCWA generally resolved chemical and microbiological exceedances in drinking water at municipal systems sooner than the average time it took for all operators. However, OCWA took longer to resolve exceedances in other contaminants compared to those operated directly by municipalities or private operators.

In our follow-up, we found that beginning monthly in June 2022, OCWA began collecting data on response times to resolve exceedances. At the time of our follow-up, OCWA was in the process of gathering and verifying the data it received. Once the dataset is complete and sufficient, OCWA will analyze response times to assess whether there are any opportunities for improvement. OCWA expects to begin this analysis in September 2023, and to look at each category of Adverse Water Quality Incidents to identify potential root causes and explore whether resolution times can be reduced. OCWA is planning to add "time to resolution" to the functionality of a new Health, Safety and Compliance system it plans to develop for the purpose of monitoring adverse water-quality incidents. This new system had not yet been put in place at the time of our follow-up.

Wastewater Testing, Performance and Environmental Impact

Recommendation 4

In order to collect comparable and reliable data on the quality of wastewater effluent, we recommend that the Ministry of the Environment, Conservation and Parks proactively standardize Environmental Compliance Approvals for all wastewater systems regardless of whether any amendments are made to the wastewater systems by:

- *including consistent definitions and testing requirements for bypasses and overflows;*
- *requiring test results be included in annual reports to the Ministry of the Environment, Conservation and Parks; and*
- *requiring operators to test key wastewater contaminants.*

Status: In the process of being implemented by December 2024.

Details

Our 2021 audit found that Environmental Compliance Approvals (Approvals) issued to each wastewater facility contained terminology and requirements for contaminant-discharge limits that varied significantly depending on whether they were issued before or after 2018, when the Ministry began using a new, standardized Approval template. We reviewed a sample of Approvals issued between 1978 and 2007, and found that they did not typically mention or define a bypass or overflow, so wastewater affected by either of these events was subject to different standards at different facilities. None of the Approvals required bypass or overflow (that is, partially treated or untreated) wastewater be tested before being discharged into the environment. In addition, some facilities' Approval documents did not require an annual report be sent to the Ministry, and some did not require final effluent (discharged wastewater) be tested for E. coli. The Ministry told us that, as of September 2021, only about 20% of wastewater treatment plants had been issued the new, standardized Approval, and that it did not plan to update the terms of the older Approvals until system owners apply to amend their Environment Compliance Approvals.

In our follow-up, we found that the Ministry established a working group in early 2022, composed of municipalities, operating authorities and consultants, to review and provide feedback on the current standardized Environmental Compliance Approval (Approval) template for wastewater systems. This group provided over 300 comments on the template. Based on this review, the Ministry has begun drafting a new, standardized Approval template for wastewater systems. This draft currently incorporates:

- consistent definitions and testing requirements for bypasses and overflows;

- a requirement that test results be included in annual reports to the Ministry of the Environment, Conservation and Parks; and
- a requirement that operators test key wastewater contaminants.

The Ministry expects to finalize the updates to the template by March 2024, and to post a proposal on the Environmental Registry of Ontario for consultation by June 2024. Once the new Approval template is finalized, the Ministry plans to begin implementing it across all wastewater systems by December 2024.

Recommendation 5

In order to detect and/or prevent adverse wastewater events such as overflows, bypasses and contaminant exceedances, we recommend that the Ontario Clean Water Agency:

- *input all testing schedules into its information system to alert operators of upcoming tests;*

  Status: In the process of being implemented by December 2024.

Details

During our 2021 audit, we reviewed data from 25 wastewater treatment facilities to see whether OCWA staff sampled their wastewater in accordance with the testing frequency established in each facility's Approval and whether each facility reported exceedances to the Ministry as required. We noted one wastewater treatment facility where OCWA staff sampled for total kjeldahl nitrogen (one of eight common contaminants noted in Approvals) only 29 times in calendar year 2020, instead of 52 times as required by its Approval. OCWA told us the error in testing frequency occurred because its staff had been using an old testing schedule with incorrect sampling dates.

In our follow-up, we found that in September 2022, OCWA held a sampling workshop and information-gathering session for all of its Safety Process and Compliance Managers, to help them gain a better understanding of current sampling practices, such as who does what, what's working, what's not, logistical challenges and documentation. Also, in March 2023, OCWA held workshops in which its corporate asset management team and compliance and health and safety staff discussed best practices related to compliance, health and safety, and sampling. The goal of the workshops was to define standard tasks, job plans and sampling frequencies.

OCWA is planning to review feedback from the workshops and isolate the best practices, and to add specific sampling requirements into its asset management system by the end of 2024.

- *follow up that owners take timely corrective action to address the cause of overflows/bypasses and contaminant exceedances.*

  Status: Little or no progress.

Details

Our 2021 audit found that, while OCWA recommended improvements to four wastewater facilities for which it operated both the collection and treatment systems, and that had reported more than 10 bypass or overflow events in 2019 and 2020, only two of the facilities had acted to address the recommendations. This raised concerns that, without corrective action, these facilities would continue to experience bypasses and overflows.

In our follow-up, OCWA informed us that it cannot direct facility owners to implement corrective action by a specific date because it is not a regulator. The final decision to implement corrective action lies with each owner. Instead, OCWA told us it plans to support clients in completing mitigation plans. In addition, the Ministry has placed conditions on owners of wastewater facilities that overflow to force them to conduct studies and identify actions to reduce or eliminate these events. Specifically, the Ministry has included these conditions in the new Consolidated Linear Infrastructure Environmental Compliance Approval (a document that combines all of a municipality's existing individual stormwater approvals into one Environmental Compliance Approval). We were told the Approval will

set specific due dates for the studies, and the actions resulting from these assessments will likely involve significant infrastructure upgrades that will take many years to implement. Because this is an ongoing initiative, completion will depend on the timeline specified in each client's individual Approval.

Recommendation 6

In order to support its municipal clients in addressing the risk of climate change and its impact on critical assets, we recommend that OCWA work with its clients to ensure that asset management plans are in place to address the risks of climate change.

Status: Little or no progress.

Details

Our 2021 audit found that OCWA's senior management acknowledged climate change as a key risk for the agency, and that one of OCWA's key initiatives on climate change is to work with clients to develop asset management plans with a stronger focus on climate change impacts on critical assets. We found that OCWA was in the process of developing asset management plans that address the risk of climate change for 14 clients, which was only 7% of the 201 clients that had operating and maintenance contracts with OCWA in 2020.

At the time of our follow-up, we found that OCWA had developed asset management plans addressing climate change impacts for only 15 of its 201 clients. OCWA told us that it only prepares asset management plans for those clients with whom it is contracted to do so, and not for all its operating and maintenance clients. Some clients choose to develop these asset management plans in-house or to contract this work to third-party consultants. OCWA can ask its clients to share copies of these plans with it, but clients are under no obligation to do so. According to section 5(1) under Ontario Regulation 588/17 of the *Infrastructure for Jobs Prosperity Act*, every municipality will need to prepare an asset management plan for its core municipal infrastructure assets by July 1, 2024.

Recommendation 7

In order to support its municipal clients in meeting the 2030 goal of diverting organics away from landfills and reduce greenhouse gas emissions, we recommend that the Ontario Clean Water Agency work with all of its municipal clients who send their biosolids to landfills to implement the new environmentally friendly initiatives focusing on reduction of greenhouse gases through co-digestion or other related initiatives.

Status: Fully implemented.

Details

Our 2021 audit found that OCWA's top 20 wastewater treatment facilities sent about 4,000 tonnes of biosolids in solid form and 14,600 cubic metres of liquid biosolids to landfills in 2020. OCWA's mandate letter states that it should increase waste diversion by supporting the development and implementation of renewable energy centres that use wastewater and concentrated organic waste to generate biogas for productive use.

In our follow-up, we found OCWA advises clients that send biosolids to landfills on the benefits of environmentally friendly initiatives that reduce greenhouse gas emissions through co-digestion or other related initiatives. OCWA noted it will provide guidance to clients, but that municipalities, not OCWA, are the ultimate decision-making authorities on whether to proceed with the new initiatives.

OCWA has established a program and resources to support municipalities in diverting biosolids from landfill. OCWA has analyzed current biosolid management practices and initiated feasibility studies in biosolids management for five municipal clients in 2023, and has developed and delivered two webinar sessions per year for clients that focus on biosolid and resource recovery and waste diversion.

Reporting of Bypasses, Overflows and Spills

Recommendation 8

In order to inform the public about the details of bypasses, overflows and environmental spills, and to notify recreational water users of the risks of potentially contaminated waters, we recommend the Ministry of the Environment, Conservation and Parks publicly report all relevant details about bypasses, overflows and spills in a timely manner, including the start time and end time of the event, the name of the facility where the event occurred, the volume of the bypass, overflow or spill, the complete cause of the event, and the environmental impact caused by the event.

Status: Little or no progress.

Details

Our 2021 audit found that, although all spill reports submitted by OCWA were displayed on the Ministry's public Ontario Data Catalogue, a lot of key information was missing, such as the start and end times of each event, the name of the facility where the spill occurred, the volume of the spill, the environmental impact caused by the spill, and sufficient information on the cause.

In our follow-up, we found that in December 2022, the Ministry posted an updated Environmental Occurrences and Spills dataset to the Ontario Data Catalogue. However, the updated dataset included only the level of environmental impact caused by the event. It did not include start and end times of each event, the name of the facility where the event occurred, the volume of the bypass, overflow or spill, or the complete cause of the event. The Ministry indicated that, as part of its commitment to continuous improvement, it will consider additional data that can be gathered and released to the public and continue to explore internal processes to improve data quality.

IT Issues

Recommendation 9

In order to have all adverse results for both drinking-water and wastewater facilities identified and investigated in a timely manner by regional hubs, we recommend that the Ontario Clean Water Agency have:

- *regional hubs input all maximum concentration limits for testing parameters at both drinking-water and wastewater systems into the Process Data Management system;*

  Status: In the process of being implemented by December 2023.

Details

Our 2021 audit found that OCWA's Process Data Management system, which stores the test results from its regular testing of drinking-water and wastewater samples, did not contain the maximum allowable concentration limits for substances tested during the treatment of either drinking water or wastewater. Therefore, the system could not flag exceedances in water-sampling test results, which was instead left to individual facility operators and regional compliance managers in OCWA's 11 regional hubs. It also did not permit central monitoring by the corporate compliance team, which operates out of OCWA's head office in Mississauga and is responsible for supporting overall compliance.

In our follow-up, we found that OCWA was reviewing each facility's Process Data Management system template to ensure that site-specific limits, as well as across-the-board limits, were accurate. This review included verifying and entering the site-specific maximum concentration limits for testing parameters at both drinking-water and wastewater systems. The timing of the rollout to the regional hubs has been based on readiness and availability of resources.

As of July 2023, site-specific limits had been verified and entered into the Process Data Management system for wastewater and drinking-water treatment sites in five regional hubs (Waterloo, Eastern, Kawartha Trent, Midwest, and Southwest); work was 50% complete in two additional hubs (Georgian Highlands and South Peel), and work was to begin in three other hubs (Northeastern, Essex and Northwestern). The remaining regional hub (Huron Elgin) has a single client that requested its own system be used for data collection instead of OCWA's Process Data Management system. OCWA reported that, as of July 2023, it was still on track to complete the rollout to all regional hubs by the end of 2023.

Also, an update to the Process Data Management software was completed that allows an alarm manager module to be activated. During our follow-up, OCWA was continuing to work on configuring alarm messaging alongside its work validating the site-specific testing maximum concentration limits. Once the configuration is complete, the system's alarm manager notification will be activated and an automatic email notification will be sent to the specified staff responsible for that facility if the system detects a test result that exceeds the maximum concentration limits.

- *regional hubs input all Permit to Take Water limits into the Process Data Management system;*

  Status: In the process of being implemented by December 2023.

Details

Our 2021 audit found that the Process Data Management system does not contain the maximum amount of water a drinking-water treatment facility can take from a water source on a periodic basis. Therefore, the system could not flag exceedances in water intake volumes, which was instead left to individual facility operators and regional compliance managers.

In our follow-up, we found that as part of the rollout of the Process Data Management system update to each regional hub, OCWA was reviewing each facility's Process Data Management template to ensure that site-specific limits, as well as the across-the-board limits, were accurate. This review included verifying the site-specific Permit to Take Water limits for each facility. The implementation schedule for verifying and entering site-specific Permit to Take Water limits for the regional hubs is the same as the implementation schedule reported in the first action item of **Recommendation 9**. OCWA expects to input all Permit to Take Water limits into the Process Data Management system by the end of 2023.

During our follow-up, OCWA was also continuing to work on configuring alarm messaging alongside its work validating the site-specific Permit to Take Water limits. Once the configuration is complete, the system's alarm manager notification will be activated and an automatic email notification will be sent to the specified staff responsible for that facility if the system detects a flow that exceeds the Permit to Take Water limit.

- *its corporate compliance team monitor the testing results to confirm adverse results are reported to the Ministry by regional hubs, verify that any adverse trends in test results are investigated, and take corrective actions when necessary.*

  Status: In the process of being implemented by December 2024.

Details

Our 2021 audit found that the responsibility for testing, ongoing monitoring, and reporting adverse results to the Ministry remained solely with the regional hubs. The role of OCWA's corporate compliance team was to provide support and compliance tools to the regions and address systemic non-compliance issues across OCWA's facilities. The corporate compliance team received less reliable information on exceedances because its information did not come directly from the Process Data Management system, but rather from the regions. This made it more difficult for the corporate compliance team to monitor and address frequently occurring exceedances.

In our follow-up, we found that OCWA hired a consultant in October 2022 to help it define system requirements and procure a vendor to develop a proposed Health, Safety and Compliance system. Once complete, this system would allow the corporate compliance team to track adverse results at regional hubs, verify that the adverse trends are investigated, and take corrective actions if needed. OCWA plans to identify a list of system requirements through staff workshops, and incorporate it into the request for proposals process for selecting a vendor. The expected implementation date of the Health, Safety and Compliance solution project is December 2024.

Recommendation 10

To protect itself more effectively against the risk of cyberattacks, safeguard client assets and help ensure continuity of services with minimal disruption, we recommend that the Ontario Clean Water Agency test its cybersecurity systems annually or anytime there are changes made to critical systems, specifically by:

- *penetration testing its IT systems;*

  Status: In the process of being implemented by December 2023.

Details

Our 2021 audit found that, although OCWA conducted a vulnerability assessment in November 2020, it has never performed a comprehensive cybersecurity scan, such as penetration testing, to further identify cybersecurity vulnerabilities. According to industry best practices, it is recommended that penetration tests be performed at least annually or anytime there is a major change made to information technology (IT) systems.

At the time of our follow-up, OCWA was in the process of interviewing vendors who will perform the penetration testing. OCWA expects that the penetration testing will be done by December 31, 2023, with a report of the results.

- *implementing a secondary disaster recovery site;*

  Status: Little or no progress.

Details

Our 2021 audit found that, although OCWA's senior management acknowledged cyberattacks as a key risk to the agency, OCWA did not have a secondary data centre in the event that its primary data centre experiences a disaster. A secondary data centre is an alternate facility that is equipped with critical IT infrastructure components, such as servers, network equipment and software, to quickly restore business operations in the event that the primary data centre is unavailable

In our follow-up, we found that OCWA has taken no action to implement a secondary disaster recovery site.

- *testing its disaster-recovery plan;*

  Status: Little or no progress.

Details

Our 2021 audit found that OCWA had not tested its disaster-recovery plan since 2018 to assess its ability to recover its operations in the event of a disaster, such as a cyberattack or a power outage. According to industry best practice, organizations should perform a comprehensive disaster-recovery test at least once a year.

In our follow-up, we found that action on this recommendation was deferred due to OCWA's current business workload.

- *performing a threat risk assessment.*

  Status: In the process of being implemented by June 2024.

Details

Our 2021 audit found that OCWA had not performed a threat risk assessment since 2018, despite major changes to its IT systems through its Business Transformation project (an IT project to improve business processes).

In our follow-up, we found that OCWA is planning to undertake this work by June 2024, once additional network upgrades that were underway during the time of our follow-up are completed.

Asset Management and Maintenance

Recommendation 11

In order to effectively manage the water and wastewater infrastructure for its clients and recommend timely replacements of related assets, we recommend that the Ontario Clean Water Agency (OCWA):

- *work with its clients to identify the installation dates of critical assets, so that the useful life of assets can be tracked and managed accordingly;*

  Status: In the process of being implemented by June 2024.

Details

At the time of our audit, we noted that OCWA was operating almost 55,000 client assets consisting of water tanks, lagoons, sludge holding tanks, power generators, water filters and chlorine analyzers. These assets were listed in OCWA's asset management system. However, there was no known installation date for 71% of the assets. As a result, the age of the assets was unknown to both OCWA and its clients. The age of an asset, along with other factors such as criticality and performance, helps determine the right time to maintain, rehabilitate or replace an asset.

In our follow-up, we found that starting in 2022, OCWA staff were able to add assets' installation dates into the asset management system. As of June 2023, eight out of 11 regional hubs had entered installation dates for 21%-61% of their managed assets, depending on the regional hub. So far, the percentage of assets for which data was entered into the system for each hub was:

- Eastern: 61%
- Kawartha Trent: 59%
- Southwestern: 54%
- Midwest: 51%
- Northwestern: 34%
- Essex: 33%
- Georgian Highlands: 26%
- Northeastern: 21%

OCWA told us the completion date of this initiative depends on the availability of staff and information from clients, but it expects to populate the system with all critical asset data, including installation dates, from all regional hubs by June 30, 2024.

- *use failure data and repair data to drive preventative maintenance and asset management plans;*

  Status: In the process of being implemented by December 2024.

Details

Our 2021 audit found that OCWA was not analyzing asset failure data. This made it difficult to measure the effectiveness of the preventative maintenance work.

Our follow-up found that in 2022, OCWA added functionality to its asset management system that would allow it to track the reasons why assets fail. OCWA created standardized failure codes for regional hub site staff to select from when an asset fails, in order to improve data consistency on the reason for asset failures. With the new, standardized database of asset failure codes, OCWA will have the ability to track the causes of asset failures and use that information in preparing preventative maintenance and asset management plans. The expected timeline for the full rollout of the database to its Operations group is December 2024.

- *develop key performance indicators for asset management that will allow OCWA to measure the effectiveness of preventative maintenance work orders;*

  Status: Little no progress.

Details

Our 2021 audit found that OCWA followed the same routine preventative maintenance schedule for all client assets without considering the age, performance or condition of the assets.

Our follow-up found that OCWA has started to enter asset data—such as age (based on the installation date) and replacement cost—into the asset management system. OCWA indicated it will start developing key

performance indicators for assets once it has finished entering all data on all its client assets into the asset management system.

- *focus efforts on improving performance at sites with increasing number of corrective and emergency work orders;*

  Status: In the process of being implemented by December 2025.

Details

Our 2021 audit found that, while emergency work orders and corrective actions were declining overall, they were increasing at some sites. Specifically, four out of five sites with the greatest number of reactive work orders (emergency, corrective maintenance or after-hour call-backs) in 2020 showed an increasing trend for these types of work orders. Moreover, we noted that OCWA had not investigated the reasons for the increase in reactive work orders at these four sites.

In our follow-up, we found that in March 2023, OCWA added dashboards in its asset management system to monitor the number of corrective and emergency work orders at a regional hub, cluster and site level. The dashboards allow OCWA operations staff to identify sites with a high number, or increasing trend, of corrective and emergency work orders. Also, at the start of 2023, OCWA established monthly and quarterly sessions with regional hub and senior operations staff to review the data trends from the dashboards at a cluster and site level. OCWA plans to fully implement this recommendation by December 2025.

- *track all preventative and corrective work orders against assets;*

  Status: Little or no progress.

Details

Our 2021 audit found that there was no direct correlation between the assets OCWA recommended for replacement and the assets that had the most issues for the five sites we tested. This was mainly due to OCWA not tracking all preventative and corrective work orders against assets listed in its asset management system.

In our follow-up, we found that OCWA's asset management system is only able to track preventative and corrective work orders at the asset level if an asset number is entered on the work order. However, OCWA staff indicated that not all work orders, specifically for preventative maintenance work, are associated with a specific asset. There is also no requirement in the asset management system to enter an asset number on a preventative work order. As a result, OCWA has not established any processes to ensure all preventative and corrective work orders are tracked against assets.

- *provide sufficient information to clients in annual recommendations included in Capital/ Major Maintenance Plans prepared for clients;*

  Status: Little or no progress.

Details

During our 2021 audit, we reviewed OCWA's 2019 and 2020 Capital/Major Maintenance Plans for a sample of facilities to assess whether the plans provided sufficient information for the clients to make informed spending decisions. We found that some plans lacked a rationale for all the assets OCWA recommended for replacement in either of the two years. We also found some plans that provided some rationale, but no failure data on the asset being recommended for replacement, and only limited information on the age and condition of the asset.

In our follow-up, we found that OCWA has developed a new Capital/Major Maintenance Plan template document that includes additional fields to help identify a project's rationale, such as climatic changes; innovation; energy optimization; growth/development infrastructure planning and permitting; environmental compliance; and health and safety.

However, the template still lacked information such as the current age and condition of the asset, the number of times the asset has recently failed, the criticality of the

asset (how important it is to the operation of the plant), and the cost of replacement.

- *track the progress of these recommended replacements.*

  Status: Little or no progress.

Details

Our 2021 audit found that only two of 10 OCWA-operated facilities we sampled were tracking whether the asset replacements OCWA recommended were approved by the client. We also noted that only two of the 10 OCWA-operated facilities we sampled were tracking the progress of the recommended items.

In our follow-up, OCWA indicated that the asset management system could be used to track the progress of all work orders for client assets it recommended for replacement. However, the tracking of this progress is not a required input of the system. OCWA told us that, in conjunction with future system upgrades, it would explore adding fields for capital work orders to indicate the owner's approval or deferral of capital recommendations.

Ministry Monitoring

Recommendation 12

In order to maintain and publicly report accurate information about the operators responsible for drinking-water and wastewater systems, we recommend that the Ministry of the Environment, Conservation and Parks annually remind owners to report to the Ministry in a timely manner when there is a change to the operators of their facilities.

Status: Fully Implemented.

Details

Our 2021 audit found that the Ministry's database did not correctly list OCWA as the operator of 15 drinking-water facilities it operated. The Ministry requires owners of drinking-water and wastewater treatment systems to register their systems with the Ministry and keep operator profile information up to date.

In our follow-up, we found that in March 2023, the Ministry sent out a memo to all drinking-water and municipal wastewater system owners/operators reminding them to ensure that drinking-water and/or wastewater profile information is current, including operator information. The Ministry informed us that this would be done on an annual basis, and plans to send out the next reminder before the end of the 2023/24 fiscal year.

Internal Monitoring

Recommendation 13

In order to fully manage compliance with the regulation and guidelines, we recommend that the Ontario Clean Water Agency:

- *include exceedances, bypasses, Ministry inspection findings, and the findings of internal control inspections (by SAI Global) as part of its risk-based audit selection criteria for its new Integrated Systems Audits and Safety, Process and Compliance Audits;*

  Status: Fully Implemented

Details

Our 2021 audit found that OCWA did not consider Ministry inspections, internal-control inspections (by an external provider, SAI Global), or exceedances and bypasses as part of the risk factors for selecting facilities for audit. Of 95 facilities selected for either an Integrated Systems Audit or Safety, Process and Compliance Audit in 2021:

- only four of the 10 facilities with the most exceedances in drinking water in the preceding two years were selected for audit;
- only one of the 10 facilities with the most bypasses/overflows over the preceding two years was selected for audit;

- only four of the 10 facilities with the most exceedances in wastewater in the preceding two years were selected for audit; and
- none of the facilities with compliance issues identified in SAI Global audits in the preceding two years were selected for audit.

In our follow-up, we found that in early 2022, OCWA updated the criteria it uses to select drinking-water and wastewater facilities for audit. The new selection criteria for Integrated Systems Audits and Safety, Process and Compliance Audits now includes facilities with an increased number of environmental incidents such as exceedances, bypasses and Ministry inspection findings.

With regard to considering the findings of internal control inspections when selecting facilities for Integrated Systems Audits and Safety, Process and Compliance Audits, OCWA stated that including SAI Global audit findings in the selection criteria is unnecessary and that its existing audit criteria is sufficient to flag a municipal residential drinking-water system that may be at higher risk of being out of compliance.

- *centrally track at the corporate level the findings from all internal audits and Ministry inspections and ensure that the regions are taking the necessary corrective actions on a timely basis.*

  Status: In the process of being implemented by December 2024.

Details

Our 2021 audit found that, although OCWA's corporate compliance team records the issues noted in Ministry inspections, it does not track whether issues have been addressed. The corrective actions are each region's responsibility, but the regions do not report to the corporate compliance team on the status of issues noted during Ministry inspections.

In our follow-up, we found that on October 2022, OCWA hired a consulting firm to help define system requirements and procure a vendor to develop a proposed Health, Safety and Compliance system. OCWA plans to identify a list of system requirements through staff workshops, including tracking audit and inspection results centrally, and incorporate it into the request for proposals process for selecting a vendor. The planned implementation date of the Health, Safety and Compliance solution project is December 2024.

Measuring and Reporting on Performance

Recommendation 14

In order to effectively measure its performance and publicly report on it, we recommend that the Ontario Clean Water Agency:

- *identify quantifiable outcome-based measures;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that some of OCWA's performance measures were milestones rather than performance measures. Examples of milestones included establishing a First Nations Advisory Circle and developing an action plan by the end of the year; or developing a new community-based strategy for supporting the elimination of long-term boil water advisories. We also noted that some performance measures were activity-based rather than outcome-based, so they would not measure the actual impact or outcome of OCWA's efforts. For example, for a marketing campaign designed to discourage people from throwing garbage in the toilet, the target was set for 10 million media interactions or views by the public, with no plans to assess whether the campaign would result in less garbage entering the wastewater treatment facility.

In our follow-up, we found that quantifiable outcome-based measures were included in the 2022-24 and 2023-25 business plans. For example, in its 2022-24 business plan, OCWA added the strategic goal of maintaining safe, reliable water and wastewater

systems for clients along with associated outcome measures, such as:

- two or fewer OCWA-operated water systems receive inspection ratings below 90%;
- more than 75% of OCWA-operated water systems receive 100% inspection ratings;
- five or fewer OCWA-operated wastewater systems receive inspection reports with more than five non-compliance items; and
- three or fewer wastewater facilities with less than 90% compliance for effluent limits.

- *set improving targets;*

  Status: Little or no progress.

Details

Our 2021 audit found that OCWA often set future targets that were significantly worse than the performance achieved the year before. For example, with respect to health and safety measures, OCWA set a 2020 target rate of 1.6 recordable incidents of work injuries, when it performed better in each year from 2017 to 2019, and the worst rate achieved in any one of those years was 1.09. Similarly, OCWA set a 2020 target rate of 0.42 for lost-time injuries, when better (lower) rates were achieved in each year from 2017 to 2019, and the worst (highest) rate achieved in any of those years was 0.33.

In our follow-up, we found that for four key operational performance benchmarks, OCWA did not set improving performance targets in its 2023-25 business plan, despite exceeding those performance targets in 2021 and 2022 fiscal years.

- *report publicly on its core mandate of providing safe and reliable water and wastewater treatment services.*

  Status: Fully implemented.

Details

Our 2021 audit found that OCWA only reported publicly on its goals of growing its business, improving productivity, and supporting its clients and employees, but not on the quality of the treated drinking-water or wastewater treatment services it provides—its core mandate. Specifically, we found that OCWA had not developed performance measures for the quality of the drinking water or treated wastewater leaving the treatment facilities it operates. OCWA also did not report on exceedances in contaminants and adverse water-quality incidents for OCWA-operated drinking-water facilities as a whole, nor did it report on exceedances in contaminants and the number of bypass events, overflows and spills for OCWA-operated wastewater facilities as a whole. OCWA also did not report the average annual inspection rating Ministry inspectors assigned to OCWA-operated drinking-water facilities.

In our follow-up, we reviewed the 2022 OCWA annual report, and noted that it included performance benchmark targets and results on the following: water system inspections; adverse water-quality incidents; boil water advisories; wastewater system inspections; effluent limits; bypassing events; and operator licences.

Contract Management

Recommendation 15

In order to charge each client a reasonable and equitable gross margin and to avoid losing money on contracts, we recommend that the Ontario Clean Water Agency:

- *account for all regional and corporate overhead costs when setting contract prices;*

  Status: Little or no progress.

Details

During our 2021 audit, we found that OCWA lost money in 2020 on 17 of its contracts with customers (for example, municipalities, industrial clients and institutions). In all of these cases, OCWA did not even recover its direct costs and allocation of regional costs. According to OCWA, the negative margins generated on some client contracts were caused by incorrectly budgeting for labour costs on some fixed-price contracts, where the extra costs could not be passed on to the client.

During our follow-up, OCWA staff told us that they had begun analyzing overhead costs from corporate and regional offices, and assessing how these costs are applied to client contracts. However, this work has been delayed due to significant changes in OCWA's finance leadership and team.

- *accurately assess the condition of the client's assets before making cost projections;*

  Status: Little or no progress.

Details

Our 2021 audit found that the majority (76%) of OCWA's operational clients with negative margins in 2020 had a fixed annual contract. Based on a sample of fixed-price contracts with negative margins, we found that the reason behind the negative margins was additional labour, sampling, and chemical costs that could not be charged to the clients. OCWA makes cost projections as part of the bidding process for water/wastewater services based on its assessment of the condition of the client's assets. However, OCWA staff told us that they had not accurately assessed the condition of assets at these facilities.

During our follow-up, OCWA informed us that it attempts to assess the pre-existing condition of a potential client's assets by conducting site visits prior to making a cost projection as part of the bidding process for water/wastewater services. However, OCWA indicated that in many cases, it is unable to fully assess the condition of a potential client's assets because of limited time to conduct site visits, the short timelines to prepare a bid, or the high volume of assets to be assessed.

- *annually re-evaluate contracts that are generating negative margins;*

  Status: Little or no progress.

Details

During our follow-up, OCWA informed us that it had investigated options to develop a standardized report to assess contract performance over time. OCWA also told us it requires certain data to be available from its customer relationship management system and its finance system to create the standard reporting. This information is not readily available and requires significant manual efforts to obtain and analyze.

OCWA also informed us that preliminary discussions were under way to assess what information could be sourced from each system and how the report could best be generated. OCWA recognizes that upgrades are required to its financial system in order to generate a consistent report that can then be assessed. Work to upgrade the financial system will begin in 2024.

- *allocate all regional overheads to clients by year-end using a consistent allocation methodology;*

  Status: Little or no progress.

Details

Our 2021 audit found that there was no policy at OCWA regarding the method of allocating regional overhead costs within the various regions. As a result, the application of regional overhead costs to client contracts was inconsistent. For example, the southern region allocated overhead costs based on actual labour hours, while the northern region allocated costs (for cost-plus contracts) in proportion to client revenue.

In our follow-up, we found that OCWA is still analyzing how to account for all regional and corporate overhead costs when setting contract prices (as detailed in the first action item of **Recommendation 15**). Once the policy and analysis are completed, OCWA will look to implement a consistent methodology for allocating costs.

- *for fixed contracts, either charge a greater margin to account for risk of increasing costs, or add in clauses to account for significant changes in costs.*

  Status: Little or no progress.

Details

Our 2021 audit found that with a fixed-price contract, OCWA takes on the risk of cost increases beyond the inflation adjustment. More than 80% of OCWA's contracts are at a fixed price, where OCWA bears

additional risk relating to price increases above the consumer price index for inputs such as labour and the chemicals used to treat drinking water.

During our follow-up, OCWA informed us that it had completed a preliminary evaluation of fixed-price contracts in early 2023 and was planning to review contract language options with respect to establishing caps for certain commodities, such as chemicals. OCWA also told us that it created a working group in 2023 to review all contract templates and terms, and planned to ensure that future fixed-price contracts include:

- consumer price index changes as a billable cost when reconciled at year-end; and
- caps on costs for items with prices that are subject to variability and considered high risk.

OCWA said it would continue to review best practices in fixed-price contracts and will update contract language when able during renewals or during contract negotiations.

Use of Profits and Loans to Clients

Recommendation 16

When the loan to the Ontario Infrastructure and Lands Corporation matures in 2023, we recommend that the Ministry of the Environment, Conservation and Parks recover the $120 million from the Ontario Clean Water Agency and work with OCWA on the future use of the funds for OCWA-related purposes.

Status: Will not be implemented.

The Office of the Auditor General continues to support the implementation of this recommendation.

Details

At the time of our audit, we found that OCWA had an accumulated surplus of $233 million as of December 31, 2020. Some of this was generated by interest income earned on a $120-million loan OCWA made to the Ontario Infrastructure and Lands Corporation (Infrastructure Ontario) using seed money it received from the Province around the time it was created to help it sustain its operations. Before 2015, OCWA was generating losses from operations, and the interest earned on the seed money covered those losses. Since 2015, OCWA has been generating a profit from its operations, but has not been required to provide dividends to the Province.

In our follow-up, we found that this recommendation will not be implemented. When the $120-million loan to Infrastructure Ontario came due on March 1, 2023, OCWA extended the loan for an additional 10 years. We were told that this decision was made after discussions between OCWA, the Ministry of the Environment, Conservation and Parks, the Ministry of Finance, the Ontario Financing Authority and Infrastructure Ontario. OCWA will continue to use the interest income from the loan to fund its objectives and government priorities as set out in the agency's mandate letter from the Minister. We noted that in each of the last two fiscal years, OCWA has continued to generate a profit, $17.2 million in 2021 and $7.3 million in 2022, but has not been required to provide dividends to the Province.

Recommendation 17

In order to maximize income from provincial assets and minimize the risk of loss from financing activities, we recommend that the Ontario Clean Water Agency:

- *develop a cash management plan and timeline for appropriate use of the funds or transfer its investment assets to the Province so that the funds can be invested centrally by an investment agency such as the Ontario Financing Authority;*

  Status: In the process of being implemented by December 2023.

Details

At the end of 2020, OCWA had $75.1 million invested in bank balances, term deposits and other notes. As the Province has a dedicated agency (Ontario Financing Authority) with a mandate to conduct borrowing and investments for the Province of Ontario, OCWA can

better focus its efforts on its core business of operating drinking-water and wastewater treatment facilities.

During our follow-up, we were informed that OCWA had developed a Long-Term Expenditure Plan and provided it to the Ministry of the Environment, Conservation and Parks in 2022. OCWA staff told us that the plan outlines the appropriate use of cash and funds, and does not include the transfer of assets to the Province. At the time of our follow-up, both the Chair of OCWA's Board of Directors and the Minister of the Environment, Conservation and Parks had approved an investment bylaw that would allow OCWA to invest its surplus funds with the Investment Management Corporation of Ontario (IMCO). We were also informed that the Minister of Finance approved the investment bylaw in mid November 2023, and that OCWA was planning to engage the IMCO beginning in December 2023.

- *refer municipalities to Infrastructure Ontario if they require financing for drinking-water and wastewater projects.*

  Status: Fully implemented.

Details

Our 2021 audit found that OCWA is permitted, under the *Capital Investment Plan Act, 1993*, to provide loans to municipalities to build drinking-water and wastewater infrastructure. It was also directed to do so in a mandate letter sent by the Minister of the Environment, Conservation and Parks at that time. However, other government entities also provide loans to municipalities to build drinking-water and wastewater infrastructure. These include both the Ministry of Infrastructure and Infrastructure Ontario.

During our follow-up, OCWA informed us that it was referring municipalities to Infrastructure Ontario for any financing the municipalities require for their drinking-water and wastewater projects.

Staff-Related Matters

Recommendation 18

In order to ensure staff resources are used effectively and efficiently, we recommend that the Ontario Clean Water Agency:

- *develop and use workload measures to assess the effectiveness and efficiency of staff; and*
- *assess staffing allocations annually based on workload.*

  Status: In the process of being implemented by December 2026.

Details

Our 2021 audit found significant differences in the number of full-time equivalent employees (FTEs) assigned per facility in each region. For example, for the regions we sampled during the audit, the average number of FTEs per facility ranged from 0.45 in the Northwestern region to 35.60 in South Peel. OCWA told us that it generally determined FTE count based on historical staffing levels and on the request for proposals submitted to the client. OCWA did not assess staffing levels based on workload, such as through work orders, and had no workload statistics to measure the efficiency and effectiveness of staff.

In our follow-up, we found that OCWA is in the very early stages of transforming its human resources processes and practices, and intends to develop a new Human Resource Information System as part of this transformation. In June 2022, it issued a request for pre-qualification to identify suppliers that would be suitable to invite to a subsequent request for bids to develop and implement this new information system. OCWA told us it expects to use this proposed new Human Resource Information System to electronically track its staffing metrics, and develop workload measures. It also expects to be able to integrate the new system with its asset management system to better allocate staff based on workload. OCWA does not expect to implement this project until December 2026.

Recommendation 19

In order to ensure that effective drinking-water and wastewater treatment services are provided by operators that hold licences appropriate for the facilities being operated, we recommend that the Ministry of the Environment, Conservation and Parks:

- *require operators-in-charge to hold a licence or certificate of the same class as, or higher than, the class of the facility they are overseeing;*

  Status: Will not be implemented.

  The Office of the Auditor General continues to support the implementation of this recommendation.

Details

Our 2021 audit found instances where the operator-in-charge of the facilities we tested held a lower-level licence or certificate than the level of the facility they were in charge of. According to O. Reg. 129/04 under the *Ontario Water Resources Act*, each drinking-water and wastewater facility must designate an overall responsible operator and an operator-in-charge. While only the overall responsible operator is required to have a licence or certificate that is the same level as or higher than the level of the facility, they are not required to be on site at all times. It is the operator-in-charge who is responsible for the day-to-day operations of a facility and typically works onsite given the nature of their responsibilities. During our audit, we found that the overall responsible operator visited most facilities we sampled less than five times during the month, and a few facilities we sampled were not visited at all. By comparison, we contacted three other jurisdictions in Canada (British Columbia, Manitoba, and Saskatchewan), and all three required that the operator responsible for day-to-day operations of the site have a licence at a level equal to or higher than that of the facility.

In our follow-up, we found that the Ministry conducted a comparative analysis of legislative frameworks and policies from other Canadian jurisdictions on equivalent roles to compare them with Ontario's overall responsible operator (ORO) and operator-in-charge (OIC) roles. The Ministry's analysis found that other provinces, for which information was available, also did not require the equivalent to Ontario's OIC to be certified beyond a Class I or II licence or certificate. However, in the case of Manitoba, Saskatchewan and British Columbia, the equivalent to Ontario ORO was required to be on site regularly.

The Ministry informed us that it would not be implementing this recommendation.

- *clarify the expectations of the overall responsible operator, with respect to frequency and type of contact they should have with the facilities they are responsible for.*

  Status : Little or no progress.

In our follow-up, we also found that the Ministry had updated its Guide to Overall Responsible Operator and Operator-in-Charge Roles and Responsibilities, in an attempt to provide further clarification on Ministry policy and expectations. However, these updates do not address our recommendations. With respect to the role of operator-in-charge, this person may still hold a certificate or licence of a lower class than that of the applicable system, and at a minimum a Class I certificate or licence. With respect to the role of overall responsible operator, this person may be physically present at the system or on-call offsite. Further, the frequency with which the overall responsible operator is to attend the system in person is to be determined by the owner or operating authority. Determinants of frequency would typically be based on factors such as the operational complexity of the system, the presence of remote-monitoring capabilities, and the system's age, maintenance and care requirements, etc. The updated guide was to be published on the Environmental Registry of Ontario and the Regulatory Registry for consultation; however, in July 2023 we were informed that the Ministry has put this process on hold.

Recommendation 20

In order to provide safe and reliable water to clients, we recommend that the Ministry of the Environment,

Conservation and Parks require Ontario operators of drinking-water and wastewater systems perform regular CPIC checks on employees that have access to critical assets and IT systems used for facility operations.

Status: Will not be implemented.

The Ministry of the Environment, Conservation and Parks has no plan to require Ontario operators of drinking-water and wastewater systems to perform regular CPIC checks on employees that have access to critical assets and IT systems used for facility operations. The Office of the Auditor General continues to believe that CPIC checks should be performed on these employees. Without a CPIC check, the risk of an individual with a criminal background having the ability to negatively impact water quality and human health increases.

Details

Our 2021 audit found that Ontario operators of water and wastewater treatment systems are not required to undergo Canadian Police Information Centre (CPIC) checks. These operators have access to drinking-water and wastewater systems that can have a significant impact on human health and the environment. CPIC checks on individuals with access to critical assets and IT systems would mitigate the risk of an individual with a criminal background having the ability to sabotage water quality and harm human health.

During our follow-up, the Ministry informed us that it continues to disagree with the recommendation to require CPIC checks for employees of drinking-water and wastewater facilities in Ontario. The Ministry's view is that system owners or operating authorities (that is, municipalities) are better able to assess risks and determine whether CPIC checks are required.

Vendors Used for Major IT Project Not Procured According to Government Procurement Directive

Recommendation 21

To ensure goods and services are purchased at a competitive price, we recommend that the Ontario Clean Water Agency follow the government procurement directive on the type of competitive process required based on the type of service and amounts procured.

Status: In the process of being implemented by December 2023.

Details

In our 2021 audit, we found that OCWA had awarded a $900,000 IT contract to a previously used vendor without undertaking a competitive procurement process. OCWA also extended another vendor's contract by $720,000 without a competitive process. This is contrary to the government's procurement directive, which requires an open competitive process for contracts in excess of $100,000.

In our follow-up, we found that OCWA had taken steps toward ensuring that the government procurement directive is followed. OCWA provided four procurement training sessions to approximately 100 employees in 2022. The training covered the Ontario Public Service Procurement Directive rules, OCWA's purchasing policy, using vendors of record, rules around vendor contracts, the process to request bids or get quotes, posting on Jaggaer (a vendor management system), approval authority levels, purchase order approvals, non-competitive procurements, and documentation requirements. We were informed that OCWA's procurement staff should routinely provide reminders to staff during procurement activities, such as preparing and issuing requests for bids.

OCWA told us its procurement department is involved in purchases that exceed the public-posting thresholds and must approve all purchase orders above $25,000 so that it can document the procurement process that was followed. OCWA informed us that the procurement department was planning to audit some internal procurements from selected facilities in 2023, to assess whether they complied with the procurement directive and other related internal policies. However, these audits had not started as of the time of our follow-up.

Chapter 1
Section
1.12

Ministry of Public and Business Service Delivery

Follow-Up on 2021 Value-for-Money Audit:

Ontario Motor Vehicle Industry Council

RECOMMENDATION STATUS OVERVIEW

		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	2	2				
Recommendation 2	2		2			
Recommendation 3	1			1		
Recommendation 4	3	3				
Recommendation 5	6	2	3			1
Recommendation 6	3	3				
Recommendation 7	2	2				
Recommendation 8	1					1
Recommendation 9	4	3	1			
Recommendation 10	2	1		1		
Recommendation 11	2	2				
Recommendation 12	2	2				
Recommendation 13	2	1		1		
Recommendation 14	1			1		
Recommendation 15	3	1		2		
Recommendation 16	1			1		
Recommendation 17	3	1		2		
Recommendation 18	2	2				
Recommendation 19	2	1	1			
Recommendation 20	2	1		1		
Recommendation 21	4			4		
Recommendation 22	1			1		
Recommendation 23	3	3				
Recommendation 24	3	3				
Recommendation 25	2	2				
Recommendation 26	2			2		
Recommendation 27	4	4				

RECOMMENDATION STATUS OVERVIEW

		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 28	3			3		
Recommendation 29	1			1		
Recommendation 30	1			1		
Total	**70**	**39**	**7**	**22**	**0**	**2**
%	**100**	**56**	**10**	**31**	**0**	**3**

Overall Conclusion

The Ontario Motor Vehicle Industry Council (OMVIC), as of October 20, 2023, had fully implemented 75% of the recommendations that were specifically directed toward it alone. Combined, OMVIC and the Ministry of Public and Business Service Delivery (Ministry), as of October 20, 2023, had fully implemented 56% of the actions we recommended in our *2021 Annual Report*. In addition, OMVIC and the Ministry had made progress in implementing 10% of the recommended actions.

OMVIC had fully implemented recommended actions such as developing a risk framework and assigning an inspection frequency to each level of risk so that it can meet its target to inspect all registered motor vehicle dealers within its required time frame, and so that dealers are inspected based on their risk of non-compliance. In addition, OMVIC developed an inspection oversight process so that inspectors could carry out inspections of motor vehicle dealers more consistently and effectively. OMVIC also implemented a formal framework and criteria for its complaint handlers to follow when determining whether to refer a complaint for further enforcement action so that complaints that warrant enforcement action are consistently escalated. As well, OMVIC reviewed consumer complaints that were not eligible for a claim against the Compensation Fund, and identified 10 opportunities to expand the eligibility criteria for the Compensation Fund. Furthermore, so that the information it publicly reports is accurate, complete and consistent, OMVIC reported on its website the complete results of the consumer surveys it conducts, and reported on completed inspections and site visits separately. OMVIC and the Ministry also implemented recommended actions that will enhance the ability of its Board of Directors to effectively execute its responsibilities to oversee motor vehicle dealers and protect consumers, including establishing fixed term limits for Board members and limiting industry representation on the Board.

However, little progress had been made toward implementing 31% of the recommended actions in our 2021 audit. Most of these relate to recommendations that were directed to or include the Ministry. These include:

- introducing mandatory continuing education requirements for motor vehicle dealers and salespersons;
- reassessing the limitations of the *Motor Vehicle Dealers Act, 2002* that prevent OMVIC from compelling motor vehicle dealers to provide restitution to consumers when dealers have breached the law;
- requiring motor vehicle dealers to provide vehicle purchasers with an information package at the time of purchasing a vehicle that outlines OMVIC's role and the consumer protections available to them;
- establishing a cooling-off period so that consumers have a reasonable amount of time to cancel their vehicle transaction agreement without penalty;

- establishing a protocol for the Ministry to conduct a review of OMVIC when serious complaints about OMVIC arise; and
- introducing a requirement to report cash transactions over a certain threshold to the Financial Transactions and Reports Analysis Centre of Canada to reduce the risk of money laundering through motor vehicle dealers.

In addition, 3% of the recommended action items were no longer applicable. The status of actions taken on each of our recommendations is described in this report.

Background

The Ontario Motor Vehicle Industry Council (OMVIC) was created by the government of Ontario as a not-for-profit delegated administrative authority to administer and enforce the *Motor Vehicle Dealers Act, 2002*, and it also upholds relevant sections of the *Consumer Protection Act, 2002*. OMVIC's mandate is to maintain a fair and informed marketplace by protecting the rights of consumers, enhancing industry professionalism, and ensuring fair, honest and open competition for registered motor vehicle dealers. The Ministry of Government and Consumer Services (now the Ministry of Public and Business Service Delivery) is responsible for overseeing OMVIC and monitoring its performance.

Under the *Motor Vehicle Dealers Act, 2002* (Act), every Ontario motor vehicle dealer of new and used vehicles and every salesperson they employ must be registered by OMVIC. OMVIC does not receive any government funding and is funded primarily from the registration and transaction fees that it charges for every vehicle sold and leased by registered dealers. In 2022, there were 29,197 registered salespersons (29,537 in 2020) working at 8,175 registered motor vehicle dealers (8,195 in 2020) that reported approximately 1.2 million vehicle transactions (1.3 million in 2020). To ensure that motor vehicle dealers and salespersons complied with legislative requirements, OMVIC undertook activities that included inspections and investigations of motor vehicle dealers and salespersons, as well as enforcement actions. OMVIC also sought to improve the public's awareness of consumer rights and protections when purchasing a vehicle.

When disputes arise between a registered motor vehicle dealer and a consumer, OMVIC acts as a mediator to resolve the dispute. From 2016 to 2020, OMVIC mediated approximately 5,400 disputes. Our audit found that about 50% of the 5,400 complaints against dealers resulted in no resolution for consumers, whose remaining option was to pursue their dispute in civil court. We also found that OMVIC did not have the authority to compel a motor vehicle dealer to compensate a consumer.

Further, our audit determined that OMVIC had been accumulating large surpluses of money. From 2015 to 2020, OMVIC's accumulated surplus and reserves increased by 275%, from $6.3 million to $23.6 million. In 2015, OMVIC doubled its vehicle transaction fee from $5 to $10 to invest in improving public awareness, and to increase the resources devoted to its enforcement actions. However, the human resources deployed to its key operating areas, including its complaints, inspection and registration departments, remained largely unchanged after the fee increase. In addition, we found that the number of compliance inspections of dealers declined by 13% from 2016 to 2019.

OMVIC's Board of Directors was, at the time of our audit, heavily represented by motor vehicle dealers even though OMVIC is a consumer protection agency. There were no term limits for Board members and some members had served on the Board for 14 years or more.

Some of our key findings were:

- OMVIC's investigations were lengthy, taking on average 220 days to complete, and their length ranged from one day to as many as 1,633 days. We found significant differences in the average time it took OMVIC investigators to complete their assigned investigations, ranging from 98 days for one investigator to 522 days for another. OMVIC did not have a process to monitor whether investigators were completing investigations on a timely basis and to assess whether

differences between investigators were reasonable, and to take corrective action when they were not.

- Most investigations did not result in enforcement action. In 67% of the 1,547 investigations of motor vehicle dealers completed from 2016 to 2020, OMVIC did not take any enforcement action against the dealer. We found significant differences between investigators in how often they chose to take enforcement action, ranging from action being taken in 9% to 54% of investigations completed. OMVIC did not have a process to monitor whether investigators took appropriate action based on the results of their investigations. We reviewed a sample of 100 investigations that were closed without any further action and found that in 23 of them investigators did not conduct a thorough investigation.
- Most consumers were not aware they had no cooling-off period when purchasing or leasing a vehicle in Ontario. A cooling-off period is a period of time available following a vehicle lease or purchase to cancel the contract for any reason and receive a refund. From 2016 to 2020, 18% of complaints mediated by OMVIC related to disputes over contract cancellations. In contrast, Quebec provides consumers that finance or lease a vehicle with a two-day cooling off period.
- Consumer awareness of, and motor vehicle dealer compliance with, all-in-price advertising continued to be low, despite the law having been in effect for more than 10 years. OMVIC identified that 41% of the motor vehicle dealers it visited in 2020 failed to comply with the all-in-price advertising requirement. About 76% of consumers surveyed by OMVIC either had never heard of the all-in-price requirement or did not understand what it meant.
- The Compensation Fund was unable to protect consumers in all cases when registered motor vehicle dealers had breached the law—it protected consumers only in certain circumstances. The criteria specified in the Act did not capture all situations in a vehicle purchase where harm to consumers could result. Further, the Compensation Fund Board was not able to use discretion to pay out claims that did not fit the criteria.
- Consumers who purchased vehicles from illegal motor vehicle dealers were not protected by the Compensation Fund. Illegal dealers often posed as private sellers and, in some cases, sold vehicles that were stolen, damaged or rebuilt, or where the odometer had been tampered with. If OMVIC investigated and determined that consumers had been intentionally misled by an illegal dealer, these consumers were still not eligible for compensation.
- The Ministry had not fully investigated governance concerns at OMVIC. In 2019, three of OMVIC's Compensation Fund Board members resigned in protest as a result of actions taken by OMVIC's Board members. In 2017, the Ministry had been notified of the alleged dismissal of a high-ranking senior employee at OMVIC who had made allegations against OMVIC's Board. We found that the Ministry did not thoroughly review any of the concerns raised and limited its efforts to making inquiries to OMVIC's current senior management and placing sole reliance on their representations.

We made 30 recommendations, consisting of 70 action items, to address our 2021 audit findings. We received commitments from OMVIC and the Ministry at that time that they would take action to address our recommendations.

Standing Committee on Public Accounts

On April 6, 2022, the Standing Committee on Public Accounts (Committee) held a public hearing on our audit of the Ontario Motor Vehicle Industry Council. In February 2023, the Committee tabled a report in the Legislature resulting from this hearing. The

Committee endorsed our findings and recommendations, and made 12 additional recommendations. The Ministry reported back to the Committee in June 2023. The Committee's recommendations and our follow-up on its recommendations are found in **Chapter 3**, **Section 3.04** of our *2023 Annual Report*.

Status of Actions Taken on Recommendations

We conducted assurance work between April 2023 and September 2023. We obtained written representation from OMVIC and the Ministry that effective November 20, 2023, they had provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Registration of Motor Vehicle Dealers

Recommendation 1

To confirm that applicants seeking to register as motor vehicle dealers can be expected to be financially responsible in the conduct of their business, as required by the Motor Vehicle Dealers Act, 2002*, we recommend that the Ontario Motor Vehicle Industry Council (OMVIC):*

- *implement a revised registration application review process, which includes assessing whether motor vehicle dealers have adequate start-up funding to operate their business; and*
- *train its registration staff on its future updated application review process so that it is consistently applied by all registration staff when reviewing new motor vehicle dealer applications.*

Status: Fully implemented.

Details

In our 2021 audit, we found that OMVIC does not, as required under the *Motor Vehicle Dealers Act, 2002* (Act), fully assess whether applicants for motor vehicle dealer registration have sufficient funding to open and operate their dealerships to confirm they are sufficiently positioned to meet all their financial responsibilities under the Act. We noted that OMVIC collected information on the projected number and price range of vehicles to be sold, start-up capital and planned vehicle inventory. However, OMVIC did not require applicants to provide the type and amount of expected expenditures, such as lease or mortgage payments for their place of business, advertising costs, insurance for vehicles, salaries of employees and vehicle repair costs for selling used vehicles. Instead, OMVIC's review of financial information to make its assessment was focused on verifying where an applicant is obtaining their financing and start-up funds to ensure those funds were not obtained illegally.

In our follow-up, we found that OMVIC had revised its new registration application, added additional questions and requirements about applicants' start-up funding, and implemented a new requirement for applicants to submit a business plan. This included requiring applicants to submit a financial plan that explains how the applicant's business is projected to generate enough income to repay any loans, as well as pay for operational and other expenses. New applicants are also required to fill out a financial template included in the application form that highlights all specific start-up capital and third-party investments that the applicant expects to receive, and the projected monthly operating expenses they will incur, such as rent payments, salary expenses and advertising expenses.

We also found in our follow-up that OMVIC had updated its website to communicate its changes to the registration process, and had prepared and posted an FAQs page to assist applicants with the new requirements. In addition, OMVIC had trained its registration staff on these updated registration processes, and initiated monthly meetings with senior staff to monitor whether registration staff members were consistently applying these new requirements.

Recommendation 2

To enhance consumer protection, and increase recoveries to the Compensation Fund, we recommend that the Ontario Motor Vehicle Industry Council:

- *update its registration policies to require a letter of credit from every motor vehicle dealer at the time of registration;*

  Status: In the process of being implemented by December 2023.

Details

In our 2021 audit, we found that OMVIC rarely requested letters of credit from registration applicants, even though the *Motor Vehicle Dealers Act, 2002* allows OMVIC to request a letter of credit from the motor vehicle dealers it registers if it determines that there is a risk that a dealer may not be able to compensate consumers if the dealer fails to meet its obligations under the Act. Our review of a sample of approved registration applications from 2016 to 2020 identified financial risks in 40% of them, which included past bankruptcy filings and past allegations of fraud investigated for illegally selling vehicles without being registered. However, despite having this information at its disposal, OMVIC only required one of these applicants to provide a letter of credit for registration. In addition, we found that from 2016 to 2020, OMVIC obtained letters of credit from just 4% of newly registered motor vehicle dealers.

In our follow-up, we found that OMVIC had reviewed the processes of the Vehicle Sales Authority of British Columbia and the Alberta Motor Vehicle Industry Council concerning letters of credit. Based on its research, OMVIC indicated that it was in the process of updating its relevant policy and processes. OMVIC planned to implement its revised letter of credit policy and procedures by December 2023. Once complete, OMVIC plans to communicate changes to applicants, registrants and stakeholders as needed.

- *extend the time frame that it holds a letter of credit past the closure of the dealership.*

  Status: In the process of being implemented by December 2023.

Details

In our 2021 audit, we found that from 2016 to 2020, OMVIC had paid out approximately $2.4 million in claims from its Compensation Fund as a result of 60 motor vehicle dealers breaching their obligations under the *Motor Vehicle Dealers Act, 2002* and the *Consumer Protection Act, 2002* and causing financial losses for consumers. Over the same period, we found that OMVIC recovered only about $520,000 from some of these 60 motor vehicle dealers, or just 22% of the claims it paid. We also found that OMVIC had a letter of credit in place for less than 1% of all motor vehicle dealers registered at the time, including those that were the cause of claims to the Compensation Fund. A letter of credit would have allowed OMVIC to recover additional money directly from motor vehicle dealers for claims paid from the Compensation Fund.

In our follow-up, we found that OMVIC, as previously noted, had reviewed the processes at the Vehicle Sales Authority of British Columbia and the Alberta Motor Vehicle Industry Council concerning letters of credit, and was assessing its options for implementing this recommendation. OMVIC planned to revise its letter of credit policies and procedures by December 2023. Once complete, OMVIC plans to communicate changes to applicants, registrants and stakeholders as needed.

Recommendation 3

To enforce consumer protection in the motor vehicle industry, and to ensure that motor vehicle dealers and salespersons are up to date on changes to the Motor Vehicle Dealers Act, 2002*, we recommend that the Ministry of Government and Consumer Services introduce mandatory continuing education requirements for motor vehicle dealers and salespersons.*

Status: Little or no progress.

Details

In our 2021 audit, we found that OMVIC did not require registered motor vehicle dealers or salespersons to take continuing education courses as a condition of renewing their registration to keep up with relevant legislative and regulatory changes. As a result, we determined that 54% of registered motor vehicle dealers, and 24% of registered salespersons had not taken OMVIC's updated education course.

In our follow-up, we found that the Ministry had made little progress toward implementing this recommendation. We noted that in October 2022, OMVIC had provided a proposal to the Ministry recommending that it implement a requirement for continuing professional development as a condition for renewing registrations for motor vehicle dealers and salespersons.

We also found that the Ministry was in the process of conducting jurisdictional research, and consulting with other provinces that regulate motor vehicle sales and have continuing education as part of their renewal requirements. The Ministry also collected information on the continuing education programs at other delegated administrative authorities in Ontario, including the Bereavement Authority of Ontario and the Real Estate Council of Ontario. The Ministry told us it was researching options for implementing a mandatory continuing education program. Based on this research and advice from OMVIC, the Ministry said it would then finalize policy options for public consultation and develop proposals for legislative and/or regulatory amendments for the government's consideration.

Recommendation 4

So that the Ontario Motor Vehicle Industry Council (OMVIC) can meet its target to process applications for new motor vehicle dealer registrations in a timely manner, we recommend that OMVIC:

- *work with motor vehicle stakeholder groups to review and revise its application and application process so that it is clear to applicants what specific supporting documents they are required to provide with their application;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that from 2016 to 2020, 87% of new motor vehicle dealer applications submitted to OMVIC were missing key information required to process the application. This resulted in increased staff time for OMVIC to follow up and obtain missing information from applicants. We found that the key reason applications were incomplete was that the application form did not clearly explain what information, including supporting documentation, OMVIC required so it could review and approve an applicant for registration.

In our follow-up, we found that OMVIC had revised its new registration application to clarify the information and documentation needed to process the application, including a new business plan checklist. The new process requires an applicant to include supporting documentation on available start-up funds, ownership of property, inventory, investments, and any outstanding debts (including government tax documents and notices of assessment). OMVIC also indicates on its new registration application form that failure to provide all required supporting documents could delay the application process.

- *perform a cost-benefit analysis of implementing an electronic version of the application process with built-in controls to prevent incomplete applications from being submitted;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that one reason that registration applications were sent incomplete to OMVIC was that all applications for new motor vehicle dealers were paper-based and could not be submitted electronically. As a result, no controls were in place to prevent an applicant from submitting an application form with incomplete information.

In our follow-up, we found that OMVIC had launched a new information system in May 2023 and converted all its applications to an electronic format. The new information system includes an online registration portal and application with built-in controls to prevent incomplete applications from being submitted. With the new registration portal, new applicants and existing registrants can submit new applications for registration and registration renewals online.

- *after completing these steps, perform a workload study to determine appropriate staffing levels to process applications within its targeted time frame.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that although the volume of new applications for motor vehicle dealer registration had increased by 24% from 2016 to 2019, and in the majority of cases OMVIC had not been meeting its target to complete registration applications within six weeks, OMVIC's level of staff dedicated to reviewing these applications had remained unchanged. We also found that in March 2018, OMVIC engaged a third-party consultant that reviewed its registration department and recommended that OMVIC increase its complement of registration staff. Despite this recommendation, OMVIC had not increased its staffing level at the time of our audit.

In our follow-up, we found that the OMVIC had conducted a workload study of its registration department that concluded the department should add 10 new staff. The positions included a new registration manager to oversee OMVIC's senior registration officers; a working team lead to focus on updating applications, templates, policies and procedures, as well as team training; and additional registration officers to process and approve applications. At the time of our follow-up, eight of the 10 positions had been filled.

Inspections of Motor Vehicle Dealers

Recommendation 5

So that the Ontario Motor Vehicle Industry Council (OMVIC) can meet its target to inspect all registered motor vehicle dealers within the required time frame, and so that dealers are inspected based on their risk of non-compliance, we recommend that OMVIC:

- *develop a risk framework (for example, high, medium and low) and assign an inspection frequency to each level of risk;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that about 40% of registered motor vehicle dealers had not been inspected in more than three years, including 14% that had not been inspected in more than five years. We found that OMVIC had not assigned a risk rating (such as high, medium or low) to each dealer. Although OMVIC had set a target to inspect motor vehicle dealers at least once every three years, we found that OMVIC had not assigned an inspection frequency to its registered motor vehicle dealers based on their assessed risk of non-compliance. This had resulted in some high-risk dealers not being inspected for several years, or at all.

In our follow-up, we found that OMVIC had developed a risk framework in February 2022, and assigned a specific inspection frequency to each level of risk. OMVIC assesses the risk level of a motor vehicle dealer based on factors that include past complaints, the outcome of the last inspection, and code of ethics violations. Based on its assessment, OMVIC assigns dealers a risk level of high, medium or low. High-risk dealers are to be inspected annually, and medium- and low-risk dealers are to be inspected once every three and five years, respectively.

- *determine and assign a risk level and inspection frequency to each motor vehicle dealer;*
- *put in place systems to ensure that each dealer is scheduled for and receives an inspection based on its assigned risk level;*
- *put in place systems to reassess each dealer's risk level on an ongoing basis;*

  Status: In the process of being implemented by December 2023.

- *perform a cost-benefit analysis on implementing an information system that can continually assess the risk of each dealer and assign an appropriate inspection frequency based on the dealer's risk level;*

  Status: No longer applicable.

Details

In our 2021 audit, we found that OMVIC had not assigned a risk rating (such as high, medium or low) to each dealer. We found that OMVIC generates a list for each of its 12 inspectors for the dealers in the geographic area they are responsible for. Each inspector was expected to inspect all dealers on their list by the

end of the year, manually determining the order in which they are inspected. However, we found that inspectors did not inspect all of the dealers on this list—dealers that were not inspected were rolled over to the list generated for the following year and, as a result, the highest-risk dealers were not prioritized for inspection—and in some cases, were not inspected at all.

In our follow-up, we found that OMVIC put in place a new IT system in May 2023 and was in the process of developing functionalities to use it to determine an appropriate inspection frequency for each motor vehicle dealer, schedule inspections, and reassess the risk level for each dealer on an ongoing basis. OMVIC expects to implement these enhancements to its IT system by December 2023. OMVIC informed us that the IT system will include functionalities so that it is capable of continually assessing the risk of each dealer and assigning an appropriate inspection frequency based on the dealer's risk level.

Since OMVIC has already implemented a new IT system, performing a cost-benefit analysis to ascertain its value is no longer applicable.

- *assess the workload of inspectors and ensure that OMVIC has sufficient staff to carry out and complete annually assigned inspections on a timely basis.*

  Status: Fully implemented.

Details

In our 2021 audit, OMVIC's inspectors indicated that additional inspectors were required to complete all the inspections they were assigned. If an assigned inspection was not completed by the end of the year, dealers that were not inspected were rolled over to the list generated for the following year. As a result, we found that between 2011 and 2020, the annual list of dealers to be inspected increased by 73%, from 2,286 in 2011 to 3,948 in 2020. We also noted that, at the time of our audit, one of the inspector positions in the Niagara region had remained vacant since 2015. As a result, the Niagara region had the highest number of dealerships that had not been inspected for more than three years.

In our follow-up, we found that OMVIC had conducted a study to assess the workload of its inspections department, which recommended seven new positions be created. OMVIC told us it filled five of those positions as of August 2023, and it plans to consider hiring additional staff for the inspections department in the future.

Recommendation 6

So that the Ontario Motor Vehicle Industry Council's (OMVIC's) inspectors carry out inspections of motor vehicle dealers consistently and effectively, we recommend that OMVIC:

- *develop and implement an inspection oversight process that includes an inspection file review and documented assessment of whether inspections are carried out effectively and consistently;*
- *where inconsistencies are identified, take steps to facilitate corrective action;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that OMVIC did not have a process in place to periodically review the inspections completed by its inspectors to ensure they were checking everything they were expected to check, and that inspections were performed consistently. In our review of 30 inspection files, we found that inspection practices varied between inspectors. For instance, in seven of the 30 inspections we reviewed, the inspector did not evaluate whether the dealer complied with the all-in-price advertising requirement. We also found that different inspectors reviewed vastly different proportions of vehicle transaction files in relation to the dealer's total volume of transactions. For example, one inspector reviewed 25 transactions from a dealership that sold about 50 vehicles a year, while another inspector reviewed 23 transactions even though the motor vehicle dealer sold over 900 vehicles a year.

In our follow-up, we found that OMVIC had implemented an inspection oversight process, and hired an additional inspection manager to increase the level of

oversight in the department. The manager of inspections conducts monthly meetings with each inspector to review a sample of closed and active inspections to identify and address inconsistencies as appropriate.

- *periodically rotate inspectors in geographic areas when it is feasible to do so.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that OMVIC did not periodically rotate its inspectors to ensure they maintained independence from motor vehicle dealers. OMVIC told us that inspectors were hired based on where they lived, which determined the territory they oversaw and their home office. OMVIC noted that rotating inspectors would not be cost-effective due to the increased travel and relocation costs that would be associated with it. Nevertheless, we noted that 40% of registered motor vehicle dealers were located in the Greater Toronto Area, and an opportunity existed to rotate inspectors within this area.

In our follow-up, we found that OMVIC put in place a new policy in February 2022 to periodically rotate inspection staff. According to the new policy, the manager of inspections is to evaluate and rotate inspection staff every three years, where geographically feasible. The manager of inspections also has the discretion to re-evaluate and change the frequency of the rotation, as deemed necessary. OMVIC advised us that between September 2022 and January 2023, it rotated five of its inspectors.

Recommendation 7

So that violations of the Motor Vehicle Dealers Act, 2002 *and the relevant sections of the* Consumer Protection Act, 2002 *are corrected by motor vehicle dealers on a timely basis, we recommend that the Ontario Motor Vehicle Industry Council:*

- *develop and implement a framework with appropriate time frames that provides guidance to inspectors on the types of violations of the acts that should be reviewed with a follow-up inspection; and*
- *ensure that follow-up inspections are performed in accordance with this framework.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that OMVIC did not provide instructions to guide its inspectors on the types of violations that warrant a follow-up inspection. As a result, OMVIC's inspectors infrequently performed follow-up inspections to confirm that violations of the acts identified during inspections had been addressed. Between 2016 and 2020, OMVIC identified violations of the acts in 2,582, or 25%, of inspections it completed. In 77% of these inspections, OMVIC's inspectors closed the inspection file without taking any enforcement action or performing a follow-up inspection to confirm that the violations had been addressed and had ceased.

In our follow-up, we found that in February 2022 OMVIC implemented a policy to guide its inspectors on the types of violations that require a follow-up inspection. These include failure to disclose a material fact, improper maintenance of books and records, and lien payout concerns. The new policy requires that the follow-up inspections be completed within 12 months of the inspection date.

Recommendation 8

To improve motor vehicle dealer compliance with the all-in-price advertising requirement, we recommend that the Ontario Motor Vehicle Industry Council utilize information gathered by consumer associations to take appropriate enforcement action against motor vehicle dealers that do not comply with the Motor Vehicle Dealers Act, 2002.

Status: No longer applicable.

Details

In our 2021 audit, we found that OMVIC visited 165 dealers between 2016 and 2020 as part of its in-house mystery shopping program and took enforcement action against 52 dealers that it found did not comply with the *Motor Vehicle Dealers Act, 2002* requirement for all-in price advertising. In contrast, over this same

period, OMVIC paid Car Help Canada and the Automobile Protection Association a total of approximately $1 million to conduct mystery shopping at 397 motor vehicle dealers. The associations identified that 167 of the 397 dealers they visited attempted to charge fees in excess of a vehicle's advertised price—violating the all-in-price advertising requirement. However, we found that OMVIC had not taken enforcement action against any of these dealers.

In our follow-up, we found that OMVIC has ceased using consumer associations to conduct mystery shopping to help uncover all-in pricing advertising violations. This decision was made because OMVIC could not take enforcement action for violations found since the mystery shopping was not being conducted by its own investigators. Instead, OMVIC expanded its internal mystery shopping program by hiring a dedicated manager of investigation for mystery shopping. As a result, OMVIC has increased the number of in-house mystery shopping visits and enforcement actions against non-compliant dealers. For example, OMVIC conducted 193 mystery shopping visits at dealers in 2022 and found violations at 68 dealers. OMVIC issued a caution letter to 41 of these dealers, while the other 27 were referred for further disciplinary action.

Investigations of Motor Vehicle Dealers

Recommendation 9

So that investigations of registered and unregistered motor vehicle dealers and salespersons are completed effectively and on a timely basis, and that appropriate enforcement action is taken where justified, we recommend that the Ontario Motor Vehicle Industry Council:

- *establish reasonable guidelines or benchmarks for enforcement action and the timely completion of investigations;*
- *monitor investigations against these guidelines or benchmarks to identify and follow up where significant differences are found;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that OMVIC had not established benchmarks or guidelines for how long different types of investigations should take to complete. We analyzed the 1,547 investigations OMVIC completed between 2016 and 2020 and found that OMVIC's investigations were lengthy, taking on average 220 days to complete. We also found significant differences in the average length of time it took each of OMVIC's investigators to complete their assigned investigations, ranging from an average of 98 days for one investigator to 522 days for another. In addition, we found that most OMVIC investigations did not result in enforcement action. OMVIC did not take any enforcement action against the dealer in 67% of the 1,547 investigations it had completed. We also found significant differences between investigators in taking enforcement action. For example, while one investigator took enforcement action in 42 (54%) of the 78 investigations they had completed, another investigator had done so in only 9 (9%) of 98 investigations they had completed.

In our follow-up, we found that OMVIC had developed and implemented benchmarks for the timely completion of investigations. According to OMVIC's benchmarks, low-, medium- and high-complexity investigations should be completed in four, nine and 18 months, respectively. To ensure appropriate enforcement actions are taken, prior to closing an investigation, the investigator is required to consult with the manager of investigation and obtain approval on the status of the investigation prior to closing the file. In instances where the benchmarks are not met, or likely not to be met, the manager of investigation is required to conduct a review of the circumstances and take appropriate action where needed.

- *establish a process to periodically review investigation files to determine if they are complete and result in appropriate enforcement action, and to take corrective action where necessary;*

  Status: In the process of being implemented by December 2023.

Details

In our 2021 audit, we found that OMVIC did not have a process in place to periodically review the investigation files completed by its investigators. We reviewed a sample of 100 investigations that were closed without any further action and found that in 23 of these investigations, investigators did not conduct a thorough investigation. This included nine investigations where there was evidence the *Motor Vehicle Dealers Act, 2002* and the *Consumer Protection Act, 2002* had been violated, but the investigator did not provide a rationale for why no further action was taken before closing the investigation.

In our follow-up, we found that OMVIC implemented a process in November 2022 for management to periodically review investigation files. The manager of investigation is to review investigation files on a monthly basis to determine if they are complete and resulted in appropriate enforcement action, and to take corrective action where necessary. OMVIC indicated it is also in the process of developing functionality in its new information system (implemented in May 2023) to enable an electronic management oversight process by December 2023.

- *develop policies and procedures on key aspects of investigations to help guide the work of its investigators.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that OMVIC did not have key operational policies and procedures that described how to undertake certain basic investigative activities, such as how to initiate and close investigations, prepare a prosecution brief and disclosure documents, or obtain a search warrant.

In our follow-up, we found that in November 2022 OMVIC developed and implemented a policy and set of procedures to help guide the work of its Investigations team. The new investigation policy document has detailed procedures on key aspects of investigations including initiation and closure of investigations, prioritization of investigations, benchmarks for timeliness, referral of files for administrative action, collection and preparation of disclosure documents, search warrant procedures, and interviewing witnesses.

Dispute Resolution Process

Recommendation 10

To provide consumer protection, and strengthen the Ontario Motor Vehicle Industry Council's (OMVIC's) effectiveness in both mediating and resolving disputes between consumers and motor vehicle dealers, we recommend that OMVIC:

- *record in its systems its assessment of whether a motor vehicle dealer has breached one or more provisions of the* Motor Vehicle Dealers Act, 2002 *or the* Consumer Protection Act, 2002 *for each complaint it reviews;*

  Status: Fully implemented.

Details

In our 2021 audit, we were told that in the course of mediating complaints, OMVIC complaint handlers informally share their views with dealers and consumers on whether the dealer has breached applicable laws. Despite this, complaint handlers do not generally make a formal determination on whether a dealer has breached applicable laws, or record such a determination in OMVIC's systems—in part because OMVIC cannot enforce a binding resolution.

In our follow-up, we found that in September 2023, OMVIC implemented a functionality in its new information system (launched in May 2023) for its complaint handlers to record their assessment of whether a motor vehicle dealer has breached applicable laws. OMVIC also hired a quality assurance manager for its complaints handling department to review escalated complaint files and to assess for any potential breaches of the *Motor Vehicle Dealers Act, 2002* or the *Consumer Protection Act, 2002* that may have been made by motor vehicle dealers. If breaches are identified, the quality assurance manager is to ensure all the necessary information and supporting documentation has been collected, and then to escalate the complaint for further enforcement action.

- *work with the Ministry of Government and Consumer Services to reassess the current limitations of the* Motor Vehicle Dealers Act, 2002 *that prevent OMVIC from compelling motor vehicle dealers to provide restitution to consumers when they have breached the law.*

  Status: Little or no progress.

Details

In our 2021 audit, we found that although OMVIC attempted to mediate and resolve consumer complaints, OMVIC did not have the authority to compel a motor vehicle dealer to reach a fair resolution to a complaint or to provide compensation to a consumer, even if OMVIC informally determined that the dealer had breached one or more of the provisions of the acts. We reviewed a sample of 100 complaints where OMVIC had been unable to mediate a resolution and found that in 50 of these complaints the dealer appeared to have breached one or more of the provisions in the acts. Nevertheless, in these instances the consumer did not receive compensation from the dealer.

In our follow-up, we found that little progress was made toward implementing this recommended action. OMVIC had sent a proposal to the Ministry, recommending it expand the eligibility criteria of the Compensation Fund rather than enable OMVIC to compel a motor vehicle dealer to provide restitution to consumers during the complaint handling process. OMVIC expects that expanding eligibility to the Compensation Fund will encourage motor vehicle dealers to resolve and pay restitution to consumers in the case of a valid complaint, as consumers will otherwise be eligible to make a claim to the Compensation Fund.

We also found that the Ministry was in the process of conducting jurisdictional research, including consulting with other provinces about their rules on compelling motor vehicle dealers to provide restitution to consumers. The Ministry also conducted research on other complaints and dispute resolution processes at other delegated administrative authorities, including Tarion, a delegated authority that backstops builder warranties on new construction homes, and the Home Construction and Regulatory Authority, which regulates new home builders and vendors. The Ministry told us that once it had completed this research and consulted with OMVIC, it will then finalize policy options for public consultation, and will develop proposals for legislative and/or regulatory amendments for the government's consideration.

Recommendation 11

To improve motor vehicle dealer compliance with the requirements of the Motor Vehicle Dealers Act, 2002*, and to ensure that complaints that warrant enforcement action against motor vehicle dealers are consistently escalated for enforcement action, we recommend that the Ontario Motor Vehicle Industry Council (OMVIC):*

- *create a clear and specific framework and criteria to be used to determine when a complaint involving a motor vehicle dealer is to be referred for enforcement action;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that complaint handlers were not provided with a formal framework or criteria to determine whether a complaint should have been referred for enforcement action. Instead, the decision to refer a complaint for enforcement action was left to the discretion of each individual OMVIC complaint handler based on their assessment of the conduct that resulted in the complaint, and the registrant's previous conduct history.

In our follow-up, we found that in November 2022 OMVIC implemented a formal framework and set out criteria for its complaint handlers to follow when determining whether to refer a complaint for enforcement action. The framework outlines specific instances when a complaint should be referred for enforcement action, including for specific breaches of the *Motor Vehicle Dealers Act, 2002*. These include instances when a motor vehicle dealer misrepresents or fails to make the required disclosures to a consumer about a vehicle, or when a vehicle is sold by a dealer with a safety standards certificate and is subsequently found by a Ministry of Transportation officer to be unsafe to drive.

The framework also includes guidelines that complaint handlers must follow when determining whether to refer a complaint for enforcement action. These guidelines indicate the complaint handler must consider certain factors prior to making a referral for enforcement action, such as the seriousness of the breach in terms of risks to consumers and/or other registrants, the number of times the registrant has been previously warned about this type of breach, how long the dealer has been registered without significant administrative concerns, and how co-operative the registrant has been during the complaint handling process. OMVIC also has updated its complaint handling policies and procedures to reflect this framework.

- *train all complaint handling staff to consistently and accurately apply this framework and criteria to all complaints received and mediated by OMVIC.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that OMVIC did not consistently take enforcement action against motor vehicle dealers when its complaint handlers determined a dealer had breached one or more provisions in the acts and caused the consumer harm. We reviewed 100 consumer complaint files where OMVIC had been unable to mediate a resolution, and found that in 50 of these complaints the dealer appeared to have breached one or more of the provisions in the acts. However, we found that in 40 (80%) of these 50 complaints, the file was closed without referral for enforcement action. We also found that 38 out of 40 of these motor vehicle dealers had a history of similar consumer complaints in the past.

In our follow-up, we found that OMVIC had formally trained its complaint handling staff on its new framework and guidelines for referring complaints for further enforcement action. This included explaining to its staff the purpose of the new framework and guidelines, and training them how to use it appropriately to handle incoming complaints. OMVIC also hired two managers for its complaints handling department—a consumer support manager and a quality assurance manager—to review complaints handled by staff, and to help ensure staff are applying the framework consistently and accurately.

Recommendation 12

So that consumer complaints are effectively mediated and that complaints that warrant enforcement action against motor vehicle dealers are escalated for enforcement, we recommend that the Ontario Motor Vehicle Industry Council (OMVIC):

- *conduct a workload study for its complaint handling staff; and*
- *use the results of this study to ensure that OMVIC's consumer support team is sufficiently staffed.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that OMVIC had not assessed workloads at its complaints department to determine whether the department was sufficiently resourced to fulfill and execute its responsibilities and effectively resolve complaints. We noted that the number of complaints that OMVIC's complaint handlers were responsible for increased by 20% from 2016 to 2019. Over this same period, the percentage of complaints that were closed without resolution increased from 47% in 2016 to 59% in 2019. In addition, the complaint handlers we spoke to advised us that the demands of their mediation workload limited the number of complaints they were able to escalate for enforcement action.

In our follow-up, we found that OMVIC conducted a workload study of its complaints handling department. The workload study recommended that the complaints department hire nine additional positions, including a consumer support manager to oversee complaints handling staff, and a quality assurance manager to review complaints and ensure they are being handled consistently and accurately. At the time of our follow-up, six of the nine recommended positions had been filled. OMVIC told us it plans to continue to reassess staff demands, and ensure that the complaints department's needs are met.

Compensation Fund

Recommendation 13

To protect consumers who purchase a motor vehicle from a registered motor vehicle dealer that does not meet all its obligations under the Motor Vehicle Dealers Act, 2002 *or relevant sections of the* Consumer Protection Act, 2002*, we recommend that the Ontario Motor Vehicle Industry Council (OMVIC) work with the Compensation Fund's Board of Trustees to:*

- *review consumer complaints that were not eligible for a claim against the Compensation Fund to develop additional eligibility criteria;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that OMVIC's Compensation Fund protected consumers only in certain circumstances and did not always compensate vehicle buyers who suffered a financial loss as a result of a motor vehicle purchase, even if the registered motor vehicle dealer they purchased the vehicle from had breached one or more provisions of the *Motor Vehicle Dealers Act, 2002*. We found that the eligibility criteria specified in the Act for a claim against the Compensation Fund do not capture all possible breaches of the Act in a vehicle purchase that can result in harm to consumers.

In our follow-up, we found that OMVIC had completed an internal review of its consumer complaints that were not eligible for a claim against the Compensation Fund dating from 2017 to 2021. The types of complaints it identified as not eligible for a claim included non-disclosure of a vehicle having had substantial accidents, non-disclosure of significant repairs made to the vehicle prior to sale, and all-in-price advertising violations. Based on OMVIC's review of complaints, as well as consultations with stakeholder groups and the Compensation Fund's Board of Trustees, OMVIC identified 10 ways to expand the eligibility criteria for the Compensation Fund, and provided a proposal to expand the eligibility criteria to the Ministry for its consideration. The proposed additional criteria included:

- **Failing to discharge lien registered against traded-in vehicle:** The Fund would allow a claim when a trade-in vehicle still has an outstanding lien, and the lien is not removed by the dealer prior to sale of the vehicle to a consumer.
- **Serious safety issues resulting in impoundment of vehicle/seizure of licence plates:** The Fund would allow a claim from a consumer who purchased or leased an unsafe vehicle that was then impounded when found to be dangerous/unsafe by the Ministry of Transportation or the police.
- **All-in-price advertising violations:** The Fund would allow a claim if there are damages due to a dealer's false representations about pricing or if promised benefits were not delivered to the customer.

- *propose to the Ministry of Government and Consumer Services to include in the* Motor Vehicle Dealers Act, 2002 *additional criteria for eligibility for compensation, and to also allow the Compensation Fund's Board of Trustees to use their discretion to compensate consumers for claims involving the violation of the acts that do not fit into a specific eligibility criterion.*

  Status: Little or no progress.

Details

In our 2021 audit, we found that the Board of Trustees, which manages the Compensation Fund and makes claims decisions, did not have the ability to use its discretion to pay out claims that did not fit the specific criteria specified in the *Motor Vehicle Dealers Act, 2002* (Act). As a result, consumers who had suffered losses that did not meet the Fund's specific criteria were often advised by OMVIC to seek compensation through the provincial courts.

In our follow-up, we found that OMVIC had identified 10 ways to expand the eligibility criteria for the Compensation Fund and provided a proposal on its findings to the Ministry. OMVIC expects that its proposal to the Ministry will also increase the Board's ability to use discretion for circumstances and violations that were not previously covered.

The Ministry indicated it has reviewed OMVIC's proposal to expand the eligibility criteria, and asked OMVIC for additional information, including with respect to the sufficiency of the Compensation Fund, whether registrants were making adequate contributions to the Fund, and how OMVIC decided on the proposed eligibility criteria. In addition, the Ministry indicated that it was in the process of consulting with other provinces that regulate motor vehicle sales—including Nova Scotia, Quebec, Saskatchewan, Alberta and British Columbia—about their Compensation Fund eligibility rules to inform potential amendments to the Act. The Ministry told us once its jurisdictional research and discussions with OMVIC are complete, it plans to finalize policy options for public consultation, and will develop proposals for legislative and/or regulatory amendments for the government's consideration. If a decision is made to move forward, the Ministry estimates that any potential changes will come into effect by July 2025.

Recommendation 14

To protect consumers who purchase a motor vehicle from an illegal motor vehicle dealer, we recommend that the Ontario Motor Vehicle Industry Council (OMVIC) work with the Compensation Fund's Board of Trustees and the Ministry of Government and Consumer Services to allow these consumers to make a claim to the Compensation Fund where OMVIC's own investigation confirms that consumers were intentionally misled by an illegal motor vehicle dealer.

Status: Little or no progress.

Details

In our 2021 audit, we found that although OMVIC's regulatory responsibility included investigating and laying charges against unregistered motor vehicle dealers that were operating illegally, consumers who purchased a vehicle from such an illegal dealer and suffered a financial loss were not eligible under the *Motor Vehicle Dealers Act, 2002* and its regulations to make a claim to the Compensation Fund. Even if OMVIC investigated and later confirmed that consumers were intentionally misled by an illegal dealer, the consumers were still not eligible for compensation.

In our follow-up, we found that little progress was made toward implementing this recommendation. At the time of our follow-up, OMVIC had conducted jurisdictional research in other provinces—including Alberta, British Columbia, Saskatchewan and Quebec—that regulate motor vehicle dealers and have a Compensation Fund or any other similar support services. In addition, OMVIC consulted with consumer and industry stakeholders and OMVIC's Board of Directors on these proposed changes. Consumer and industry stakeholder associations responded that they were opposed to allowing consumers to make claims to the Compensation Fund following the purchase from an illegal dealer, stating that by doing so, consumers would be encouraged to buy a vehicle from anyone, including illegal dealers, which would undermine the purpose of the Compensation Fund. OMVIC also engaged a third-party consultant to conduct a review of the financial implications of implementing this recommendation. That review concluded that increased claims to the Compensation Fund following a purchase from an illegal dealer could range from $3,900 to $291,000 per year to the Fund. Based on its research and consultations, OMVIC reported to the Ministry that it did not support expanding access to the Compensation Fund to consumers who purchase vehicles from an illegal dealer.

The Ministry has reviewed OMVIC's findings and is in the process of conducting its own jurisdictional research with Nova Scotia, Alberta, British Columbia, Saskatchewan and Quebec, to consider proposals for amendments to the *Motor Vehicle Dealers Act, 2002*. The Ministry told us that once its research was complete and additional advice was received from OMVIC, it would then finalize policy options for public consultation, and develop proposals for legislative and/or regulatory amendments for the government's consideration. If a decision is made to move forward, the Ministry estimates that any potential changes will come into effect by July 2025.

Consumer Awareness and Protection

Recommendation 15

So that prospective motor vehicle buyers are aware of the Ontario Motor Vehicle Industry Council's (OMVIC's) role and the services it provides to protect consumers, we recommend that OMVIC work with the Ministry of Government and Consumer Services to:

- *develop an information package for vehicle purchasers that outlines OMVIC's role and consumer protections available to them which can be distributed to motor vehicle dealers;*
- *require motor vehicle dealers to provide vehicle purchasers with the information package at the time of purchasing a vehicle;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that although OMVIC had increased its annual consumer awareness spending by over 60% between 2015 and 2019, most Ontarians OMVIC has surveyed still indicate that they are not aware of OMVIC or OMVIC's role in regulating motor vehicle dealers and salespersons and protecting consumers in Ontario. In comparison, Tarion reaches homebuyers directly by requiring all licensed builders to provide homebuyers with an information package that details a builder's warranty obligations and the services Tarion has available for homebuyers.

In our follow-up, we found that little progress had been made toward implementing these recommendations. OMVIC had proposed a regulatory change in May 2022 to the *Motor Vehicle Dealers Act, 2002* to the Ministry to require an electronic information guide be provided to all consumers who purchase or lease a motor vehicle. If regulatory changes come into effect, OMVIC plans to develop an information guide outlining OMVIC's role and consumer protections available to them. At the time of our follow-up, the Ministry was reviewing policy options for public consultation. If a decision is made to move forward, the Ministry expects regulatory changes to come into effect by July 2025.

- *develop, implement and monitor the success of a marketing plan to increase consumer awareness about consumer protection rights in place under the* Motor Vehicle Dealers Act, 2002 *and the* Consumer Protection Act, 2002*, as well as OMVIC's role and its services available to the public.*

  Status: Fully implemented.

In our follow-up, we found that OMVIC developed and implemented a marketing plan in January 2022 to increase consumer awareness of OMVIC and car buyers' rights. The plan outlines specific paid media channels such as social media advertising, sponsored content, and email marketing that are to be used. The plan identifies key consumer issues that are to be targeted each month, such as raising awareness that there is no cooling-off period for vehicle purchases and leases, and OMVIC's Compensation Fund. OMVIC also developed new key performance indicators in January 2022 to track and measure its marketing objectives. OMVIC plans to review and update its marketing plan on an annual basis based on consumer survey results, consultation with consumer and industry stakeholders, and results of its key performance indicators.

Recommendation 16

So that consumers in Ontario have a reasonable amount of time to reflect on their vehicle purchase or lease, and be able to cancel their vehicle transaction agreement without penalty, we recommend that the Ministry of Government and Consumer Services make regulatory changes to put in place a cooling-off period for all vehicle transactions in Ontario, citing best-practice consumer protections in place in other Canadian provinces.

Status: Little or no progress.

Details

Our 2021 audit noted there was no cooling-off period after consumers purchased or leased a vehicle from a registered motor vehicle dealer. A cooling-off period is a period of time following a purchase or lease when a purchaser is allowed to cancel the contract for any

reason and receive a refund. In our review of practices in other Canadian provinces, we found that Quebec allows consumers who finance or lease a vehicle a two-day cooling off period during which they can cancel their financed or leased vehicle and receive a refund. Similarly, British Columbia provides consumers who have leased a vehicle with a one-day cooling-off period during which they can cancel their lease and receive a refund for any fees paid.

In our follow-up, we found that the Ministry had made little progress toward implementing this recommendation. The Ministry had conducted research on rules around cooling-off periods in other provinces and told us that it planned to finalize and present policy options for public consultation to the Minister's Office, based on its research and advice from OMVIC. Once public consultation is complete, the Ministry planned to seek the Minister's Office's approval for a proposal for legislative and/or regulatory amendments for the government's consideration. If a decision is made to move forward, the Ministry estimates that any potential policy changes would come into effect by July 2025.

Recommendation 17

So that consumers potentially receive a more competitive interest rate based on their credit score, we recommend that the Ontario Motor Vehicle Industry Council (OMVIC):

- *take steps to increase public and consumer awareness regarding dealer responsibilities and consumer risks with regard to interest rates;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that OMVIC had done little to educate consumers that motor vehicle dealers may not always arrange financing from the lender that provides the lowest interest rate and that the onus was on the consumer to shop around for the lowest rate.

In our follow-up, we found that OMVIC developed a marketing plan in January 2022 that included a focus on raising awareness about the risks associated with financing. OMVIC also developed a new key performance indicator in January 2022 to measure consumer awareness that dealers are not required by Ontario law to reveal to a consumer the lowest interest rate available when financing a car.

- *include a step in its compliance inspections to verify whether motor vehicle dealers are disclosing to the consumer all the financing offers received; and*

- *propose regulatory changes to the Ministry of Government and Consumer Services that would require motor vehicle dealers to disclose to consumers all the financing options the dealer has received in response to the consumer's credit application.*

  Status: Little or no progress.

Details

In our 2021 audit, we noted that when a consumer required financing to purchase a vehicle, motor vehicle dealers may have submitted the consumer's loan application to multiple financial institutions and received multiple offers with different interest rates. Motor vehicle dealers were paid a fee by the lending financial institution for arranging the financing. However, motor vehicle dealers were not required to show consumers all the financing offers they received from lenders.

In our follow-up, we found that OMVIC proposed regulatory changes to the Ministry that would require motor vehicle dealers to disclose to consumers all financing options that the dealer has received in response to the consumer's credit application. The Ministry reviewed OMVIC's proposal for regulatory changes and was in the process of finalizing policy options for public consultation. If a decision is made to move forward, the Ministry estimates that any potential changes would come into effect by July 2025. OMVIC told us that, if regulatory changes come into effect, it will incorporate a step in its compliance inspections to verify if dealers are disclosing all financing options to consumers.

Recommendation 18

So that motor vehicle dealers comply with the requirements of the Motor Vehicle Dealers Act, 2002 *to include all the fees and charges in the advertised price of a vehicle, we recommend that the Ontario Motor Vehicle Industry Council:*

- *take progressive enforcement action against motor vehicle dealers who do not comply with the requirement; and*
- *increase its efforts to educate consumers about the all-in-price advertising requirement in Ontario.*

Status: Fully implemented.

Details

In our 2021 audit, we found that some motor vehicle dealers continued to charge consumers more than the price advertised for a vehicle, even though the *Motor Vehicle Dealers Act, 2002* had been amended more than 10 years earlier to prohibit such practices. We also found that consumer awareness of the all-in-price advertising requirement continued to be low, possibly contributing to non-compliance by motor vehicle dealers. We noted that OMVIC's mystery shopper program identified that 25 (41%) of the 61 motor vehicle dealers visited in 2020 failed to comply with the all-in-price advertising requirement and attempted to charge more than the advertised price when OMVIC staff posed as consumers.

In our follow-up, we found that OMVIC expanded its mystery shopper program by increasing the number of anonymous visits it made to dealers from 95 in 2021 to 193 in 2022. The 193 mystery shopping visits found that 68 dealers were not in compliance with the all-in-price advertising laws. As a result, OMVIC issued 41 caution letters to dealers, and referred 27 dealers for disciplinary action. We also found that OMVIC included in its marketing plan a greater emphasis on educating consumers about the all-in-price advertising requirement in Ontario. In 2022, OMVIC increased the number of months its marketing campaign focused on all-in-price advertising messaging during the year from four months to seven months.

OMVIC Operations

Recommendation 19

To improve the effectiveness of the Ontario Motor Vehicle Industry Council's (OMVIC's) operations in order to provide better protection to consumers and increase OMVIC's responsiveness in processing dealer registrations and taking enforcement action, we recommend that OMVIC:

- *review the workload of its key operating departments;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that OMVIC provided a business case to the Ministry in 2015 indicating its intent to double its vehicle transaction fee from $5 to $10 to generate new funds to improve public awareness about OMVIC's role and available consumer protections for car buyers, increase the resources devoted to its operations and increase enforcement actions. Despite the higher vehicle transaction fee, we found that the human resources devoted to its operations and enforcement work had not increased significantly.

In our follow-up, we found that in 2021 OMVIC completed a preliminary workload assessment of its key operating departments. The preliminary assessment showed that the registration, complaints handling and inspection departments should add 10, nine, and seven new staff, respectively. OMVIC informed us that due to budget availability, the number of additional staff identified in the workload studies needed to be reduced to meet key immediate needs, resulting in a final assessment which was to add eight staff to registration, six to complaint handling and five to the inspections department. At the time of our follow-up, eight of the recommended additional positions in the registration department, six of the positions in the complaints handling department, and five of the positions in the inspections department had been filled.

- *put in place a plan to improve operations in the areas of consumer protection and responsiveness to consumers and dealer registrations and enforcement action.*

Status: In the process of being implemented by December 2023.

In our follow-up, we found that OMVIC planned to follow through with this recommendation once its new information system was fully set up. OMVIC expects this new system to increase efficiencies in key operating departments such as its enforcement and complaint handling departments through implementation of automatic risk-based features and management oversight controls. In May 2023, OMVIC implemented an online registration portal and application with built-in controls to prevent incomplete applications from being submitted. OMVIC expects registration wait times to improve without the need for additional human resources. OMVIC informed us that it will assess and develop a plan by the end of 2023 for any additional operational improvements that may be needed once the activity levels for its departments become known.

Recommendation 20

So that the Ontario Motor Vehicle Industry Council (OMVIC) can contribute directly to the Compensation Fund (Fund) to cover future consumer claims, if needed, we recommend that OMVIC, in co-ordination with the Compensation Fund's Board of Trustees:

- *work with the Ministry of Government and Consumer Services to propose an update to the government on regulations under the* Motor Vehicle Dealers Act, 2002 *that would permit OMVIC to transfer funding from its general surplus to the Fund;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that although OMVIC had seen its accumulated surplus and reserves increase by 275% between 2015 and 2020, it did not have the legal authority under the *Motor Vehicle Dealers Act, 2002* to use surplus funds as needed to fund the Compensation Fund, whose sustainability had come into question.

In our follow-up, we found that OMVIC submitted a proposal to the Ministry to allow it to transfer funds from its general surplus to the Compensation Fund. However, at the time of our follow-up, the Ministry told us it was still developing policy options for public consultation. If approved by government, the Ministry estimates that any potential policy changes will come into effect by July 2025.

- *establish a policy to periodically review the continuing financial sufficiency of the Fund.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that there was no policy or practice to periodically engage a third-party actuarial expert to review the Compensation Fund to determine future financial exposure and if the Fund was sufficient to cover future requirements. In the last 10 years, only one actuarial review of the Fund had been completed.

In our follow-up, we found that in September 2022 the Compensation Fund Board approved a policy to periodically review the continuing financial sufficiency of the Fund. The policy states that the Compensation Fund Board will review the Fund's reserve status at least quarterly. In addition, in consultation with OMVIC's management, the Compensation Fund Board will determine when an actuarial study is required. Factors to be considered include consumer claim frequency, consumer claim pay-outs and the Fund's reserve trendline.

Recommendation 21

To confirm that motor vehicle dealers remit complete fees for each motor vehicle transaction to the Ontario Motor Vehicle Industry Council (OMVIC), and that OMVIC collects those complete fees, we recommend that OMVIC:

- *work with the Ministry of Government and Consumer Services to put in place an information-sharing agreement with the Ministry of Transportation (MTO) to obtain motor vehicle registration records;*

- *use the data obtained from MTO to verify the accuracy of vehicle transactions reported by individual motor vehicle dealers;*

- *include a step in its motor vehicle dealer inspection process to compare the number of vehicle transactions self-reported by a dealer to the dealer's financial records; and*
- *take steps to collect unpaid fees from motor vehicle dealers found to have underreported vehicle transactions.*

Status: Little or no progress.

Details

In our 2021 audit, we found that the number of vehicle transactions reported by motor vehicle dealers to OMVIC each year was not always accurate, resulting in motor vehicle dealers paying fewer fees to OMVIC than required. Registered motor vehicle dealers are required to remit a $10 transaction fee to OMVIC for every vehicle sold, leased or exported to consumers. Each year, motor vehicle dealers self-report the number of their vehicle transactions to OMVIC, which uses this number to determine the amount of transaction fees owed by each registered motor vehicle dealer to renew their registration. However, we found that OMVIC did not verify the accuracy of all reported vehicle transactions. Instead, it relied primarily on self-reported numbers from dealers. For example, OMVIC did not have an information-sharing protocol with the Ministry of Transportation (MTO) to compare all reported vehicle transactions to the number of vehicles registered with MTO. When a vehicle is sold or leased, the *Ontario Highway Traffic Act* requires that a motor vehicle dealer register the vehicle with MTO.

In our follow-up, we found that OMVIC worked with MTO to obtain sample datasets of motor vehicle registration records. OMVIC reviewed the datasets and informed us that it could not rely upon the MTO data on its own to verify motor vehicle dealers' self-reported transaction volumes. At the time of our follow-up, OMVIC was exploring alternative ways to verify vehicle transaction volumes, and to implement the remaining recommended actions.

Recommendation 22

To identify and reduce the risk of money laundering activity through motor vehicle dealers, we recommend that the Ontario Motor Vehicle Industry Council and the Ministry of Government and Consumer Services work with their counterparts in the federal government to introduce a requirement for motor vehicle dealers to report cash transactions over a certain threshold to the Financial Transactions and Reports Analysis Centre of Canada.

Status: Little or no progress.

Details

In our 2021 audit, we noted that motor vehicle dealers were not required to report cash transactions over a certain threshold to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). In contrast, entities such as casinos, financial institutions, life insurance companies, money service businesses and others were required to report cash transactions or suspicious transactions exceeding $10,000 to FINTRAC, a federal agency that analyzes financial transactions reported to it to determine whether there are reasonable grounds to suspect that the information is relevant to the investigation or prosecution of money laundering or terrorist financing. A 2018 report commissioned by the Attorney General of British Columbia identified that organized crime used the automobile market to launder money in the province, at times making use of motor vehicle dealerships.

In our follow-up, we found that the Ministry met with OMVIC, FINTRAC and other provinces to discuss money laundering and requiring motor vehicle dealers to report cash transactions over a certain threshold to FINTRAC. However, at the time of our follow-up, the Ministry had not yet finalized its research on potential options for implementation. The Ministry plans to finalize and present policy options to the Minister's office based on its research and liaise with the federal government as appropriate pending direction by July 2025.

Public Reporting

Recommendation 23

So that the information that the Ontario Motor Vehicle Industry Council (OMVIC) reports to the public is accurate, complete and consistent, we recommend that OMVIC annually report on:

- *the complete results of the consumer surveys it conducts and highlight areas where improvements are needed;*
- *completed inspections and site visits separately; and*
- *time spent to review registration applications, including staff time to follow up and collect missing information.*

Status: Fully implemented.

Details

In our 2021 audit, we found that OMVIC selectively reported on survey questions that showed favourable results rather than on questions that indicated consumer awareness had not improved or had declined. For example, OMVIC did not publicly report on survey results between 2014 and 2020 that indicated that 86% of Ontarians did not know that Ontario did not have a cooling-off period.

We also found that OMVIC publicly reported in its annual report that it conducted 12,274 inspections between 2016 and 2020. However, based on our review of inspection data, we found that the number of inspections OMVIC completed was overstated by 3,004 (25%), in part because some inspections were simply site visits conducted to check if a motor vehicle dealer was operating at its registered site. Such visits did not include a detailed review of a dealer's books and records.

In addition, we found that in 2019 OMVIC reported that, on average, it had processed and approved complete applications for new motor vehicle dealer registration in 23 business days, meeting its 20–30 business day target. However, the applications processed within OMVIC's target time frame accounted for only 13% of total applications OMVIC had received. We found that in practice, the vast majority of applications it received were incomplete, and the average time to process and approve all applications was 120 days—more than five times longer than OMVIC publicly reported.

In our follow-up, we found that OMVIC published on its website the complete results of the consumer surveys conducted for 2022, and highlighted areas of improvement by including their targets for each survey question. OMVIC also reported on the number of completed inspections and site visits for 2022 separately rather than as a combined figure, as well as registration-application processing times including staff time to follow up and collect missing information.

Governance

Recommendation 24

So that the Ontario Motor Vehicle Industry Council's (OMVIC's) Board of Directors effectively executes its responsibilities to oversee motor vehicle dealers and protect consumers by bringing new perspectives to OMVIC, we recommend that OMVIC's Board of Directors, work with the Ministry of Government and Consumer Services to:

- *establish fixed term limits for its Board members that are in line with best practices of existing authorities and other organizations similar to OMVIC;*
- *reassess the proportion of industry representatives on OMVIC's Board and compare it to the proportions in other delegated authorities; and*
- *revise selection criteria for Board members to highlight qualifications that best serve consumer interests.*

Status: Fully implemented.

Details

In our 2021 audit, we found that OMVIC did not have term limits for its Board members. As a result, we found that at the time of our audit, some Board members had served on the Board for 14 years or more. Over their tenure on the Board, these members held

key positions such as Chair, Vice-Chair and Secretary-Treasurer. For example, the previous Chair had been on the Board for more than 19 years. We also found that nine of OMVIC's 12 Board members were motor vehicle dealer industry representatives elected to the Board, even though OMVIC was established by the Ontario government to protect the interests of consumers. The composition of OMVIC's Board and its election process criteria were developed at the discretion of the Board and were included in the Board's bylaws.

In our follow-up, we found that in April 2023 the Minister of Public and Business Service Delivery issued Minister's Orders that addressed our recommendations. The Minister's Orders required OMVIC to reduce the number of board members from 12 to nine, and to limit the term of office for elected directors to three years. The Minister's Orders also stated that Board members cannot be re-elected or reappointed if they have served an aggregate of nine or more years. In addition, the Minister's Orders prevent OMVIC from drawing more than 34% of its Board members from the motor vehicle dealership industry. As well, the Minister's orders indicated that in order to serve on the Board, all Board members must also possess a positive orientation for a proactive consumer protection mandate. In June 2023, in response to the Minister's Orders, OMVIC updated its bylaws to address the Minister's Orders.

Recommendation 25

So that the Ontario Motor Vehicle Industry Council (OMVIC) is effectively and transparently governed, we recommend that OMVIC's Board of Directors and the Compensation Fund's Board of Trustees:

- *establish and follow a protocol to ensure procurement of third-party services are well documented, transparent, free from any biases, and best suit the needs of OMVIC and its Compensation Fund; and*
- *establish clear policies that address actual, potential and perceived conflicts of interest.*

Status: Fully implemented.

Details

In our 2021 audit, we found that OMVIC's Board decided to continue to retain an investment firm to manage both OMVIC's investments and those of the Compensation Fund despite OMVIC's management ranking the firm's proposal last among six proposals finalized for OMVIC's investments. We also found that three past Board members and one current board member had declared to OMVIC's Board that they had a conflict of interest with the investment firm. In addition, we noted that one current OMVIC Board member participated in initial committee meetings related to the request-for-proposals process to choose a new investment firm.

In our follow-up, we found that in February 2023 OMVIC had updated its procurement policies. According to the updated policies, evaluation criteria must be developed, reviewed and approved by an appropriate authority prior to the commencement of a competitive procurement process. Competitive procurement documents must clearly outline mandatory rating scores and other criteria that will be used to evaluate submissions, including the weight of each criterion. Further, the policies specifically state that the submission that receives the highest score and meets all mandatory requirements specified in the competitive procurement document must be declared the winning bid.

We also found that OMVIC reviewed and updated OMVIC's Board of Directors' Code of Conduct policy to clarify rules around conflict of interests. If a Board member believes that an actual, potential or perceived conflict of interest may exist, the member must immediately disclose the conflict and the nature of the conflict to the Board. The member with the declared conflict must not be involved in any Board discussion regarding the circumstances giving rise to the conflict and must abstain from any vote on the issue. The member also should not be involved in negotiations or other discussions on behalf of OMVIC concerning the matter.

OMVIC also updated the Compensation Fund's Board of Trustees' conflict of interest policies to substantially mirror OMVIC's Board of Directors' policies.

Recommendation 26

So that the Compensation Fund's Board of Trustees can exercise its independent authority to manage and administer the Compensation Fund, we recommend that the Ministry of Government and Consumer Services:

- *amend the regulation to disallow the Ontario Motor Vehicle Industry Council (OMVIC) Board from appointing its own Board Members onto the Compensation Fund's Board of Trustees; and*
- *clarify the roles and responsibilities of the Compensation Fund's Board of Trustees in the administrative agreement with OMVIC to reflect its independent authority with respect to the Compensation Fund.*

Status: Little or no progress.

Details

In our 2021 audit, we found that OMVIC's Board interfered with the independence of the Compensation Fund's Board. The OMVIC Board inserted three of its own members to fill vacant positions on the Compensation Fund Board, even though the Compensation Fund Board had already interviewed and selected candidates that it had proposed to OMVIC's Board to fill these positions. With the appointment of these three OMVIC Board members to the Compensation Fund Board, five out of nine members of the Compensation Fund Board were also OMVIC Board members. In addition, we also noted that OMVIC's administrative agreement with the Minister did not refer to the roles and responsibilities of the Compensation Fund Board even though *the Motor Vehicle Dealers Act, 2002* provides for the independent exercise of authority by the Compensation Fund Board.

In our follow-up, we found that the Ministry had not made progress toward implementing these recommended actions. The Ministry informed us that it was still reviewing the recommendations and if a decision is made to move forward, the Ministry estimates that any potential changes will come into effect by July 2025.

Recommendation 27

So that the Ontario Motor Vehicle Industry Council's (OMVIC's) resources are used more economically, we recommend that OMVIC and its Board of Directors:

- *more closely align its reimbursement policy with the Ontario government's Travel, Meal and Hospitality Expenses Directive;*
- *disallow any reimbursement of alcoholic beverages;*
- *remove the Board Chair's ability to override the meal rates established in the expense policy;*

Status: Fully implemented.

Details

In our 2021 audit, we found that OMVIC's allowable meal reimbursement rates were substantially higher than those of the Ontario government. Between 2016 and 2020, OMVIC incurred approximately $523,000 in meal expenses. We also found that OMVIC's Board members and its senior management team had purchased alcoholic beverages and expensive meals at upscale venues at OMVIC's expense. In addition, we found that the Board Chair could, at their discretion, authorize alcoholic beverages and meals that exceeded OMVIC's policy limits.

In our follow-up, we found that OMVIC conducted a review comparing its existing Travel, Meal, and Hospitality Policy to the Ontario government's Travel, Meal and Hospitality Expenses Directive, and made a number of changes to its policy. The updated policy disallows the reimbursement of alcoholic beverages as part of a travel or meal expense. Consistent with Ontario government's Travel, Meal and Hospitality Expenses Directive, alcohol consumption is only permitted as part of hospitality events in limited circumstances. Prior to serving alcohol, documentation with approval from the CEO is required. The updated policy also removes the Board Chair's ability to override the meal rates. Only the CEO can use their discretion in special circumstances (for example, the year-end

company event, and year-end Board meeting) to exceed the established meal rates if a business case is provided and approved by the CEO before the event.

- *utilize OMVIC's boardroom to minimize the costs of Board and Board committee meetings.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that OMVIC had been hosting many of the Board and Board Committee meetings at hotel venues despite the availability of a boardroom at OMVIC's head office that can accommodate more than 20 people.

In our follow-up, OMVIC informed us that its boardroom has been equipped with all the required equipment to be utilized for Board and Committee meetings. We were also advised that OMVIC's Board of Directors and the Board of Trustees of the Compensation Fund agreed that, to the extent practicable, all Board-related meetings that required attendance in person would be held in OMVIC's boardroom.

Ministry Oversight

Recommendation 28

So that the Ministry of Government and Consumer Services (Ministry) fulfills its responsibility to effectively oversee that the Ontario Motor Vehicle Industry Council (OMVIC) meets its mandate and operates in compliance with applicable requirements, we recommend that the Ministry:

- *require that OMVIC periodically report to the Ministry on its progress in using the additional revenues it is collecting to meet the objectives of its 2015 business case;*
- *set a reasonable deadline for OMVIC to comply with its administrative agreement with the Minister to operate on a cost-recovery basis; and*
- *monitor and take corrective action to ensure that OMVIC complies.*

  Status: Little or no progress.

Details

In our 2021 audit, we found that in 2015 OMVIC provided the Ministry with a business case indicating it was doubling its vehicle transaction fee from $5 to $10 in order to improve consumer awareness and increase enforcement efforts. However, we found that the Ministry did not sufficiently monitor OMVIC to identify that it had fully implemented the actions it outlined in its business case. In addition, the Ministry had not taken action to ensure that OMVIC operates on a cost-recovery basis as required under OMVIC's administrative agreement with the Minister. As a result, between 2015 and 2020, OMVIC's accumulated surplus and reserves grew by 275%.

In our follow-up, we found that the Ministry had not yet required OMVIC to periodically report to the Ministry on its progress in using the additional revenues it is collecting to meet the objectives of its 2015 business case. The Ministry told us that it plans to revise the administrative agreement with OMVIC to include this requirement as well as set a deadline for OMVIC to comply with the agreement to operate on a cost-recovery basis by December 2024.

Recommendation 29

So that serious concerns raised about the Ontario Motor Vehicle Industry Council (OMVIC) are appropriately addressed, we recommend that the Ministry of Government and Consumer Services (Ministry) establish a protocol to exercise its authority under the administrative agreement between the Minister and OMVIC to conduct a review when serious complaints arise.

Status: Little or no progress.

Details

In our 2021 audit, we found that even though the Ministry had received several significant complaints about Board governance at OMVIC, the Ministry had never initiated any reviews of OMVIC to address those concerns. Instead, the Ministry's efforts to address these concerns were limited to making inquiries to OMVIC's senior management and placing sole reliance on their verbal and written representations. We found a number of indicators that should have triggered the

Ministry to review OMVIC's governance practices prior to our audit.

In our follow-up, we found that the Ministry had not established a protocol to exercise its authority under the administrative agreement between the Minister and OMVIC to conduct a review when serious complaints arose. The Ministry told us that it plans to revise the administrative agreement to include a protocol by December 2024.

Recommendation 30

So that the Ministry of Government and Consumer Services (Ministry) can effectively monitor and address the Ontario Motor Vehicle Industry Council's (OMVIC's) performance in protecting consumers and regulating motor vehicle dealers, we recommend that the Ministry revise the performance indicators it uses to monitor OMVIC's performance to include indicators that more closely monitor OMVIC's operations, including in the areas of inspection, registration, consumer complaint handling, the Compensation Fund, and educating and informing consumers about their rights and protections in purchasing a car.

Status: Little or no progress.

Details

In our 2021 audit, we found that the Ministry did not collect sufficient performance information from OMVIC to be able to monitor whether OMVIC was effectively meeting its mandate to protect consumers and to regulate motor vehicle dealers and salespersons. We found that until 2020, measurable targets had not been established for many of the performance indicators that OMVIC reported to the Ministry, limiting the Ministry's ability to assess OMVIC's performance. In 2020, performance indicators and targets were established that OMVIC would report to the Ministry. However, we found that many key aspects of OMVIC's operations were not covered by these performance indicators.

In our follow-up, we found that the Ministry and OMVIC had preliminary discussions on implementing new performance metrics. Following these discussions, OMVIC began reporting on new performance metrics that are pending Ministry approval in the areas of inspections, registration, consumer complaint handling, the Compensation Fund and educating and informing consumers.

Chapter 1
Section
1.13

Treasury Board Secretariat

Follow-Up on 2021 Value-for-Money Audit:

Ontario's Provincial Comptrollership Framework

RECOMMENDATION STATUS OVERVIEW						
		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	1				1	
Recommendation 2	2	1	1			
Recommendation 3	2	1	1			
Recommendation 4	1		1			
Recommendation 5	1	1				
Recommendation 6	1	1				
Recommendation 7	1		1			
Recommendation 8	2	2				
Recommendation 9	4				4	
Recommendation 10	2	2				
Recommendation 11	2	2				
Recommendation 12	3	2		1		
Recommendation 13	3		2	1		
Total	**25**	**12**	**6**	**2**	**5**	**0**
%	**100**	**48**	**24**	**8**	**20**	**0**

Overall Conclusion

The Treasury Board Secretariat (the Ministry), as of October 31, 2023, has fully implemented 48% of the actions we recommended in our 2021 Value for Money Audit, Ontario's Provincial Comptrollership Framework. In addition, the Ministry has made progress in implementing 24% of the recommended actions, little or no progress on a further 8% of the recommended actions, and will not be implementing 20% of the actions.

The fully implemented recommended actions include requiring the ministries' finance staff to review the documentation prepared by staff and controllers when signing off on a Certificate of Assurance (CoA) attestation; the Office of the Comptroller General concluding annually on whether the CoA exceptions indicate systematic weaknesses in financial reporting; and enhancing the requirements for finance staff to have financial designations or the equivalent.

The Ministry is in the process of implementing 24% of the recommended actions, including

establishing specific procedures and documentation for the key aspects of the CoA process, implementing a mechanism to be informed of and track the status of all known and potential frauds identified as part of the CoA process, and developing a performance management framework.

However, the Ministry has made little or no progress on 8% of the recommended actions, including conducting an independent formal review and evaluation of the results of the Office of the Comptroller's business plan.

Finally, the Ministry said it will not be implementing 20% of the recommended actions, including a proposal for the Secretary of the Cabinet to consider further changes to controllership processes and accountabilities, and a requirement from the Comptroller General that both ministries and agencies seek internal accounting advice rather than obtaining external advisory services.

The status of actions taken on each of our recommendations is described in this report.

Background

The Office of the Comptroller General was established to centralize oversight and enhance the accountability and capacity of the Province's financial management, enterprise risk management and internal audit functions. The Comptroller General's responsibilities include providing province-wide direction and leadership in these areas while also ensuring transparency in provincial financial reporting.

Within the Office of the Comptroller General there is a centralized finance function, called the Office of the Provincial Controller Division. Each ministry also has its own finance function, which reports to its Chief Administrative Officer, an Assistant Deputy Minister who is accountable to a Deputy Minister. The Office of the Comptroller General has the authority to direct accounting and financial management at ministries by issuing directives and policies for them to follow. The Provincial Controller Division also can provide accounting advice to ministries when requested, and leads other key processes in the Public Accounts reporting cycle, which includes the preparation of the Province's consolidated financial statements.

Our audit found that there was no functional reporting relationship between the Directors of Finance and Controllers at each ministry and the Provincial Controller Division. We concluded that a comptrollership framework with clearer central authority was needed to provide cost-effective leadership and stronger oversight of the preparation of the Province's unaudited consolidated financial statements.

In particular, this authority was needed to efficiently align ministries' and provincial entities' accounting policies in accordance with Canadian Public Sector Accounting Standards. For example, we found that provincial ministries and agencies had no formal written requirement to notify the Provincial Controller Division about significant transactions or accounting issues when they occurred, and persons in key accounting positions, such as the director of finance, were not required to hold a professional accounting designation.

We further noted that the Ontario Internal Audit Division did not regularly provide assurance over the ministries' financial reporting controls that supported the Certificate of Assurance (CoA) attestation process and effective financial reporting processes. When ministries did identify financial reporting weaknesses, there were no requirements for them to address these in a timely manner.

Some of our significant findings were:

- The Enterprise Risk Management Office had not reviewed ministries' processes to identify and manage risks. The Office of the Comptroller General's Enterprise Risk Management Office was not required to routinely conduct risk assessments at ministries, or do an in-depth review of the assessments that ministries prepared, to confirm that all relevant risks had been identified and correctly assessed.
- Ministries were not formally required to follow the Provincial Controller Division's accounting advice, and the Provincial Controller Division was not tracking the advice it provided. For example, one ministry disagreed with the Provincial Controller Division's conclusion over the control of an agency, and therefore inappropriately excluded the entity's assets and liabilities in the information reported to the Provincial

Controller Division. This resulted in the entity's financial information being inappropriately excluded from the Province's unaudited consolidated financial statements. The issue was raised and addressed with our Office as part of the Public Accounts audit.

- We found that the Province did not have standardized financial education and experience requirements for finance-related positions across ministries, including for those in senior finance positions. This elevated the risk that management would not efficiently address increasingly complex accounting issues and standards. At the six ministries we reviewed, for instance, none of the directors of finance had a Chartered Professional Accountant (CPA) designation, and only three of the ministry controller positions required a CPA designation.
- Ministries' accounting/finance staff were not required to take specific financial, accounting and fraud training courses and updates relevant to their roles. Further, staff attendance at financial and accounting training sessions was not consistently tracked, which meant ministries and the Provincial Controller Division were not aware of which staff received training.
- The Ontario Internal Audit Division provided little assurance over the effectiveness of ministries' financial controls and the CoA process. Ontario Internal Audit infrequently assessed how ministries prepared their CoA attestations and only confirmed to the Provincial Controller Division annually that it was not aware of any significant issues noted in the audits it had conducted in a particular year.

We made 13 recommendations, consisting of 25 action items, to address our 2021 audit findings. We received commitments from the Office of the Comptroller General that it would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted our assurance work for this follow-up report between May 2023 and September 2023. We obtained written representation from the Treasury Board Secretariat that effective November 20, 2023, it had provided us with a complete update of the status of the recommendations we made in the original audit two years earlier.

The Office of the Comptroller General Does Not Have a Reporting Relationship with Ministries to Exercise Its Legislated Authority for the Preparation of the Public Accounts

Recommendation 1

To continue to strengthen the controllership function in the Ontario Public Service, we recommend that the Secretary of the Cabinet consider further changes to processes and accountabilities in consultation with the Comptroller General.

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

In our 2021 audit, we found that the Office of the Comptroller General can only influence ministries' financial management through the creation of directives and policies, as the Deputy Minister of each ministry is responsible for the ministry's financial management. We found that the Office of the Comptroller General needs a functional reporting relationship with the director of finance, the controller and their finance functions in ministries to improve ministries' inconsistent processes for Certificate of Assurance (CoA) attestations (see **Recommendation 2**); improve the time it takes ministries to address key weaknesses in financial reporting controls (see **Recommendation 3**);

require ministries to follow the Provincial Controller Division's advice on significant accounting issues (see **Recommendation 8**); standardize education and experience levels in the finance functions (see **Recommendation 10**); and require that financial and accounting staff at ministries complete annual training (see **Recommendation 11**).

In our follow-up, we found that the Secretary of the Cabinet will not be implementing **Recommendation 1** because it believes the current reporting structure supports effective oversight of the controllership function in the Ontario Public Service (OPS) when further strengthened by the Office of the Comptroller General (through the Office of the Provincial Controller Division and Ontario Internal Audit Division) addressing our other recommendations in this report. Our Office continues to support the implementation of this recommendation. A reporting relationship whereby the director of finance functionally reports to the Provincial Controller can enable the Provincial Controller Division to directly exercise its legislated authority to supervise, direct and control accounting functions.

Certificate of Assurance Process

Recommendation 2

So that ministries' finance functions can effectively review the analyses and results of procedures performed by ministry staff when preparing Certificate of Assurance (CoA) attestations, and the Office of the Comptroller General receives sufficient, reliable and consistent assurance over the accuracy of ministries' financial submissions and compliance with laws and policies for the preparation of the Public Accounts, we recommend that the Office of the Comptroller General prescribe CoA guidelines under the Internal Control Policy for the ministries' finance functions to follow that:

- *establish specific required procedures and documentation for the key assessments, analyses and internal control evaluations to be performed by ministries when completing their CoA;*

  Status: In the process of being implemented by March 2025.

Details

Our 2021 audit pointed out that the CoA attestation is a key formal process through which the Provincial Controller Division obtains assurance regarding the reliability of ministries' financial reporting, which is used to prepare the Public Accounts. We found that the Office of the Comptroller General's Provincial Controller Division did not require ministries to conduct, nor did it provide, a minimum set of procedures to perform before signing their CoA attestations. The processes developed by ministries to complete their CoA attestations were not effective in consistently identifying and reporting financial inaccuracies and instances of non-compliance with financial reporting requirements, legislation and directives, and internal controls. We also noted that ministries developed their own CoA questionnaires, but explanations provided by ministries' branches to respond to the questionnaires were generally brief, and supported their responses only at a high level. They also generally did not indicate the specific results from any procedures performed to support the response. The Office of the Comptroller General's Provincial Controller Division had not undertaken a comprehensive evaluation of whether the processes ministries had developed to support their signing of the CoA provided an appropriate and sufficient level of assurance so that the Provincial Controller Division could rely on ministry attestations.

In our follow-up, we found that as part of the 2022/23 CoA instructions—which are a set of documents to guide ministries on how to perform the CoA process and include reporting requirements—the Provincial Controller Division released a CoA Supplementary Guide that contains recommended internal controls and specified procedures that ministries may consider testing and referencing to support each CoA attestation statement. The Provincial Controller Division established a project to review the Internal Control Policy to identify any potential changes. Updates to the policies or procedures will be communicated to ministries in advance of the fiscal year for which the CoA attestation is reported. The Provincial Controller Division plans to finalize and release the

updated Internal Control Policy by March 2024, to be implemented for the March 2025 Public Accounts.

In addition, the Ontario Internal Audit Division implemented a multi-year, risk-based rotational testing plan to assess ministries' compliance with CoA procedures and methodologies. In 2022/23, Ontario Internal Audit completed a review of ministries' CoA processes for selected statements included in the CoA attestation, along with inputs into corporate processes required to ensure that adequate processes and appropriate documentation were in place to support ministry submissions. Separate audits were conducted for the selected CoA statements for five ministries in scope of Ontario Internal Audit's review for the year. For three of the ministries, Ontario Internal Audit concluded on similar findings to those in our 2021 report to improve documentation and processes that demonstrate controls are operating effectively.

- *annually confirm that ministries' assigned finance staff review the documentation prepared by their ministries' staff and follow up with their branches if concerns are identified during this review.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that ministry staff who prepare CoA questionnaire responses relied on their knowledge of programs' operations, consulted with colleagues, and used their judgment to decide whether they needed to review any documentation when answering individual questions. However, the CoA responses documented did not typically contain sufficient descriptions of procedures staff followed to arrive at a conclusion of compliance. As a result, ministry management had limited ability to perform a meaningful review of the adequacy and sufficiency of procedures performed.

In our follow-up, we found that the Provincial Controller Division updated the 2021/22 CoA instructions including the CoA Memo. The instructions include a new requirement for ministry controllers to sign off on the CoA attestation as confirmation that assigned finance staff have reviewed and analyzed the documentation of ministries' responses and followed up on any issues identified by ministry staff.

Recommendation 3

To increase the effectiveness of the Certificate of Assurance (CoA) in identifying and addressing systemic weaknesses that impact the reliability of ministries' financial information, and ministries' compliance with laws and policies, we recommend that the Office of the Comptroller General:

- *conclude annually on whether the CoA exceptions indicate systemic weaknesses in financial reporting and internal controls processes at ministries, and where they do, work with ministries to take timely action to address such weaknesses within a pre-established timeline;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that after reviewing ministries' CoA submissions, the Provincial Controller Division usually concluded that it was not aware of significant unaddressed matters impacting the Public Accounts other than those in its internally prepared summary. The Provincial Controller Division did not conclude whether the CoA process overall indicated that the financial information prepared by ministries for inclusion in the Public Accounts was accurate, or whether the lack of ministries' compliance with the requirements of the internal control framework had an impact on the Public Accounts.

In our follow-up, we found that the Provincial Controller Division revised its conclusion on the CoA process overall to include commentary on the impacts of findings on the Public Accounts. Further, the report prepared on the summary of common themes among ministries, which covers reporting, compliance and operational risk reported through the CoA process, is now shared with the Office of the Chief Risk Officer and Ontario Internal Audit for consideration of inclusion and additional review within annual audit plans.

- *implement a mechanism to be informed of, and track the status of, all known and potential frauds identified by ministries at least periodically throughout the year and assess the impacts on the Province's financial reporting.*

  Status: In the process of being implemented by March 2024.

Details

In our 2021 audit, we found the Office of the Comptroller General was not routinely informed of fraud when it occurred, nor was it routinely informed of the status and resolution of identified frauds. The Office of the Comptroller General indicated that the ministries were responsible for having a system to identify and respond to the risk of fraud, and the Provincial Controller Division had not formally determined the reasonableness of ministries' timelines and actions to address fraud risks.

In our follow-up, we found that the Office of the Comptroller General has established a Director-level working group focused on fraud policy that is represented by the Provincial Controller's Division, Ontario Internal Audit and the Office of the Chief Risk Officer. Additionally, the Comptroller General has approved the following recommendations and next steps developed by the working group:

- develop an Enterprise Fraud Policy and associated guidance for the OPS;
- develop fraud training and advocate for mandatory ethics training for all OPS staff;
- develop and implement a process where ministries are required to report fraud that meets certain criteria to Ontario Internal Audit; and
- the Office of the Chief Risk Officer will consider integrating fraud-risk assessments into existing risk-assessment processes.

The Office of the Comptroller General expects these items to be implemented by March 2024.

Recommendation 4

So that ministries have effective internal controls to prevent, identify and correct financial reporting issues, we recommend that the Office of the Comptroller General set and enforce deadlines for ministries to complete their operating effectiveness testing of significant business processes as required under the 2017 Internal Control Policy and perform subsequent annual assessments of whether their controls and policies are operating as intended.

Status: In the process of being implemented by March 2025.

Details

Our 2021 audit identified that as part of the Provincial Controller Division's updated April 1, 2017 Internal Controls Policy, ministries were expected to update and assess the operating effectiveness of their internal controls. The Provincial Controller Division, through the annual CoA instructions controls, set out its expectations for ministries' documentation and assessment of internal control as follows:

- high-level controls over governance and accountability by April 2019;
- operating controls by April 2020; and
- IT controls by April 2020.

Our 2021 audit found numerous delays in ministries meeting these timelines.

In our follow-up, we found that the Provincial Controller Division conducted research to inform revisions to the Internal Control Policy by obtaining current and best practices from other jurisdictions, such as the federal government and British Columbia, and within the OPS related to internal controls and risk management. The Provincial Controller Division is in the process of drafting updates to the Internal Control Policy and documenting supporting rationale for any proposed changes. The Provincial Controller Division plans to consult on the draft policy, communicate changes to ministries, and finalize and release the revised Internal Control Policy by March 2024, to be implemented for the March 2025 Public Accounts.

In addition, the Provincial Controller Division has completed an internal control project to guide six ministries in documenting and testing significant business

processes. This project is directly supporting these ministries in completing their design and operating effectiveness testing of significant business processes, furthering the enterprise's Internal Control Framework (ICF) progress. The Provincial Controller Division has clarified methodology and provided guidance to certain ministries to help refine their identification of significant business processes, focusing only on those that are most material to the Public Accounts.

To further the enterprise's ICF progress and obtain independent assurance on internal controls, Ontario Internal Audit has implemented a multi-year, risk-based rotational testing plan to assess key financial controls in a sample of ministries each year.

Ontario Internal Audit Division and Enterprise Risk Management Office

Recommendation 5

To provide assurance that key financial controls at ministries are operating as intended, we recommend that the Office of the Comptroller General require that the Ontario Internal Audit Division include in its annual plan, as approved by the Audit and Accountability Committee, a requirement to test, on a rotational basis, the design and operating effectiveness of all ministries' key financial controls.

Status: Fully implemented.

Details

In our 2021 audit, we identified that reviews of ministries' financial controls conducted by Ontario Internal Audit can confirm the reliability of ministries' self-assessments of their financial reporting that are provided to the Office of the Comptroller General's Provincial Controller Division through the CoA process. However, no practice existed for Ontario Internal Audit to periodically review ministries' internal controls over key financial processes and provide assurance that they were working properly. Ontario Internal Audit's mandate includes evaluating the adequacy and effectiveness of ministries' and agencies' internal controls, including ones related to financial reporting, but most of its work at ministries focused on audits of ministry programs' operations and government transfer recipients.

In our follow-up, we found that the Audit and Accountability Committee (a subcommittee of the Treasury Board) has approved a multi-year, risk-based rotational testing plan to assess key financial controls in a sample of ministries on a multi-year basis. For the 2022/23 audit cycle, six Audit Branches have Internal Control Over Financial Reporting (ICFR) audits in the process of being finalized for six ministries.

Ontario Internal Audit Division also performed ICFR audits as per the 2021/22 OPS-Wide Multi-Year Risk-Based Internal Audit Plan for the three ministries in scope that year. Further, Ontario Internal Audit issued a summary of the findings of all the 2021/22 CoA/ICFR audits, which was tabled with the Ontario Internal Audit Committee in November 2022.

Recommendation 6

So that Deputy Ministers and the Office of the Comptroller General receive sufficient assurance over ministries' internal control processes over financial reporting, we recommend that the Office of the Comptroller General work with the Ontario Internal Audit Division to implement a plan to assess, on a rotational basis, ministries' compliance with Certificate of Assurance (CoA) procedures and methodologies established by the Office of the Comptroller General for the respective Deputy Ministers to reference as part of their annual CoA attestations.

Status: Fully implemented.

Details

Our 2021 audit found that, similar to the financial internal controls discussed above, Ontario Internal Audit was not required to assess ministries' CoA self-attestations for accuracy. As such, Ontario Internal Audit did not regularly undertake work that ministries could reference as part of their annual CoA attestation. Ontario Internal Audit infrequently assessed how ministries prepare their CoA attestations. Instead, Ontario Internal Audit only confirmed to the Office of the Comptroller General's Provincial Controller Division on

an annual basis that it was not aware of any significant issues noted in its audits or instances of fraud other than the issues already reported as exceptions by ministries in their CoA attestations.

In our follow-up, we found that the Audit and Accountability Committee approved a multi-year, risk-based rotational testing plan to assess ministries' compliance with CoA procedures and methodologies. The CoA rotational testing plans were all presented and endorsed by the Ontario Internal Audit Committee and the respective Sector Audit Committees. For the 2022/23 audit cycle, Ontario Internal Audit has included audits of the CoA processes for a sample of ministries that support Deputy Ministers' sign-off of the annual attestations. There are CoA audits in the process of being finalized for three ministries.

In addition, Ontario Internal Audit performed CoA audits as per the 2021/22 OPS-Wide Multi-Year Risk-Based Internal Audit Plan for five ministries in scope that year. Along with the ICFR reports, a summary of the findings related to the CoA/ICFR audits was tabled with the Ontario Internal Audit Committee in November 2022.

Recommendation 7

So that Deputy Ministers and the Office of the Comptroller General receive sufficient assurance over ministries' risk management assessment processes, we recommend that the Office of the Comptroller General develop and implement an approach to review, on a rotational basis, the processes ministries follow to identify and manage risks, and follow up on whether identified issues are corrected.

Status: In the process of being implemented by June 2025.

Details

In our 2021 audit, we reported that, similar to the CoA process, ministries self-identified and reported risks to the Office of the Comptroller General's Enterprise Risk Management (ERM) Office. The ERM Office provided ministries with guidance on how to identify and assess risks and monitor how risks are addressed. However, the ERM Office was not required to routinely conduct risk assessments at ministries, or do an in-depth review of the assessments that ministries prepared, to confirm that all relevant risks were identified and correctly assessed. The process of review is particularly important for subjective processes such as risk assessment to ensure all relevant risks have been identified and plans are in place to effectively address the risks.

In our follow-up, we found that the Office of the Chief Risk Officer is in the process of implementing the recommendation by conducting quality assurance reviews of ministry risk registers and providing feedback to ministries to improve the quality and completeness of the content of risk information reported on their registers. Risks reported by ministries are tracked to identify trends and action plan status. The Office of the Chief Risk Officer is improving its Enterprise Risk Management Maturity Assessment process, which takes the form of interviews/questionnaires sent to ministries (and their responsible agencies) to assess their risk management processes and their compliance with the ERM Directive. The directive provides the ministries with more detailed requirements and instructions to comply with the broader ERM Policy. Responses from ministries allow the Office of the Chief Risk Officer to track and correct issues identified through the maturity assessments with the ministries. The latest assessment was completed in June 2023. Further, Ontario Internal Audit plans to have an audit performed on the ERM processes during the 2024/25 audit cycle, which is expected to be completed by June 2025.

Ministries Not Formally Required to Follow the Provincial Controller Division's Accounting Advice; Provincial Controller Division Not Tracking Advice It Provides

Recommendation 8

To build efficiencies in the processes to provide financial reporting and accounting advice to ministries, we recommend that the Office of the Comptroller General:

- *track all accounting advice it provides to ministries;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that the Office of the Comptroller General's Provincial Controller Division's complex accounting group, the Controllership Policy and Accounting Consultation Branch (CPAC), did not formally track all the accounting issues and advice it reviewed and recommendations it provided to ministries. The lack of a tracking system increased the risk of inconsistent accounting advice being provided to ministries because staff could have changed or not remembered all past accounting advice provided, as well as missed opportunities to for the Provincial Controller Division to identify potential training needs for ministries, or to provide relevant guidance to ministries in areas where it provides similar advice to cross-ministry programs.

In our follow-up, we found that the Provincial Controller Division set up a database and internal process to track all accounting advice provided to ministries on a go-forward basis as of January 1, 2023.

- *revise the Accounting Advice Directive to clearly state that ministries are required to follow the accounting advice it provides them with, and follow up to determine that the advice was appropriately followed.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that, while ministries were required to follow the Accounting Advice Directive issued by the Provincial Controller Division, the Accounting Advice Directive did not specifically require ministries to implement the accounting advice that the Provincial Controller Division provided. Although the Provincial Controller Division indicated that it ensured that ministries implemented its accounting advice as part of its general review of the information ministries submitted to it for the preparation of the Public Accounts, there was no evidence of this review. This increased the risk that uncorrected accounting issues would be included in the Province's consolidated financial statements if ministries chose not to implement the Provincial Controller Division's advice prior to submitting year-end financial data for the preparation of the financial statements.

In our follow-up, we reviewed the Provincial Controller Division's revised directive, known as the Controllership Directive, which was effective as of April 1, 2023. The revised directive clearly requires ministries and public entities under Consolidated Revenue Fund appropriation control to follow the Controllership Policy. They must follow advice received from the Provincial Controller Division and show evidence they have successfully implemented the advice. The Controllership Policy states that in accordance with the *Financial Administration Act*, the Provincial Controller Division, as a delegate of the Minister of Finance, may issue directives as necessary in performance of the Minister of Finance's duties.

Provincial Controller Division, Ministries and Agencies Hired External Consultants to Research New and/or Complex Accounting Standards

Recommendation 9

In order to continue developing and expanding its internal accounting advisory expertise as a means to cost-effectively provide accounting advisory services to ministries and agencies, we recommend that the Office of the Comptroller General implement processes to:

- *research, develop and maintain in-house knowledge and resources on new and upcoming accounting standards;*
- *perform accounting assessments internally for new and upcoming standards issued by the Public Sector Accounting Board, rather than outsourcing these assessments to external firms;*
- *require both ministries and agencies to seek accounting advice from the Office of the Provincial Controller*

Division regarding accounting issues, rather than obtaining external advisory services; and

- *be solely responsible for engaging external accounting advisory services if needed to address the volume of requests.*

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

In our 2021 audit, we found instances where the Provincial Controller Division engaged external advisory firms for services to research and implement new and existing accounting standards, rather than developing in-depth knowledge of the new standards by doing the research itself. Similarly, we found ministries and agencies engaged external advisory firms when they had complex accounting issues, or needed to interpret and implement new accounting standards.

We found five instances where agencies sought external accounting advice without informing the Provincial Controller Division as required by the Accounting Advice Directive (effective July 9, 2019) and that some agencies were unnecessarily incurring costs for acquiring external advice on high-risk accounting issues that could have been resolved internally. These not only resulted in an inefficient use of resources, but also posed the risk that the Provincial Controller Division may not have been informed of high-risk accounting issues.

Furthermore, our audit found that the Accounting Advice Directive did not prevent ministries or its Crown agencies from first obtaining external advice before informing the Provincial Controller Division to allow them the first opportunity to assess whether it had the resources and knowledge to provide the accounting advice. Instead, the Provincial Controller Division issued an accounting consultation request form that required ministries, and recommended that agencies, notify the Provincial Controller Division prior to seeking external advice for high-risk accounting issues.

No similar requirements were in place for accounting issues that ministries and agencies did not determine to be high-risk. These actions increased the risk of a lack of in-depth technical expertise within the Provincial Controller Division, ministries and agencies as they would not have been able to address any follow-up questions raised as part of implementing the new and/or complex accounting standards, instead relying on external firms to address them.

In our follow-up, the Office of the Comptroller General informed us that it will not be implementing this recommendation. It said the Provincial Controller Division does not outsource its work to external firms; it strategically hires external firms to assist and complement government accounting and controllership policy development decisions. Ministries are responsible for their respective planning and procurements, including the procurement of external consultants to provide accounting advisory services. Agencies should consult their ministry controllership for accounting advice and, where necessary, ministry controllerships will communicate agency accounting advice requests to the Provincial Controller Division.

The Office of the Comptroller General also said ministries and their respective agencies are required through the Accounting Consultation Request Form process to inform the Provincial Controller Division and the Office of the Auditor General of Ontario about the details of the external advisory services they have sought or plan to obtain. While the Provincial Controller Division provides feedback and advice to ministries about their plans to procure external accounting advice through the Accounting Consultation Request Form, ministries will continue to make the decision whether to seek external accounting advice. The Accounting Consultation Request Form process provides information to the Provincial Controller Division when external advisors are hired to provide accounting advice.

Our Office continues to support the implementation of this recommendation. The Provincial Controller Division would provide a more cost-effective, centralized process for the provision of accounting advice if it expanded its internal accounting advisory expertise and took more responsibility for researching, developing and maintaining accounting advisory services, while engaging external firms only when warranted.

Ministry Finance Positions Should Include Standardized Education and Experience Requirements to Efficiently Address Increasingly Complex Accounting Issues and Standards

Recommendation 10

To enhance the financial acumen of senior management accounting positions across the ministries, we recommend that the Office of the Comptroller General work with the Centre for People, Culture and Talent to:

- *further standardize the job descriptions for these positions across all ministries such that they have consistent qualifications, including education, a Canadian Chartered Professional Accountant (CPA) designation and work experience required based on the job responsibilities; and*
- *require all new hires to these positions, as attrition occurs, to possess the qualifications needed for the positions.*

Status: Fully implemented.

Details

In our 2021 audit, we found that the Province did not have standardized experience and education requirements, such as requiring a CPA designation, for persons hired into finance-related positions across ministries, including for those in senior finance positions. In addition, there was a disconnect between the job qualifications required for financial positions and their responsibilities. For example, candidates for and incumbents of these positions were often required to have a strong understanding of Canadian Public Sector Accounting Standards (PSAS), but were often not required to have a CPA designation. At the six ministries we audited, we found inconsistencies in the accounting qualifications required for the ministry controller and finance director positions. The finance directors signed off on the CoA attestation memo stating the ministries complied with PSAS. As well, the ministry controllers and finance directors signed off on the financial reporting templates submitted to the Provincial Controller Division for the preparation of the consolidated financial statements, which are required to be prepared in accordance with PSAS. Having professional accounting expertise available within the ministries' finance functions improves the quality of the accounting analysis done at the ministry levels and the accuracy of the Public Accounts. Furthermore, ministry finance staff require knowledge of new and complex accounting issues and standards when preparing accounting assessments for the Provincial Controller Division.

In our follow-up, we found the Provincial Controller sent a letter to all Chief Administrative Officers to implement changes effective January 31, 2023, to enhance the financial acumen of senior management accounting positions across the ministries. This included an OPS-wide standard job description for new controllers. The standard job description ensures consistent qualifications, work experience and job responsibilities, including a requirement to hold a professional accounting designation—either a CPA or a Canadian Public Finance Accreditation (CPFA). In addition, a requirement was introduced for newly hired Finance Directors to enroll in CPA Canada's Senior Employee Advanced Finance and Accounting Program (SEAFAP) unless they possess a CPA or CPFA designation. SEAFAP is a 10-month certificate program designed by the Provincial Controller Division in collaboration with CPA Canada. Incumbent Finance Directors are also encouraged to enroll in the program, although it is not mandatory.

Ministry Finance Roles Should Include Standardized Training Requirements to Achieve a Sufficient Level of Financial and Accounting Proficiency

Recommendation 11

To strengthen the technical accounting and fraud-prevention knowledge of ministry finance staff, we recommend that the Office of the Comptroller General work with the ministries to:

- *create and implement standardized training plans for individuals involved in preparing and reviewing the Certificate of Assurance, Public Accounts and Financial Reporting schedules;*

  Status: Fully implemented.

Details

In our 2021 audit, we reported that given the increased complexity of accounting standards, strong financial training is required to enhance accounting acumen within finance functions at ministries. We found that ministry finance staff, including those without a professional accounting designation, were not required to take specific financial, accounting and fraud training courses or to attend updates for new and revised accounting standards relevant to their positions. This lack of standardized training requirements can result in varying levels of competencies for individuals in the same position across ministries.

In our follow-up, we found the Office of the Comptroller General performed a learning-needs analysis by issuing a survey to staff to identify learning needs with a plan to create standardized training programs for the OPS finance, audit and risk community. The Office of the Comptroller General's Comptroller General Academy, which is responsible for developing and implementing finance, audit and risk-related training programs for deployment within the OPS, created a website that includes a guide that describes the roles, qualifications and skills required for each seniority level within the finance community (i.e., analysts, advisors, leads, senior leads, finance managers, controllers, and finance directors). The website also highlights learning opportunities that are relevant to employees depending on their specific role, categorized based on skills such as technical acumen, professional development, general leadership, and finance leadership. The Comptroller General Academy's financial management developed and delivers financial management training to all new OPS managers.

- *develop and deliver time-appropriate financial and fraud training sessions that meet staff's varying needs relevant to their roles at different ministries, as set out in the standardized training plans.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that although the Provincial Controller Division invited approximately 3,600 staff across the Ontario government's finance community to attend its quarterly fraud awareness and prevention training, the training was not mandatory. The Provincial Controller Division did not know which ministries provided their own fraud training or fraud-prevention programs because it did not track such information. Furthermore, cybersecurity concerns involving fraud were not specifically highlighted in the training.

In our follow-up, we found the Office of the Comptroller General's Comptroller General Academy, working in partnership with the Ontario Internal Audit Division's Forensic Investigation Team, updated and delivered the Fraud Management training to the finance community. Training sessions, such as the Fraud Risk Management and CoA training sessions delivered throughout fiscal 2022/23, were tracked through attendance sheets. As described above in the response to **Recommendation 10**, the Office of the Comptroller General worked with CPA Canada to create programs for controllers and finance directors to enhance their financial acumen, and the Office of the Comptroller General is in the process of creating standardized training programs for the OPS finance, audit and risk community.

Finalization and Broad Communication of Comptroller General's Strategic Plan Will Assist in Organizational Change

Recommendation 12

To strengthen the comptrollership function, we recommend that the Office of the Comptroller General:

- *finalize, and broadly communicate and implement on a timely basis, a strategic plan that identifies clear and specific initiatives and actions to improve financial and risk management, including ones based on recommendations made in this report;*

  Status: Fully implemented.

Details

At the time of our 2021 audit, the Comptroller General was assessing the direction to best realize the government's expectations regarding fiscal prudence and accountability and was in the process of developing a strategic plan. A robust strategic plan is a key element of setting the direction of the Comptroller General's work and serves to align outcomes expected from the government and specific initiatives to achieve them, including associated performance measures.

In our follow-up, we found that in February 2023, the Comptroller General finalized her strategic plan (referred to as the Office of the Comptroller General's business plan), which includes objectives and priorities to achieve the Office of the Comptroller General's mandate to strengthen enterprise risk management, controllership, financial management, and internal audit. The business plan priorities will be complemented by divisional operational plans.

- *where necessary for the implementation of the Comptroller General's strategic plan, update the financial management requirements for ministries in existing directives and policies, or issue new ones;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that the effective implementation of initiatives in the strategic plan would require compliance and co-operation from ministries' finance functions. Updates to the Provincial Controller Division's existing directives and policies, or issuing new ones, may be necessary to implement the Comptroller General's strategic plan.

In our follow-up, we found that in March 2023, the Office of the Comptroller General's Provincial Controller Division released the Controllership Directive, which communicates the requirements for entities under the Consolidated Revenue Fund to follow Controllership Policy and advice including management of significant accounting issues, seeking external accounting advice and controllership capacity and capability (i.e., staff expertise) to perform their responsibilities.

- *conduct an independent formal review and evaluation of the effectiveness of implemented changes.*

  Status: Little or no progress.

Details

In our 2021 audit, we found that there was an opportunity to review and increase the consistency and effectiveness of accounting and financial management practices across ministries and agencies and to establish links between financial and risk management. The transition to a new comptrollership model would also provide an opportunity to strengthen the financial expertise within ministries and identify where additional capacity and the recruitment and development of new skill sets within ministries were needed.

During our follow-up, the Office of the Comptroller General informed us that it plans to continue to monitor progress and will consider the timing of an independent review after the full implementation of the business plan, which is expected by March 2025.

Effective Performance of Finance Functions Not Assessed

Recommendation 13

So that progress can be assessed and opportunities for improvement identified, we recommend that the Office of the Comptroller General:

- *develop and implement a framework to guide and assess its performance as well as the performance of ministries' finance functions;*
- *develop a set of performance goals and measurable outcomes;*

  Status: In process of being implemented by December 2023.

Details

In our 2021 audit, we found that there was no established framework with performance targets in place to assess the effectiveness of the Office of the Comptroller General's Provincial Controller Division. Further, there were also no performance indicators assessing the effectiveness of the finance functions at ministries. We noted that a comptrollership performance management framework generally includes a set of goals and expected outcomes relevant to the comptrollership objectives that could be used to assess, by using performance measures, whether outcomes were being achieved and delivered effectively. A performance measurement framework could also help the Office of the Comptroller General identify areas where improvements were needed within the Province's finance functions.

In our follow-up, we found the Office of the Comptroller General had established a task force with representatives from each division to develop a performance measurement framework. The Office of the Comptroller General's Provincial Controller Division, Ontario Internal Audit Division and Enterprise Risk Management Office are working on drafting their divisions' performance measures based on the Office of the Comptroller General's business plan by December 2023.

- *internally monitor and assess at least annually the progress toward achieving these outcomes.*

  Status: Little to no progress.

Details

In our follow-up, the Office of the Comptroller General informed us that once performance measures are established, they will be reported on annually, which is expected by March 2025.

Chapter 1
Section
1.14

Ministry of the Solicitor General

Follow-Up on 2021 Value-for-Money Audit:

Ontario Provincial Police

RECOMMENDATION STATUS OVERVIEW						
		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	2		2			
Recommendation 2	1		1			
Recommendation 3	3		3			
Recommendation 4	2	1	1			
Recommendation 5	3	1	2			
Recommendation 6	2	1	1			
Recommendation 7	3		3			
Recommendation 8	2		2			
Recommendation 9	2		2			
Recommendation 10	1		1			
Recommendation 11	3	1	2			
Recommendation 12	3	2		1		
Recommendation 13	2		2			
Recommendation 14	4		3	1		
Recommendation 15	1		1			
Total	**34**	**6**	**26**	**2**	**0**	**0**
%	**100**	**18**	**76**	**6**	**0**	**0**

Overall Conclusion

The Ontario Provincial Police (OPP), as of October 20, 2023, had fully implemented 18% of actions we recommended in our *2021 Annual Report*. The OPP and the Ministry of the Solicitor General (Ministry) made progress in implementing an additional 76% of the recommendations.

The OPP fully implemented recommendations such as establishing detachment targets for the proportion of frontline officer time spent on proactive policing; developing controls that limit purchase orders over $5,000 to vendors through internal systems; and establishing a benchmark for OPP vehicle utilization.

We noted that the OPP made progress on recommendations such as establishing a minimum acceptable staffing level for detachments based on officer workload and stressors, and tracking and analyzing the best practices of high-performing detachments. Together, the OPP and the Ministry made progress on recommendations such as establishing key performance

indicators for monitoring the adequate and effective delivery of policing services.

However, the OPP made little or no progress on 6% of the recommendations, including setting individual response-time benchmarks for each detachment based on local variables.

The status of actions taken on each of our recommendations is described in this report.

Background

The Ontario Provincial Police (OPP) was established in 1909 and is one of the largest police forces in North America, with about 5,600 police officers and 2,500 civilian employees. In 2020, the OPP provided municipal policing services to 327, or 74%, of Ontario's municipalities, and was responsible for patrolling over 1 million square kilometres across the province, from remote northern and First Nation communities to rural and urban centres. This included more than 99,000 kilometres of waterways and trails, and over 130,000 kilometres of roadways. In 2020, OPP officers laid over 424,000 charges, including over 104,000 charges for violations of the Canadian Criminal Code, and over 269,000 charges related to the *Highway Traffic Act*.

The OPP's operating expenditures totalled nearly $1.4 billion in the 2022/23 fiscal year (over $1.2 billion in 2020/21), an increase of about 13% since our audit. Despite increases in OPP expenditures, our 2021 audit found that the OPP employed 9% fewer police officers than it had a decade earlier. In addition, detachments were increasingly understaffed when it came to frontline officers, known as constables. In 2020, over 1,000 frontline constable positions were vacant, representing 26% of the OPP's total funded frontline constable positions.

Frontline constable vacancies also appeared to be contributing to a decline in the service levels provided by the OPP to municipalities. The number of hours of patrol that the OPP provided to municipalities and on provincial highways decreased by 48% from 2011 to 2020, from 1.87 million hours to just over 975,000 hours. Not surprisingly, we also found that the OPP's fleet of frontline road vehicles was underutilized. In addition, our testing indicated that the OPP was not providing each municipality it provided policing services to with the level of service, specifically uniformed officer hours, that its deployment model identified as required to respond to calls for service on a timely basis.

Frontline officer vacancy rates varied considerably between OPP regions and detachments; regions with higher vacancy rates also had lower crime clearance rates. However, despite the variation in officer staffing, the OPP had not taken sufficient steps to adjust its deployment of officers to equalize staffing at detachments most in need. More generally, the OPP's efforts to monitor and measure the quality and effectiveness of the police services it provided was limited. We observed that detachment inspections often showed recurring compliance violations, and the number of violations identified during inspections had been increasing. We also found that, generally, there were limited consequences for officers responsible for violations that posed a significant safety or liability risk.

Some other significant findings were:

- Stress-related officer leaves were contributing to rising vacancies and costs. Medical leave taken by officers with a diagnosis of post-traumatic stress disorder (PTSD) was contributing significantly to increasing vacancies at detachments. In addition, the OPP was incurring rapidly increasing financial costs, which had reached $42.7 million in 2020, in relation to Workplace Safety and Insurance Board (WSIB) claims submitted by officers, in large part due to claims for PTSD. Exposure to psycho-social situations, which includes traumatic incidents leading to diagnoses of PTSD, represented 75% of all OPP WSIB incidents in 2020, and these types of claims in 2020 led to 11,037 days of leave for OPP employees. The increasing number of officers filing WSIB claims for PTSD and other mental health injuries is symptomatic of an ongoing issue related to officer mental health and stress.

- The OPP was providing less and less proactive policing. It provided just over 975,000 hours of patrol in 2020, down 28% from the over 1.35 million hours it provided in 2016, and down 48% from the 1.87 million hours it provided in 2011. In 2020, patrol made up just 13% of frontline officer hours, compared to 22% in 2011. Studies have shown that police presence in an area can reduce and act as a deterrent to crime. The OPP's reduced frontline staffing and patrol hours over the last decade were occurring at the same time as incidents of crime in OPP-patrolled areas had been increasing, after reaching a low in 2017, and while calls for service and the number of municipalities and population the OPP served steadily increased.
- Frontline officer schedules were not aligned with calls for service. In our 1998, 2005 and 2012 audits of the OPP we found that officers were not scheduled in a way that corresponded to peak workload periods. Our 2021 audit found this continued to be the case. Our analysis of 2020 shift data for all detachments found that:
  - Detachments received their peak number of calls for service between 11 a.m. and 5 p.m., and received the fewest calls between 1 a.m. and 7 a.m.—75% lower than during peak hours. However, the number of frontline constables on duty during this much less busy time was only 25% lower than during peak hours.
  - Frontline constables took the most vacation time and worked the fewest hours in August, which was also the month with the greatest number of calls for service. In contrast, frontline constable hours worked in January were 4% greater than in August, even though the OPP received 30% fewer calls in this month.
- The OPP did not accurately track or monitor call response times. An important indicator related to public safety is how quickly a police service responds to calls, particularly urgent calls. However, the OPP did not analyze information about how much time elapsed between when a call was received by one of its regional communications centres and when an officer arrived on the scene. Consequently, the organization did not know whether its average response times were reasonable, particularly for more serious or higher-priority calls. Our attempt to analyze response times found significant issues with the accuracy and reliability of OPP data that made an analysis of it impossible. We found examples of several jurisdictions that measured and publicly reported response times to calls for service, including the Vancouver Police Department and the Ottawa Police Service.

We made 15 recommendations, consisting of 34 action items, to address our audit findings. We received commitments from the OPP that they would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between May 2023 and October 2023. We obtained written representation from the OPP that effective November 20, 2023, it had provided us with a complete update of the status of the recommendations we made in the original audit.

Police Officer Staffing and Deployment

Recommendation 1

To promote a healthy workplace, limit stress placed on officers, and reduce the number and cost of employees on long-term leave and accommodation, we recommend that the Ontario Provincial Police:

- *study and establish a minimum acceptable staffing level for detachments based on officer workload and stressors;*

  Status: In the process of being implemented by March 2024.

Details

In our 2021 audit, we found that the number of frontline officers working in detachments across the province was in decline, and these detachments were significantly understaffed. The OPP had almost 1,030 vacancies in frontline constable positions in 2020.

Despite some detachments being significantly understaffed, the OPP had not taken sufficient steps to adjust its deployment of officers to detachments most in need. We noted understaffed detachments were self-reinforcing, as understaffing led to increased stress and burnout of frontline officers who were required to take on a higher workload, which in turn led to more officers taking leave. We also found that that medical leave taken by officers due to a diagnosis of post-traumatic stress disorder (PTSD) was significantly contributing to increased vacancies at detachments. The OPP had not performed any analysis to project how much the financial cost and vacancies associated with traumatic stress would continue to rise over the coming years, or whether these effects could be mitigated.

In our 2021 audit, we noted the OPP had developed a new draft Service Delivery Model that could calculate how many police officers are required to serve each detachment and region by considering factors such as officer leave, response time standards, calls for service, providing support to First Nations, and community engagement. At the time of our 2021 audit, the OPP was making adjustments to the model, and it had not yet been approved for use in decision-making.

In our follow-up, we found that, in January 2022, the OPP convened an internal project team tasked with ensuring a healthy workplace, limiting stress placed on staff, and reducing the number and cost of employees on long-term leave and accommodation. The OPP developed a formula within the Service Delivery Model to establish minimum acceptable staffing levels for detachments. The formula includes factors affecting officer workload and stressors such as calls for service, administrative time, proactive policing, community engagement, and officer leaves. The OPP indicated that, as of January 1, 2023, the process for determining optimum staffing levels had commenced at five detachments where the Service Delivery Model was being implemented and assessed. The assessment of the model was anticipated to be completed by March 2024. Thereafter, the OPP planned to establish these minimum acceptable staffing levels at each detachment, province-wide, as the model was implemented.

- *establish benchmarks for leave of absence and accommodation rates, and Workplace Safety and Insurance Board claims indicative of a healthy workplace, and evaluate the Healthy Workplace Team initiatives against progress towards these benchmarks.*

  Status: In the process of being implemented by December 2023.

Details

In our 2021 audit, we found that medical leave taken by officers due to a diagnosis of post-traumatic stress disorder (PTSD) was significantly contributing to increasing vacancies at detachments. WSIB leave increased by 364% between 2015 and 2020, from 76 employees to 353. Similarly, the cost of WSIB claims to the OPP increased by 181%, from $15.2 million in 2015 to $42.7 million in 2020.

We also found that there were 377 frontline constables on accommodated work arrangements that restricted them from performing some or all of their regular frontline duties. These constables accounted for 37% of the 1,028 frontline constable vacancies in 2020. However, the OPP noted that due to privacy and confidentiality requirements, it did not track the specific reason (e.g., medical condition) that resulted in an officer's accommodation, and it was thus unable to identify the number of officers who were receiving an accommodation due to mental health concerns.

In 2020, the OPP established the Healthy Workplace Team, a bureau responsible for the wellness of the OPP and its members. However, we found that while the team had implemented several initiatives, the OPP should apply a wellness lens to all operational decisions related to staffing across the province.

Our follow-up found that the OPP had developed an evaluation framework in May 2022 to consider pillars of mental health and safety systems and prevention of harm. The framework includes eight mental health performance measures to support a healthy workplace such as days lost by type, rates of accommodation, WSIB psycho-social claims as a percentage of total claims, and return to work rates. At the time of our follow-up, the OPP had begun analyzing data for each of the eight mental health performance measures, and expected to establish benchmarks for each measure by December 2023.

Recommendation 2

So that frontline detachments are sufficiently staffed to provide adequate and effective police services to the communities they serve, we recommend that the Ontario Provincial Police review the rate of redeployment of constables to specialized units and specialized areas of policing, including the impact of redeployment on crime clearance, and determine if the rate should be reduced.

Status: In the process of being implemented by June 2024.

Details

In our 2021 audit, we found that constables transferring from frontline duties to non-frontline temporary assignments made up 18% (189 of 1,028) of frontline constable vacancies in 2020. The number of constables placed in temporary assignments had increased by 75% from 2016 to 2020. In addition to constables placed in non-frontline temporary assignments, we noted that between January 2018 (when the OPP started to track transfers to specialized units) and July 2021, 206 frontline constables had moved from frontline duties to specialized units, further contributing to the rise in vacancies. The contribution of these transfers to frontline officer vacancies were concerning since we also found that regions with higher frontline officer vacancies resolved fewer crimes.

In our follow-up, we found that between October 2022 and February 2023, the OPP had surveyed 33 municipal police services in Ontario to better define specialized units and determine how other police services deployed constables to their specialized units.

In 2022, the OPP also completed a review of its vacancy rates and staffing pressures in frontline and specialized units from 2016 to 2021, including redeployment from frontline to specialized units. In August 2023, the OPP used the results of this review to establish a draft procedure for redeployment from the frontline to specialized units based on recruit and experienced police officer class sizes. The OPP told us that after each intake, it uses this procedure to review the rate of redeployment of constables to specialized units of policing.

Between February and May 2023, the OPP also provided direction to regions to ensure frontline officers were not transferred to specialized units if the vacancy rate at their detachment exceeded a specified threshold. In addition, the OPP informed us it would consider detachments' crime clearance rates for the period of 2016–2021 to determine if redeployment rates should be changed. The OPP also planned to complete an analysis of the impact of redeployment at the five detachments where the Service Delivery Model was being assessed (described in **Recommendation 1**), and by June 2024, the OPP expected to formalize its standard operating procedure for redeployment to specialized units.

Recommendation 3

To maintain consistent police services across detachments and regions, and to ensure that detachments are sufficiently staffed with frontline officers according to the needs of local communities, we recommend that the Ontario Provincial Police:

- *adjust deployment of constables with the goal of increasing staffing at detachments with the most need;*

  Status: In the process of being implemented by March 2024.

Details

In our 2021 audit, we found that, similar to what we noted in our 2012 audit, the OPP did not have a consistent, province-wide model that it used to periodically identify staffing needs and adjust the deployment of officers to detachments. We found significant

differences in frontline officer vacancies between regions and detachments, and noted that regions with higher frontline vacancies resolved fewer crimes.

In our follow-up, we found that the OPP had developed a draft detachment prioritization process as part of its Service Delivery Model that uses staffing levels and vacancies to prioritize detachments most in need of constables. The OPP first used this process to prioritize detachments for constable deployment in September 2022, and indicated it will run the prioritization during each intake of new constables, occurring six times per year. The OPP expected to fully implement this recommendation, with the development of a standard operating procedure for recruitment prioritization, by March 2024.

- *implement the Service Delivery Model as soon as it has been validated;*

  Status: In the process of being implemented by December 2029.

Details

Our 2021 audit noted that in January 2020, the OPP established a committee of internal staff and external experts to research and develop a deployment model to ensure adequate and effective levels of service, prioritizing both operational demands and the health and wellness of its officers. At the time of our audit, the group had developed a new draft Service Delivery Model (see details under **Recommendation 1**).

In our follow-up, we found that the Treasury Board Secretariat had approved funding for the Service Delivery Model in 2022, and the model was being tested in five OPP detachments. At the time of our follow-up, the OPP was assessing and validating the model, a process which it expected to complete by mid-2024. The expectation was that once this validation process was completed, the Service Delivery Model would be gradually implemented at all detachments in the province, in accordance with Treasury Board Secretariat's approved funding. The OPP told us that, due to funding and staffing constraints, full implementation was not expected to occur until the end of 2029.

- *periodically update the Service Delivery Model, compare its outputs to actual deployment, and utilize the results to adjust deployment throughout the province.*

  Status: In the process of being implemented by December 2029.

Details

In our 2021 audit, we found that the OPP did have a model it used when it first contracted with a municipality to calculate how many officers would be required to serve the area. However, the OPP did not revisit the model after the contract was agreed to in order to compare actual staffing levels against those indicated in the contract, or to guide deployment decisions.

At the time of our audit, a new draft Service Delivery Model had been developed. The Service Delivery Model could calculate how many police officers are required to serve each detachment and region by considering factors such as officer leave, response time standards, calls for service, providing support to First Nations, and community engagement. It is designed to be run regularly with updated inputs and used to guide deployment decisions. At the time of our 2021 audit, the OPP was making adjustments to the model, and it had not yet been approved to be used to guide decision-making. The model calculated that the OPP required 3,873 constables across the frontline regions and the Highway Safety Division in 2020. The actual number of constables for 2020 was 2,905, a shortfall of 968, or 25%. For any deployment model to have an effect, it must be continuously updated, compared to actual deployment, and consistently used to guide decision-making and to adjust deployment.

In our follow-up, we found that the Treasury Board Secretariat had approved funding for the Service Delivery Model in 2022 and the model was being tested in five OPP detachments. At the time of our follow-up, the OPP was assessing and validating the model, including through a comparison of the model's outputs to actual deployment. The OPP anticipated completing this process by March 2024. Thereafter, the OPP expects to gradually implement the Service Delivery Model at all detachments in the province, in accordance with the

Treasury Board Secretariat's approved funding. The OPP has committed to reviewing the Service Delivery Model on an annual basis and using the results to continually adjust deployment to those detachments most in need (as the model is implemented by detachments). The OPP expects to implement the Service Delivery Model at all detachments by the end of 2029.

Police Service Delivery

Recommendation 4

To increase police presence and deter crime in municipalities, we recommend that the Ontario Provincial Police:

- *establish evidence-based detachment targets for the proportion of frontline officer time spent on proactive policing;*

  Status: Fully implemented.

Details

Our 2021 audit found that one of the most significant impacts of OPP constable shortages was on the number of patrols the OPP provided to municipalities and on highways. Patrol is the primary means of providing proactive policing. In 2020, the OPP provided just over 975,000 hours of patrol, down 28% from the over 1.35 million hours it had provided in 2016, and down 48% from the 1.87 million hours it had provided in 2011. In 2020, patrol made up just 13% of frontline officer hours, compared to 22% in 2011.

Research has shown that police presence in an area can act as a deterrent to crime and reduce the number of crimes committed. The OPP's reduced frontline staffing and patrol hours were occurring at the same time as incidents of crime in OPP-patrolled areas were increasing, after reaching a low in 2017, and while calls for service and the number of municipalities and population the OPP served had steadily increased.

Our 2021 audit also found that the proportion of time frontline officers spent on patrol at each detachment varied from almost 30% of frontline officer hours at one detachment, to approximately 3% at another in 2020.

In our follow-up, we found that the OPP had established targets for the proportion of frontline officer time to be spent on proactive policing. In 2022, the OPP conducted research on over 10 Canadian and American police services, comparing each service's thresholds for time spent on proactive policing. The OPP also reviewed the number of hours its officers historically spent on proactive policing such as patrol and considered projected future staffing levels and approved increases in officer recruitment. Using this information, the OPP finalized a target in the Service Delivery Model of 21% of officer time to be spent on proactive policing and 5% for community engagement.

- *regularly monitor time spent on proactive policing to ensure these targets are met.*

  Status: In the process of being implemented by March 2024.

Details

Our 2021 audit noted that fewer officers serving a larger area and population, responding to more calls, and investigating more incidents of crime have fewer hours available for proactive policing. We spoke with staff at two municipalities that had recently terminated their contracts with the OPP. These municipalities cited a lack of police presence in their community as a major factor in their decision. For example, one of the municipalities told us that the service level and visibility of OPP officers had been an ongoing issue and that it had received complaints from the public, specifically about a lack of foot patrols in the community.

In our follow-up, we found that the OPP has made progress in regularly monitoring time spent on proactive policing to ensure its targets were met. Since April 2023, the OPP been monitoring the percentage of time spent on a monthly basis on proactive policing and community engagement across all detachments. For the five detachments where the Service Delivery Model was being implemented and assessed (see **Recommendation 1**), the OPP also provided a more in-depth monthly report on proactive policing and community engagement. However, the OPP has not yet completed an analysis of the data comparing each detachment's results to the established provincial targets. It expects that by March 2024 operational data will be available

for 2023 from all detachments to analyze and formally compare against targets. Detachment and Regional Commanders may then implement strategies if targets were not met, such as holding discussions with frontline officers, providing training, and providing additional direction.

Recommendation 5

So that municipalities receive an adequate and effective level of policing services, to increase transparency, and to provide municipalities with the information required to make informed decisions on policing in local communities, we recommend that the Ontario Provincial Police:

- *review the number of uniformed policing hours its deployment model identifies are required for each municipality and provide municipalities with explanations when the number of hours is not delivered;*

  Status: In the process of being implemented by June 2024.

Details

Our 2021 audit found that although the OPP is required to provide adequate and effective policing under the Act, nearly half of municipalities were not getting the level of service (hours and full-time-equivalent staff) identified as required by the OPP's deployment model. We asked the OPP to run the model it uses for municipalities after inputting the most up-to-date information, to determine the number of constable hours and full-time-equivalent (FTE) staff required to service municipalities. Data was available for 230 municipalities. The model indicated that the OPP should be providing 3.9 million constable hours annually to meet the needs of these 230 municipalities. However, we found that the OPP provided only about 3.4 million constable hours to these municipalities in 2020, or 87% of the necessary hours indicated by the model. The OPP had not undertaken an analysis to determine why it provided some municipalities with fewer constable hours than targeted by the model. Nor had it analyzed the impact on public safety of providing fewer hours.

In our follow-up, the OPP informed us that it was committed to using its new Service Delivery Model, instead of the deployment model that was in place at the time of our audit, as the primary tool to guide staffing decisions and to calculate optimum staffing levels required at detachments. The OPP provided us with sample reports that compared the optimal uniformed policing hours identified as required by the new Service Delivery Model against the actual hours provided to detachments within municipalities. However, the OPP indicated that the specifics of what would be provided to municipal police service boards was still under development and would be informed by consultation with the Ontario Association of Police Service Boards (OAPSB). The OPP expected to share similar reports with municipal police service boards, including explanations of variances that were statistically significant, by June 2024.

- *survey police services boards to identify what additional data and statistics on police services they would find useful;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that the OPP Police Services Board Reporting Manual states that detachment commanders are required to report to the police services boards the following information: public complaints; motor vehicle collisions, by type; Criminal Code and provincial statute charges laid; and actual occurrences of violent crime, property crime and drug crime, and clearance rates. We found that the limited statistics provided by the OPP may not be adequate for municipal police services boards to fulfill their responsibilities. While detachment commanders have the discretion to provide additional statistics or data, we did not find any consistency in what was being provided to police services boards or individual municipalities over and above what was required.

In our follow-up, we found that in May 2022, the OPP developed a police services board survey to identify what additional data and statistics on police services that boards would find useful. To develop the

survey, the OPP considered items such as the current information provided to police services boards, current data collection databases within the OPP, other recommendations our audit report made, and legislated requirements as identified in the *Police Services Act*. Once developed, the survey was distributed electronically to 117 police services boards in June 2022, and received a response rate of 91%. The survey found that some of the information police services boards would find valuable were the number of policing hours a municipality received; good news stories; youth crime rates; and mental health–related incidents.

- *expand the scope of information required to be provided to police services boards based on the results of the survey.*

  Status: In the process of being implemented by January 2024.

Details

In our follow-up, we found that in June 2022 the OPP surveyed police service boards to identify what additional data and statistics on police services they would find useful, and subsequently provided a preliminary summary of findings to partners and stakeholders. In December 2022, these results were communicated to all detachment commanders for dissemination to their respective police services boards. Between February and July 2023, the OPP reviewed the survey results and created a data catalogue that outlined the OPP's capacity and ability to report on the metrics identified by the survey. By July 2023 the OPP had prioritized 30 of these metrics, including youth crime rates, staffing updates, and the number of public complaints. It expects to begin providing information on these metrics to municipalities beginning in January 2024. The OPP also indicated it would conduct a follow-up survey with police services boards to see if there was an appetite to further expand metrics provided to the boards.

Recommendation 6

In order to reduce operating costs and make the best use of available officers' time to more effectively respond to calls for service from Ontarians, we recommend that the Ontario Provincial Police:

- *utilize the work of its current scheduling project to develop alternative shift rotations that better align with demand for services;*

  Status: In the process of being implemented by July 2025.

Details

In our 1998, 2005 and 2012 audits of the OPP, we found that officers' shifts were not scheduled to correspond to peak workload periods. In our 2021 audit, we found this continued to be the case, and that the OPP had made limited progress toward making more efficient use of staff time in order to reduce staffing costs and improve officer availability during peak times. Our analysis of 2019 shift data for all detachments found, for example, that OPP detachments received their peak number of calls for service in the six hours between 11 a.m. and 5 p.m. Detachments received the fewest calls in the six hours between 1 a.m. and 7 a.m., when the number of calls were 75% lower than during peak hours. However, the number of frontline constables on duty during this time was only 25% lower than during peak hours.

Our 2021 audit also found that in February 2020, the OPP had established a multi-phase scheduling project with the goal of creating an organization-wide scheduling platform that would increase scheduling effectiveness and efficiencies based on demand for service, and allow centralized monitoring of how shifts were being scheduled across the organization.

In our follow-up, we found that the OPP and the Ontario Provincial Police Association (OPPA) had entered into a memorandum of agreement (MOA), with the goal of assessing the feasibility of various shift scheduling models at select detachments. The MOA states that the parties agree to test four alternative scheduling models, such as staggered start times, or a

modified day shift. The OPP informed us that now that the MOA was in place, it planned to assess the alternative shift scheduling models, and expected to use data from its organization-wide scheduling platform to adjust shift rotations that better aligned with the demand for services by July 2025, depending on negotiations with the OPPA.

- *develop a strategy, in consultation with the Ontario Provincial Police Association, for implementing these alternative rotations at depending that can most benefit from them.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that the OPP developed its shift scheduling manual in partnership with the Ontario Provincial Police Association (OPPA), which represents the majority of OPP uniformed and civilian staff. The manual lays out a number of factors to consider and criteria that a detachment commander must meet in order to make changes to shift schedules, but does not provide any suggested alternative shift types that could be implemented. We noted that while OPP management had to consult with the OPPA, and follow the shift scheduling manual when making changes, there was nothing in the collective agreement that would prevent the OPP from moving away from current scheduling practices, other than its popularity among frontline officers.

In our follow-up, we found that the OPP met with the OPPA throughout late 2022 and 2023, and began discussing alternative rotations at detachments. We noted that the OPP and the OPPA entered into a memorandum of agreement (MOA), with the goal of assessing various shift scheduling models at select detachments to assess the viability and feasibility of new shift scheduling models. The MOA states that the parties agree to engage in an assessment to test four new different scheduling models, such as staggered start times, or a modified day shift. The term of the MOA is expected to conclude in September 2024. At this time, the parties are to convene to discuss any mutually agreed upon provincial implementation of shift schedule changes.

Oversight

Recommendation 7

To improve detachment and officer compliance with legislative requirements and Ontario Provincial Police (OPP) policies, we recommend that the OPP:

- *track, analyze and compare detachment inspections for trends and repeated incidents of non-compliance, and track and analyze best practices at high-performing detachments;*

  Status: In the process of being implemented by December 2023.

Details

In our 2021 audit, we found that detachment inspections often showed recurring compliance violations by OPP officers, and the number of violations identified during inspections appeared to be increasing. We also found there were no consequences for officers responsible for violations that posed a significant safety or liability risk, and that there was no central trend analysis of the results of inspections or issues identified.

We observed that the OPP's Quality Assurance Unit, which is responsible for detachment inspections of high-risk areas, did not consistently attempt to compare inspection results to a detachment's previous inspection results to determine improvement or regression, or to identify trends. In addition, there was no scoring of inspections, limited analysis of a detachment's overall performance on inspection, and no comparison of inspection results to other detachments. We selected a sample of 10 detachments and compared their most recent inspection results conducted between 2018 and 2020 with the results from their previous inspection. We found that nine of the 10 detachments had more violations identified in their most recent inspection than in the previous inspection.

Our follow-up found that the OPP had made improvements to the existing quality assurance inspections process. The OPP completed its 2022 Quality Assurance Detachment Inspections Annual Report in April 2023. The updated report now includes a comparison of current property management (e.g., seized

items) inspection results to the previous inspection results for individual detachments. For other areas of inspection, notable non-compliances were categorized to help identify systemic issues. The OPP also updated the Quality Assurance Standard Operating Procedure in March 2023 to reflect these changes to its annual reporting process.

To track and analyze best practices at high-performing detachments, in November 2022, the OPP updated its Guidebook for Detachment Inspections by providing further details and timelines on remediation of action items identified during a quality assurance inspection. In October 2023, the OPP further updated the Guidebook and included a new list of best practices and additional details for the follow-up stage of the inspection process. The OPP plans to continuously update the best practice list and make recommendations to detachment staff in the Detachment Inspection Report based on these best practices. We noted that best practices are now included in the Executive Summary of all Detachment Inspection Reports.

Our follow-up found that to identify non-compliance trends at detachments the OPP planned to update its Detachment Compliance Report to include a comparison of the detachment's current compliance percentage by area (e.g., gun lockers, vaults) to their previous inspection and the provincial average. The OPP also planned to update the Compliance Trend report by December 2023 to allow data extraction from current and previous inspection cycles.

- *standardize consequences for officers whose non-compliances pose a safety or liability risk, including warnings, documentation in personnel files and disciplinary actions;*

  Status: In the process of being implemented by March 2024.

Details

We found in our 2021 audit that detachment commanders were responsible for taking corrective action based on issues identified during a detachment inspection, and the Quality Assurance Unit was responsible for confirming that violations identified during inspections were addressed in a timely manner. The Quality Assurance Unit did not issue penalties or impose consequences on detachments or officers for violations identified during an inspection. Consequences, if any, were at the discretion of detachment or regional commanders.

While the OPP advised us that there were multiple actions detachment commanders could take when violations were found during inspections, in our sample of inspections we found that, generally, there were limited consequences chosen. In the majority of cases, the action taken was simply for the supervisor to remind the officer of policy requirements. In our sample of 10 detachments, only one indicated it had disciplined an officer based on the results of the inspection, and only two detachments indicated they had annotated officer personnel files documenting a violation.

In our follow-up, the OPP informed us that it was currently developing a separate Officer Compliance Report, which will be included as part of the Detachment Inspection Report (described above). The report will provide details on individual officer non-compliance and the corresponding actions taken by detachment commanders to address the violations. The OPP told us that before it could draft an internal guidance document to assist detachment commanders with a standardized approach to disciplinary consequences, the OPP would need to conduct internal consultations as well as consult with stakeholders, including the Ontario Provincial Police Association, and the Commissioned Officers Association. It expected to conduct these consultations, begin centrally tracking officer non-compliance and associated disciplinary action, review historical disciplinary action, and subsequently develop its internal guidance document for disciplinary action by the end of 2023. The OPP expected to publish a framework for standardizing consequences for non-compliances by March 2024.

- *conduct a portion of inspections without providing notice to detachments, and compare results to inspections where notice is provided, to determine if the results of surprise inspections are*

more representative of the day-to-day state of detachments.

Status: In the process of being implemented by March 2024.

Details

In our 2021 audit, we found that the Quality Assurance Unit contacted the detachment commander in advance to confirm that the date planned for an inspection was convenient for all parties; the Quality Assurance Unit did not conduct surprise visits to detachments.

In our follow-up, we found that the OPP had begun conducting inspections without advance notice to detachments in April 2022. In 2022, seven of the 29 detachment inspections conducted by Quality Assurance Unit, or 24%, were unscheduled. The OPP conducted an analysis of the results of scheduled inspections compared to unscheduled inspections, for 2022, and included the analysis in its 2022 Detachment Inspections Annual Report. The report noted that unscheduled inspections demonstrated lower compliance in terms of property management, gun lockers, and detachment assets.

The OPP advised us that it planned to continue to select detachments for unscheduled inspections every year, including seven unscheduled inspections in 2023. Once 2023 inspection data is collected, the OPP will develop the 2023 Detachment Inspections Annual Report for release in March 2024, which will include an analysis and comparison of results between scheduled and unscheduled inspections. The results of this analysis are expected to be used to determine the percentage of inspections that will be unscheduled in the next inspection cycle.

Recommendation 8

To improve the quality, efficiency and effectiveness of its investigations, we recommend that the Ontario Provincial Police (OPP):

- *implement a process to monitor and analyze investigative trends, such as changes in crime clearance rates, to identify if they are reasonable, and to take corrective action where necessary;*

Status: In the process of being implemented by December 2024.

Details

In our 2021 audit, we found that the OPP generally did not have processes in place to review the results of the investigations completed by its specialized investigation units to identify trends that may require follow-up and corrective action to ensure investigations were completed efficiently and effectively.

We found that between 2016 and 2019, the average time (in days) it took for three of the OPP's specialized units to clear incidents of crime had decreased by 58%, from approximately 36 days in 2016 to 15 days in 2019, before increasing slightly to 18 days in 2020. However, between 2017 and 2019, the crime clearance rate decreased from 98.3% in to 87.8%, before increasing to 91% in 2020. We also found that the OPP and these specialized units did not have a process in place to review such trends to assess whether the differences from year to year were reasonable, or whether follow-up and/or corrective action was necessary. For example, they had not analyzed why the crime clearance rate had declined while at the same time they had drastically reduced the time it took to clear cases.

In our follow-up, we found that the OPP had made progress toward implementing this recommendation. The OPP developed a report to measure the efforts and outcomes of the investigations completed by its specialized investigation units with the goal of improving future investigations. The report includes items such as key findings, analyses, methodology used, and conclusions reached. The OPP told us that it planned to expand the data it collects and analyzes for investigations, including crime clearance rates; court dispositions; human resources utilized; and intelligence probes generated through investigations. The OPP informed us that it planned to use this data to monitor and analyze these trends, and take corrective action if necessary. The OPP expected to implement any changes to its processes by December 2024.

- *implement a post-investigation quality assurance process for all specialized units to review whether conclusions reached are appropriate and*

sufficiently documented, and to take corrective action where they are not.

Status: In the process of being implemented by December 2024.

Details

In our 2021 audit, we found that two of the OPP's specialized units, the Investigation and Enforcement Bureau, and the Organized Crime Enforcement Bureau, did not have a post-investigation quality assurance process to review whether the conclusions reached in investigations were appropriate and the rationale sufficiently documented. In contrast, we found that the Anti Rackets Branch had a process to review each completed investigation for lessons learned.

In our follow-up, we noted that the OPP developed a quality assurance process for specialized units, which included an intake process identifying the type of investigation and its objectives, monitoring and assessing investigations, completing conclusion reports, presentation to the Crown, if necessary, and data tracking and analyses of investigation results. The OPP informed us that investigative files are reviewed by the unit supervisors and that it planned to track these reviews. The OPP expected to implement this quality assurance process by December 2023. Once implemented, the OPP advised us that in cases where its quality assurance process identified shortcomings, it would take corrective action in the form of performance management discussions. The OPP planned to review the quality assurance process by December 2024, after it had been in place for a year, to ensure it was addressing the recommendation, and to make any necessary updates.

Recommendation 9

To provide effective oversight of the policing services delivered by the Ontario Provincial Police (OPP), we recommend that the Ministry of the Solicitor General:

- *establish key performance indicators in consultation with the OPP for monitoring the adequate and effective delivery of policing services;*

  Status: In the process of being implemented by October 2024.

Details

In our 2021 audit, we found that the Ministry of the Solicitor General (Ministry) did not have specific metrics or key performance indicators it was monitoring on an ongoing basis to ensure that the police services the OPP provided were adequate and effective. We also found that the Ministry did not appear to be fulfilling its responsibility to inspect the OPP. In the last 20 years, the Ministry had only inspected the OPP twice, once in 2017 regarding use-of-force investigations and reporting, and once in 2019 regarding major case management. These inspections were not specific to the OPP and included other police services.

In our follow-up, we found that the Ministry had not yet established key performance indicators for monitoring the adequate and effective delivery of policing services. The Ministry indicated that performance indicators would be implemented once draft regulations under the *Community Safety and Policing Act, 2019* (CSPA) were finalized. The CSPA regulations would update the definition of "adequate and effective" policing, and provide a framework for monitoring adequate and effective policing in Ontario. The Ministry posted multiple draft regulations on the Ontario Regulatory Registry for stakeholder feedback in summer 2023. We noted work was underway between the Ministry and the OPP to align potential performance indicators with the CSPA and its draft regulations. The new CSPA regulations were expected to come into force by April 2024, subject to government decision, and the Ministry expected to fully develop and implement key performance indicators by October 2024.

- *implement controls that ensure the independence of the Inspector General of Policing when monitoring and inspecting the OPP.*

  Status: In the process of being implemented by April 2024.

Details

In our 2021 audit, we found that when the *Community Safety and Policing Act, 2019* (CSPA) comes into force, it will establish an Inspector General of Policing (Inspector General) position under the Ministry of

the Solicitor General. The Inspector General will be responsible for monitoring and conducting inspections of police services in Ontario, including the OPP, for compliance with the CSPA and its regulations. We noted that the CSPA includes provisions to protect the independence of the Inspector General, including that the Solicitor General shall not direct the Inspector General or any inspector appointed by the Inspector General. Nevertheless, having both the Inspector General and the OPP within the Ministry of the Solicitor General and reporting to the same person could pose a risk to the independence, or the appearance of independence, of the Inspector General.

In our follow-up, we found that the Ministry had reviewed the provisions of the CSPA and determined that they provided sufficient controls to ensure the independence of the Inspector General. The Ministry stated that the Inspector General was responsible for implementing controls set out under the CSPA to ensure its independence. The Inspector General was also expected to put in place additional administrative processes and operating procedures with respect to the independence of its core functions, including public communications, legal advisory services, and internal Ministry information-sharing, prior to the CSPA coming into force in April 2024.

Recommendation 10

So that police officers are held accountable for their actions on a timely basis, we recommend that the Ontario Provincial Police work with the Ministry of the Solicitor General to review the impact of delaying disciplinary hearings for officers who cannot participate due to medical reasons and to identify options to expedite such hearings.

Status: In the process of being implemented by December 2024.

Details

In our 2021 audit, we noted that OPP internal investigations into officer conduct can lead to charges against officers under the *Police Services Act* (Act). These are not criminal charges. The penalties they carry include demotion, suspension and termination. However, in cases where the officer successfully demonstrates with supportable medical evidence that they were unable to participate in their hearing, the OPP cannot legally advance with prosecuting an officer it has charged under the Act.

As of July 31, 2021, the OPP's prosecutions office was unable to advance with prosecuting 22 OPP officers it had charged between 2005 and 2021 in a timely manner because the officers had provided sufficient medical documentation to indicate they were unable to fully participate in their hearing. We also found that some of these 22 OPP officers had been on medical leave for several years and as a result, these officers may have avoided penalties that can be as severe as termination, while continuing to be paid. The 22 officers had been paid approximately $4.2 million by the OPP since being charged, including one officer who had retired and one who resigned in 2021 and as a result can no longer face any disciplinary action.

We also found in our follow-up, that in January 2022, the OPP convened a project team to review the impact of delayed disciplinary hearings and to identify options to expedite such hearings. The project team subsequently consulted with the Ministry in March 2022, which reported that there were limited options to expedite hearings due to legislation such as the *Human Rights Code*.

In May 2022, the OPP implemented the Occupational Medical Program (OMP) that the OPP noted may also contribute to expediting hearings. For example, under the OMP, when court adjournments for an officer are requested for medical reasons, an independent medical doctor will determine the length of the adjournment upon the initial assessment of the officer based on medical evidence received from the officer's medical practitioner. Previously, the OPP's Professional Standards Branch Unit would revisit these matters monthly, resulting in delays and higher costs.

The OPP expected to complete its assessment of the OMP, as well as the impacts of delayed hearings due to medical reasons, by December 2024.

Procurement

Recommendation 11

So that procurement policies are followed, and essential services, goods and equipment are procured efficiently and without delay, we recommend that the Ontario Provincial Police (OPP):

- *develop controls that eliminate the ability of OPP staff to send purchase orders over $5,000 to vendors through internal systems rather than IFIS, as required by OPP policy;*

  Status: Fully implemented.

Details

We found in our 2021 audit that the OPP did not have effective controls in place to prevent duplicate purchases and purchases that were not properly authorized. In some cases, when the OPP decided to purchase a product, service or equipment, it generated a purchase order in its internal systems. If a purchase order exceeded $5,000, it was sent to Ontario Shared Services, who then recreated the purchase order in the government's Integrated Financial Information System (IFIS) with all required terms and conditions—such as on the delivery of goods, confidentiality and conditions under which the purchase order could be terminated. Ontario Shared Services also ensures that all appropriate levels of approval have been obtained. Only the IFIS purchase order is to be sent to the vendor. However, we found that there were no controls in place to prevent an internal purchase order from also being sent to the vendor. Due to the lack of controls, there is a risk of duplicate purchase orders being issued, and the opportunity exists to issue purchase orders without obtaining the required level of approval needed when processing a transaction in IFIS. We reviewed a selection of purchase orders, including purchases that had not been subject to competitive procurement, and large value purchases that required higher levels of authorization to process, and found multiple examples where OPP staff did not follow the procurement process.

In our follow-up, we found that the OPP had developed controls that limited the ability of OPP staff to send purchase orders over $5,000 to vendors through internal systems rather than through IFIS, as required by OPP policy. According to the OPP, all relevant documentation, communication and training materials on purchasing now state that purchase orders must be created in IFIS for any amount larger than $5,000. In addition, the OPP indicated that as of December 1, 2022, it updated its internal systems to no longer produce reports called "Purchase Orders," but rather "Order Details." These documents are to be approved and sent to vendors only once an IFIS Purchase Order is issued by Ontario Shared Services to a vendor. The Standard Operating Procedure for creating IFIS purchase orders was also updated in March 2023.

- *provide sufficient procurement training to managers and supervisors throughout the organization who are responsible for procurement;*

  Status: In the process of being implemented by December 2023.

Details

We found in our 2021 audit that new managers and supervisors throughout the OPP who had procurement responsibilities received only one hour of procurement-specific training. Procurement staff in the OPP's Business Management Bureau, who were ultimately responsible for ensuring procurements were executed effectively and assisting other areas of the OPP with their procurements, stressed the need for additional procurement training for managers and supervisors throughout the organization. We also found that one of the reasons OPP staff did not follow procurement policies and procedures appeared to be the last-minute purchase of items before contracts expired—suggesting a lack of proper planning. For instance, the OPP hired a vendor under a non-competitive procurement process to provide daily meals for as many as 160 officers over a period of eight months at a cost of over $444,000. While the Ontario Public Service Procurement directive allows for non-competitive procurement in urgent situations, an exemption must be sought and the reasons documented. We found that the OPP had not sought an exemption or documented why they had not conducted a competitive procurement.

In our follow-up, we found that the OPP's Procurement Services Section provided training about finance and procurement processes to new detachment commanders and civilian senior managers in June and November 2022. It also provided purchasing staff and managers with training in December 2022 on the new process surrounding Order Details, described above. In addition, the OPP's Fleet, Supply, Weapons, and Services Bureau had hosted training sessions in February 2023 with bureau managers and staff involved in purchase ordering to answer additional questions about the revised process.

In our follow-up we learned the OPP planned to develop procurement-specific training materials for managers and supervisors, which would include topics such as delegation of authority, procurement dollar amount thresholds, contract management, and executing internal OPP and Ontario Public Sector procurement procedures. The OPP planned to offer these sessions bi-annually for new managers, beginning in December 2023.

- *put in place an ongoing process to monitor and confirm that staff involved in procurement follow the OPP's procurement rules, including that required levels of approval are obtained before purchase orders are sent to vendors.*

  Status: In the process of being implemented by June 2024.

Details

In our 2021 audit, we found that there was a risk of duplicate purchase orders being issued, and the opportunity existed to issue purchase orders without obtaining the required level of approval when processing a transaction in IFIS. For example, we found that on March 9, 2019, a significant contract with a vendor to provide the OPP with laptop mounting stations for OPP vehicles was set to expire. On March 8, 2019, one day before the contract expired, OPP staff decided to issue a $1.89 million purchase order to the vendor. The purchase order was sent from the OPP's internal systems, rather than from IFIS. The purchase order did not have the required terms and conditions that are part of IFIS purchase orders, and did not include the approval of the Deputy Solicitor General, required for purchases over $1 million.

In our follow-up, we found that the OPP had begun work to implement a process to monitor and confirm that staff involved in procurement follow the OPP's procurement rules, including that proper approval levels are obtained before procurement. For example, the OPP informed us that its Procurement Services Section is in the process of creating training videos, a new Standard Operating Procedure for Procurement Coordinators and checklists for procurement officers and advisors, which are expected to be created by December 2023. These checklists will accompany approved procurement packages to guide staff through the process, including directing staff to complete a requisition in IFIS to create a purchase order.

The Financial Controllership Unit of the OPP planned to conduct an audit of financial transactions and internal monitoring mechanisms. This would include a review of amounts over $5,000 to ensure that IFIS purchase orders were issued to support the transactions. The audit and any related findings from it were expected to be completed by December 2023, with recommendations being implemented by June 2024. The OPP expected to complete this type of audit every one to two years, depending on the findings and recommendations from the initial audit.

Recommendation 12

To maximize the capital and operational cost effectiveness of its vehicle fleet, we recommend that the Ontario Provincial Police:

- *establish an internal benchmark for vehicle utilization;*

  Status: Fully implemented.

Details

Our 2021 audit found that the OPP did not consider minimum vehicle utilization levels and actual staffing levels when determining its fleet strategy and vehicle procurement decisions. While the OPP did not have a guideline or benchmark for its road vehicles related to minimum annual kilometric use, we found that the Ministry of Transportation (MTO) published a utilization guideline for both directly assigned and

shared enforcement vehicles within the Ontario Public Service. MTO's guideline states that shared vehicles (such as frontline vehicles), which account for nearly 40% of the OPP's fleet, should be driven at least 1,200 kilometres per month (1,600 for directly assigned vehicles), or 14,400 kilometres per year. We found that where the OPP had recorded the kilometric travel of its frontline road vehicles, between 16% and 34% of them had been underutilized relative to MTO's guideline of 14,400 annual kilometres.

In our follow-up, we found that the OPP used MTO's guideline to establish its own guideline for vehicle utilization. Those vehicles driven under 1,600 kilometres per month were considered underutilized, and those over 7,500 kilometres per month were considered over-utilized. These benchmarks had been included in the Guide to OPP Fleet Management and the OPP's Mileage Compliance and Utilization Report. In November 2022, the OPP completed a jurisdictional scan and found that the 1,600-kilometre benchmark was similar to that of York Regional Police, which had a benchmark of 1,250 kilometres per month. This benchmark is now included in a draft operating procedure within the OPP.

- *using this benchmark, conduct a review of fleet utilization, with the goal of maximizing cost-effectiveness while maintaining operational readiness;*

  Status: Fully implemented.

Details

Our 2021 audit found that 241 of the OPP's fleet of frontline road vehicles were underutilized. We estimated that the cost to purchase these vehicles identified as underutilized in 2019/20 was over $9 million, and the cost to repair and maintain them was nearly $640,000 in 2019 alone. Given these costs, even a modest reduction in vehicles owned and operated by the OPP, based on actual utilization data, could result in significant savings in capital and operating costs.

A 2016 review of OPP fleet management conducted by the Ontario Internal Audit Division also found that a significant number of OPP vehicles were underutilized, and recommended the OPP critically examine underutilized vehicles. However, we found that the OPP had not conducted any significant analysis of underutilized vehicles.

In our follow-up, we found that the OPP had conducted an assessment of vehicle use from September 2022 to February 2023. The assessment utilized the vehicle manufacturer's software in over 260 patrol-enforcement vehicles to record kilometric travel. The assessment found that manual kilometric travel entries were under-reported by approximately 780 kilometres per vehicle, per month. The OPP also launched a fleet optimization dashboard in February 2022, which allowed management to review fleet utilization data in a timely fashion, flagging potentially underutilized vehicles for follow-up. The OPP's fleet vehicles are now assessed quarterly against the 1,600-kilometre per month utilization benchmark to assess which, if any, fleet vehicles are being underused or overused so as to promote a more balanced use of fleet vehicles at detachments.

- *consider historical utilization, actual staffing levels and projected staffing, rather than authorized staffing, in its fleet strategy and procurement of vehicles.*

  Status: Little or no progress.

Details

In our 2021 audit, we found that the OPP's fleet management and procurement strategy did not consider the historic utilization of vehicles, or the significant vacancies in frontline policing the OPP was experiencing. We found that, instead, its latest fleet management strategy was to procure and allocate vehicles primarily based on the number of officers it was authorized to employ. Rather than reducing the number of vehicles in accordance with their utilization, from 2016 to 2020 the OPP increased the number of road vehicles in its fleet from 4,035 to approximately 4,090, even though the number of police officers employed by the OPP decreased from 5,785 in 2016 to 5,577 in 2020.

In our follow-up, we found that the OPP had made little progress in implementing this recommendation. Starting in January 2022, the OPP had begun considering the historical allocation of fleet patrol-enforcement vehicles, and staffing levels and

roles, against the Service Delivery Model's projected staffing. The intent was to ensure that fleet allocation was related to the actual staffing and roles at a detachment rather than what the detachment was authorized to staff.

The OPP told us it planned to create a framework to provide more flexibility within the regions to address staffing and role changes, as well as a tool to assess vehicle requirements and re-allocations for maximum utilization. This plan included a 12-month pilot program in the OPP's Central Region with a regional fleet allocation review, including a physical inventory of assets and a comparison to actual staffing levels and roles. The OPP expected to complete this framework and to make relevant recommendations for the utilization of vehicles using the framework by March 2024, with implementation of these recommendations to follow.

By September 2024, the OPP also planned to implement a process to assess current and projected staffing levels for fleet demands and deployments, given the impact of the Service Delivery Model and scheduling. This process would be rolled out to all detachments as the Service Delivery Model was expanded across the province by the end of 2029. (See **Recommendation 1**.)

Performance Measurement

Recommendation 13

To more effectively assess its performance in delivering adequate and effective policing services in Ontario, we recommend that the Ontario Provincial Police:

- *select key performance indicators from the Canadian Police Performance Metrics Framework, including indicators with targets, and report these publicly;*

  Status: In the process of being implemented by December 2024.

Details

From our value-for-money audit, we learned that the OPP had not identified key performance indicators with targets and did not use such indicators to measure the effectiveness and efficiency of its operations. The OPP's annual reports provided some information that could help to measure efficiency, such as frontline officer hours allocated to administration, and municipal policing costs per household served. However, the OPP had not set targets for these measures, nor did it use the results to assess its efficiency and cost-effectiveness. The OPP also did not report publicly on other potential efficiency and effectiveness indicators that could provide valuable insight into its operations, such as time taken to respond to calls, and officer time lost to illness.

In 2014, Statistics Canada, in collaboration with the Canadian Association of Chiefs of Police, undertook a review of current performance measures being used by police services in Canada, including the OPP. The review led to the development of the Canadian Police Performance Metrics Framework in 2017, which was contributed to and endorsed by the OPP. The framework outlines 47 performance indicators across four general categories.

In our follow-up, we noted that in March 2023, the OPP completed its review of the Canadian Police Performance Metrics Framework (CPPMF) and identified four CPPMF performance indicators on which to report publicly. The indicators are crime rate, crime severity index, clearance rate, and police officer strength. Reporting is scheduled to begin with the OPP's 2023 Annual Report, to be issued in 2024. The OPP expects to set goals for these four indicators by December 2024. The OPP stated it would review the appropriateness of the other indicators once "adequate and effective policing" had been defined under the *Community Safety and Policing Act, 2019*.

- *compare and benchmark indicators against other Canadian police services.*

  Status: In the process of being implemented by December 2024.

Details

In our 2021 audit, OPP staff told us the scope and mandate of the OPP was unique and unlike that of any other police service in Ontario, limiting comparability across the province's policing sector. However,

we found that the OPP's stance on targets and key performance indicators, and comparability across jurisdictions, did not align with contributions it had made in developing a national performance framework for policing, the Canadian Police Performance Metrics Framework (CPPMF).

In our follow-up, we found that the OPP had completed a jurisdictional scan in January 2023, to determine which police services within Ontario and Canada had adopted CPPMF performance indicators and which specific indicators were adopted. The OPP informed us that the 13 police services it surveyed (including the RCMP and the Sûreté du Québec) did not use all CPPMF performance indicators. The commonly reported indicators used were the four that the OPP selected to report publicly on in 2023: crime rate, crime severity index, clearance rate, and police officer strength. The OPP expected to complete its comparison to other police services by the end of 2023, and to report on its results in its 2023 annual report—which will be released by the end of 2024. The OPP also planned to compare its progress on these four indicators against the national and provincial average in future annual reports. The OPP told us that it would also consider whether other CPPMF performance indicators were appropriate for comparison.

Recommendation 14

To help monitor response times to calls and to minimize detachment response times throughout the province, we recommend that the Ontario Provincial Police:

- *identify the causes of issues with response-time data, and take steps to improve the accuracy and reliability of the data through controls and officer training;*

  Status: In the process of being implemented by December 2023.

Details

We found in our 2021 audit that the OPP did not analyze how much time elapsed between receipt of a call by one of its regional communications centres and when an officer arrived on the scene. Consequently, the OPP did not know whether its average response times were reasonable, particularly for more serious or higher-priority calls. Unexpectedly, we found that the highest priority calls requiring an immediate response, such as those that involve a catastrophic event, injury, threat of injury or death, had a significantly longer response time than non-urgent calls that only require the officer to respond as soon as practical. However, we found several clear indications these results were not accurate. For example, we found that the OPP's data included a large portion of calls with a blank (empty) dispatch time, and a large number of calls without the time the officer arrived.

Our follow-up found that in January 2022, the OPP had extracted three years of response-time data in order to examine the quality of the data, and had determined that the primary cause of inaccurate data was the failure of officers to report their status when attending calls for service. In response to this, the OPP communicated to officers in November 2022, to remind officers to report their status when attending calls for service. The OPP also created and distributed a tip sheet to all Provincial Communication Operators in April and November 2022, reminding these operators that they may need to change statuses should an officer arrive on scene but fail to update their status. The OPP planned to conduct an audit to ensure compliance and improved accuracy and reliability of data by December 2023, and on a yearly basis thereafter.

- *set individual response-time benchmarks for each detachment based on local variables;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that accurate tracking of response times on a detachment-by-detachment basis would allow the OPP to evaluate the deployment and scheduling of officers throughout the province, and potentially identify areas where longer response times posed a risk to public safety. We found examples of several jurisdictions that measured and publicly reported response times to calls for service. For example, the Vancouver Police Department and the Ottawa Police Service both measure and publicly report their response times for high-priority calls,

and the Edmonton Police Service has set a target of responding to its highest priority calls (where a person's safety is at risk) of arriving on the scene in under seven minutes, 80% of the time.

In our follow-up, we found that the OPP established individual response-time benchmarks for each detachment based on available data between 2019 and 2021 for Priority 0 and 1 calls (calls for service that require an immediate response) in January 2023. However, the OPP simply used the average response time for each detachment over the time frame as its individual benchmark. The OPP did not consider local variables to set appropriate detachment response time benchmarks such as, for example, area covered, population density, detachment vacancies, and road quality and speeds.

- *take corrective action when benchmarks are not met;*

  Status: In the process of being implemented by January 2024.

Details

In our follow-up, we found that the OPP had made some progress in implementing this recommendation. Although we found, as noted above, that the OPP set individual response time benchmarks for each detachment, these benchmarks were not set based on an assessment of what is appropriate based on local variables—instead, they were simply based on historical average response times. Nevertheless, we did note that the OPP conducted a six-month review of available response times and compared them against its established three-year average benchmarks for detachments in June 2023. The OPP planned to review this data on an annual basis, starting in January 2024 to identify and take corrective action where needed.

- *report response times to municipal police services boards.*

  Status: In the process of being implemented by January 2024.

Details

In our 2021 audit, the OPP explained that it would be impractical to set a standard response time for calls because the areas serviced by each detachment had significant geographic differences. However, we found several international police services that were responsible for policing large territories similar to the OPP that measured and reported on response times. For example, the New Zealand Police measure, report and have standards for response times to emergency events in both urban and rural areas. Similarly, the state police service of New South Wales, Australia, set individual urgent call response-time targets for each district within the state, and publicly reported the percentage of calls responded to within those targets.

In our follow-up, in January 2023, the Commissioner of the OPP agreed to monitor response times, and share them with municipal police service boards during in camera meetings. The OPP stated that the first in camera meeting to share response time data with municipal police service boards would occur in January 2024.

Recommendation 15

To ensure it is identifying areas that require improvement and allocating resources appropriately, we recommend that the Ontario Provincial Police regularly compare its clearance rates against those for similar Canadian police services.

Status: In the process of being implemented by December 2024.

Details

We found in our 2021 audit that although crime clearance data from other Canadian jurisdictions was publicly available, the OPP did not benchmark its incident clearance (crime clearance) results to other jurisdictions to assess its performance and identify areas for improvement. We compared the OPP's crime clearance rates to those for similar police services in Canada from 2016 to 2020. We found that the OPP compared favourably with the Royal Canadian Mounted Police (RCMP) in British Columbia and Alberta, but lagged behind the Sûreté du Québec,

Quebec's provincial police service. We noted that the Sûreté du Québec had consistently outperformed the OPP in clearing crime over this period, indicating there was still room for improvement.

In our follow-up, we found that in between November 2022 and January 2023, the OPP reviewed the following criteria across similar Canadian police services to assess comparability: policing structure, number of detachments, policing coverage area, municipal contracts, and police service responsibility of large municipalities. The OPP surveyed 11 police services across Canada, including the RCMP in British Columbia and Alberta and the Sûreté du Québec—which it selected as comparators. At the time of our follow-up, the OPP had was awaiting clearance rate data for 2021 and 2022 from these parties. The OPP anticipated completing a comparative analysis by December 2023. The OPP also indicated it planned to compare its rates to the national and provincial overall clearance rates, and would determine how to regularly complete this exercise by December 2024.

Chapter 1
Section
1.15

Ministry of Finance

Follow-Up on 2021 Value-for-Money Audit:

Ontario Securities Commission

RECOMMENDATION STATUS OVERVIEW						
		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	3		2	1		
Recommendation 2	2		2			
Recommendation 3	3	1	2			
Recommendation 4	1		1			
Recommendation 5	3			3		
Recommendation 6	1	1				
Recommendation 7	3	3				
Recommendation 8	2			2		
Recommendation 9	1		1			
Recommendation 10	2			2		
Recommendation 11	2			2		
Recommendation 12	1		1			
Recommendation 13	4	1	2	1		
Recommendation 14	4	2	2			
Recommendation 15	2		2			
Recommendation 16	1		1			
Recommendation 17	1			1		
Recommendation 18	1	1				
Recommendation 19	3	1	2			
Recommendation 20	4	3	1			
Recommendation 21	2	2				
Recommendation 22	1		1			
Recommendation 23	4	4				
Recommendation 24	3	3				
Recommendation 25	2	2				
Recommendation 26	1	1				
Total	**57**	**25**	**20**	**12**	**0**	**0**
%	**100**	**44**	**35**	**21**	**0**	**0**

Note: **Recommendations 1, 2, 3, 7, 9, 10, 13, 14, 15, 18, 20, 21, 22, 23, 24, 25** and **26** were made to the Ontario Securities Commission, and **Recommendations 4, 5, 6, 8, 11, 12, 16, 17** and **19** were made to the Ministry of Finance.

Overall Conclusion

The Ontario Securities Commission (OSC) and the Ministry of Finance (Ministry), as of November 14, 2023, have fully implemented 44% of actions we recommended in our *2021 Annual Report*.

The OSC has fully implemented recommended actions such as becoming more proactive in adding more companies and entities that may pose a risk to Ontario investors to its investor warning list. For the fiscal year ended March 31, 2023, the investor warning list added 217 entities, or a 206% increase over 71 listings added for the fiscal year ended March 31, 2022.

The Ministry has fully implemented recommendations such as working with the OSC to identify and nominate new Board and Capital Markets Tribunal members during 2021 and 2022. We found that these appointments adhered to the *Securities Commission Act, 2021*, Agencies and Appointments Directive, memorandum of understanding between the Ministry of Finance and the OSC, and the process set out by the Public Appointments Secretariat.

The OSC and the Ministry have made progress in implementing an additional 35% of the recommended actions. For example, the OSC was in the process of completing the project to improve the transparency of total fees and costs paid by investors. In April 2023, the OSC approved proposed amendments on enhanced cost disclosure reporting requirements for investment funds, and new cost and performance reporting guidance, as part of the Total Cost Reporting (TCR) project initiative. The Minister of Finance approved the amendments in June 2023. The OSC expects to complete their implementation by January 2026, as investment firms require an extended transition period to implement such complex and potentially costly initiatives.

However, the OSC and the Ministry have made little progress on the remaining 21% of the recommended action items. For example, the Ministry of Finance has made little progress in adopting best practices to block or remove unregistered websites that market and distribute fraudulent or unregulated securities or distribute information to induce Ontario's investors to invest in fraudulent securities (similar to the authority provided to the Quebec securities regulator). The Ministry indicated that it was analyzing the feasibility and effectiveness of this recommendation, given the international nature of information distributed through websites and limits on the jurisdiction of the Ministry and the OSC.

The status of actions taken on each of our recommendations is described in this report.

Background

The Ontario Securities Commission (OSC) is a Crown corporation accountable to the provincial Legislature through the Minister of Finance. It administers and enforces the provisions of Ontario's *Securities Act* (Act) and *Commodity Futures Act* and administers certain provisions of Ontario's *Business Corporations Act*. Also, the *Securities Commission Act, 2021* governs the OSC's organization and governance structures. The OSC's mandate is to provide protection to investors from unfair, improper or fraudulent practices; foster fair, efficient and competitive capital markets, and confidence in the capital markets; foster capital formation; and contribute to the stability of the Canadian financial system and the reduction of systemic risk.

The OSC is the largest financial regulator in Canada, owing to the size and nature of the province's capital markets and their participants. In 2022/23, the OSC employed 685 employees (629 in 2020/21) and had about $158 million in revenue ($138 million in 2020/21), with $149 million in expenses ($128 million in 2020/21).

Our audit found that the OSC's rule-making processes were lengthy, especially when rules had to be drafted in co-ordination with other securities regulators that were part of the Canadian Securities Administrators (CSA). The OSC took, on average, 2.9 years to develop a new CSA rule, policy or amendment, more than a year longer than for Ontario-only rules (1.7 years). Delays were also attributed to the complexity of the sector and strong industry opposition to change. Two changes to increase investor protection—a proposed ban on deferred sales charges and a

proposed partial ban on trailing commissions—took more than a decade to implement.

Our audit also found the OSC was vulnerable to political interference, which risked undermining its operational independence and impartiality. For example, on deferred sales charges, the Ministry surprised the OSC in September 2018 by publicly opposing the OSC-led CSA's consensus on needed reform. The Ministry then reversed its position in May 2021. This incident demonstrated the government's ability to override the OSC's judgment and evidence.

We also confirmed that the OSC had limited enforcement tools. For example, it did not have the power to issue "tickets" to individuals and companies for violations that did not warrant a full-blown investigation by the OSC's Enforcement Branch. Nor could the OSC make orders to seize assets or direct the refusal of driver's licence renewals so as to collect unpaid monetary sanctions, powers that had been provided to the British Columbia securities regulator. Between fiscal years 2011/12 and 2020/21, the OSC collected only 28% of the $525 million in monetary sanctions it imposed. Most of the uncollected balance was owed by unregulated individuals and entities, such as those that traded or advised in securities without being registered with the OSC. The lack of effective enforcement tools has hindered the OSC in deterring wrongful conduct.

The OSC deposits money collected from administrative penalties and other enforcement orders in a special fund, called the Designated Fund. As of 2020/21, the Designated Fund held $117 million. We observed that the OSC was paying out only between 6% and 11% per year for the benefit of the investor community and other purposes allowed under the Act. About $208 million in sanctions was also directly paid by violators to investors during the period 2016/17–2020/21.

We noted during our audit that some of the OSC's information systems were significantly outdated and were not integrated, which hindered the corporation's ability to effectively utilize the data it was gathering.

Some of our significant audit findings were:

- The OSC could have better ensured that firms acted in the best interests of their clients. According to studies, most investors mistakenly believe that dealers have a legal obligation to act in their clients' best interests. To improve the quality and impartiality of advice that investors were receiving, the CSA, with the OSC as lead, had begun studying the area and had proposed reforms. Initially, the proposed reforms included reference to a fiduciary duty or similar overarching client best interest standard, similar to what is required in the United Kingdom, Australia and the European Union. This would have legally required dealers to act in their clients' best interests. However, the changes that were ultimately proposed, called the "client-focused reforms," were narrower and more complex, allowing systemic conflicts of interest to continue.
- Deferred sales charges and trailing commissions took over a decade to be banned, and the ban on trailing commissions applied only to discount brokers and not to other kinds of dealers. As of June 1, 2022, discount brokers/dealers (that is, dealers who are not permitted, under existing regulations, to provide advice to investors) were prohibited from charging trailing commissions. Trailing commissions are still permitted for full-service dealers so long as dealers implement complicated controls to identify, document, disclose and address any conflicts. The potential conflict of interest that arises from this arrangement is that a dealer will seek to maximize its own revenue by recommending funds that pay it higher commissions, regardless of whether those funds are best for the investor. Similar existing controls in the investment industry in Canada have proven ineffective in deterring such conflicts of interest. By contrast, in the United Kingdom and Australia, securities regulators have banned these types of embedded commissions since 2012.
- The OSC conducted limited reviews to vet the entry of special purpose acquisition companies (SPACs), capital pool companies (CPCs) and reverse takeovers (RTOs) in the capital

markets. For instance, from 2016/17 to 2020/21, the OSC reviewed only seven CPCs out of a total of 77 CPCs at the time of entry to the market, after identifying issues with their promoters. The OSC also did not always alert investors to the specific risks posed by these kinds of transactions. In two examples we looked at, private companies that entered the markets by taking over a public company faced many allegations and complaints about conflicts of interest and illegal insider trading. One of those companies was eventually delisted from the stock exchange. The other was ordered by Ontario's Superior Court of Justice to compensate investors for omitting material facts that resulted in an artificial inflation of the company's share price. Because issuing securities in the public markets through the traditional IPO method tends to be more expensive for companies due to legal costs, regulatory scrutiny and the volume of documentation required, alternative methods of entering the public markets were gaining popularity.

- The Corporate Finance Director did not have adequate regulatory authority to respond effectively and on a timely basis when it identified a lack of sufficient disclosure by companies that have distributed securities using a regulatory exemption. Between 2016/17 and 2019/20, we noted that the Corporate Finance Branch identified non-compliance concerns relating to the lack of adequate disclosure to the investing public in 36 reviews (or 35%) of the 104 reviews of disclosure filings that the branch conducted. The Corporate Finance Branch did not have the power to issue a cease-trade order to a company for non-compliance and could only request that the company voluntarily cease distributing securities until it had complied with the disclosure requirement. We examined 10 of the 36 reviews conducted by the branch in detail, and in two of the 10 reviews we determined that potential investors could have been better protected if the Director of the Corporate Finance Branch had the legislative authority to issue a cease-trade order to the company for insufficient disclosures.
- The OSC did not have the necessary technology and analytical tools to conduct efficient oversight of market participants. OSC staff faced challenges in integrating information from various databases. Better IT system integration was needed to identify potential securities law breaches by issuers across the public and private or exempt capital markets (where companies qualify for exemptions from legislative requirements) areas. We found that the OSC's Enforcement Branch lacked critical data analytics, tools and reporting capability to assess the effectiveness of its performance. For example, it was unable to track the average time between the receipt and the closure of an enforcement case, or to flag cases that were taking exceptionally long to close. Those activities were conducted manually by staff.

We made 26 recommendations, consisting of 57 action items, to address our audit findings. We received commitment from the Ministry of Finance and the Ontario Securities Commission that they would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between April 2023 and October 2023. We obtained written representation from the Ontario Securities Commission and the Ministry of Finance that effective November 14, 2023, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

The OSC Has Been Slow in Adopting Protections for Mutual Fund Investors and the Need for Additional Action Should Be Assessed

Recommendation 1

To better protect investors from unfair or improper practices, we recommend that the Ontario Securities Commission develop and implement further measures to protect investors, such as:

- *complete the project to improve the transparency of total fees and costs paid by investors;*

  Status: In the process of being implemented by January 2026.

Details

In our 2021 audit, we found that the OSC had led efforts, labelled as "client-focused reforms," to help ensure investors receive appropriate advice from advisors, dealers and their representatives (dealers). However, these reforms were less rigorous and narrower than the higher standards of fiduciary or similar duty that would require dealers to act in their clients' overall best interests.

In our follow-up, we found that, in April 2023, the OSC had approved proposed amendments on enhanced cost disclosure reporting requirements for investment funds, and new cost and performance reporting guidance as part of the Total Cost Reporting (TCR) project initiative. The TCR aims to improve investors' awareness of the ongoing costs associated with their investment funds. This information is to be expressed both as a percentage for each fund and as an aggregate amount, in dollar value, for all investment funds. The TCR initiatives have been developed by a joint project committee composed of several regulators including members of the Canadian Securities Administrators and the Canadian Insurance Services Regulatory Organization. These proposed amendments were published in April 2023 and approved by the Minister of Finance in June 2023. The OSC expects to complete their implementation by January 2026, as investment firms require an extended transition period to implement such complex and potentially costly initiatives.

- *determine within a reasonable time frame whether the objectives of the client-focused reforms have been met, including, among other things, that material conflicts of interest are addressed in the best interests of clients in the selection of products to be offered to clients;*

  Status: In the process of being implemented by December 2024.

Details

During our 2021 audit, an investor advocacy group that we interviewed noted that the client-focused reforms were similar to existing industry rules that had not been effective in ensuring objective, professional advice in the best interest of investors. These rules have coexisted with compensation-related arrangements and incentive practices that reward dealers at the expense of investors.

In our follow-up, we found that the OSC had updated its compliance review programs to test registrants' compliance with the revised requirements such as conflicts of interest, referral arrangements, relationship disclosure information and misleading communications under the client-focused reforms. Updates were made to test for compliance with "know your client," "know your product" and "suitability" requirements. The OSC is in the process of finalizing the requirements and incorporating them into its operations by the fall of 2023. As part of the OSC's routine compliance reviews, it is also testing for compliance with the conflict of interest requirements under the client-focused reforms. The OSC indicated that it will also continue conducting reviews based on the new requirements of the client-focused reforms. In addition, the OSC completed a project specifically focused on registrants' compliance with the conflict of interest requirements. In total, the OSC reviewed 46 registrant firms during the project. The OSC issued a staff notice in August 2023 that discussed the findings and provided additional guidance to registrants. The OSC expects full implementation of this recommended action by December 2024.

- *if the client-focused reforms have not achieved their intended benefits, consider further policy options to protect investors, such as the complete elimination of trailing commissions and the introduction of an overarching best-interest standard to require advisors, dealers and representatives to act in the best interests of their clients.*

  Status: Little or no progress.

Details

Our 2021 audit found that the OSC and CSA had identified significant issues with deferred sales charges and trailing commissions, and had presented evidence of harms. Trailing commissions have attracted particular criticism when those dealers who are prohibited from providing advice to investors (that is, discount brokers who do not assess the investor's suitability for the product) are nevertheless being compensated with trailing commissions that purport to be compensation for advice.

In our follow-up, we found that the OSC is awaiting the results from the client-focused reforms. It stated that if the reforms do not achieve the intended effect, it will consider further policy options to protect investors, such as the complete elimination of trailing commissions and the introduction of an overarching best-interest standard. It plans to make a decision in this regard by December 2025.

Recommendation 2

To better protect investors through efficient rule-making processes, and recognizing the importance of harmonized securities regulation within Canada and the potential of Ontario Securities Commission (OSC) action impacting other provinces without the input of their securities commissions, we recommend that the OSC:

- *assess, approve and implement rules independently of the Canadian Securities Administrators, where involvement by other securities regulators slows key initiatives significantly;*

  Status: In the process of being implemented by December 2024.

Details

Our 2021 audit found that the process of making rules for capital markets was exceedingly slow. For example, the OSC took the lead in introducing reforms in the mutual fund industry, with the stated objective of protecting investors. But it had taken almost a decade to selectively ban sales practices, such as deferred sales charges and trailing commissions (for only discount brokers), that are often considered unfair and predatory.

In our follow-up, we found that the OSC has implemented and used an internal Policy Project Onboarding Form since June 2023. The form includes various formalized questions that assist OSC staff to assess, on a case-by-case basis, and determine whether the involvement of other securities regulators could significantly delay a project beyond the specified Canadian Securities Administrators' project management timelines.

The OSC plans to further improve the rule/policy-making process by developing and implementing a centralized tool that captures all ongoing policy projects in a single repository and guides OSC staff through milestones of the policy-making process, including policy development, the approval and publication process, and post-implementation monitoring. The OSC expects full implementation of this centralized tool by December 2024.

- *increase its focus on managing risks relating to investor protection.*

  Status: In the process of being implemented by December 2023.

Details

In our 2021 audit, we found that projects that involved investor protection took on average 3.9 years to complete compared with two years for projects that did not include an investor protection component. We further observed that the OSC's risk-management framework described investor protection as "low priority" in terms of additional management action required to manage the risk.

In our follow-up, we found that the OSC was in the process of developing internal guidance to reinforce that investor protection remains a significant focus but

is to be balanced with the new, expanded mandate components, which include fostering competitive markets and capital formation. The guidance will provide OSC staff with questions to assess how the individual mandate components are relevant to a particular regulatory issue. The OSC indicated that it would continue to update and adapt the guidance as appropriate, and would continue to identify and assess risks impacting investor protection, develop action plans and seek to mitigate such risks. This would include increased communication with the OSC Investor Advisory Panel (IAP) and the newly formed Canadian Securities Administrators' IAP to ensure the OSC mitigates retail investor protection risks. In its Statement of Priorities for 2023/24, investor protection remains a focus of the OSC.

The OSC expects to complete the internal guidance by December 2023.

Recommendation 3

To help achieve its mandate of protecting investors from unfair or improper practices, we recommend that the Ontario Securities Commission:

- *include investor protection as a key priority in its annual statement of priorities, with planned actions and outcomes;*

  Status: Fully implemented.

Details

In our 2021 audit, we noted that the top-level goals stated in the OSC's annual Statement of Priorities for 2021/22 did not include investor protection, although the text in the document observes that "investor protection is always a top priority" for the OSC and actions under existing goals relate to investor protection.

During our follow-up, we found that the OSC's annual Statement of Priorities, as part of its business plan for 2022/23 through 2024/25 published in April 2022, included the specific initiative to improve the retail investor experience and protection. Proposed actions include expanding the focus on investor education and financial literacy, increasing the use of investor social media channels, redeveloping the OSC's investor website, and continuing implementation of the OSC Seniors Strategy. Other initiatives that highlight investor protection as a key priority in the 2022/23 Statement of Priorities include:

- expanding the focus on retail investors through "specific education, policy, research and behavioural science" activities;
- strengthening dispute-resolution services for investors, such as the Ombudsman for Banking Services and Investments, through policy and oversight activities; and
- monitoring and responding to the impacts of the ban on deferred sales charges.

Per its 2022/23 through 2024/25 business plan, the OSC plans to broaden consideration of investor perspectives early in its policy-making process.

Further, the OSC publishes a Report on the Statement of Priorities in its Annual Report, which identifies the status and outcomes of the key priorities for the recently completed fiscal year. The 2022/23 Annual Report, that was published in October 2023, described the OSC's progress toward its goal to "improve the retail investor experience and protection." Some of the OSC's accomplishments covered in its 2022/23 Annual Report are that it:

- published a dedicated fraud prevention page on GetSmarterAboutMoney.ca to increase investor education regarding financial fraud and its warning signs;
- launched the InvestorOffice.ca microsite to provide information on the regulatory operations of the OSC's Investor Office Branch, including updates on investor education efforts and materials;
- launched a number of crypto-related resources to educate investors; and
- expanded its multicultural outreach and education program.

- *include, as a default requirement, members with retail investor protection experience and an investor protection outlook on its policy advisory committees;*

  Status: In the process of being implemented by June 2024.

Details

In our 2021 audit, we found that the OSC has 10 policy advisory committees, including the Investor Advisory Panel, which is focused on investor protection issues. However, we did not find evidence of a requirement (such as in committee terms of reference or nominee qualification criteria) that the policy advisory committees include members with direct experience in investor protection matters or a demonstrated investor protection perspective.

In our follow-up, we found that the OSC was in the process of implementing an alternative approach to achieve the recommendation outcome. This approach aims to ensure that retail investor protection perspectives can be provided for other advisory committees through the existing OSC Investor Advisory Panel (Panel). The Panel continues to provide the primary investor protection perspective to OSC staff and its Board in carrying out the OSC's mandate. The OSC advised us that to address this recommendation, the meeting agenda of each of the other OSC advisory committees will be provided to the Chair of the Panel in advance of a meeting and, at the Chair's discretion, the Panel can participate in discussion of any matter on the meeting agenda. The OSC believes this step will provide support for the primary investor perspective to the OSC and its Board. The OSC expects that this alternative approach will be implemented by June 2024.

In addition, the OSC has developed guidelines when recruiting members to a committee, to consider whether including members with retail investor protection experience and an investor protection outlook is appropriate and beneficial to the committee's mandate at the time, and to document the reasons if not. This would not necessarily mean seeking investor advocate representation on a committee.

The OSC advised us that it plans to implement the guidelines and that adoption of the terms of reference will occur over time as an advisory committee is reconstituted as a result of this process. The OSC indicated that its Investor Office also plays a critical function in identifying investors' needs and priorities to inform the OSC's work.

- *take appropriate steps in its public consultation on rule and policy changes to identify and evaluate vested interests and weigh these interests against the benefits from changes to protect investors.*

  Status: In the process of being implemented by December 2024.

Details

Our 2021 audit found that the 2019 Notice of Amendments (the actual rule changes) indicated that the OSC had received 135 public comment letters regarding its proposed rule changes meant to protect investors. Of these, 117 were from industry stakeholders and 18 were from investors, investor advocates, academics and other non-industry stakeholders. The summary of comments accompanying the changes indicated that many industry commenters did not want an overarching client best-interest standard.

In our follow-up, we found that the internal Policy Project Onboarding Form that the OSC has used since June 2023 includes formalized questions that assist OSC staff to identify public comments on rule changes and assess their impacts on investors.

As discussed in the first action item of **Recommendation 2**, the OSC plans to further improve the rule/policy-making process, including incorporation of investor perspectives, by developing and implementing a centralized tool that captures all ongoing policy projects in a single repository and guides OSC staff through milestones of the policy-making process. The OSC expects the full implementation of this centralized tool by December 2024.

Recommendation 4

To assist the Ontario Securities Commission (OSC) in protecting investors from unfair or improper practices, we recommend that the Ministry of Finance work with the OSC's Governance and Nominating Committee to identify, and recommend for appointment, Board members with retail investor protection experience and an investor protection outlook so that this perspective is enhanced in Board representation.

Status: In the process of being implemented by April 2024.

Details

In our 2021 audit, we found that Board members at the time tended to have acquired their experience and qualifications from the investment industry, rather than from an investor protection background—for example, working for an investor or consumer protection agency.

In our follow-up, we found that in September 2022 the OSC's Board had approved an update to the Board member competency matrix to include retail investor protection experience. The OSC Board informed us that it would consider retail investor protection experience as a key criterion in evaluating potential future Board members for the next Board recruitment. Recommendations by the Chair for member appointments to the OSC Board are reviewed by the Minister of Finance, who makes the final decision to recommend a Board appointment to the Lieutenant Governor in Council.

However, the OSC Board has not undertaken Board member recruitment because Board members' terms do not end until April 2024. At the time of our follow-up, the OSC was planning to launch a recruitment process for up to three new Board members and recommend the appointment of Board members with retail investor protection experience.

Untimely Political Interference Undermined the OSC's Operating Independence in Setting Evidence-Based Market Rules

Recommendation 5

To preserve the operational independence of the Ontario Securities Commission (OSC), and eliminate perceptions of overt political interference where the Ministry of Finance disagrees with a rule proposed by the OSC, we recommend that the Ministry make public:

- *criteria used to reach the differing decision;*
- *inputs into the decision (including advice from lobbyists and investor advocates); and*
- *the Minister's evaluation weighing the inputs, including vested interests against protection for investors.*

Status: Little or no progress.

Details

In our 2021 audit, we found that the OSC was vulnerable to political interference, which risks undermining its operational independence and impartiality. For example, on deferred sales charges, the Ministry surprised the OSC by initially publicly opposing the OSC-led CSA consensus on needed reform in 2018. The Ministry later reversed its position in 2021. This incident demonstrated the government's ability to override the OSC's judgment and supporting evidence on a proposed reform.

In our follow-up, we found that the Ministry has made little progress on this recommendation. The Ministry indicated that it will continue reviewing this recommendation as to how it may interact with existing privacy legislation such as the *Freedom of Information and Protection of Privacy Act*, which exempts the disclosure of records containing materials that are intended to inform Cabinet policy decisions. The *Securities Commission Act, 2021*, which came into force in April 2022, modernized the OSC's corporate governance and established an independent Capital Markets Tribunal. Together with the *Securities Act*, this legislation provides the OSC with a governance structure and statutory framework that aims to respond to capital markets developments and exercise its statutory rule-making authority in an appropriate and independent manner. Under the existing legislative framework, during its rule-development process, the OSC is able to conduct stakeholder consultations on substantive rule changes, and stakeholder comments received through this process are published on the OSC's website to provide for a transparent and independent process. However, the Ministry has not yet made public how its involvement in the new decision-making process would be transparent and free of perceptions of overt political interference in areas such as the criteria it would use to reach decisions that differ from the OSC's proposals,

its input into decisions, and the Minister's evaluation of inputs into the decision-making process.

Recommendation 6

So that the Board of the Ontario Securities Commission (OSC) has independent board members with appropriate skills and experience, we recommend that the Ministry of Finance work with the Chair of the OSC to follow an appointment process that is responsive to the advice and recommendations of the Board and its Governance and Nominating Committee.

Status: Fully implemented.

Details

In our 2021 audit, we found that twice in 2019 the government did not follow the established consultative process for appointments to the OSC's Board of Directors.

Subsequent to our audit, the proclamation of the *Securities Commission Act, 2021,* in April 2022 changed the governance framework of the OSC and established the Capital Markets Tribunal. Under the new governance structure, the adjudicative and regulatory functions were separated. Also, the Ministry worked with the OSC to identify and nominate new Board and Capital Markets Tribunal members. In the letters to the Minister of Finance dated September 2021 and January 2022, the OSC recommended to the Minister the appointment of several potential Board members and Capital Markets Tribunal members. The Minister recommended the appointment of nine OSC board members and 10 Capital Market Tribunal members to the Lieutenant Governor in Council, effective in April 2022. We found that these appointments adhered to the *Securities Commission Act, 2021*, Agencies and Appointments Directive, memorandum of understanding between the Ministry of Finance and OSC, and the process set out by the Public Appointments Secretariat.

The OSC Could Take More Enforcement Action in Deterring Violations by Unregulated Companies and Individuals

Recommendation 7

To make Ontario investors better aware of misconducts in the capital-markets sector, we recommend that the Ontario Securities Commission:

- *be more proactive in adding fraudulent companies to its own investor warning list;*
- *update this list regularly; and*
- *increase public awareness of the existence of the list.*

Status: Fully implemented.

Details

In our 2021 audit, we reviewed a sample of 35 of the 2,029 cases of claimed misconduct with limited or no action taken, and found that in 17 cases (or 49%) the Enforcement Branch confirmed that misconduct had occurred but had not updated the OSC's investor warning list with this information. Our view was that a more updated and complete warning list posted on the OSC's own website and further educating investors about the existence of the warning list would increase public awareness of these misconducts in the sector.

In our follow-up, we found that the OSC has become more proactive in adding more companies and entities that may pose a risk to Ontario investors to its investor warning list. Regular additions to the investor warning list are based on assessments by the OSC's Disruptions Team to determine whether certain conduct of the companies and entities poses a risk to Ontario investors that would warrant issuing a warning. For the fiscal year ended March 31, 2023, the investor warning list added 217 entities, or a 206% increase over 71 listings added in the fiscal year ended March 31, 2022.

To increase public awareness of the investor warning list, the OSC has done the following since our 2021 audit:

- issued 18 press releases to notify investors about the new additions to the investor warning list during 2022/23; each press release identifies the specific entities added to the list over the previous three weeks;
- created a new page on its investor education website, which provides a link to the OSC investor warning list, which is automatically updated periodically; and
- published the investor warning list through various channels such as social media posts on Twitter, Facebook and the Investor News newsletter.

The OSC's Investor Office communicated the list to attendees at its retail outreach events. From January 1, 2022, to November 30, 2022, the Investor Office participated in 115 outreach events.

Recommendation 8

To better protect Ontario investors from financial misconduct and violations of securities laws, we recommend the Ministry of Finance adopt best practices from other jurisdictions, such as to provide the Ontario Securities Commission with the authority to:

- *block or remove unregistered websites that market and distribute fraudulent or unregulated securities or distribute information to induce Ontario's investors to invest in fraudulent securities (similar to the authority provided to the Quebec securities regulator);*

  Status: Little or no progress.

Details

In our 2021 audit, we noted that, for example, the securities regulator in Quebec has the authority to block or remove fraudulent websites. The securities regulator in the UK has implemented a goal to block or remove such websites within 24 hours to minimize losses to potential investors. The OSC, at the time of our audit, did not have similar authority to block or remove unregistered websites marketing and distributing fraudulent or unregulated securities or distributing information to induce investors to invest in fraudulent securities. Having such authority would help to protect Ontario's investors from investing in such products.

In our follow-up, we found that the Ministry has made little progress on this recommended action. The Ministry is working with the OSC to analyze the policy and legal ramifications of implementing this recommendation, including determining the constitutionality of website blocking in Ontario. The Ministry of the Attorney General was also consulted to provide an opinion on the constitutional considerations of regulating aspects of the telecommunications sector.

In addition, the Ministry indicated that it was analyzing the feasibility and effectiveness of this recommendation, given the international nature of information distributed through websites and limits on the jurisdiction of the Ministry and the OSC. The Ministry is planning to conduct further research and is working with the OSC to assess the feasibility of the measures outlined under this recommendation. The Ministry is also considering additional tools that could be employed to achieve the policy goals of this recommendation.

- *impose administrative monetary penalties, in the form of tickets, similar to the authority provided to the British Columbia securities regulator, for less egregious instances of misconduct.*

  Status: Little or no progress.

Details

In our 2021 audit, we noted that the securities regulator in British Columbia (BC) was given the authority in 2020, under its provincial *Securities Act*, to impose administrative monetary penalties. These actions include issuing "tickets," based on information obtained from a review, an investigation or another source (for example, a self-regulatory organization such as the Investment Industry Regulatory Organization of Canada, an auditor or a stock exchange) for contraventions of the *Securities Act* or regulations, or a decision of the BC Securities Commission. The OSC had not been given such authority to, for example, issue tickets to deter less egregious instances of misconduct that call for more serious sanctions than a

warning letter but do not warrant the expense and resources of a full investigation or hearing.

In our follow-up, we found that the Ministry has made little progress on this recommended action. The Ministry indicated that it was working with the OSC to analyze the policy and legal ramifications of implementing this recommendation. The Ministry is also reviewing other provinces' legislation to assess the potential effectiveness of this initiative. It plans to conduct further research and is working with the OSC to assess the feasibility of the measures outlined in this recommendation.

Recommendation 9

To improve its ability to assess, investigate and disrupt securities misconduct and fraud, we recommend that the Ontario Securities Commission develop a formal roadmap and budget for reviewing and implementing new data analytics tools and approaches, including the ability to identify, evaluate and reduce Ontario securities law violations and misconduct occurring on websites or social media, and be fully aware of the extent of the impact on Ontarians by analyzing the Internet activities of those types of websites and social media sites.

Status: In the process of being implemented by December 2023.

Details

We found in our 2021 audit that the OSC lacked adequate technology and analytical tools to improve its case assessment, disruption (or attempting to stop misconduct), and investigation capabilities to identify potential securities law violations and misconduct. It also did not have sufficient tools to scrutinize websites or social media, and analyze the Internet activities on those websites by Ontarians who may be victimized.

In our follow-up, we found that the OSC had created a digital platforms strategy in early 2022 after taking into consideration its digital and data capability needs. Under the new strategy, in 2022 the OSC set up the Enterprise Data Analytics and Reporting Platform (e-EDARP), which is a cloud-based and secure enterprise platform that provides data collection, analytics and reporting capabilities to branches across the OSC. This centralized platform allows the OSC to collect data sets for various analyses to be performed across the OSC. The data sets include, for example, data from clearing houses, funding data from third-party organizations such as the Canadian Investment Regulatory Organization and listings of officers and directors.

The platform has data analytics tools, capabilities and reporting functionality that staff can build on and create reports and dashboards to share internally. The OSC indicated that it will continue bringing more databases into the new data analytics platform throughout 2023.

The OSC has also subscribed to supplementary platforms to obtain website and social media data. This data can help identify, evaluate and reduce Ontario securities law violations and misconduct on websites and social media, and analyze these sites and media to understand their impact on Ontarians. The third-party data providers provide an estimate of traffic to any domain and/or its subdomains and identify and validate intelligence threats across a wide range of mainstream and niche data sources.

Recommendation 10

To evaluate the effectiveness of disruptive activities to stop misconduct by fraudulent market players, we recommend that the Ontario Securities Commission:

- *conduct timely follow-ups to confirm whether the misconduct has actually stopped before closing the case; and*
- *take necessary action to stop activities that have not ceased.*

Status: Little or no progress.

Details

In our 2021 audit, we found that the OSC closed cases based on the fact that a disruptive action was taken (a "disruptive action" is taken when a case does not warrant a full investigation and enforcement action), rather than considering whether the misconduct has completely stopped. In instances where the misconduct continues, Ontario's investors may be left with inadequate protection.

In our follow-up, we found that the OSC has made little progress in implementing this recommendation. The OSC has indicated that it will follow up on disruption actions taken in the following circumstances where: (a) the initial questionable misconduct originates from within Ontario and was shown to impact many investors either inside or outside of Ontario; (b) new evidence suggests that the questionable conduct is still active; and (c) other cases identified by the Disruption Team in Enforcement meet the OSC's established criteria for follow-up.

The OSC Has Limited Legislated Tools to Collect Unpaid Monetary Sanctions

Recommendation 11

To better enforce and increase the collections rate for monetary sanctions for individuals with unpaid amounts owing to the Ontario Securities Commission (OSC), we recommend that the Ministry of Finance provide the OSC with collection enforcement authority, similar to those provided to the British Columbia Securities Commission, such as powers to:

- *freeze, preserve and dispose of assets that were transferred below fair market value to family or third parties; and*
- *restrict a person's ability to access a driver's licence or licence plate.*

Status: Little or no progress.

Details

In our 2021 audit, we found that, over the 10-year period up to 2020/21, the OSC's Tribunal imposed $525 million in monetary sanctions, including disgorgement (an OSC-imposed order that requires the respondent to pay any amounts obtained as a result of their non-compliance with securities law), payments for investigation costs and administrative penalties, but collected only 28%, or $145 million.

Our audit also noted that British Columbia amended its provincial securities law in 2019 to provide its securities regulator additional powers to collect financial sanctions. For instance, it can ask BC agencies to refuse the renewal of the driver's licence of someone sanctioned, or order the seizure or freezing of assets from third parties who have received assets below fair market value from someone sanctioned or under investigation. In addition, the regulator can dispose of frozen assets. At the time of our audit, the OSC did not have such powers.

In our follow-up, we found that, under the existing *Securities Act*, the OSC can direct a person or company to refrain from liquidating or transferring funds or property. The OSC can preserve assets when they are identified in an investigation and seek to freeze the property of a third party if it can establish that the ownership or interests in the property arose from a breach of Ontario securities law. The Ministry consulted stakeholders in the fall of 2021 on the draft Capital Markets Act, which contains provisions to improve enforcement collection tools. However, the government had not proceeded to introduce a bill to make the draft Capital Markets Act into law as of October 2023.

The Ministry is also reviewing other provinces' legislation to assess the potential effectiveness of this initiative and, working with the OSC, it continues to review this recommendation. However, the OSC has indicated to the Ministry that it is able to rely on existing statutory authority to improve collection rates. Based on the figures provided by the OSC, however, we found that the OSC collected only 35% and 30% of the fines imposed over the last two fiscal years, 2021/22 and 2022/23.

The Ministry, working with the OSC, also continues to review the recommendation to restrict a person's ability to access a driver's licence or licence plate. The OSC has indicated to the Ministry that it does not require this statutory authority at this time. The OSC informed us that the collections rate is almost entirely determined by the nature of the cases adjudicated and whether they are settled or contested. However, this appears to describe a stage in the process that is earlier than the stage we address in our recommendation, which is concerned with collecting unpaid amounts that are owing to the OSC and therefore are no longer being adjudicated.

The OSC Only Paid Out 6% to 11% of the Financial Sanctions Collected That Can Be Used for the Benefit of Investors

Recommendation 12

To compensate harmed investors and protect them from improper, unfair or fraudulent market activities, we recommend that the Ministry of Finance work with the Ontario Securities Commission (OSC) to ensure that monetary sanctions collected by the OSC are distributed to harmed investors in an effective and timely manner, after reviewing the process in other jurisdictions.

Status: In the process of being implemented by December 2024.

Details

The OSC's Designated Fund includes the money from administrative penalties, disgorgement orders and settlement orders that the OSC collects from enforcement actions. At the time of our audit, the *Securities Act* permitted the OSC to use designated funds to educate investors, promote and enhance knowledge and information regarding the operation of the securities and financial markets, allocate funds for third parties, and undertake initiatives that further the purposes of the *Securities Act* or *Commodity Futures Act*.

In our 2021 audit, we found that despite the significant growth in the OSC's Designated Fund cash balance, the OSC paid out only 6% to 11%, or $3 million to $10 million, of the available funds each year, leaving the vast majority of the funds unallocated and unused. In addition, we found that the *Securities Act* did not prescribe a specific framework or process for the distribution or allocation of designated funds. By comparison, regulators in other jurisdictions, such as Quebec and British Columbia, have prescribed procedures to administer such distributions. We found that if the OSC were to be given similar powers as have been given to the Quebec securities regulator and BC Securities Commission, the distributions to harmed investors could be more efficient and timelier.

In our follow-up, we found that the Ministry in fall 2021 undertook a public consultation on the draft Capital Markets Act, which includes provisions regarding a statutory framework for the distribution of disgorged amounts. Section 120 of the draft Capital Markets Act addresses the distribution of disgorged funds to harmed investors. The draft Act proposes that, if the Capital Markets Tribunal determines, after a hearing, that a person has contravened capital markets law, the Tribunal may order the person to disgorge funds if the Tribunal considers the order to be in the public interest. This includes any amount obtained, or the amount of any payment or loss avoided, directly or indirectly as a result of the contravention.

As part of the 2023 Fall Economic Statement, the government has introduced legislative amendments to the *Securities Act*, the *Commodity Futures Act*, and the *Securities Commission Act, 2021* to prescribe a statutory framework to support the distribution of disgorged money to investors who have suffered financial losses as a result of a securities contravention. The Ministry contemplates that any future legislative amendments would be accompanied by OSC rules containing additional conditions, restrictions and requirements for the distribution process. The anticipated December 2024 implementation date factors in these contemplated legislative changes and the development of accompanying OSC rules, pending government direction on these matters.

Recommendation 13

To distribute the funds accumulated in its Designated Fund balance in accordance with the Securities Act*, we recommend that the Ontario Securities Commission (OSC):*

- *develop an overarching policy to support the allocation and use of the designated funds, informed by best practices for using similar funds in other jurisdictions such as Quebec and British Columbia;*

  Status: In the process of being implemented by December 2024.

Details

At the time of our 2021 audit, the *Securities Act* in Ontario did not prescribe a specific framework or

process for the distribution or allocation of designated funds.

Our audit also noted that the Quebec securities regulator has the authority to establish terms to administer and distribute disgorged amounts, once the terms have been approved by its tribunal. The *Securities Act* in British Columbia also prescribes procedures for how harmed investors can make a claim for payment if the BC Securities Commission has received disgorged funds, and how its commission can assess the eligibility of these applicants and decide whether payments can be made to them.

In our follow-up, we found that, in July 2022, the OSC Board had approved a decision-making framework for allocating enforcement money. The framework covers the allocation of sanction and settlement money, including an annual planning process through which the Board approves the allocation and designates the existing balance of sanctions and settlement funds on hand to go into various reserves for purposes authorized by the *Securities Commission Act, 2021*.

When the OSC collects sanction and settlement money, OSC staff first consider whether it is practicable to distribute the funds to investors who were directly harmed by the conduct giving rise to the payment. This assessment is then reviewed and approved by the Executive Directors if the amount is less than $5 million, and by the full Board if it is $5 million or more. Distributions are generally carried out by a receiver or with the assistance of the Ministry of the Attorney General using the *Civil Remedies Act, 2001* process for the receipt and adjudication of claims.

In February 2023, the Board approved setting up reserves totalling $120 million from the sanction and settlement funds held by the OSC. These reserves are subject to adjustment in future years if priorities change or additional funds are received.

At the time of our follow-up, OSC staff were working with the Ministry to develop and draft a regulation change that would prescribe additional uses for enforcement money. The proposed regulation was published for public comments between August 2023 and September 2023. Adoption of the regulation following the close of the comment period will depend on Ministry approvals. The anticipated implementation date of December 2024 factors in the contemplated legislative work, subject to government direction.

- *define the process to support the distribution of disgorged funds to harmed investors in cases where funds have been collected and there is sufficient evidence to establish that investors suffered direct financial losses;*

  Status: In the process of being implemented by December 2024.

Details

In our follow-up, we found that section 120 of the draft Capital Markets Act contains a process for distributing money to harmed investors from monetary sanctions that the OSC collected pursuant to its disgorgement orders. The draft Capital Markets Act was released for public consultation in October 2021, and comments were received by February 2022. If the Capital Markets Tribunal determines, after a hearing, that a person has contravened capital markets law, the Tribunal may order the person to disgorge funds if the Tribunal considers the order to be in the public interest. This includes any amount obtained, or the amount of any payment or loss avoided, directly or indirectly as a result of the contravention. The process in the draft Capital Markets Act provides that unless the rules specify otherwise, the disgorged amount received by the OSC is distributed to persons who:

- incurred direct financial losses as a result of the contravention giving rise to the payment; and
- satisfy such conditions, restrictions and requirements as may be prescribed.

As part of the 2023 Fall Economic Statement, the government has introduced legislative amendments to the *Securities Act*, the *Commodity Futures Act* and the *Securities Commission Act, 2021* to prescribe a statutory framework to support the distribution of disgorged money to investors who have suffered financial losses as a result of a securities contravention. The anticipated implementation date of December 2024 factors in the contemplated legislative work, subject to government direction.

- *establish criteria and thresholds for the timely use of the funds, including the assessment of opportunities to support third-party initiatives that support the OSC's investor protection mandate;*

  Status: Little or no progress.

Details

Our follow-up found that the OSC has made little progress on establishing criteria and thresholds for timely use of the designated funds. The OSC indicated that it was considering piloting a call for applications from third parties to undertake initiatives that align with the purposes of the *Securities Act* or the *Commodity Futures Act*. The call for applications would be administered similarly to a procurement for goods and services. While the OSC anticipates that the subject matter of any such call for applications would be investor-focused, the applications would be subject to approval by the management and possibly the Board of Directors of the OSC.

In addition, the OSC was considering the development and publication of more general criteria for the assessment of funding requests that could be applied to requests that are received from third parties on an ad hoc basis.

However, the OSC has not yet drafted any criteria and thresholds for the timely use of the funds at the time of our follow-up.

- *establish criteria and thresholds to continue the existing uses of allocations from the fund to whistleblowers and investor education activities, such as raising awareness of the OSC's warning list.*

  Status: Fully implemented.

Details

Our 2021 audit noted that, for 2021/22, of the $117 million in cash in the OSC's Designated Fund, the OSC reserved $43 million, or 37%, for potential use in future years in accordance with the provisions of the *Securities Act*. This includes allocations reserved for potential whistleblower payments ($20 million), and for recoveries of investor education costs and knowledge enhancement costs ($20 million) for the next four years. However, we noted that in the previous year (2020/21), the OSC also similarly reserved $22 million (including the $20 million reserved for potential whistleblower payments), but ended up paying out only $4 million of that amount. We observed that the reserved amounts are significant and the OSC has paid out much less than planned.

In our follow-up, we found that, in July 2022, the OSC Board had approved a new framework for allocation and distribution of enforcement money, including an annual planning process through which the Board approves the allocation and designates the existing balance of sanctions and settlement funds on hand to go into various reserves for purposes authorized by the *Securities Commission Act*. In February 2023, the Board approved the establishment of a reserve of $34.7 million for investor education and knowledge enhancement over the next six years, as well as $20 million to fund payments to eligible whistleblowers, from the balance of $120 million in sanction and settlement funds held by the OSC. Under the OSC's Whistleblower Program, whistleblowers may be eligible for awards of 5% to 15% of total monetary sanctions imposed if their information leads to a proceeding where sanctions amount to $1 million or more. The maximum amount of the award has been set at $1.5 million when monetary sanctions are not collected and at $5 million when they are collected.

Limited Review of Special Purpose Acquisition Companies, Capital Pool Companies and Reverse Takeovers

Recommendation 14

To further the Ontario Securities Commission's (OSC) investor protection mandate in situations where companies seek to enter the capital markets through alternative methods, we recommend that the OSC:

- *propose revisions to the current regulatory framework that would enable the OSC to ensure all key regulatory documents of these transactions are effectively reviewed, including prospectuses, non-offering prospectuses and personal information*

forms, in a timely manner, and using a risk-based approach;

Status: In the process of being implemented by December 2024.

Details

In our 2021 audit, we found that the OSC conducts very limited reviews of regulatory filings and disclosures of companies seeking to enter Ontario's capital markets through alternative methods versus through traditional Initial Public Offerings (IPOs). These methods include distributing securities through companies set up as Special Purpose Acquisition Companies (SPACs) or Capital Pool Companies (CPCs), or through reverse takeovers (RTOs) of existing publicly traded companies, at the time of their entry to the market. These kinds of ventures might pose risks for investors relating to conflicts of interest, founder/promoter compensation and the difficulties these companies might face in remaining viable or profitable.

We also noted that the OSC did not regularly track the companies that have entered the capital markets through RTOs or as CPCs, and therefore did not use this information as a key criterion in selecting market participants for compliance reviews.

Ontario's investors could be better protected from potential losses if the OSC more thoroughly vetted these entrants by reviewing their regulatory filings prior to their entry into the capital markets.

In our follow-up, we found that the OSC was in the process of developing a risk-based approach to review alternative listings, to assess key disclosure documents for companies that entered the capital markets through CPCs and RTOs. For SPACs, the OSC was planning to maintain the existing review of SPAC IPO and non-offering prospectuses. It will continue to monitor American and international developments with respect to SPACs. The OSC's view is that the existing review process for SPACs adequately addresses public interest concerns and that measures proposed to respond to the potential regulatory gap it has identified would be a departure from Canadian and US practice. The OSC plans to monitor this area for future developments and states that a regulatory response to address the gap identified may be appropriate in the future.

In June 2023, the OSC began reviewing a sample of CPC qualifying transactions from the TSX Venture Exchange (TSXV) completed within the past two years. A qualifying transaction is a reverse takeover of a CPC by an operating business that will access the capital, shareholders and expertise of the CPC to complete a listing on the TSXV. The Alberta Securities Commission and the British Columbia Securities Commission, which are the joint lead regulators of the TSXV, are also conducting an oversight review of the exchange, which includes CPC qualifying transactions. When the OSC has completed this process, it is planning to review the findings to identify issues and deficiencies, such as areas or industries that present the greatest risk to investors. This review is expected to be completed in June 2024. Its results are to be used to develop a risk-based review program and approach for identifying CPC qualifying transactions that may warrant additional review. This phase is to commence in the summer of 2024 and to be completed by December 2024.

For RTOs, the OSC is planning to select a sample of RTO issuers from the NEO Exchange, now called Cboe, that have filed disclosure documents within the past two years in connection with an RTO transaction and to conduct a full review of the disclosure documents filed to assess their compliance with securities law. For phase one, the sample will be selected using a risk-based approach such as reviewing higher-risk industries such as psychedelics, cryptocurrency, cannabis, and new industries and issues previously identified by staff. The OSC is planning to use the findings from phase one to inform a risk-based approach in reviewing RTOs in phase two and whether other changes in listing practices of Cboe will be required. Phase one started in the summer of 2023 and is to be completed by June 2024. The OSC expects phase two to be completed by December 2024.

The OSC indicated that any proposed changes to the existing regulatory framework will be dependent on the findings from the work in phase one and phase

two in reviews of CPC qualifying transactions and RTO issuers.

- *provide greater oversight of exchange processes to approve these types of alternative listings;*

  Status: In the process of being implemented by December 2024.

Details

At the time of our 2021 audit, the OSC reviewed only the stock exchanges' rules and approved rule changes to ensure that the exchanges complied with the rules, but did not regularly review the exchanges' processes to approve the alternative public offerings described in the first action item of **Recommendation 14**. We found that between 2016/17 and 2020/21, the OSC had not performed any proactive oversight reviews of the stock exchanges' processes to monitor if they had appropriately approved these new entrants at the time of their entry, where the OSC was the principal regulator.

In our follow-up, we found that the OSC is planning to conduct oversight reviews of the Cboe, Canadian Securities Exchange (CSE) and TSX relating to their listing standards. The initial priority is Cboe. As discussed in the first action item of **Recommendation 14**, the OSC is commencing a review of selected CPC qualifying transactions on the TSXV and RTO transactions on Cboe with an aim to provide greater oversight of exchange processes used to approve alternative listings.

The OSC is planning to start its review of Cboe in fall 2023, to be completed by December 2024. The OSC plans to conduct an oversight review of Cboe that will include the RTO review described in the first action item of **Recommendation 14** as well as a review, on a sample basis, of the stock exchange's processes for approving new entrants, where OSC is the principal regulator.

The OSC is also planning to start its review of the CSE in fall 2023, and to conduct a formal oversight review by December 2024, within one year after the amended CSE listing policies became effective in April 2023. This time frame will allow for a large enough sample of issuers that have been accepted for listing under the new listing requirements. The review will assess the CSE's implementation and application of the amended policies.

The OSC was not planning to conduct a review of the TSX's listing functions at the time of our follow-up. It noted that the nature of the issuers listing on the TSX, its more established listing processes, experienced staff and smaller number of issuers listing through alternative methods pose less of a risk for investors. The OSC stated that there were no RTO issuers listed on the TSX in 2021. The OSC also completed a TSX oversight review in 2016. Taking into account resources and risk levels, the OSC is prioritizing reviews of the CSE and Cboe. The OSC may consider a review of the TSX's listing function after the priority reviews of the TSXV, CSE and Cboe have been completed. The OSC expects to have fully implemented this recommendation by December 2024.

- *publish the names of new reporting issuers in Ontario, detailing the means by which each issuer raised capital in the public markets, for example, by IPO, Capital Pool Companies, Special Purpose Acquisition Companies as well as reverse takeovers;*

  Status: Fully implemented.

Details

During our 2021 audit, we noted that the OSC did not communicate and highlight new distributions of securities by companies that have entered the market through the alternative methods described in the first action item of **Recommendation 14**, nor had it alerted investors to specific risks inherent in these types of transactions.

In our follow-up, we found that the OSC has fully implemented this recommendation by adding a drop-down list and date field to its new Reporting Issuer Database. The database includes all reporting issuers in Ontario, and the entry method by which an issuer became a reporting issuer has been populated with all issuers that will have become new reporting issuers after April 1, 2023, and where the OSC is the principal regulator. The new database has been made available to the public since August 2023, following the Canadian Securities Administrators' release of the new System for Electronic Data Analysis and Retrieval+

(SEDAR+) in July 2023. SEDAR+ allows issuers to file public securities documents and information with the Canadian Securities Administrators.

- *provide educational resources to investors highlighting the risks of investing in these companies.*

  Status: Fully implemented.

Details

In our follow-up, we found that the OSC has fully implemented the recommended action by publishing new guidance for investors that highlights the risks of investing in SPACs, CPCs and RTOs through various educational resources. The new guidance:

- describes these different methods of becoming a public company;
- explains the speculative nature of investing in companies that seek to enter the capital markets through these alternative methods; and
- highlights the risks of investing in such companies, including limited public disclosure, potential conflicts of interest, absence of redemption rights and limited voting rights.

The OSC has distributed these educational resources to investors through multiple channels. For example, in its November 2022 newsletter, the OSC included an article on SPACs, CPCs and RTOs discussing the additional risks these may pose for investors. In December 2022, the OSC posted an article containing similar information on its investor website. OSC has also posted information about these types of entities and the risks of investing in them on Twitter and Facebook.

The OSC Can Expand Its Existing Processes to Provide Broader and More Proactive Oversight over Market Participants

Recommendation 15

To sufficiently identify and evaluate the risk associated with reporting issuers and registrant firms by considering additional key risk factors, we recommend that the Ontario Securities Commission:

- *collect and analyze data, such as location and size of operations, frequent changes of senior management, late filings and deficiencies identified in prior reviews; and*
- *use the additional data when selecting additional reporting issuers and registrant firms for compliance reviews.*

  Status: In the process of being implemented by December 2023.

Details

In our 2021 audit, we found that the OSC's Corporate Finance and Compliance and Registrant Regulation Branches could improve their existing risk assessment processes and better protect investors by selecting key criteria such as location of reporting issuers or key deficiencies found in registrant firms, to identify and select additional market participants for proactive review and provide better oversight over market participants.

During our follow-up, we found that the OSC was in the process of adding key risk factors to the risk assessment processes as part of its review of reporting issuers and registrant firms. For example, the OSC includes the following factors in its risk assessment processes:

- Location and size of operations of reporting issuers in Russia and in jurisdictions that have denied access to component auditor working papers (i.e., China, Mexico, Tunisia and Bermuda)—As of March 15, 2023, the OSC identified 39 reporting issuers with more than 10% of their revenues from these countries, and another 22 reporting issuers with more than 10% of their assets in these countries. Of these 61 total reporting issuers, 28 issuers had a market capitalization below $50 million. The OSC included the data as part of its risk assessment for selecting firms to review in 2023/24.
- Reporting issuers' point of entry into the capital markets through an RTO, SPAC qualifying transaction or CPC qualifying transaction—OSC staff have analyzed the data on an annual basis and started to incorporate the results as part of the OSC's risk assessment since March 2022.

- Past significant deficiencies from late filings and deficiencies identified in prior reviews—The OSC used the data that it already captures in its database as part of its risk assessment process for selecting firms to review in 2024.

With respect to collecting and analyzing data relating to frequent turnover of senior management, the OSC has put in place a process to obtain such information for registrant firms.

With respect to reporting issuers, in March 2023 it created a centralized database of all directors and officers. The OSC plans to incorporate this data into its risk assessment processes, which it expects to put into effect by December 2023 for selecting reporting issuers to review in 2024.

The Corporate Finance Director Lacks Statutory Authority to Require Companies Using Regulatory Exemptions to Make Sufficient Disclosures

Recommendation 16

To enhance the ability of the Ontario Securities Commission to enforce compliance with securities law by companies selling securities in the exempt market, including disclosure requirements and conditions of prospectus exemptions, we recommend that the Ministry of Finance provide the Director of the Corporate Finance Branch with the authority to cease trade or impose terms and conditions on these exempt-market companies when issues are found in their compliance reviews, after reviewing the authority provided to other jurisdictions such as Alberta.

Status: In the process of being implemented by December 2024.

Details

In our 2021 audit, we reported that the OSC's Corporate Finance Branch did not have adequate legislative authority to respond effectively or quickly when it identified non-compliance by companies that were not reporting issuers and that qualified for regulatory exemptions.

It would be beneficial for the Branch Director to have the power to issue a cease-trade order in respect of an exempt market issuer on a timelier basis, in situations where there are significant concerns with the issuer and its compliance with prospectus exemptions. We found that a similar authority to issue a cease-trade order, relating to both the exempt and non-exempt markets, had been provided to the Alberta securities regulator under that province's laws.

During our follow-up, we found that the Ministry had undertaken a public consultation process to obtain feedback on the draft Capital Markets Act in fall 2021, which was concluded in February 2022. Sections 124 and 125 of the draft legislation, if passed, would provide additional regulatory powers for the OSC Chief Regulator, including the ability to cease trade or impose terms and conditions on exempt-market companies. These powers could be delegated to the Director of the Corporate Finance Branch.

The Ministry and the OSC also reviewed the public comments received from the public consultation on the draft Capital Markets Act and continue to conduct policy and legal analysis. Implementation of this recommendation will require amending the *Securities Act*. The anticipated implementation date of December 2024 factors in the time required to consider, develop and introduce future proposed legislative changes, pending government direction on these matters.

The OSC Has Limited Power to Require Formal Communication from the Public Accounting Firm Oversight Body

Recommendation 17

To enable the Ontario Securities Commission (OSC) to be able to fully monitor market participants and protect investors from the risk of improper financial reporting practices, we recommend that the Ministry of Finance work with the OSC and the Canadian Public Accountability Board to review and identify opportunities to improve information-sharing practices, including potential legislative changes.

Status: Little or no progress.

Details

At the time of our 2021 audit, we found that the OSC did not have the legislated authority to require the Canadian Public Accountability Board (CPAB)—the pan-Canadian regulator created by the CSA, the Office of the Superintendent of Financial Institutions and other regulators to provide oversight over public company auditors—to communicate to the OSC certain information about audit firms and the public companies that they audit. In comparison, the federal Securities and Exchange Commission (SEC) in the United States has greater authority over the Public Company Accounting Oversight Board (PCAOB).

In our follow-up, we found that the OSC and CPAB were working together but have made little progress on developing a non-legislative approach to improve and formalize information-sharing practices within the existing legislative framework. Throughout the policy development process, the Ministry has engaged both OSC and CPAB staff, and conducted internal policy and legal analyses. The OSC and CPAB have developed protocols and are working on a draft amending the memorandum of understanding between them to improve information-sharing arrangements. This includes:

- notification of issues within an inspection that CPAB believes may pose a serious imminent risk to the investing public—CPAB would provide the information to OSC staff as soon as practicable after an issue is identified; and
- Investigation Reporting Protocol—which includes regular updates on investigation activities when CPAB's Board determines that a violation may have occurred.

The sharing of other reports and information is an additional component to this work that has raised further legal, jurisdictional and stakeholder considerations. The OSC and CPAB continue to work together with the Ministry to assess the policy and legal considerations relating to improvements in information sharing that may require legislative amendments. For example, the sharing of Engagement Findings Reports continues to undergo policy and legal analyses, as it has raised further legal, jurisdictional and stakeholder considerations.

Recommendation 18

To strengthen the oversight of reporting issuers with significant operations in foreign countries, we recommend that the Ontario Securities Commission continue to actively support the Canadian Securities Administrators and the Canadian Public Accountability Board in accessing audit working papers of component auditors outside of Canada.

Status: Fully implemented.

Details

In our 2021 audit, we noted that the CPAB reported that it had been denied access to component auditor working papers in four jurisdictions—Bermuda, China, Mexico and Tunisia. However, since the OSC did not track the location of operations of the approximately 1,000 publicly traded companies or reporting issuers that it regulated, it did not know how many of its reporting issuers had significant operations in the four countries that denied access to the work of component auditors to the CPAB.

In October 2019, the CSA published proposed amendments to existing rules that would assist the CPAB in accessing audit work performed by component auditors outside of Canada. Final amendments are expected to be operational by the end of 2021/22.

In our follow-up, we found that the rule amendments came into effect in 2022 and have been available for the CPAB to use in its inspections since that time. The amendments require reporting issuers to give notice in writing to their auditors to provide CPAB, on request, with access to their audit work papers relating to the audit of the reporting issuers' financial statements. In early 2023, OSC staff confirmed with the CPAB that the CPAB had no issues in its 2022 inspections since the rule amendments had come into effect, and that no further support is needed from the OSC. Therefore, this recommendation is fully implemented.

Recommendation 19

To better monitor market participants and to provide protection to investors from potentially unfair and improper financial reporting practices, we recommend that the Ministry of Finance work with the Ontario Securities Commission (OSC) and the Canadian Public Accountability Board (CPAB) to:

- *review public feedback on the CPAB's consultation paper requesting input on the Protocol for audit firm communication of the CPAB inspection findings with audit committees;*

  Status: Fully implemented.

Details

In our 2021 audit, we noted that the regulatory framework governing the CPAB included a voluntary Protocol that sets out how audit firms communicate the CPAB's inspection findings to audit committees of reporting issuers. Under the Protocol, audit firms provide to the audit committees of the reporting issuer the inspection findings report that details any significant findings specific to the reporting issuer's inspection. This is in addition to the publicly available annual audit quality assessment report that highlights the CPAB's common findings across its inspections in a given year, as well as recommendations to improve audit quality.

Following our audit, in March 2022 the CPAB released a report titled "Update on feedback received and next steps for CPAB's disclosures consultation." The report summarizes the public feedback that the OSC collected in a 2021 consultation from over 100 stakeholders on potential changes to the voluntary Protocol. The stakeholders, composed of audit committee chairs and members, investors, audit firm partners and professionals, responded through an online survey, comment letters and one-on-one interviews. CPAB solicited feedback on whether its rules should be amended to make the sharing of the results of individual audit file inspections with the audit committee mandatory. CPAB was also interested in whether this sharing of information should be mandatory for all reporting issuers, specifically whether there should be a different practice for certain reporting issuers with different disclosure obligations in Canada, such as venture issuers.

- *assess the appropriateness of the existing Protocol; and*
- *determine whether the Protocol should be mandatory for all participating audit firms.*

  Status: In the process of being implemented by December 2023.

Details

Our 2021 audit found that non-participation in the CPAB Protocol indicates a general lack of transparency and potential issues with an audit firm's operational approach. The CPAB noted that audit committees, being responsible for overseeing the work of the external auditors, have indicated to the CPAB that they would like more transparency with respect to audit-inspection findings in order to improve the effectiveness of their own oversight role. Our 2021 audit also noted that the CPAB's public consultation on making the Protocol mandatory contained a proposal that the CPAB's rules be changed to require mandatory sharing of file-specific audit-inspection findings with the audit committee of a reporting issuer.

In our follow-up, we found that the CPAB report referenced in the first action item of **Recommendation 19** indicated that over 85% of respondents supported mandatory sharing of individual audit file inspection results with the respective audit committee on the basis that this information supports the audit committee's oversight of their auditor. The Ministry and the OSC have reviewed a brief proposal for the potential changes to the Protocol developed by the CPAB based on the feedback received. The CPAB's proposal contemplates updating the *Protocol for the Audit Firm Communication of CPAB Inspection Findings with Audit Committees, 2014* to reflect mandatory reporting to audit committees of significant inspection findings.

The CPAB has completed pre-consultations with key stakeholders on a series of proposed amendments to the CPAB rules, including concerns regarding sharing of inspection findings by participating audit firms with audit committees. The CPAB started to conduct

a formal public consultation on the proposed rule changes in September 2023, whose feedback will help determine whether it is appropriate to adopt the proposed rule change and amend the Protocol to reflect mandatory reporting to audit committees. Following the completion of the consultations, the CPAB, with input from the Ministry and the OSC, intends to finalize the implementation plan, which will include approval of the new rules by the Minister of Finance.

The Ministry expects that the recommended actions within its scope will be fully implemented by December 2023. However, implementing the mandatory protocol would require legislative amendments based on the latest analysis conducted by the CPAB that would most likely not be completed by that date. At the time of this follow-up, the Ministry was reviewing the CPAB's revised proposal for rule changes and considering the implementation timelines, which are subject to government direction.

The OSC Lacks the Technology and Analytical Tools to Provide Efficient Oversight over Market Participants

Recommendation 20

To enhance the effectiveness and efficiency of monitoring market participants for compliance with securities laws and conducting enforcement actions for non-compliant activity, we recommend that the Ontario Securities Commission (OSC):

- *develop a formal plan, with a specific timeline and budget, to replace separate, legacy systems and databases with an integrated platform;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that the OSC lacks data analysis tools to enable it to effectively identify trends and analyze market participants' compliance with securities laws. The OSC relied on third-party data providers to assess such trends and perform the analyses.

As well, we noted that financial statement filings by reporting issuers that are submitted to the OSC through the System for Electronic Document Analysis and Retrieval (SEDAR)—a decades-old filing system developed for the CSA to facilitate the electronic filing of securities information—are filed in a format that cannot readily be used for data extraction and analysis. Therefore, OSC staff were unable to use modern technologies to effectively and efficiently monitor reporting issuers and their related filings by extracting trends and performing other analyses. For example, OSC staff did not use tools such as the Beneish Model, generally used to identify and prevent financial statement fraud.

In our follow-up, we found that, in November 2021, the OSC had finalized a strategy and a formal plan with timelines and budget to replace separate legacy systems and databases with integrated platforms. Specifically, the OSC created the Digital Platforms Strategy after taking into consideration its digital and data capability needs. Two new digital platforms (Reg360 and the OSC1 portal) were created to cater to various branches of the OSC and will eventually replace legacy applications and Lotus Notes databases.

In addition, the OSC created a five-year (2021/22–2025/26) product roadmap to set up the two new digital platforms. Reg360 is to streamline end-to-end regulatory activities including contact centre operations, registrations, disclosure, compliance oversight and enforcement. The OSC1 portal provides a single window for OSC staff to access internal systems, and a client-facing window for OSC external participants such as individuals and organizations that submit OSC-specific filings to the OSC on a regular basis.

Based on the roadmap, the OSC has budgeted a total of $17.6 million to set up these platforms over a five-year period. As of June 2023, the OSC has spent $6.3 million and budgeted another $11.3 million until the end of 2025/26.

- *equip and train OSC staff in the use of modern technologies;*

  Status: Fully implemented.

Details

In our follow-up, we found that the OSC has fully implemented this action item and provided training to its staff on the new digital platforms mentioned in the

first action item of **Recommendation 20**. The OSC has also created awareness across the organization on the new technologies and their capabilities using internal communications such as Digital Ignite and Showcase forums. Product managers are leading the training sessions virtually, and the sessions are recorded for future reference. For example, in November 2022, the OSC trained the Enforcement Branch to support the rollout of the Reg360 platform. During 2023, the OSC held further training sessions on the Reg360 platform and other data platforms and tools such as Tableau/Business Intelligence and the Refinitiv Workspace. The OSC indicated that as needs arise, it will also facilitate deep-dive, hands-on training sessions for more complex features on new technologies.

- *include a centralized view of information regarding directors and senior management of market participants in the integrated platform;*

  Status: Fully implemented.

Details

Our 2021 audit found that essential information regarding directors and senior management of companies issuing securities was found in various databases that the OSC uses and was collected in different formats. Several OSC databases contained critical information about public-financing activity (Management Information Tracking System), filings and director and senior management information for companies selling securities in the exempt market (Reports of Exempt Distribution), past compliance reviews (Continuous Disclosure or CD Workflow) and insider participation (SEDI).

In our follow-up, we found that the OSC has fully implemented this action item and created a searchable centralized database for its staff to access information on directors and senior management of issuers. In June 2022, the OSC engaged a third party to access relevant data on directors and senior management of market participants. In 2023, the OSC was testing the integration of the data from the third party into the OSC's database of officers and directors. The OSC has engaged with the supplier's technical support and resolved issues around the completeness of the data. The OSC indicated that it has also been collecting user feedback to make any needed improvements to the database going forward.

- *prioritize an integrated approach to monitoring compliance and flagging problematic behaviour on a timely basis through the use of integrated technology tools, data and other processes.*

  Status: In the process of being implemented by December 2025.

Details

During our 2021 audit, we noted that the OSC had established the Digital Solutions Branch in September 2020 to address the issues it had with multiple databases. This branch was expected to build an enterprise data approach to allow for "improved data insights and efficient data sharing between branches within the OSC and with industry stakeholders." The OSC's draft 2021/22 Statement of Priorities indicated that it wishes to increasingly transition from "stand-alone, legacy systems to integrated enterprise platforms."

In our follow-up, we found that the OSC has completed work in defining its vision for its digital and data platforms, which focuses on an integrated approach to monitoring compliance and flagging problematic behaviour on a timely basis. The Digital Solutions Branch worked with branches across the OSC and identified the digital and data capabilities required. Based on this, the OSC published its platform strategy in November 2021. It has developed a digital and data roadmap for 2023/24 to 2025/26 to provide the capabilities for an integrated approach to monitoring compliance.

At the time of our follow-up, the OSC was setting up multiple digital platforms to implement its digital and data platform strategy. For example:

- Reg360, the core regulatory compliance platform, to integrate tools and data;
- e-DARP, the Enterprise Data Analytics and Reporting Platform, to offer enterprise data, analytics and reporting capabilities;
- Trillium Back Office, to integrate and support OSC's back office processes;

- Robotic Process Automation, to automate repetitive manual activities; and
- the OSC1 portal, to provide a single view for staff and another single portal for external participants who are individuals and organizations that submit OSC-specific filings to the OSC on a regular basis.

The OSC has mapped the various legacy systems to the new digital and data platforms. These legacy systems will eventually be replaced by the new platforms.

The OSC expects to complete implementation of the digital platforms roadmap by December 2025.

Recommendation 21

To better record, manage and analyze investor complaints consistently within the Ontario Securities Commission (OSC), we recommend the OSC:

- *develop and implement a formal plan with a specific timeline and budget to integrate the applications, data and processes across the organization used to record and manage investor complaints; and*
- *complete the integration of operations, data and processes around OSC.*

Status: Fully implemented.

Details

In our 2021 audit, we noted that the database used to record investor complaints received by the OSC's contact centre was not integrated with those that recorded complaints received directly by the other regulatory branches of the OSC. Although this lack of co-ordination was also mentioned in the OSC's 2017 internal audit report, at the time of our audit, the OSC still did not have a formal plan to consolidate the systems or move to one platform so that the weaknesses could be addressed.

Our follow-up found that in November 2021, the OSC approved the business case to develop and implement its new integrated system to record and manage investor complaints. Product and system development spanned November 2021 to March 2022; rollout, including training, production and deployment, was done in April and May 2022. The new contact centre application was launched in June 2022.

Since June 2022, the OSC has implemented a new application to support the Inquiry and Contact Centre business processes and has integrated the recording, managing and analysis of investor and market participant inquiries and complaints across its branches. The OSC's Inquiries and Contact Centre staff, along with other operational branch staff, were migrated to the new Reg360 platform, the OSC's integrated regulatory platform, in July 2022. The Reg360 platform integrates various data and processes, and replaces the legacy applications that were used to manage investor and market participant inquiries and complaints across the OSC.

In December 2022, the OSC reminded all its staff of the need to use Reg360 to track complaints received from external parties in the new system and processes. Staff from across the OSC have access to dashboards covering activity in their branch and are able to search cases across the OSC. Regulatory Branch directors are provided with quarterly reports on their branch's use of the Reg360 application for tracking complaints.

Recommendation 22

To help improve case management, tracking and monitoring capabilities by its Enforcement Branch, we recommend that the Ontario Securities Commission identify a deadline and budget, and move forward and implement an integrated information system.

Status: In the process of being implemented by December 2025.

Details

In our 2021 audit, we found that the OSC's Enforcement Information System was a more than 20-year-old Lotus Notes database that was not designed to track case evidence or investigations. As a result, much investigation work exists outside the system, requiring manual tracking via spreadsheets. That limits the Enforcement Branch's reporting capabilities and makes it more difficult to consolidate branch reports. There was also no integration between the Enforcement

Information System and other databases used by the OSC.

As of July 2021, the Digital Solutions Branch had been leading a project to move to a new system to consolidate the OSC's internal systems. This would include replacing the Enforcement Information System as well as other databases.

In our follow-up, we found that the OSC had identified the digital and data capabilities it needs for operations, and developed the OSC Digital Platforms strategy. The OSC has created a roadmap for each platform, including Reg360 (the regulatory platform that includes the enforcement case management system), mentioned in **Recommendation 20**.

Since the business case for Reg360 was approved in June 2022, the OSC has been rolling out the platform with various teams within the Enforcement Branch. The OSC expects to manage all enforcement cases from the new platform and to consolidate views of all data and information related to enforcement, and to consolidate documents by December 2025.

The OSC's User-Access and Change-Management Controls for Information Technology (IT) Systems Can Be Further Strengthened

Recommendation 23

To prevent unauthorized modification to data and programs, we recommend that the Ontario Securities Commission implement controls to:

- *enforce its existing process for all IT systems to periodically review users' roles or permissions and implement any required changes in a timely manner;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that the OSC had established a quarterly user-access review process to ensure that employees who no longer require access to IT systems are removed in a timely manner. But we found that the OSC had never performed an access review to determine if user access to IT systems and the data centre was appropriate and relevant for most of the key IT systems that we selected.

Since our 2021 audit, the OSC has reviewed and added additional applications to its quarterly user-access review process to help prevent unauthorized access or changes to data or programs. The OSC's User Account Administration unit, which began operating in June 2022, has generated an extract of a report that lists all the existing users and their access to the specific applications from the previous quarter. The extract is then filtered by individual branch and shared with the director of each branch. Each branch director is responsible for reviewing the branch-specific user-access report and identifying any changes required on a separate change report document. Once all changes have been reviewed and approved by the director, the branch director is to return the completed Change Report spreadsheet to User Account Administrators.

If there are changes, the User Account Administration unit reviews and approves the necessary updates based on the completed Change Report spreadsheet. If there are no changes, and the list is approved, the User Account Administration unit approvals are filed to ensure that permanent records are maintained. This reporting process, started in June 2022, was fully implemented across all OSC branches in December 2022, and the OSC informed us that it will continue this process in the future.

- *document physical access permissions and modification approvals via a ticketing tool, and review changes regularly;*

  Status: Fully implemented.

Details

Our 2021 audit also found that changes to access provided to the OSC data centre were not adequately recorded and reviewed by OSC staff. Unauthorized and inappropriate access to computer facilities may lead to theft or loss of critical data.

In our follow-up, we found that the OSC had put in place a new process for requesting physical access to the OSC data centre, starting in August 2022. All requests for access are now tracked via Helpdesk tickets

or a new "Request Access to Restricted Areas" form. The IT storage and hub rooms, and another computer room, have been added to the list of restricted access areas. In August 2022 the OSC emailed its staff a reminder about the access requirements and processes. The OSC indicated that it will continue monitoring and reviewing physical access to the restricted areas on a monthly basis.

- *retain and review logs showing when access was removed for terminated employees and staff to ensure access was removed on the same day of termination;*

  Status: Fully implemented.

Details

Our 2021 audit noted that the OSC did not retain logs of user account deletion for terminated employees. As per industry best practices, access for terminated employees should be removed on the day of termination.

After our audit, the OSC initiated a monthly process to review logs of user account deletion for terminated employees. Since July 2022, the OSC's technology services manager has randomly reviewed five account deletions from the previous month to ensure that access was removed on the same day as termination. The technology services manager captures and maintains screenshots as evidence to demonstrate that the accounts have been deleted appropriately and in a timely manner. Any findings from the manager reviews are recorded on a spreadsheet that is accessible only to the IT management team. The OSC's Chief Information Officer then receives the review attestation provided by the client service manager on a monthly basis.

- *review and retain user activity logs for events/alerts that are necessary for its operations based on the system criticality to the business.*

  Status: Fully implemented.

Details

Of the 17 systems that we reviewed during our 2021 audit, we found that detailed user activities were not being recorded and retained for 10 systems and not logged for seven systems. As per industry best practices, user activity logs should be enabled, and reviewed on a periodic basis.

In our follow-up, we found that, on a monthly basis, the OSC reviews and retains user activity logs for critical business applications such as Lotus Notes, IBM Case Manager, Tableau and e-DARP to identify all events and alerts. This information, such as which employee has access to which applications and other events/alerts, is extracted and captured in a single spreadsheet.

The OSC Chief Information Security Officer reviews the spreadsheet and its contents on a regular basis to determine what activity logs should be sent to the Security Information & Event Management System, a security tool that provides centralized log monitoring and security incident correlation and automation. The security tool captures log monitoring from multiple systems such as firewalls and access control systems, and triggers alerts when certain conditions are met.

Recommendation 24

To control that only authorized changes are made to the IT systems, we recommend that the Ontario Securities Commission:

- *implement a centralized change-management tracking tool so that changes are tracked efficiently and unauthorized changes cannot be implemented, and retain all testing evidence related to the changes for traceability;*
- *implement controls to restrict access to apply changes to IT systems; and*
- *implement user activity logging and perform a review to assess the risk associated with the development team having access to production environment for legacy IT systems where access cannot be restricted.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that for changes made to key IT systems in the previous year, the OSC did

not have a change management ticketing or tracking tool to track necessary information such as approvals, test details and evidence of implementation of changes it made to its IT systems. Changes made to its systems were manually tracked through Microsoft Excel spreadsheets and emails instead of an automated change management tracking tool. In addition, for 36 out of 113 change records, we noted that the IT staff who developed the IT system changes also applied the changes. As per industry best practices, changes should be developed and applied by separate teams in order to ensure segregation of duties to prevent unauthorized changes.

In our follow-up, we found that the OSC had launched a new change management tool within its cloud environment in August 2022. The new system has role-based permissions to ensure that only authorized staff or change managers can approve a request for change once the associated criteria have been met. The members of the Change Approval Board are known as change managers; the Board is composed of senior IT staff including the Chief Information Officer. The Change Approval Board, which was created in September 2019, meets weekly to review all requests for change and provide the required approval if the criteria are met. Testing evidence is also attached to the relevant request for change prior to authorization and is retained for historical purposes.

The change management tool tracks all steps in the process (from request to approval and implementation) and the outcome for each request, and provides a history of all changes. Only the change managers are allowed to complete each change request by verifying that the change was completed successfully.

The OSC also implemented a privileged access management tool in November 2018 to allow secure privileged credentials through password management. The tool stores privileged passwords while logging who accessed them, when they were accessed, and which systems the implementer has connected to. This system provides additional controls for onboarding privileged users who have access to both development and production systems. In November 2022, the OSC began using a new monthly review process as an additional safeguard, by extracting and reviewing all access by IT administrators and privileged accounts.

The OSC has identified and maintained segregation of duties for 95% of all changes made to its production environment since August 2022. To ensure transparency where segregation is not possible, the individuals making the request for change are clearly outlined within each request for change submission and reviewed by the Change Approval Board. The OSC continues to accept the risk of its development team having access to production systems, but is limiting the risk with its use of a privileged access management tool, the Change Approval Board approval process and the new monthly review of privileged account users.

Recommendation 25

In order to establish accountability and restrict the use of system administrator accounts, we recommend that the Ontario Securities Commission:

- *assess appropriate access permissions required and assign individual user administrator accounts (username and password) for IT staff; and*
- *enroll the legacy system as part of the Privileged Identity/Access Management tool to ensure that actions performed using administrator accounts are recorded and monitored.*

Status: Fully implemented.

Details

In our 2021 audit, we found that the OSC utilized a Privileged Identity/Access Management software tool that stores usernames and passwords for administrator accounts for multiple IT systems. However, this tool did not maintain administrator accounts and passwords for certain key operational systems supported by legacy technologies. When assessing whether administrator accounts were restricted to authorized users, we found instances where two IT staff shared credentials, such as IT system user ID and password, for one system administrator account. If credentials are being shared, there is a risk that accountability for activities performed using administrator accounts cannot be traced back to individual staff.

In our follow-up, we found that, in April 2022, the OSC had completed an initial review of information technology administrator accounts and ensured that staff requiring administrator access are assigned individual information technology administrator accounts. Starting in July 2022, the Information Services (IS) and Information Security branches commenced monthly reviews of the OSC's privileged accounts on both servers and workstations. The process entails the Information Security team sending the IS team a raw extract of all activity on all accounts. The IS team then assesses each account to determine if it is still required or can be removed. If an account needs to be removed, the IS team will delete it. The OSC's Privileged Account Management Policy requires that privileged access be reviewed on a quarterly basis, but the OSC has chosen to perform the review monthly.

All legacy systems such as Lotus Notes are now enrolled within the OSC's Privileged Identity/Access Management tool so that actions performed using administrator accounts are recorded and monitored regularly.

Additional and Emerging Areas of Interest

Recommendation 26

To regulate evolving capital markets effectively, we recommend that the Ontario Securities Commission develop regulatory strategies in these areas and implement appropriate actions on a timely basis.

Status: Fully implemented.

Details

During our 2021 audit, we noted a number of additional and emerging areas of interest, such as alternative performance measures, minimum pricing increments and fixed income markets, in our discussions with the OSC and stakeholders.

In our follow-up, we found that the OSC has developed a tool for collecting, collating and sharing information on emerging regulatory issues. In August 2022, OSC staff completed the testing phase of this new tool, and it is assessing potential next steps. In support of this business planning process, the results of this work were presented to the executive management team and to the Board in September 2022. The OSC indicated that this exercise is intended to think beyond the one-year planning cycle to help anticipate changes that could emerge in Ontario's markets, and to identify areas for further research.

The OSC is also implementing "horizon scanning" that aims to identify emerging issues relevant to its oversight of capital markets. OSC staff have considered various academic and organizational approaches to horizon scanning to identify trends and their potential impacts, taking into account a range of plausible outcomes in the OSC's regulatory environment. The OSC indicated that it will continue to be involved in several international and cross-agency committees. One of these activities is leading the development of the International Organization of Security Commissions' annual Risk Outlook Report. Developing the report provides the OSC staff with an opportunity to learn about emerging risks present in other jurisdictions and to assess foreign risks that may be relevant to Ontario's capital markets.

Chapter 1
Section
1.16

Ministry of Health

Follow-Up on 2021 Value-for-Money Audit:

Outpatient Surgeries

RECOMMENDATION STATUS OVERVIEW						
		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	2	2				
Recommendation 2	2		2			
Recommendation 3	3		3			
Recommendation 4	2		2			
Recommendation 5	2		2			
Recommendation 6	3	3				
Recommendation 7	3			3		
Recommendation 8	2	1	1			
Recommendation 9	2		2			
Recommendation 10	3	3				
Recommendation 11	3			3		
Recommendation 12	2		2			
Recommendation 13	2		2			
Total	**31**	**9**	**16**	**6**	**0**	**0**
%	**100**	**29**	**52**	**19**	**0**	**0**

Overall Conclusion

The Ministry of Health (Ministry) and Ontario Health, as of October 30, 2023, have fully implemented 29% of actions we recommended in our *2021 Annual Report*, such as working with hospitals to facilitate regular communications and identify reasons for variations in wait times; allocating or reallocating future surgical volumes and funding to reduce wait times and bring them to an equitable level; collecting information and data on a regular basis from hospitals that have used unique methods of delivering outpatient surgeries; and monitoring surgical billing data on a regular basis to identify red flags and risks that warrant further review.

The Ministry and Ontario Health have made progress in implementing an additional 52% of the recommended actions, such as working with public hospitals, private hospitals, independent health facilities and surgeons to track wait times by individual

surgeon; publicly reporting wait times by surgeon, similar to the practices in other jurisdictions, such as Alberta and British Columbia; working with hospitals and clinicians to determine the types of outpatient surgeries that would benefit most from establishment of a centralized intake or referral system to help reduce wait times; regularly collecting information on available capacity and resources across hospitals with unused or underused operating room time; identifying and implementing practices and methods that enable hospitals to perform more surgeries on an outpatient basis when it is safe and appropriate for the patient; working with service providers to develop and implement metrics to measure surgical quality of care and outcomes consistently and publicly report on those metrics; and implementing additional oversight mechanisms to protect patients against possible misleading sales practices and inconsistent policies.

However, the Ministry and Ontario Health have made little or no progress on 19% of the recommended actions, including conducting an evaluation of all outpatient surgery providers to determine clinical effectiveness and gaps in oversight; requiring that all service providers (including independent health facilities and private hospitals) report their wait times into the Wait Time Information System; revisiting the oversight and reporting structures to confirm that all outpatient surgery providers report relevant data and are overseen consistently; identifying tools that can be used to inform Ontarians about cataract surgeries and prevent inappropriate charges to patients; and taking disciplinary actions against physicians and organizations found to have misinformed, or failed to inform, patients of their right to a fully covered Ontario Health Insurance Plan (OHIP) surgery.

The status of actions taken on each of our recommendations is described in this report.

Background

Outpatient surgery, sometimes referred to as "day surgery" or "ambulatory surgery," is a surgery that does not require an overnight stay in a hospital. In Ontario, public hospitals, one private hospital and 10 independent health facilities (IHFs) provide outpatient surgeries; the physicians and surgeons who perform those surgeries are compensated through billings made to the Ontario Health Insurance Plan (OHIP).

There is no separate funding mechanism for outpatient surgeries. According to data from Ontario Health, in 2020/21, public hospitals provided approximately 330,000 outpatient surgeries compared to approximately 440,000 to 455,000 outpatient surgeries in each of the previous four years. The Ministry of Health (Ministry) provided approximately $13 million in funding in 2020/21 to the 10 IHFs operating in Ontario for providing about 16,400 outpatient surgeries. One private hospital (Don Mills Surgical Unit) received approximately $2.6 million in funding for providing approximately 1,800 outpatient surgeries in 2020/21.

Based on our review of Ontario's data on surgeries that are commonly performed on an outpatient basis—joint replacement (hip or knee) and cataract surgery—we noted that the percentages of patients treated within benchmark time frames had been steadily decreasing. All provinces have shown a similar trend in recent years, with about half of Canadian patients not receiving these surgeries within the recommended time frames in 2020 compared to one-third in 2019.

With respect to provincial oversight, we found some surgeons had significantly high or unreasonable billings related to outpatient surgeries. Further, there was no provincial oversight of surgery providers to protect patients from being misled about their right to receive the standard, publicly funded surgery rather than pay fees out of pocket. We also noted that providers of outpatient surgeries operated in silos, followed different reporting requirements, and were overseen by different

parties. For example, the Ministry and Ontario Health tracked wait times only for surgeries performed at public hospitals and at one IHF that reported into the Wait Time Information System, and did not have any insight into wait times at the nine remaining IHFs or the private hospital. As a result of the COVID-19 pandemic, access to surgeries, including outpatient surgeries, was taking longer, resulting in deterioration or complications related to patient health issues and surgery backlogs.

Some of our significant findings were:

- Significant regional variations in wait times made for inequitable access to surgery. We reviewed wait times across Ontario Health's five regions (West, Central, Toronto, East and North) and noted significant variations in wait times for outpatient surgeries. For example, our review of 2019/20 data noted that patients in the Toronto region who needed forefoot surgery had to wait 354 days, over three times longer than patients in the North region (111 days). As well, patients needing total knee joint replacement surgery in the West region had to wait 322 days, more than three times longer than the 98 days patients in the Toronto region waited for the same surgery.
- Substantial wait times had not been addressed and worsened in 2020/21. Between 2016/17 and 2019/20, though wait times for some surgeries decreased, wait times for many others increased. Most surgeries continued to have long wait times; for example, 100 days for gallbladder surgery and 259 days for forefoot surgery in 2019/20. Wait times increased even further in 2020/21 as a result of the COVID-19 pandemic and a public health directive, initially applicable from March 19 to May 26, 2020, that required all non-essential and elective surgeries be stopped or reduced to minimum levels to preserve hospital capacity to prioritize care for patients with COVID-19. So, by the end of 2020/21, wait times, for example, were 157 days for gallbladder surgery and 356 days for forefoot surgery, representing increases of 57% and 37% respectively from the previous year.
- The lack of centralized intake or referral could be contributing to longer wait times. There was no province-wide centralized intake or referral process for many surgeries. Co-ordination only existed on an ad hoc basis in some regions or for some types of surgery. The lack of a centralized intake or referral process has been a long-standing issue that our Office has raised in past value-for-money audits covering other areas of the health-care system, such as MRI and CT scans as well as cancer care.
- Ontario hospitals employed outpatient surgeries in an inconsistent manner. There were significant differences in the proportion of surgeries being performed on an outpatient basis across hospitals in Ontario. For example, although hospitals performed hernia surgeries in 2019/20 on an outpatient basis on average 95% of the time, one hospital did so only 72% of the time. However, some hospitals increased the proportion of outpatient surgeries performed during the pandemic. For example, one hospital performed 24% of its primary total knee replacement surgeries on an outpatient basis in 2019/20, but increased this proportion to 51% of cases in 2020/21.
- The Ministry did not adequately oversee and monitor outpatient surgery volumes and billings such that it could discern unusual billing patterns or trends. For example, four ophthalmologists each billed the Ministry from $860,000 to almost $1.1 million in 2019/20. Each of them performed more than 2,000 cataract surgeries that year with a maximum number of cataract surgeries in a single day ranging from 34 to 47. Subsequent to our audit work, the Ministry completed a broad review that included these four ophthalmologists. However, this review did not adequately address the unusual billings because it only looked at assessment codes

that were being billed on the same day as cataract surgery, and only resulted in education letters being sent to the ophthalmologists. The issue of unusual physician billings has been raised by our Office in our past value-for-money audits.

We made 13 recommendations, consisting of 31 action items, to address our audit findings. We received commitment from the Ministry of Health and Ontario Health that they would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between April 2023 and August 2023. We obtained written representation from the Ministry of Health and Ontario Health that, effective October 30, 2023, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Continuously Long Wait Times to Access Outpatient Surgeries

Recommendation 1

To provide more equitable access to outpatient surgeries across Ontario, we recommend that Ontario Health:

- *work with hospitals at a regional level to facilitate regular communications and identify reasons for variations in wait times; and*
- *through consultation with regions, allocate or reallocate future surgical volumes and funding to reduce wait times and bring them to an equitable level.*

Status: Fully implemented.

Details

In our 2021 audit, we reviewed wait times across Ontario Health's five regions (West, Central, Toronto, East and North) and noted significant variations in wait times for outpatient surgeries. For example, our review of 2019/20 data noted that patients in the Toronto region needing forefoot surgery had to wait 354 days, over three times longer than patients in the North region (111 days). We also found that most surgeries continued to have long wait times; for example, 100 days for gallbladder surgery and 259 days for forefoot surgery in 2019/20. Wait times increased even further in 2020/21 as a result of the COVID-19 pandemic when all non-essential and elective surgeries were stopped or reduced to minimum levels to preserve hospital capacity to care for patients with COVID-19.

In our follow-up, we found that Ontario Health has worked and consulted with partners, including hospitals and the Ministry, to identify reasons for wait-time variations and provide more equitable access to outpatient surgeries across Ontario. For example,

- Ontario Health has done modelling work with regional partners to establish targets that specifically address patients who are furthest outside of clinically recommended wait times (known as long waiters). Ontario Health regions monitor surgical volume trends and long wait times weekly to identify hotspots and relocate services accordingly to manage local issues.
- Ontario Health, in partnership with the Ministry, has implemented new funding strategies that include medical procedures with the longest wait times that have not historically received funding in order to reduce wait times and bring finding for different procedures to an equitable level.
- Ontario Health is working to support the Ministry's strategy to expand surgical capacity outside of hospitals through potential partnerships and new licences with the integrated community health services centres (ICHSCs), formerly independent health facilities (IHFs).

- Ontario Health has collaborated with the Ministry to provide input and support on Quality-Based Procedures funding documents and Wait Times Volume Management Instructions.

Recommendation 2

To provide greater transparency to patients regarding surgical wait times and to allow patients to make more informed decisions about their surgical care, we recommend that the Ministry of Health, in collaboration with Ontario Health:

- *work with public hospitals, private hospitals, independent health facilities and surgeons to track individual surgeon's wait times; and*
- *publicly report wait times by surgeon similar to the practices in other jurisdictions, such as Alberta and British Columbia.*

Status: In the process of being implemented by December 2024.

Details

We found in our 2021 audit that there was a lack of public reporting of wait times by surgeon. In Ontario, patients could access wait-time information published per hospital. However, surgeons working in the same hospital could have very different wait times. For example, we found that at one hospital, one ophthalmologist had an average wait time of 155 days, while another had an average wait time of 42 days—almost four months fewer. However, this information was not available to the public, so patients were unable to consider it when deciding which surgeon to work with. Our 2021 audit found that, unlike Ontario, Alberta publicly reported wait times by surgeon and provided a comparison of surgeon wait times with the provincial average for patient reference. British Columbia also allowed the public to go on its provincial surgery wait-times website and search by specific procedure (surgery) or by specialist.

In our follow-up, we found that the Ministry, in collaboration with Ontario Health, has worked with service providers of outpatient surgeries to track wait times by individual surgeon. In particular, as part of the Ministry's 2021/22 investments in the Centralized Waitlist Management initiative, Ontario Health has completed the development of a business intelligence tool, known as the Health System Insights (HSI) platform, that will allow hospitals to see the wait lists of individual surgeons within their own hospital, in order to help balance loads between surgeons and between hospitals. The rollout of the HSI platform to hospitals began in August 2022. Hospitals can log onto the HSI platform to see comprehensive details of the surgical wait lists at the region, facility, specialty, and surgeon levels based on daily data from Ontario Health's Wait Time Information System. This new enhanced visibility of wait lists and comparative performance is expected to highlight performance improvement opportunities and improve data quality. As of June 30, 2023, 94% of eligible hospitals had access to the HSI platform.

The Ministry and Ontario Health plan to explore opportunities to make surgeon-level wait-list data available to Ontario Health's regional planners through the HSI platform in the near-to-medium term. They expect to complete this work by December 2024. The Ministry and Ontario Health also plan to engage relevant stakeholders, including the Ontario Medical Association, to discuss and determine the requirements for publicly reporting wait times by surgeon.

Limited and Slow Progress on Implementing Practices to Improve Wait Times for Outpatient Surgeries

Recommendation 3

To allow patients access to faster surgeries, we recommend that the Ministry of Health, in collaboration with Ontario Health:

- *work with hospitals and clinicians to determine the types of outpatient surgeries that would benefit*

most from establishment of a centralized intake or referral system to help reduce wait times and improve patient transparency;

- *regularly engage hospitals and regions that have implemented centralized intake or referral for surgeries to identify best practices and weaknesses; and*
- *use best practices identified through this work and other relevant provincial initiatives related to centralized intake or referral to further expand the implementation of these practices and initiatives across the province within established timelines.*

Status: In the process of being implemented by December 2024.

Details

We found in our 2021 audit that a lack of centralized intake or referral could contribute to longer wait times. There was no province-wide centralized intake or referral process for many surgeries. Co-ordination only existed on an ad hoc basis in some regions or for some types of surgery. For example, Women's College Hospital in the Toronto region implemented a central intake model for anorectal surgery. However, the centralized intake or referral process has not been expanded or widely adopted across the province on a consistent basis. Instead, some regions and surgical service areas took steps on their own to address long patient wait times. For example, in April 2021, the Waterloo region adopted a centralized cataract referral program that allowed patients to choose the earliest surgery date available, a specific location or a specific surgeon.

In our follow-up, we found that the Ministry has transferred the oversight of the provincial eServices program to Ontario Health in order to enable better-integrated planning on centralized intake and referral, given that a key focus of the eServices program is on deploying electronic referral systems (eReferral) across the province. The eServices program has begun implementing eReferral at existing central intakes and is developing standardized eReferral forms that reflect clinical best practices.

As part of 2022/23 work on the provincial Centralized Waitlist Management initiative, Ontario Health issued a call for regional proposals on July 8, 2022, with a focus on projects that will advance uptake of single-entry models such as central intake. Following a review and evaluation process led by Ontario Health, 30 regional projects have been approved and implementation of these projects has begun.

As a complement to this work, Ontario Health has also established a Single-Entry Models Working Group. This Working Group includes an array of subject-matter experts with experience in the area of single-entry models, including representatives from the eServices program, regional representatives and clinicians. The group's activities include sharing lessons learned and best practices from the central intakes that have been launched to date in Ontario. As part of its contributions to the Working Group, the eServices program has developed a working inventory of all known central intakes in the province. This document will continue to be refined and updated over time. The Working Group has also developed a repeatable framework for launching single-entry models across the province by December 2024 and is working to identify which surgical pathways are best suited to central intake.

Recommendation 4

To efficiently and effectively offer outpatient surgeries, we recommend that Ontario Health:

- *regularly collect information on available capacity and resources, such as staffing, across hospitals with unused or underused operating room time; and*
- *using the information collected, reallocate funding based on the availability of resources and unused operating rooms at hospitals to ensure patients*

have more timely and equitable access to outpatient surgeries across the province.

Status: In the process of being implemented by December 2023.

Details

We found in our 2021 audit that hospital operating rooms remain underused. Each hospital independently decided how many hours its operating rooms were used (given its funding and staff resources). The provincial best practice target rate of operating room use is 90%. In 2019/20, approximately 34% of hospitals did not meet the 90% target, meaning that some operating room capacity was left unused. Ontario Health did not formally track reasons for underuse. Based on our discussions with providers of outpatient surgeries, we noted two possible reasons were inadequate planning for operating room use and insufficient resources (such as nurse staffing) to keep the operating rooms running for surgeries.

In our follow-up, we found that Ontario Health initiated Phase 1 of the Surgical Efficiency Targets Program (SETP) Reporting Expansion in the first quarter of 2022/23 to examine evening and weekend utilization of operating room resources for elective surgeries across all SETP reporting facilities in the province. So far, Ontario Health has identified the SETP data elements needed to measure available capacity and resources, has started developing the technical specifications for collecting the data, and has completed a privacy impact assessment. The surgical efficiency data set captures efficiency information about patient treatment throughout the peri-operative period—that is, before, during and after surgery.

In addition, Ontario Health has started to expand SETP reporting to include real-time surgical efficiency and capacity data from operating rooms. It expects to complete this work by December 2023. This will be a key output of the Ministry's Centralized Waitlist Management initiative, as discussed in **Recommendation 2**.

Inconsistent Use of Outpatient Surgery and Oversight in Ontario

Recommendation 5

To increase the use of outpatient surgeries in a safe and cost-effective manner, we recommend that Ontario Health:

- *work with hospitals on a regular basis to identify challenges and/or barriers to providing more surgeries on an outpatient basis; and*
- *identify and implement practices and methods within established timelines that enable hospitals to perform more surgeries on an outpatient basis when it is safe and appropriate for the patient.*

Status: In the process of being implemented by March 2025.

Details

We found in our 2021 audit that Ontario hospitals employed outpatient surgeries in an inconsistent manner. There were significant differences in the proportion of surgeries being performed on an outpatient basis across hospitals in Ontario. For example, although hospitals performed hernia surgeries in 2019/20 on an outpatient basis on average 95% of the time, one hospital did so only 72% of the time. In another example, gallbladder surgeries were, on average, performed on an outpatient basis in approximately 95% of cases, but one hospital was performing this as an outpatient surgery in only 75% of cases.

In our follow-up, we found that Ontario Health has worked with hospitals on a regular basis to identify challenges or barriers to providing more surgeries on an outpatient basis. For example, Ontario Health has enhanced reporting to support system partners. Specifically, the current Health System Performance and Support surgery report now includes metrics to identify capacity barriers to surgery. The Health System Performance and Support surgery reporting continues to evolve to meet the needs of facilities in response to different system pressures.

The Ministry has also taken actions that will enable hospitals to perform more surgeries on an outpatient basis when it is safe and appropriate for patients. For example:

- In 2021/22, the Ministry provided $30 million in funding to support 65 surgical innovation projects that will enable hospitals to address barriers to surgical output. These projects included health human resource training, staffing support models, new surgical equipment, renovations to operating room spaces, and process or patient flow improvements, and many of them were aimed at shifting patients from inpatient settings to outpatient surgical care models.
- In 2022/23, the Ministry provided $7 million in funding to support two surgical innovation funding streams. These streams will enable hospitals to address a number of barriers to providing more surgeries on an outpatient basis and to focus on outpatient surgical care models.
- Planning is also under way to have outpatient arthroplasty procedures completed in community surgical centres in 2023/24. The Ministry anticipates this will increase the number of outpatient procedures that were previously inpatient, where clinically appropriate, by March 2025.

Recommendation 6

To modernize the delivery of outpatient surgeries in order to ensure these surgeries can be performed more effectively and cost-efficiently on a timely basis, we recommend that Ontario Health:

- *collect information and data on a regular basis from hospitals that have used unique methods of delivering outpatient surgeries, such as using dedicated operating rooms;*
- *evaluate, with the assistance of clinical evaluation experts, the quality and cost-efficiency of delivering surgeries through these various methods; and*
- *work with hospitals to develop mechanisms or forums for regular communications and updates so as to facilitate continuous improvements and identify opportunities to innovate the way outpatient surgeries are being delivered across the province.*

Status: Fully implemented.

Details

We found in our 2021 audit that while hospitals made decisions about outpatient surgeries based on their local region and available resources, the Ministry and Ontario Health did not conduct any evaluations to identify which practices and methods were most effective and cost-efficient and whether they could be adopted across Ontario. We also found that best practices for delivering outpatient surgeries were not being reviewed or disseminated across Ontario. Hospitals in Ontario were performing outpatient surgeries in a variety of locations. Some provided surgery at their main hospital sites, some in areas designated as ambulatory hospitals, and some used surgical areas in separate buildings away from main hospital sites.

In our follow-up, we found that Ontario has worked with experts and hospitals to collect information on methods of delivering outpatient surgeries, evaluate the quality and cost-efficiency of these methods, and have regular communications with hospitals to facilitate continuous improvements. For example:

- Ontario Health has engaged with clinical advisory groups to inform, guide, and provide advice on implementing operational and strategic priorities. These groups have met regularly and include surgical and administrative experts, along with Ministry and Ontario Health leadership. Ontario Health and the Ministry leverage these clinical advisory groups to help identify effective models of care, cost-efficiency measures and best practices that can further improve the delivery of outpatient services.
- Ontario Health regions have had ongoing meetings with their health service providers on a regular basis. Moreover, Ontario Health's Recovery Reference Tables (made up of Ministry staff, clinical experts and system provider leadership) have met regularly to discuss surgery, access and flow, the Ministry's Centralized Waitlist Management initiative and pediatric care. These tables

are charged with marshalling a system response to care by monitoring provincial and regional data to balance access to care (including surgical and procedural care) as well as monitoring regional resource availability and supporting collaboration between hospitals, primary care, home and community care, rehabilitation, and other relevant care.

Recommendation 7

To offer more cost-effective and timely outpatient surgeries, we recommend that the Ministry of Health, in collaboration with Ontario Health and clinicians:

- *conduct an evaluation of all outpatient surgery providers, including public hospitals, private hospitals, and independent health facilities, to determine clinical effectiveness and gaps in oversight;*

  Status: Little or no progress.

Details

We found in our 2021 audit that outpatient surgeries could be delivered by a variety of providers in Ontario, namely public hospitals, private hospitals, and independent health facilities. However, there was inconsistent oversight and co-ordination amongst these delivery organizations. They operated in silos, followed different reporting requirements, and were overseen by different parties.

In our follow-up, we found that the Ministry has not started implementing this recommended action. The Ministry informed us that it will work on developing options to conduct an evaluation of all outpatient surgery providers, including public hospitals, private hospitals, and independent health facilities, to determine clinical effectiveness and gaps in oversight. It expects this work to be completed by December 2026.

- *require that all service providers (including independent health facilities and private hospitals) report their wait times into the Wait Time Information System;*

  Status: Little or no progress.

Details

We found in our 2021 audit that the Wait Time Information System managed by Ontario Health only tracked wait times of surgeries performed at public hospitals and one independent health facility (IHF). As a result, the Ministry and Ontario Health did not have insight into wait times for the other surgeries provided by the remaining nine surgical IHFs and the one private hospital that provided publicly funded outpatient surgeries. These organizations provided a combined total of approximately 7,000 publicly funded outpatient surgeries in 2019/20 (before being affected by COVID-19). We noted that wait times do exist for most surgeries at these providers, but many of them did not formally track surgical wait times for reporting purposes.

In our follow-up, we found that the Ministry has not started implementing this recommended action. The Ministry informed us that it is exploring opportunities with Ontario Health to have the independent health facilities, two private surgical hospitals, and any remaining public hospitals that are not yet reporting their wait-time data to be connected to the Wait Time Information System. It expects to complete this work by December 2026. The Ministry also indicated that it will take into consideration the costs and benefits of these integrations given the time and resources required and the relative surgical output of the facility. Currently, the independent health facilities and private hospitals represent less than 3% of the annual surgical output in the province.

- *revisit the oversight and reporting structures to confirm that all outpatient surgery providers report relevant data and are overseen consistently, and make changes as needed.*

  Status: Little or no progress.

Details

We found in our 2021 audit that Ontario Health had accountability agreements with public and private hospitals, and that independent health facilities were directly accountable to the Ministry. Because of this

inconsistency in the way they oversee the various service providers, neither the Ministry nor Ontario Health had a full picture of outpatient surgeries across the province. A similar concern was also previously raised by Health Quality Ontario (now under Ontario Health) in 2015/16.

In our follow-up, we found that the Ministry has not started implementing this recommended action. The Ministry informed us that it will work with Ontario Health to review oversight and reporting structures and make changes as needed. It expects to complete this work by December 2026.

Inadequate and Inconsistent Monitoring of Quality of Outpatient Surgeries Across Ontario

Recommendation 8

To sufficiently monitor and publicly report on the quality of outpatient surgeries, we recommend that Ontario Health:

- *assess whether the number of hospitals currently participating in programs such as the Ontario Surgical Quality Improvement Network is adequate and whether there are benefits to requiring more hospitals to participate;*

  Status: Fully implemented.

Details

We found in our 2021 audit that the Province did not have a centralized way to measure surgical quality and outcomes for all surgeries. Instead, information on aspects of surgical quality and outcomes was being monitored through programs such as the American College of Surgeons' National Surgical Quality Improvement Program (NSQIP), which provided a standardized approach and online platform for capturing surgical clinical outcome data. At the time of our audit, 45 Ontario hospitals were participating in NSQIP on a voluntary basis and were periodically benchmarked against more than 700 hospitals internationally to assess their performance against 14 key post-surgical outcome indicators. In 2015, the Ontario Surgical Quality Improvement Network (ON-SQIN) was developed to allow hospitals participating in NSQIP to come together to identify opportunities for improving surgical care using clinical data collected from each participating hospital.

In our follow-up, we found that Ontario Health completed an assessment and recommended that large-volume surgical centres participate in both NSQIP and ON-SQIN. Ontario Health recommends participation by hospitals with elective surgical volumes greater than 5,000 cases. This would result in onboarding 10 additional sites for a total estimate of 89% of patients in Ontario having surgery in an ON-SQIN hospital. This recommendation would require additional funding to hospitals to help facilities with local start-up costs and sustain the program's ongoing costs going forward.

- *work with service providers to develop and implement metrics to measure surgical quality of care and outcomes consistently and publicly report on those metrics.*

  Status: In the process of being implemented by September 2025.

Details

We found in our 2021 audit that surgical quality and outcomes were not typically monitored separately for inpatient and outpatient surgeries. However, some hospitals did use different methods to compare inpatient and outpatient surgeries, and found positive results. For example, one hospital looked at data on readmission and emergency department visits and noted that only 3% of patients were readmitted to hospital within 15 days following their outpatient surgery. Another hospital performed patient satisfaction surveys and noted an 85% patient satisfaction rate with their outpatient surgery.

In our follow-up, we found that Ontario Health has begun to work with service providers to develop and implement metrics to measure surgical quality of care and outcomes consistently and publicly report on those metrics. In partnership with hospitals participating in the Ontario Surgical Quality Improvement

Network (ON-SQIN), discussed in the first action item of **Recommendation 8**, Ontario Health is developing a data-sharing strategy for the National Surgical Quality Improvement Program (NSQIP) to ensure that data on patient outcomes is available to members of the ON-SQIN.

Ontario Health is also taking a micro-collaborative approach to provide a forum for surgical specialty groups to share their specific NSQIP data results with each other on a voluntary basis. It has begun with neurosurgery in the first quarter of 2023/24 and will expand this to other surgical specialties in subsequent quarters. Ontario Health expects this will be completed by September 2025.

In addition, Ontario Health produces an annual document that summarizes results on selected surgical quality indicators (for example, surgical site infection, urinary tract infection, pneumonia, venous thromboembolism, return to operating room) from participating ON-SQIN hospitals. This document also includes percentage changes from previous years to show whether those indicators are improving or worsening. Within the ON-SQIN, participating hospitals receive a risk-adjusted collaborative performance report on surgical quality indicators.

No Regular Review and Monitoring of Funding and Billings for Outpatient Surgeries

Recommendation 9

To better align funding with the actual cost of providing outpatient surgeries, we recommend that the Ministry of Health:

- *work with clinical experts to determine accurate ways to capture the costs of providing outpatient surgeries in different settings with regular updates as appropriate in order to avoid over- or underfunding certain types of surgeries;*

  Status: In the process of being implemented by December 2023.

Details

We found in our 2021 audit that the Ministry did not adequately track any information on the costs of providing surgeries. The Ministry had implemented the Ontario Case Costing Initiative (OCCI) that tracked the costs of care provided by hospitals (including acute inpatient, day surgery, and ambulatory care cases), but we noted issues with it that prevented reasonable costing analysis.

In our follow-up, we found that the Ministry is reviewing the funding rates for Quality-Based Procedures (including many outpatient surgeries) each year based on changes to the Case Mix Index, which reflects the level of acuity of patients served.

The Ministry also plans to work with Ontario Health and other system stakeholders to determine whether there are more accurate ways to capture data on outpatient surgery costs. As part of this work, the Ministry aims to determine whether the costs associated with collecting such data outweigh the benefits. Currently, only a few small hospitals have implemented OCCI because of the considerable technology and staff resources required to implement it. The Ministry expects to complete this work by December 2023.

- *conduct regular reviews (such as every five years) of costing information submitted by different providers of outpatient surgeries to determine the need to adjust funding to identify potential efficiencies and savings.*

  Status: In the process of being implemented by December 2023.

Details

In our 2021 audit, we noted issues that prevented reasonable costing review and analysis from being done at a provincial level. For example, reporting information to OCCI was not mandatory and fewer than half of the hospitals in Ontario reported into it. We also reviewed surgical funding provided to independent health facilities and noted that the Ministry did not perform any costing analysis to determine whether the historical

funding aligns with the current costs of offering outpatient surgeries at these facilities.

In our follow-up, we found that the Ministry has updated funding annually for outpatient non-quality-based procedures via the Ministry's Growth and Efficiency Model. To encourage efficiencies and savings, several procedures are funded using a blended rate that includes both inpatient and outpatient procedures; this encourages providers to shift to more cost-efficient outpatient settings where clinically appropriate.

In addition to reviewing funding rates for quality-based procedures (QBPs) based on changes to the Case Mix Index (as discussed in the first action item of **Recommendation 9**), the Ministry has also established a process to conduct regular reviews of the base rates (that is, the provincial average cost per weighted case) for all QBPs. The results will be brought forward to the Hospital Advisory Committee Funding Methodologies Advisory Sub-committee for its review and feedback. The sub-committee will then bring the recommendation (for example, the selected option and timeline for implementation) to the Hospital Advisory Committee for endorsement. These reviews will be conducted every five years.

The Ministry has transferred the OCCI to Ontario Health. Ontario Health will work with other system stakeholders to determine whether there are more accurate ways to capture data on outpatient surgery costs. As part of this work, the Ministry aims to determine whether the costs associated with collecting such data outweigh the benefits. Currently, only a few small hospitals have implemented OCCI because of the considerable technology and staff resources required to implement it. The Ministry expects to complete this work by December 2023.

Recommendation 10

To prevent and deter inappropriate billing for outpatient surgeries, we recommend that the Ministry of Health:

- *monitor surgical billing data on a regular basis to identify red flags and risks that warrant further reviews;*
- *conduct timely reviews when unreasonable or unusual trends are noted;*

Status: Fully implemented.

Details

We found in our 2021 audit that the Ministry did not sufficiently review unusual billing patterns of physicians providing publicly funded outpatient surgeries. For example, four ophthalmologists each billed the Ministry from $860,000 to almost $1.1 million in 2019/20. Each of them performed more than 2,000 cataract surgeries that year with a maximum number of cataract surgeries in a single day ranging from 34 to 47. Subsequent to our audit work, the Ministry completed a broad review that included these four ophthalmologists. However, we noted that the review only looked at their billing of cataract surgery on the same day (and did not look at payments for other insured services such as assessments and testing), and only resulted in education letters being sent to the ophthalmologists clarifying when this billing is eligible.

In our follow-up, we found that the Ministry has used analytical tools to monitor surgical billings on a regular basis to identify red flags and risks, and select claims for reviews. Apart from using analytical tools, the Ministry also identified billing concerns through tips or complaints from the public, health-care employees, other physicians, government program areas or regulatory bodies, including the College of Physicians and Surgeons of Ontario (College). The Ministry completed 46 post-payment audits in 2022/23. As part of its commitment to continuous improvement, the Ministry will continue to explore new analytical software to streamline monitoring now and in the future.

When billing concerns were noted, we found that the Ministry conducted reviews based on the information provided on a timely basis. If a concern was raised after payment was already made, the Ministry opened an audit to investigate the historical billings. However, it did not continuously monitor one specific type of billing data to flag potential future issues. Generally, the entire audit process takes less than 12 months to complete. Based on our review of the 46 post-payment audits in 2022/23, all of them were completed within

12 months, with almost 90% (41 audits) completed within six months.

- *collaborate with the College of Physicians and Surgeons of Ontario to evaluate the clinical quality of surgeries and care being provided by surgeons with unreasonable patient activity and billings, and identify and initiate the appropriate actions required.*

  Status: Fully implemented.

Details

We found in our 2021 audit that the College of Physicians and Surgeons of Ontario (College) had neither the mandate nor the information to use physician activity or billings as a basis for selecting physicians for a review. Even though the College has a legislated mandate to ensure quality care is provided by physicians, it was often not informed of billing concerns until after the Ministry had already selected a physician for an audit, or until a complaint or tip was submitted directly to the College. The Ministry did not proactively identify possible wrongdoing using unusual patient visit and billing patterns and share this information with the College.

In our follow-up, we found that the Ministry has referred physicians to the College if it has suspected issues regarding patient safety or standards of practice. The Ministry has also further collaborated with the College on any follow-up questions regarding the referral. In 2022/23, the Ministry referred 15 physicians to the College for further investigations.

No Provincial Oversight to Protect Patients Against Inappropriate Charges for Publicly Funded Surgeries

Recommendat ion 11

To prevent and deter inappropriate patient charges while protecting the Province's commitment to funding medically necessary surgeries, we recommend that the Ministry of Health:

- *assess and evaluate the feasibility of collecting data on the prices of fees that some surgeons are charging to patients on top of OHIP-covered surgeries as well as on collecting data on patients that are being charged these fees;*

  Status: Little or no progress.

Details

During our 2021 audit, to gain further insight and assess the extent of misleading sales practices and price discrepancies between providers, we engaged a professional research firm to carry out "mystery shopping" by making 80 phone calls to a total of 25 providers and clinics offering outpatient surgeries, especially cataract surgery. We noted that it was very difficult for the average consumer to obtain complete pricing information. Almost all clinics that the mystery shoppers contacted said that no pricing lists could be shared without undergoing a consultation.

In our follow-up, we found that the Ministry has not started implementing this recommended action. The Ministry is beginning to explore the feasibility of collecting data on the fees that some surgeons are charging to patients for uninsured services performed in conjunction with OHIP-insured surgeries, as well as data on patients that are being charged these fees, as permitted in accordance with any relevant privacy legislation. The Ministry indicated that it will continue to review what is within the Ministry's purview and authority with respect to this recommendation and determine what would be appropriate action.

- *identify tools that can be used to inform Ontarians about cataract surgeries and prevent inappropriate charges to patients;*

  Status: Little or no progress.

Details

We found in our 2021 audit that while medically necessary outpatient surgeries were entirely covered through OHIP, add-ons for some surgeries were commonly available to patients for an added fee. Cataract surgery was the specialty area with the highest risk of misleading sales practices. Specifically, our review

of patient complaints submitted to Ontario's Patient Ombudsman and to the Ministry found that patients often complained about being charged after receiving a publicly funded cataract surgery because they were misinformed of their right to receive standard surgery free of charge through OHIP without any add-ons.

In our follow-up, we found that the Ministry has not started implementing this recommended action. The Ministry is working to identify tools that may be used to inform Ontarians about cataract surgery and inappropriate charges related to insured cataract surgical services. Specifically, the Ministry is reviewing communication materials to determine whether updates are needed. The Ministry indicated that it will continue to review what is within the Ministry's purview and authority with respect to this recommendation and determine what would be the appropriate actions.

- *in collaboration with the College of Physicians and Surgeons of Ontario, take disciplinary action against physicians and organizations found to have misinformed, or failed to inform, patients of their right to a fully covered OHIP surgery.*

  Status: Little or no progress.

Details

We found in our 2021 audit that the Ministry did not proactively monitor the practices of surgeons and clinics to confirm that patients were being adequately informed about their right to receive a fully covered surgery without the need to pay out of pocket. Instead, the Ministry typically relied on the patient complaints it received to identify inappropriate practices by surgical clinics, but this method was reactive and ineffective in protecting patients who are unaware that they could receive an OHIP-covered surgery without the need for paying any out-of-pocket costs.

In our follow-up, we found that the Ministry has not started implementing this recommended action. The Ministry informed us that it supports encouraging the College of Physicians and Surgeons of Ontario (College) to consider whether it is appropriate under its mandate to take action against physicians and organizations that have been found to have misinformed, or failed to inform, patients of their right to a fully covered OHIP surgery. The Ministry is preparing to engage with the College with respect to insured cataract surgery. The Ministry indicated that it will continue to review what is within the Ministry's purview and authority with respect to this recommendation and determine what would be the appropriate actions.

Recommendation 12

If actions continue to be taken to expand the use of for-profit private clinics in the performance of cataract surgeries, we recommend that the Ministry of Health:

- *engage with health-care providers and key stakeholders to determine the risks and benefits of the current call for applications process;*

  Status: In the process of being implemented by December 2024.

Details

We found in our 2021 audit that the Ministry issued a call for applications in 2000 for cataract surgery providers, with a plan to increase the volume of cataract surgeries funded. We found that while there were benefits to providing more outpatient surgeries in the community (such as through independent health facilities) rather than in a hospital, there were also concerns and risks about the use of more for-profit cataract surgery centres. More specifically, there was a higher risk that privately owned organizations may prioritize profits by charging patients for add-ons, and those charges would not be adequately monitored and scrutinized by the Ministry because they did not affect public funding, resulting in no protection of patients' interests.

In our follow-up, we found that the Ministry has engaged Ontario Health throughout the call for applications (CFA) process for cataract surgeries. Ontario Health has undertaken broader engagement with its network of health-care providers in providing feedback and information to the Ministry at each stage of the process. The Ministry will continue engagement with key partners through to December 2024.

The CFA process for cataract surgeries has been completed. The government announced the outcomes of the process as part of the Premier's announcement on January 16, 2023, regarding Ontario reducing wait times for surgeries and procedures.

To protect patients, the CFA process for cataract surgeries required applicants to demonstrate how insured persons will be made aware of what cataract surgeries are available, fees for uninsured optional services, and how applicants intend to obtain consent for any charges for uninsured services. These requirements are included in transfer payment agreements for any new licences.

- *implement additional oversight mechanisms to protect patients against possible misleading sales practices and inconsistent policies.*

  Status: In the process of being implemented by December 2024.

Details

We found in our 2021 audit that there continued to be concerns about patients being charged for unnecessary services without being adequately informed of their right to receive OHIP-covered surgery, and about surgeons billing for unnecessary procedures. While these issues were not specific to independent health facilities, the Ministry was putting patients at greater financial risk by allowing more private organizations to provide publicly funded surgeries while also allowing them to charge patients directly for additional uninsured services and make a profit without appropriate oversight mechanisms in place.

In our follow-up, we found that the Ministry has started implementing additional oversight mechanisms to protect patients against possible misleading sales practices and inconsistent policies. In particular, the Ministry is working with Ontario Health and other health sector partners on protecting patients who receive services from community surgical and diagnostic centres. In May 2023, *Your Health Act, 2023*, was passed and is awaiting proclamation. Once proclaimed into force, this legislation would repeal the *Independent Health Facilities Act* and replace it with new legislation, the *Integrated Community Health Services Centres Act, 2023*, which is intended to support a more integrated health system to deliver more connected and convenient care. The legislation and regulations, once enacted, will require licensed facilities to post prescribed information. An application for a licence will also require an applicant to provide a detailed description of the processes for providing information and obtaining patient consent in connection with any charges for uninsured services.

The Ministry will continue to engage with key partners as the legislation is implemented and potential calls for applications are issued. It expects to complete this work by December 2024.

COVID-19 Continues to Impact Outpatient Surgeries

Recommendation 13

To efficiently and effectively clear the backlog of outpatient surgeries, we recommend that the Ministry of Health:

- *collect information on a regular basis from the existing outpatient surgery providers, including public hospitals, independent health facilities, and private hospitals to determine unused capacity without the need for additional public funding for capital costs;*

  Status: In the process of being implemented by December 2025.

Details

We found in our 2021 audit that though the Ministry started taking steps to address the surgical backlog by providing $216 million in one-time funding to extend operating room hours at public hospitals and perform up to an additional 67,000 surgeries, there continued to be unused or underused capacity across different types of outpatient surgery providers. For example, cataract operations at Kensington Eye Institute (an independent health facility) in 2019 were at approximately 50% capacity due to funding limits.

In our follow-up, we found that Ontario Health's Surgical Efficiency Targets Program has collected data from hospitals on key surgical efficiency metrics, including the degree to which hospitals are leveraging operating room time. Information on available surgical capacity and resources in hospitals has also been collected and discussed at Ontario Health's five regional Surgical Recovery Tables.

The Ministry will work to collect information on a regular basis from other outpatient surgery providers (the independent health facilities and the one private hospital that does provides outpatient surgeries). Expansion of real-time surgical efficiency and operating room capacity reporting will be a key output of the multi-year Centralized Waitlist Management initiative between 2022 and 2025. Therefore, the Ministry expects to complete this recommended action by December 2025.

- *allocate any additional surgical volumes and associated funding to providers using a multiyear funding agreement to clear the surgical backlog with established timelines.*

  Status: In the process of being implemented by December 2025.

Details

We found in our 2021 audit that available health-care system capacity was not being fully used to help clear surgery backlogs. While some providers of outpatient surgeries continued to have unused capacity available, they were not able to provide additional surgeries. This was often due to constraints around funding and resources (that is, staffing) and/or predetermined surgical volumes that limited the number of insured surgeries a provider could perform. We also heard that there was a lack of clarity around future funding. For example, one provider indicated that it could provide additional capacity, but in order to do so, it would have to incur capital costs that would not be reimbursed by the Ministry. Incurring these capital costs without any guarantee of future funding makes it too risky for providers to provide additional capacity.

In our follow-up, we found that the Ministry has pursued multi-year funding to enable health system providers to address key health-care recovery challenges. The Ministry has also allocated additional surgical volumes and funding in various aspects of the surgical system in 2020/21, 2021/22 and 2022/23 to increase surgical output, address the wait-time challenges, and improve health outcomes for Ontarians. Specifically:

- In 2020/21, $283.7 million was allocated to support surgical and diagnostic imaging recovery, which allowed hospitals to conduct over 450,000 scheduled surgeries in fully equipped operating rooms as the Province dealt with pandemic waves.
- In 2021/22, the Ministry invested an additional $324 million to enable Ontario's hospitals and the community health sector to perform more surgeries, MRI and CT scans, and procedures. The Ministry's 2021/22 investments have supported the training of up to 600 operating room and post-anesthesia-care nurses, as well as upgraded equipment for 84 operating and procedures rooms to increase throughput and efficiencies moving forward.
- In 2022/23, the Ministry invested $300 million as part of the Province's Surgical Recovery Strategy to increase capacity and to build a strong and resilient health-care system. The investments included funding to increase surgical and diagnostic output, train surgical staff, and establish new and innovative initiatives that will increase surgical capacity across the province.

The Ministry plans to provide additional investments in 2023/24 to further support surgical recovery. It expects to fully implement this recommended action by December 2025.

Chapter 1
Section
1.17

Ministry of Colleges and Universities

Follow-Up on 2021 Value-for-Money Audit:

Private Career Colleges Oversight

RECOMMENDATION STATUS OVERVIEW						
		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	3		1	2		
Recommendation 2	1	1				
Recommendation 3	1	1				
Recommendation 4	3	1	1	1		
Recommendation 5	1			1		
Recommendation 6	3	1		2		
Recommendation 7	3			3		
Recommendation 8	5		1	4		
Recommendation 9	3			3		
Recommendation 10	2	2				
Recommendation 11	4		4			
Recommendation 12	2	1		1		
Recommendation 13	2	2				
Recommendation 14	2				2	
Recommendation 15	1			1		
Recommendation 16	3	3				
Recommendation 17	2	1		1		
Recommendation 18	1	1				
Recommendation 19	5	1		4		
Recommendation 20	2	2				
Recommendation 21	2	1	1			
Recommendation 22	1			1		
Total	**52**	**18**	**8**	**24**	**2**	**0**
%	**100**	**35**	**15**	**46**	**4**	**0**

Overall Conclusion

The Ministry of Colleges and Universities (Ministry), as of November 1, 2023, has fully implemented 35% of actions we recommended in our *2021 Annual Report*. The Ministry has made progress in implementing an additional 15% of the recommendations.

The Ministry has fully implemented recommendations such as updating its information system to flag registration files that remain incomplete for long periods; establishing and implementing written guidance with expected timelines for each stage of the administrative monetary penalty review process; and working with the federal government to clarify the roles and responsibilities of sharing information on unusual trends and establishing a protocol to share such information.

The Ministry was in the process of implementing recommendations such as completing the implementation of a risk-based plan to prioritize inspections and requesting and obtaining approval to increase program fees.

However, the Ministry has made little progress on 46% of the recommendations, including establishing performance indicators for registration processing time and publishing the quantity and nature of substantiated complaints received on specific private career colleges.

The status of actions taken on each of our recommendations is described in this report.

Background

Private career colleges train adults seeking specific and practical job skills. Graduates work as paramedics, massage therapists, personal support workers, hairstylists, truck drivers and many other occupations that serve the public. Private career colleges are a part of the province's post-secondary education system; however, unlike universities and public colleges, they are not funded by the government. They are private, independent organizations that range from large, multi-campus institutions teaching multiple subjects to small, focused specialist institutions.

Private career colleges are governed and overseen by the Private Career Colleges Branch in the Ministry of Colleges and Universities (Ministry) under the *Private Career Colleges Act, 2005* (Act). The Act requires the Ministry to regulate private career colleges, including oversight on institution registrations, program approvals, inspections and investigations, complaints handling and the administration of the Training Completion Assurance Fund (Fund), which compensates students if their institution closes unexpectedly before they complete their training.

Our audit found that the Ministry had not effectively carried out its regulatory activities to meet its primary objective of protecting students. First, it had not established adequate systems and processes to validate that private career colleges were providing quality, up-to-date education to students. For example, as of June 2021, the Ministry had not inspected 214 or 30% of the college campuses within three years even though its internal target was to inspect all colleges within three years.

As well, the Ministry did not have an overarching post-secondary education strategy to link labour market needs with the vocational options offered to students. The Ministry required colleges to submit labour market research and recent local job advertisements when submitting vocational programs for approval. However, it did not gather more robust data on an ongoing basis to determine whether there was saturation or shortages existed in any geographic area for training with respect to impacted vocational programs.

Nor did the Ministry use the information it did gather to make its regulatory oversight activities more effective. For example, the Ministry did not use program data to identify the institutions that were providing training to international students without being designated as approved institutions. It also did not analyze the nature of the most common complaints it received from students to inform and update its inspectors.

Finally, we found that the Ministry did not sufficiently inform the public and students about its student-protection mandate or the performance of private career colleges. For example, the Ministry did not publish accurate and complete information on its enforcement activities and up-to-date results on private career colleges' performance indicators, hindering students from making informed decisions about which program or college to select.

Some of our significant findings were:

- The Ministry did not act on unusual enrolment trends of international students in private career colleges. We found that four private career colleges were not designated as learning institutions, yet had 10 international students enrolled in 2018 and seven in 2019 in programs of over six months in duration, the threshold required for designation. As well, we noted that the number of international students enrolled in private career colleges had increased by 420%, from 1,994 in 2015 to 10,368 in 2019. This increase was unusual given that students of private career colleges, unlike their counterparts in the public college system, could not apply to stay in Canada on a federal post-graduation work permit. The Ministry did not act on these trends, explaining to us that its agreement with Immigration, Refugees and Citizenship Canada did not explicitly specify whether the Ministry was responsible for sharing enrolment information with the federal government.
- The Ministry did not have any processes in place to identify colleges that overcharged students. Posing as a prospective student, we contacted a sample of private career colleges and found that in one-third of the cases, college representatives quoted fees higher than those recorded on the Ministry's fee list. Where colleges quoted us higher fees, the tuition fees were on average $485 above the fees held on record by the Ministry.
- The Ministry did not collect sufficient fees from private career colleges to cover its regulatory costs. Between 2016/17 and 2020/21, on average about $2 million in fees and penalties were collected from private career colleges annually, whereas it cost $6 million a year to regulate the sector.
- The Ministry did not inspect program delivery to confirm that programs were delivered as approved. To have a vocational program reviewed and approved, a private career college had to submit a detailed outline of its proposed program as well as a program evaluation from a qualified evaluator. However, we found that the Ministry's inspections of private career colleges did not include examining whether the content delivered to students was the same program that had been approved.
- The Ministry could not effectively confirm instructor qualifications in private career colleges providing commercial truck driving programs. We found that the Ministry inspectors and investigators could not easily verify that instructors met the standard of having a Class A licence for at least five years, partly due to a lack of clarity on the type of documents each college should have available to meet Ministry of Transportation standards.
- Almost 1,400 outdated programs were still being delivered by private career colleges. Under the Act, the Ministry must review private career college programs every five years to determine whether they provide students with the skills and knowledge required to obtain employment. We found that the Ministry was not conducting re-approvals for all vocational programs, as required by its own policies. About 25% of approved programs with enrolled students had received their approval more than five years before our audit. These programs included information technology and paramedicine, fields in which learning the most current standards is critical for ensuring public security and public safety.

Status of Actions Taken on Recommendations

We conducted assurance work between April 2023 and August 2023. We obtained written representation from the Ministry of Colleges and Universities that, effective November 1, 2023, it had provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Registration and Program Approval

Recommendation 1

To validate that programs delivered by private career colleges are updated before the five-year program approval period expires, we recommend that the Ministry of Colleges and Universities:

- *update its information system to allow for proper tracking and flagging of programs that are approaching their expiration period;*

  Status: In the process of being implemented by October 2024.

Details

In our 2021 audit, we found that the Ministry's information system did not have a capability to alert Ministry staff when certain programs had surpassed their approval period. Instead, Ministry staff would need to download system data to examine individual approval dates. However, we could not find any evidence that Ministry staff had undertaken such an exercise.

In our follow-up, we found that the Ministry had updated its information system in October 2022 to create reports based on data elements such as the approval date and the next approval date for all programs. Ministry staff would use these reports to track programs that are approaching their expiration date.

The Ministry informed us that the changes to its information system are a pilot and the Ministry plans to monitor the functionality of the changes and determine whether any additional updates would be required based on the implementation of the second and third action items in **Recommendation 1**, expected to be completed by October 2024. This may include adding a notification or alert in its information system to inform Ministry staff when the programs are approaching their expiration date.

- *initiate the re-approval process with all private career colleges to address the backlog of already expired programs, including assessing the third-party experts' qualifications, prioritizing those programs with actively enrolled students;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that the Ministry did not have an internal process to flag programs that were up for renewal. As well, we found that Ministry staff did not reassess whether third-party expert assessments of programs were still valid if a private career college submitted a program that it purchased from another private career college and the Ministry had already approved that program.

In our follow-up, we found that the Ministry issued a memo to all private career colleges in April 2022 informing the sector that the Ministry plans to develop an approach to re-approve programs that were approved more than five years ago. The memo noted that, as the Ministry's first step, effective May 2022, the Ministry would require an assessment from a third-party expert for program changes and for newly introduced programs that are a copy or purchase of an approved vocational program from another college and have not had a third-party expert assessment in the last five years. In addition, the Ministry reinforced this third-party assessment requirement when it issued another memo to the sector in November 2022 regarding a new policy directive for virtual programs.

The Ministry informed us that, since the issuance of the memos, private career colleges have submitted program changes with a new assessment performed by third-party experts based on the memos' direction and the Ministry has re-approved these programs. The

Ministry plans to begin a structured approach to more systematically re-approve programs by October 2024.

- *determine an approach to more efficiently re-approve programs going forward, such as placing a condition on colleges' registration to submit program renewal documents at the end of each approval period or face possible enforcement actions.*

  Status: Little or no progress.

Details

In our 2021 audit, we noted that the Ministry did not have an internal process to flag programs that were up for renewal.

In our follow-up, we found that the Ministry had not yet determined an approach to re-approve programs going forward. The Ministry informed us that it will develop a long-term approach to efficiently re-approve programs by October 2024, after it completely addresses the backlog of already-expired programs.

Recommendation 2

To better validate that the public has sufficient information to help make an informed decision when choosing a program in a private career college, we recommend that the Ministry of Colleges and Universities update its process and verify at more frequent intervals whether private career colleges' advertising complies with requirements under the Private Career Colleges Act, 2005*, in addition to the annual registration renewal process.*

Status: Fully implemented.

Details

In our 2021 audit, we found that the Ministry did not have a process to regularly detect colleges that stated on their website that they were registered with the Ministry, but did not distinguish between programs that needed to be approved by the Ministry and those that did not need approval. This might cause students to enrol in an unapproved program believing it was approved by the Ministry.

In our follow-up, we found that the Ministry developed an advertising operational process in April 2022. This process requires inspectors to conduct an in-depth advertisement review of the colleges and document any non-compliances during a compliance inspection, at the annual renewal of registration process, and if a student complaint or tip is received related to misleading advertisement. The advertisement review is to confirm that the colleges are not misrepresenting themselves or their programs, and whether each college is posting information, such as key performance indicators, as required by the *Private Career Colleges Act, 2005*. The Ministry provided training to its inspectors on the advertising operational process in July 2022 and the process was implemented in the same month.

Recommendation 3

To better ensure it is registering private career colleges that will act in the students' best interests and strengthen its ability to verify that the applicant has met all registration criteria as outlined in the Private Career Colleges Act, 2005*, we recommend that the Ministry of Colleges and Universities develop and implement internal procedures outlining expected application file review steps and the circumstances where a new applicant may not be operating in accordance with the law and with integrity and honesty.*

Status: Fully implemented.

Details

In our 2021 audit, we noted that Ministry staff were provided with written guidance on the type of information they should review when assessing a registration application, but this guidance fell short of defining in which circumstances a new applicant might not be operating in accordance with the law and with integrity and honesty. This led to the Ministry approving an application of a college despite concerns that its director had questionable integrity and honesty.

In our follow-up, we found that the Ministry updated its written guidance in October 2022 to include details on the areas to be reviewed when assessing a registration application as well as examples of circumstances that may make an applicant ineligible for registration, such as current or past contraventions

of the *Private Career Colleges Act, 2005* and any false and misleading information provided by the applicant.

As well, in October 2023, the Ministry developed and implemented procedures to confirm whether the applicant is compliant with its tax obligations. Evidence of the compliance could support the view that an applicant is financially responsible and would operate within the requirements of the law.

Recommendation 4

To improve processing times for registering private career colleges, we recommend that the Ministry of Colleges and Universities:

- *keep track of the duration of registration timelines to determine areas where time delays are present and regularly address those delays;*

  Status: In the process of being implemented by December 2023.

Details

In our 2021 audit, we found that the Ministry took a significant amount of time to approve registration requests. These delays in the registration process could prevent a private career college from offering its programs in a timely manner.

In our follow-up, we found that the Ministry implemented changes to its information system in April 2022 to create reports on the registration process such as application submission date and days since submission. Since April 2022, the Ministry has exported the report on a monthly basis to capture trends of the registration-processing timelines. The Ministry informed us that it reviewed the data from December 2022 to May 2023 but was unable to identify any trends where time delays were present. Beginning December 2023, the Ministry will generate the reports on the registration process on a biweekly basis and managers will follow up on applications that have been under review for more than 60 days to determine whether action is needed for the application to progress to the next stage.

- *update its information system to flag registration files that remain incomplete for long periods;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that the Ministry's information system did not flag registration files that remained incomplete for long periods.

In our follow-up, we found that the Ministry implemented changes to its information system in October 2022 to flag incomplete registration applications that have been returned to the applicant and the application has been with the applicant for six months. The information system alerts Ministry staff to evaluate whether the status of such applications should be kept active or changed to "abandoned." "Abandoned" files would not be considered active applications and the Ministry would require the applicant to submit a new registration application. For example, in October 2022, the Ministry returned an incomplete registration application to an applicant. By April 2023, the applicant had not submitted further information. In this case, the Ministry's information system flagged the application for staff evaluation due to inactivity for six months. Ministry staff evaluated the application and recommended that the application status be changed to "abandoned"; the recommendation was then presented to the program manager and Superintendent of Private Career Colleges—both are Ministry staff—for final approval before the status was eventually updated in the information system.

- *establish performance indicators, including turnaround time targets, for registration processing time.*

  Status: Little or no progress.

Details

In our 2021 audit, we found that the Ministry did not maintain performance indicators or set key targets, such as turnaround times, to determine where delays may be taking place during the registration process or when to flag and address a registration that may be long overdue.

In our follow-up, we found that the Ministry had not yet established performance indicators for registration-processing time. The Ministry informed us that it prioritized implementing the first and second action items in **Recommendation 4**; pending full implementation of these items, the Ministry will use the collected information to establish performance indicators, including turnaround targets for registration-processing time, by June 2025.

Compliance Inspections

Recommendation 5

To support graduate achievement of competencies from private career colleges for proficiency in the workforce, we recommend that the Ministry of Colleges and Universities update its compliance inspection checklist on a defined time frame (either annually or biennially) for inspections conducted in industries selected based on a risk assessment to include an assessment of program delivery and emerging issues.

Status: Little or no progress.

Details

In our 2021 audit, we found that the Ministry neither reviews nor updates its compliance inspection checklist, and only amended the checklist when there was a change to the legislation or its regulations.

In our follow-up, we found that the Ministry engaged an external consultant in May 2022 to develop a risk-based inspection prioritization framework and a risk-based tool (discussed in greater detail in **Recommendation 8**). This work was completed in September 2022.

The Ministry informed us that it began drafting inspection protocols for Truck Driver (Class A), Commercial Flight and General Inspections in 2021 and through 2022, which would provide inspectors with additional information to use during inspections for private career colleges providing education in these specific areas. At the time of our follow-up, however, the protocols were in early drafts and not yet completed. The Ministry expects the inspection protocols to be implemented by March 2024.

Recommendation 6

To confirm that all private career colleges' instructors teaching the mandatory entry-level training course for commercial Class A truck drivers meet qualification requirements in accordance with the Private Career Colleges Act, 2005 *and Ministry of Transportation standards, we recommend that the Ministry of Colleges and Universities:*

- *work with the Ministry of Transportation to clarify the documents each private career college should obtain to substantiate instructor qualifications;*

  Status: Fully implemented.

Details

In our 2021 audit, we noted that Ministry inspectors and investigators could not easily verify that instructors in private career colleges providing commercial truck driving programs met the standard of having a Class A licence for at least five years. This was partly due to a lack of clarity on the type of documents each college should have available to meet Ministry of Transportation standards.

In our follow-up, we found that the Ministry of Transportation issued a memo in March 2023 to the sector to clarify the type of documents private career colleges providing commercial truck driving programs should have available to meet the Ministry of Transportation's standards. The memo highlighted that a Driver's Licence History Abstract is required to verify that the instructor has met the standard of having a Class A licence for at least five years and a three-year or five-year driver record is required to verify the instructor currently holds a valid Class A licence.

- *incorporate into its processes a check to verify the completeness of the records that colleges maintain*

on instructors' qualifications, for example, by matching records with the college's payroll;

Status: Little or no progress.

Details

In our 2021 audit, we found that the Ministry relied on private career colleges to produce all instructor files to prove that instructors were qualified, but did not verify the number of instructors against the college records to ensure it was presented with information on all the instructors.

In our follow-up, the Ministry informed us that it began drafting inspection protocols for Truck Driver (Class A) programs in 2021, which would incorporate a check to verify the completeness of the records that colleges maintain on instructors' qualifications. At the time of the follow-up, however, the inspection protocols were in early drafts and not yet completed. The Ministry expects the inspection protocols to be implemented by March 2024.

- *establish formal procedures to follow up with colleges to confirm they do not continue to employ unqualified instructors.*

  Status: Little or no progress.

Details

In our 2021 audit, we noted that the Ministry did not follow up on issues identified in inspections to validate that colleges had indeed undertaken corrective actions to confirm instructor qualifications. We found that the Ministry, in one case for example, relied on a college's written assertions that it had ceased employing an unqualified instructor.

In our follow-up, the Ministry informed us that it began drafting inspection protocols for Truck Driver (Class A) programs in 2021, which would incorporate procedures to follow up with colleges to confirm they do not continue to employ unqualified instructors. At the time of the follow-up, however, the inspection protocols were in early drafts and not yet completed. The Ministry expects the inspection protocols to be implemented by March 2024.

Recommendation 7

To better protect students from being overcharged for tuition and materials when enrolling in vocational training and to confirm that private career colleges comply with the Private Career Colleges Act, 2005 *and its regulations, we recommend that the Ministry of Colleges and Universities:*

- *review and update its processes for verifying that colleges charge fees within the amounts approved by the Ministry, including implementing mechanisms to detect and remedy overcharging;*

  Status: Little or no progress.

Details

In our 2021 audit, we found examples of colleges that were charging students fees that were above those posted on the Ministry's fee list, but the Ministry did not identify these cases as it only addressed fee-related concerns if there was a complaint; inspectors were not required to verify that the fees in students' contracts were equivalent to or less than the fees on record at the Ministry.

In our follow-up, the Ministry informed us that it began drafting inspection protocols in September 2022 that would check and cross-reference the fees posted on the Ministry's website with the fees charged to students. At the time of the follow-up, however, the inspection protocols in early drafts and were not yet completed. The Ministry expects the inspection protocols to be implemented by March 2024.

- *request colleges to submit a current fee schedule at every registration renewal and post updated fee information on the government website;*

  Status: Little or no progress.

Details

In our 2021 audit, we noted that the Ministry did not proactively confirm current pricing with private career colleges at the time of their annual registration, thereby missing out on an opportunity to obtain and publish a more current fee schedule from colleges that

had changed their fees since their initial registration and program approval.

In our follow-up, the Ministry informed us that it began drafting inspection protocols in September 2022 that would include a process to compare colleges' current fee schedules with those posted on the Ministry's website during an inspection. At the time of the follow-up, the inspection protocols were in early drafts and not yet completed. The Ministry expects the inspection protocols to be implemented by March 2024.

- *require private career colleges to post current fee schedules on their website or premises for public access that match the fees schedule posted on the government website.*

  Status: Little or no progress.

Details

In our 2021 audit, we found that the Ministry was unaware that some private career colleges were charging fees higher than approved program prices. As a result, the Ministry did not take any enforcement action against such colleges to protect students from being overcharged.

In our follow-up, we found that the Ministry had not yet required private career colleges to post current fee schedules on their websites or premises for public access that match the fee schedules posted on the government website. The Ministry informed us that it prioritized drafting the inspection protocols noted in **Recommendations 5**, **6** and **7**.

Recommendation 8

To improve the effectiveness of inspections and promote a uniform and objective approach to conducting compliance inspections for all private career colleges in Ontario, we recommend that the Ministry of Colleges and Universities:

- *develop alternative ways to conduct compliance inspections should in-person inspections not be possible due to public health concerns or other extraordinary circumstances, and update internal processes and training as needed;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that the Ministry had not conducted any compliance inspections since mid-March 2020 so as to confirm that Ontario private career colleges were compliant with the conditions of their registration and requirements of the *Private Career Colleges Act, 2005* and its regulations. The Ministry had allowed private career colleges to submit photographs in substitution for a facility inspection to demonstrate their compliance with the approval process' capacity requirement but did not extend this practice to compliance inspections.

In our follow-up, we found that the Ministry had not yet developed alternative ways to conduct compliance inspections should in-person inspections not be possible. The Ministry informed us that it prioritized developing the inspection protocols noted in **Recommendations 5**, **6** and **7**.

- *complete the implementation of a risk-based plan to prioritize inspections as appropriate;*

  Status: In the process of being implemented by March 2024.

Details

In our 2021 audit, we found that the Ministry developed a risk-based inspection selection process, prioritizing campuses deemed as high risk for compliance inspections, but had not fully implemented it at the time of our audit.

In our follow-up, the Ministry informed us that, during the 2021 audit, the risk-based inspection selection process was not sufficiently documented and supported by standardized tools. The Ministry therefore engaged a consulting firm in May 2022 to gain expertise and resources to ensure the optimal tool was developed to prioritize inspections. The consulting firm

developed a risk-based tool, which was completed in September 2022, that includes different risk factors, such as compliance and enforcement actions and the time since the last inspection, and their associated risk scores.

Before determining the risk score for each risk factor and implementing the risk-based tool, the Ministry plans to address the inspections of colleges that have not received an inspection for more than five years. The Ministry indicated that one of the main reasons a number of colleges have not been inspected for more than five years is because the Ministry paused inspections from March 2020 to August 2021 due to the COVID-19 pandemic.

The Ministry expects to determine the risk score for each risk factor and implement the risk-based tool, which includes updating its internal process document and training inspectors on the use of the tool, by March 2024.

- *incorporate a rotation schedule into its inspection process, assign inspections to inspectors and monitor compliance with this schedule;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that particular private career colleges were being inspected by the same inspector for several years, contrary to the spirit of the 2020 Regulators' Code of Practice, which requires front-line compliance staff to remain objective in their work. When an inspector has formed a long-standing relationship with a college, the inspector is at risk of becoming biased in a way that may impair their ability to effectively identify non-compliances.

In our follow-up, we found that the Ministry had not yet incorporated a rotation schedule into its inspection process. The Ministry informed us that it plans to document the process for portfolio rotation and implement the compliance-inspection-rotation process by March 2024.

- *monitor and review the performance of inspectors, including the number and quality of inspections conducted;*

  Status: Little or no progress.

Details

In our 2021 audit, we noted that the number of non-compliances varied across the province depending on the inspectors assigned, even though a comparable average number of non-compliances identified per inspection would be expected among inspectors given that the Ministry had mostly assigned colleges randomly to inspectors.

In our follow-up, we found that, since December 2020, the Ministry has been exporting monthly reports from its information system to summarize the type of work the inspectors completed, such as the number of inspections and number of registration applications by each inspector.

The Ministry informed us that, though it paused the inspections from March 2020 to August 2021 due to the COVID-19 pandemic, it continued to export monthly reports to obtain inspection data. With more months of inspection data that will become available, the Ministry can then analyze the data and develop appropriate measures to assess the quality and quantity of inspections carried out by the inspectors. Once the Ministry determines appropriate measures, it will then include performance targets in the inspectors' performance plan by March 2024.

- *review and update guidelines and training on a regular basis, such as every two years, to better assist inspectors to incorporate learnings from recent inspections into future inspections.*

  Status: Little or no progress.

Details

Our 2021 audit found that the Ministry did not monitor or analyze non-compliance variations between inspectors to ensure that compliance inspections were being conducted using a uniform approach. In addition, the Ministry did not evaluate the performance of either the inspectors or the registration unit on compliance inspections. The Ministry also did not provide inspectors refresher training for inspection compliance after the initial training that they received when hired.

In our follow-up, we found that the Ministry had not yet developed a plan to review and update guidelines

and provide training on a regular basis. The Ministry informed us that, once the inspections protocols are approved (as discussed in **Recommendations 5**, **6** and **7**), it will provide training to the inspectors on the protocols and develop a plan to update guidelines and provide training on a regular basis.

Complaints

Recommendation 9

To enhance the public's knowledge about the quality of private career colleges and to provide more timely responses to students and other persons who may have concerns about these colleges, we recommend that the Ministry of Colleges and Universities:

- *publish the quantity and nature of substantiated complaints on specific private career colleges;*
- *develop a process for ongoing analysis of substantiated complaints to identify trends and significant areas of focus in compliance inspections and lessons learned and provide training for its inspectors based on the most frequent and significant substantiated complaints raised; and*
- *establish and publish expected service standards for its complaint response times and monitor compliance against these standards.*

Status: Little or no progress.

Details

In our 2021 audit we noted that the Ministry did not publish the quantity or the nature of complaints on specific private career colleges. The Ministry also did not formally analyze the nature of complaints it received and did not have any service standards to ensure it resolved complaints on a timely basis.

In our follow-up, we found that the Ministry generated an internal report from the Ministry's information system in September 2022 on all the complaints submitted by students from the time the system was launched in February 2019. The Ministry informed us that the report identified inconsistent categorization by the inspectors of the complaints and missing fields in the information system. Since the report was generated, the Ministry has had conversations with its inspectors about using consistent approaches to categorizing complaints and completing all the fields in the information system before a student complaint is closed.

The Ministry had not yet developed an approach on the use of the student complaint data. It plans to first improve data quality and consistency to determine the quantity and nature of substantiated student complaints by March 2025. Subsequent to this, the Ministry will then aim to publish the respective information, identify trends and significant areas of focus in compliance inspections and lessons learned, and provide training for its inspectors based on the most frequent and significant substantiated complaints raised.

The Ministry noted that it had not yet established and published expected service standards for its complaint-response times and for monitoring compliance against these standards. Ministry staff informed us that they are in the process of determining an approach to address the recommendation and expects to complete this work by July 2025.

Enforcement of Non-Compliances

Recommendation 10

To better incorporate relevant and comprehensive information obtained by the National Association of Career Colleges into the inspections and investigations of private career colleges, we recommend that the Ministry of Colleges and Universities:

- *develop a mechanism to obtain general themes of findings from the National Association of Career Colleges' audits on a regular and timely basis;*

Status: Fully implemented.

Details

In our 2021 audit, we found that the Ministry did not obtain information from the National Association of Career Colleges (NACC) useful for the Ministry's

regulatory and enforcement activities. While the Ministry had a Memorandum of Understanding with NACC to exchange information, NACC informed us that it had not been standard practice for it to share the results of its audits with the Ministry.

In our follow-up, we found that the Ministry and NACC held meetings on a quarterly basis, starting in May 2022, to share general themes of findings from NACC's audits and the Ministry's inspections, and to discuss the approach and frequency for information sharing. In January 2023, the Ministry and NACC agreed that the audit themes shared in previous meetings did not identify significant new items, that quarterly meetings are not warranted, and that they would share new audit themes, if uncovered, with the other party.

- *update training for inspectors and investigators on this material as needed.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that the Ministry did not obtain information from the National Association of Career Colleges (NACC) useful for the Ministry's regulatory and enforcement activities. Such information can help the Ministry efficiently obtain a more complete picture of a college's non-compliances, effectively conduct investigations and issue appropriate enforcement actions.

In our follow-up, we found that the Ministry provided updates to its inspectors and investigators on the general themes of findings from NACC's audits. For example, in November 2022, the Ministry convened a meeting for its inspectors to discuss the trends identified in NACC's inspections; in December 2022, the investigators were updated with the general themes and examples of issues identified in NACC's audits.

Recommendation 11

To improve the efficiency and effectiveness of investigation activities, we recommend that the Ministry of Colleges and Universities:

- *incorporate investigation data into the program information system;*

  Status: In the process of being implemented by December 2023.

Details

Our 2021 audit found that, because the Ministry's investigation database was separate from its main program information system, it would not be able to readily identify whether a director of a previously registered private career college that ceased operating due to Act contraventions subsequently became a shareholder, officer, director or an instructor at another college.

In our follow-up, we found that the Ministry had begun developing an investigative module to incorporate investigation data into the Ministry's program information system. The Ministry expects the new module to be completed by December 2023.

- *require all investigators to maintain and record their investigation activities fully;*

  Status: In the process of being implemented by December 2023.

Details

Our 2021 audit found that the Ministry did not maintain comprehensive records of its investigations to ensure investigators on subsequent investigations have full access to the necessary documents to review and familiarize themselves with past investigations.

In our follow-up, we found that the Ministry required all investigators to complete a note-taking course in June 2023 to ensure investigators are documenting activities fully and accurately. In addition, the investigative module expected be completed by December 2023 (as discussed in the first action item in **Recommendation 11**) will require that investigators input a finding or conclusion before an investigative file is closed.

- *monitor that investigation files, including all supplemental investigation evidence maintained on the server, are thoroughly documented and reviewed prior to closing the file;*

  Status: In the process of being implemented by December 2023.

Details

Our 2021 audit found that, based on our review of a sample of investigation files, investigators did not always document their searches and the manager approved the closure of investigation files without ensuring all relevant documents were in the server.

In our follow-up, we found that the Ministry had begun developing an investigative module to incorporate investigation data into the Ministry's program information system (as discussed in the first action item in **Recommendation 11**). The investigative module, expected to be completed by December 2023, will require each investigation file to be reviewed by the program manager, and if there was an enforcement action taken, the file would also be reviewed by the Superintendent of Private Career Colleges prior to closing the file.

- *track common issues identified that may help improve investigator performance going forward, and provide investigator training using this information at least on an annual basis.*

  Status: In the process of being implemented by December 2023.

Details

Our 2021 audit found that the Ministry's internal guidance document required investigators to record in a memo the most recent action taken, a confirmation of compliance by the investigated private career college and the investigator's follow-up. The manager's review of this document could identify common issues to be addressed in subsequent training for the investigators.

In our follow-up, we found that the Ministry had begun developing an investigative module to incorporate investigation data into the Ministry's program information system (as discussed in the first action item in **Recommendation 11**). The investigative module, expected to be completed by December 2023, will include a capability for keywords to be searched to identify commonalities between investigations.

Recommendation 12

To improve the credibility of deterrence and the timeliness of the Minister's review of financial penalties imposed on private career colleges and increase the probability of collecting these penalties, we recommend that the Ministry of Colleges and Universities:

- *establish and implement written guidance with expected timelines for each stage of the administrative monetary penalty review process, including the publishing requirement;*

  Status: Fully implemented.

Details

Our 2021 audit found that for appeals of financial penalties, the Ministry had not established written guidance on when each party within the Ministry should complete their part of the review process, when a final decision should be made, and when the Ministry should notify the appealing college of the review decision.

In our follow-up, we found that the Ministry established and implemented written guidance in February 2023, with expected timelines for each stage of the administrative monetary penalty review process. The guidance indicates that, under normal operational conditions, the average duration of a review process is not to exceed 36 weeks from the day the college submits the request for a review.

- *monitor compliance with the guidance and follow up when these timelines are not met.*

  Status: Little or no progress.

Details

Our 2021 audit found that the Ministry tracked when each party within the Ministry received the review package but did not monitor how long it took the package to move from one party to the next. Staff only sent reminders to the five parties involved in the review process on an ad hoc basis.

As mentioned in the first action item in **Recommendation 12**, the Ministry implemented written guidance

in February 2023 with expected timelines for each stage of the administrative monetary penalty review process. However, Ministry staff informed us that, since the written guidance was recently approved, they have not yet monitored compliance with the guidance. The Ministry expects to complete this work by March 2024.

Recommendation 13

To support the public's ability to make informed decisions when choosing a private career college that might have been affected by the Ministry's enforcement activities, we recommend that the Ministry of Colleges and Universities:

- *develop and implement procedures to publish all enforcement actions, especially those that are required to be published under the* Private Career Colleges Act, 2005*, completely, accurately and consistently; and*
- *establish targets with expected timelines for publishing enforcement actions and take corrective action when these targets are not met.*

Status: Fully implemented.

Details

In our 2021 audit, we found that the Ministry inconsistently published enforcement actions on its website between 2006 and 2020, and the information posted contained errors and was not always published in an easy-to-understand manner for prospective students. In addition, we found that the published enforcement action notices were not reviewed or approved by managers before publishing, and the Ministry did not always publish enforcement actions on a timely basis, sometimes up to a year after the enforcement action was applied on the college.

In our follow-up, we found that the Ministry updated and implemented its internal guidance document in October 2022 to include procedures for the publication of enforcement actions required by the Act and expected targeted timelines for publishing enforcement actions. For example, an investigator would be required to provide a particulars document to the compliance analyst within 10 working days of an investigation that resulted in a financial penalty and the time period for a private career college/individual to apply for a review has expired. A particulars document outlines the date and details of the contravention, the enforcement action, and required actions by the private career college/individual. For publication of enforcement actions that are not required by the Act, the internal guidance document requires Ministry staff to seek the opinion of the Ministry's legal services related to any risks associated with the publication before presenting the option for approval.

At the time of our follow-up, we found that the Ministry had published recent enforcement actions in 2023.

College Closures and Training Completion Assurance Fund

Recommendation 14

To deter late payments to the Training Completion Assurance Fund and avoid potentially placing an additional burden on other private career colleges should the fund balance be insufficient, we recommend that the Ministry of Colleges and Universities:

- *monitor and follow up with colleges that fail to submit payments after 30 days of billing; and*
- *take appropriate enforcement actions on colleges that continue to fail to respond or submit payment.*

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

Details

Our 2021 audit noted that the Ministry did not collect annual premiums to the Training Completion Assurance Fund from 79 private career colleges as of June 2021, totalling over $145,000. The average outstanding payment duration was eight months, but premiums should be paid within 30 days of the invoice date. Our 2021 audit also found that the Ministry

did not regularly monitor the outstanding receivable amounts due to its workload demands.

In our follow-up, we found that the Ministry conducted an analysis in June 2022 on the outstanding Training Completion Assurance Fund collections from 2016/17 to 2021/22. The analysis identified the importance of early monitoring of invoices (up to 90 days past due) and immediate follow-up actions on invoices 90 days overdue. The analysis recommended additional enforcement procedures for private career colleges and Ministry follow-up with colleges.

However, the Ministry informed us that, based on internal discussions, while it would monitor the outstanding receivables amounts, the Ministry would not be following up with colleges that fail to submit payments after 30 days of billing and would not be taking appropriate enforcement actions on colleges that continue to fail to respond or submit payment. The Ministry stated that the Ministry of Finance sends reminders to the debtor if it fails to submit payments after 90 days. The Ministry indicated that sending reminders from both the Ministry and the Ministry of Finance would be a duplication of efforts.

Recommendation 15

So that the financial security amount required of a private career college is commensurate with the appropriate risk score to alleviate the resulting pressure on the Training Completion Assurance Fund when the financial securities are insufficient to cover the cost of a college closure, we recommend that the Ministry of Colleges and Universities establish weighting on the criteria, and regularly review the criteria and their weighting, in the Private Career College Capacity Assessment Tool at least every two to three years based on more current closure data.

Status: Little or no progress.

Details

Our 2021 audit found that the Ministry used the Capacity Assessment Tool to determine the financial security payments that private career colleges need to submit. However, we found that the Ministry had not regularly reviewed the tool criteria and their weighting using the most current data on college closures. Doing so could help improve the tool's usefulness in determining a fair financial security amount that reflects risks for each private career college.

In our follow-up, we found that the Ministry had not yet established weighting on the criteria in the tool or reviewed the criteria and their weighting. Ministry staff informed us that they plan to establish weighting on the criteria once they obtain consistent data for three renewal cycles (2022–2024) before conducting the analysis. The Ministry expects to complete this work by September 2024.

Recommendation 16

To better protect the Training Completion Assurance Fund from unnecessary withdrawal due to insufficient financial securities as a result of college closures, we recommend that the Ministry of Colleges and Universities:

- *update its processes for calculating financial securities to incorporate more current and audited financial information;*

  Status: Fully implemented.

Details

Our 2021 audit found that the Ministry did not use the most current financial status of the colleges to determine the financial security amounts that the Ministry should hold. We found that in 13% of the cases we sampled, the Ministry chose to maintain the original level of financial security provided by the colleges instead of adjusting to the more current and audited financial information submitted, even if the more current information demonstrated the need for a higher financial security.

In our follow-up, we found that the Ministry resumed its process of calculating financial securities using current and audited financial statements and schedules in August 2022, beginning with the 2021 registration renewals. By March 2023, when the Ministry completed its approval of all 2021

registration renewal files, it had approved 481 colleges using the most current audited financial statements and schedules provided.

- *establish a process to monitor that financial securities are current or have proper continuance provisions; and*
- *identify financial securities that are nearing expiry or have expired and send reminders to these colleges to provide continuation certificates by deadlines.*

Status: Fully implemented.

Details

Our 2021 audit found that some colleges that provided surety bonds as financial security did not have a valid continuation certificate where the original surety bond had expired. The Ministry had mistakenly believed that surety bonds would never expire unless specifically voided or cancelled. Upon further investigation, it learned that the surety bonds we identified were indeed no longer valid.

In our follow-up, we found that the Ministry established a surety bond process in May 2022 and provided training to its staff on the process in June 2022. Ministry staff exported weekly reports from the Ministry's information system on all active surety bonds including the expiry date of the bond certificate. Based on the weekly reports, the Ministry identified private career colleges with continuation certificates that would expire within one month and sent reminders to these colleges to upload a new continuation certificate before the expiry date.

In September 2022, the Ministry sent a memo to all private career colleges informing the sector that there was an amended surety bond template with an automatic renewal clause to the surety. The memo stated that the colleges could proactively send the surety bond amendment to the Ministry, or the Ministry would contact each college 60 days before its surety bond expiry date, requiring a signed amendment to the surety bond.

Since the issuance of the memo, Ministry staff continued to export weekly reports from the Ministry's information system on all active surety bonds and sent reminders to colleges 60 days before surety bonds were set to expire, requesting signed amendments to the surety bonds.

International Students

Recommendation 17

To uphold the integrity of the International Student Program in private institutions and to deter international students from staying in Canada without proper legal ground, we recommend that the Ministry of Colleges and Universities:

- *work with the federal government to clarify the roles and responsibilities of sharing information on unusual trends and establish a protocol to share such information;*

Status: Fully implemented.

Details

In our 2021 audit, we found that four private career colleges that were not designated as learning institutions still had international students enrolled in programs of over six months in duration, the threshold required for Ministry designation. We also noted significant growth in the number of international students enrolled in private career colleges of 420% from 2015 to 2019. Such an increase is unusual given that students of private career colleges, unlike their counterparts in the public college system, cannot apply to stay in Canada on a federal post-graduation work permit. The Memorandum of Understanding between the Ministry and the federal government on the International Student Program did not specify exchanging information on unusual patterns in international student enrolment data.

In our follow-up, we found that the Ministry met with representatives from the federal government in November 2022 to clarify the roles and responsibilities of sharing information on unusual trends and to establish a protocol to share such information. The parties agreed that the Ministry would inform the federal government if there are instances of high levels of international student enrolment in programs of over six months, in non-designated learning institutions.

- *review program information on at least an annual basis to identify unusual trends of international student enrolment, including colleges that are not designated as learning institutions but offer vocational programs of over six months in duration to international students, and refer these cases to Immigration, Refugees and Citizenship Canada.*

  Status: Little or no progress.

Details

In our 2021 audit, we found that four private career colleges that were not designated as learning institutions still had international students enrolled in programs of over six months in duration, the threshold required for Ministry designation. The Ministry did not inform Immigration, Refugees and Citizenship Canada regarding these anomalies.

In our follow-up, we found that the Ministry developed and implemented an inspection template in January 2023 to evaluate designated learning institutions' compliance with the designation agreement with the Ministry. The Ministry informed us that during these inspections, reviews of individual students' files could be conducted only with the students' permission, as the Ministry does not have statutory authority to do so. The Ministry indicated that the review of student files may identify anomalous data.

The Ministry informed us that it is currently considering options on how to address the recommendation and expects to complete this work by March 2024.

Recommendation 18

To reduce the administrative burden on private career colleges that offer the International Student Program, we recommend that the Ministry of Colleges and Universities expedite its review of its regulatory requirements for private career colleges under program policy and remove duplicate registration requirements and processes.

Status: Fully implemented.

Details

Our 2021 audit noted that private career colleges that were also designated learning institutions under the International Student Program were subject to duplicate data submission, resulting in additional administrative work on private career colleges and no additional benefit to international students. The Ministry began looking into streamlining the processes but had made no changes to them as of June 2021.

In our follow-up, we found that the Ministry implemented a streamlined application form in April 2022 for private career colleges to apply for the International Student Program. For example, instead of requiring private career colleges to submit audited financial statements for the past two fiscal years again when applying for the International Student Program, the college could note in the application form that the information is in the Ministry's information system, as private career colleges are required to submit audited financial statements when they renew their registration.

Performance Monitoring of Private Career Colleges

Recommendation 19

To improve prospective and existing students' ability to make informed decisions using the most up-to-date and accurate information when choosing a private career college, we recommend that the Ministry of Colleges and Universities:

- *establish timeline targets for publishing performance indicators and adhere to these targets;*

  Status: Fully implemented.

Details

Our 2021 audit found that when the Ministry published private career colleges' performance indicators, such as graduation rate and employer satisfaction rate, on its website, this information was of limited benefit to students as it was published at least two years after the time of reporting.

In our follow-up, we found that the Ministry established timeline targets for the 2021 reporting cycle. The timeline targets required the external third-party research company that was hired to conduct surveys, consolidate

data and report on performance indicators, to provide the Ministry with a report on the 2021 performance indicators by June 2023 and publish the performance indicators in summer 2023. The Ministry received the report in June 2023 and published the private career colleges' performance indicators on its website in July 2023. The Ministry expects that similar timelines will apply to subsequent reporting cycles going forward.

- *update the government website to allow students to more easily access performance indicators for selected programs;*
- *update the government website to allow students to more easily compare performance indicators across similar programs and over time;*

  Status: Little or no progress.

Details

Our 2021 audit found that performance indicators were not available for up to 83% of the programs on the Ministry's website and the public could not easily compare performance indicators among colleges and over time. Without complete, current and accurate performance results, students do not have up-to-date information to make an informed decision on which program and private career college to select.

In our follow-up, we found that the Ministry had not yet updated the government website to allow students to more easily access performance indicators for selected programs or to allow students to more easily compare performance indicators across similar programs and over time. The Ministry informed us that it prioritized improving its performance indicators processes, such as entering into a new contract with the external third-party research company in June 2022 and, working with the research company, assessing the different survey methods (as discussed in **Recommendation 20**).

- *update its review process to verify a greater sample of published performance indicator results and document this work;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that 30% of sampled private career colleges published outdated, incomplete or incorrect performance results. The Ministry informed us that it verified published information before its inspectors conduct on-site inspections but did not always document this work.

In our follow-up, we found that the Ministry had not yet updated its process to verify published performance indicator results and document this work.

- *establish targets of performance indicators, such as benchmarks for each type of vocational program, to help promote better performance of private career colleges.*

  Status: Little or no progress.

Details

Our 2021 audit found that the Ministry did not have performance indicator targets, such as benchmarks for each type of vocational program, that private career colleges should aim to meet. In contrast, Alberta had set a 70% target for both graduation rate and employment rate and indicated to us that private career colleges that report results lower than this target in consecutive reporting periods will face compliance action.

In our follow-up, we found that the Ministry had not yet established targets of performance indicators to help promote better performance of private career colleges. The Ministry informed us that it prioritized improving its performance indicators processes, such as entering into a new contract with the external third-party research company and, working with the research company, assessing the survey methods (as discussed in **Recommendation 20**).

Recommendation 20

To enhance its ability to oversee the work conducted by the external third-party research company related to private career colleges' performance indicators so that deliverables are delivered on time and in accordance

with the planned scope, we recommend that the Ministry of Colleges and Universities:

- *update existing and future contractual agreements to include provisions allowing for penalties or other corrective actions and periodic deliverables such as monthly or quarterly targets;*

  Status: Fully implemented.

Details

Our 2021 audit found that, although the Ministry hired an external third-party research company to conduct surveys, consolidate data and report on performance indicators, the Ministry did not monitor the company's performance to confirm that it provided quality and timely performance indicator collection and consolidation services on its behalf. The Ministry also could not verify whether the research company had met monthly targets, such as surveying a specific number of colleges, because the Ministry did not set monthly deliverables in the contractual agreement.

In our follow-up, we found that, in June 2022, the Ministry entered into a new contract for 2022 to 2025 (with a two-year extension option) with the same external third-party research company used during our 2021 audit. The contract includes timelines of deliverables for each reporting cycle, such as the survey windows for the winter, summer and fall terms. The contract also includes a provision that requires the external third-party research company to take corrective action at its own expense if it does not meet the deliverables in the contract.

- *in consultation with the research company, assess the mixed-mode approach to improve the response rates for the graduate and employer surveys.*

  Status: Fully implemented.

Details

Our 2021 audit determined that the Ministry did not work with the external third-party research company to annually assess the mixed-mode survey approach, which involves using telephone and online surveying methods, as outlined in the agreement to increase response rates, even though the research company had not met its response rate targets in previous years.

In our follow-up, we found that the Ministry and the external third-party research company assessed the different survey methods, such as telephone, online and mixed-mode approach, subsequent to entering into a new contract in June 2022. The analysis concluded that a mixed-mode approach would improve accessibility and cost-effectiveness, and improve survey responses and completion rates.

Meeting Regulatory Mandate

Recommendation 21

To support the Ministry's regulatory activities in private career colleges and designated learning institutions, we recommend that the Ministry of Colleges and Universities:

- *annually reassess the appropriateness of its fees;*

  Status: Fully implemented.

Details

Our 2021 audit found that the Ministry did not fully recover its costs to regulate the private career colleges sector. On average over the past five years, the Ministry collected about $2 million in fees from private career colleges while incurring about $6 million in costs to regulate the sector. The Ministry was still charging private career colleges regulatory fees it established in 2018/19.

In our follow-up, we found that the Ministry conducted research in May 2022 on the fees that were being charged in other provinces. The Ministry proposed an increase of its fees based on its jurisdictional research and requested Treasury Board approval on its 2023/24 strategic plan.

- *request and obtain approval for increased fees.*

  Status: In the process of being implemented by December 2023.

Details

In our 2021 audit, we noted that, in 2020, the Ministry assessed the feasibility of increasing fees to cover 55% of its regulatory costs but had not adjusted its fees at the end of our audit in 2021.

In our follow-up, we found that the Ministry requested an increase of its fees in its 2023/24 strategic plan. The Ministry informed us that the Treasury Board Secretariat's recommendation was to defer the request to a future strategic plan. The Ministry plans to request an increase of fees, which would also include a reassessment of the appropriateness of its fees, by December 2023.

Recommendation 22

To identify and deliver college programs in response to Ontario's employment needs, which are unique from one community to the next, we recommend that the Ministry of Colleges and Universities develop a post-secondary education strategy to strengthen the link between Ontario's labour market needs and the programs offered by both public and private career colleges, considering availability of similar vocational programs offered by the post-secondary education institutions in the local region.

Status: Little or no progress.

Details

Our 2021 audit noted that the Ministry did not have a formal, documented post-secondary education strategy that could potentially enhance the link between Ontario's labour market needs and the programs offered by both public and private career colleges. We also found that the Ministry did not gather data on regional labour market needs on an ongoing basis to determine whether there was saturation or shortages in any geographic area for training of a certain vocational program.

In our follow-up, we found that the Ministry had not yet developed a post-secondary education strategy that could potentially enhance the link between Ontario's labour market needs and programs offered by both public and private career colleges. Ministry staff informed us that they are determining the approach to address this recommendation and would require input from other ministries. The Ministry expects to complete this work by September 2024.

Chapter 1
Section
1.18

Ministry of Colleges and Universities

Follow-Up on 2021 Value-for-Money Audit:

Public Colleges Oversight

RECOMMENDATION STATUS OVERVIEW

		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	3			3		
Recommendation 2	1			1		
Recommendation 3	4	1	1	2		
Recommendation 4	1			1		
Recommendation 5	2		1			1
Recommendation 6	1	1				
Recommendation 7	3			3		
Recommendation 8	2	1.42	0.58			
Recommendation 9	1	1				
Recommendation 10	1			1		
Recommendation 11	3			3		
Recommendation 12	3			3		
Recommendation 13	2	2				
Recommendation 14	2		2			
Recommendation 15	2		2			
Recommendation 16	4	3	1			
Recommendation 17	2	0.5			1.5	
Recommendation 18	2		2			
Recommendation 19	1	0.75	0.25			
Recommendation 20	2	1.75	0.25			
Recommendation 21	2		2			
Recommendation 22	3	2.67	0.33			
Recommendation 23	1	1				
Recommendation 24	2	2				
Recommendation 25	1				1	
Recommendation 26	2	1.25			0.75	
Total	**53**	**19.34**	**12.41**	**17**	**3.25**	**1**
%	**100**	**37**	**23**	**32**	**6**	**2**

Note: **Recommendations 1–7**, **9–16**, **18**, **21**, **23**, **25** were made to the Ministry of Colleges and Universities.

Recommendations 8 and **26** were made to 12 colleges (Cambrian, Canadore, Fanshawe, Georgian, Lambton, Loyalist, Mohawk, Niagara, Northern, Sault, St. Clair and St. Lawrence).

Recommendations 17, **19** and **20** were made to four colleges we reviewed in-depth during our 2021 audit (Loyalist, Sault, Seneca, St. Clair).

Recommendation 22 was made to six colleges (Canadore, Fanshawe, George Brown, Loyalist, Sault, St. Clair).

Recommendation 24 was made to 18 colleges (Algonquin, Boréal, Cambrian, Canadore, Conestoga, Confederation, Fanshawe, Fleming, La Cité, Lambton, Loyalist, Mohawk, Niagara, Northern, Sault, Seneca, Sheridan, and St. Clair).

Overall Conclusion

The Ministry of Colleges and Universities (Ministry), along with the 21 public colleges that had recommendations addressed to them, as of November 10, 2023, have fully implemented 37% of actions we recommended in our 2021 Annual Report. The Ministry and the colleges have made progress in implementing an additional 23% of the recommended actions.

The Ministry has fully implemented recommendations to update its program requirements and directives to ensure ethical international student recruitment practices are followed. As well, the Ministry now prohibits public colleges from entering into a partnership with a private college located outside of Ontario. The public colleges have also fully implemented the recommendation to provide annual audited financial statements to the Ministry in a timely manner.

The Ministry is in the process of re-evaluating the funding methodology for facility maintenance and updating non-degree program standards. Some public colleges are in the process of reviewing the services provided to students at private partner campuses.

However, the Ministry has made little progress on 32% of the recommended actions, including developing a comprehensive strategy for the public colleges sector to diversify revenue streams to reduce the sector's reliance on international students; tracking applicant information to confirm that Ontarians are given priority to high-demand programs; and reassessing the performance target-setting formula so that it fosters and supports continuous improvement of public college performance.

Some colleges have also told us they will not implement three of our recommended actions. For example, three of the four colleges we reviewed in depth will not require all board members to attend orientation training provided by Colleges Ontario (an association representing all 24 public colleges) because the colleges provide their own internal training. We continue to believe this recommended action should be followed as Colleges Ontario's orientation sessions provide information and training specifically focused on the post-secondary education sector and its relationship with the Ministry.

The status of actions taken on each of our recommendations is described in this report.

Background

Ontario's 24 public colleges are Crown agencies, regulated under the *Ontario Colleges of Applied Arts and Technology Act, 2002*. The Ministry of Colleges and Universities (Ministry) sets out binding policy directives, operating procedures and other requirements for public colleges to follow. Each college is governed by a board of governors, which is accountable to the government for the college's legislated mandate, achievement of goals consistent with government priorities, and prudent financial management.

In 2022/23, the Ministry provided grant-based funding to public colleges totalling $1.5 billion ($1.6 billion in 2020/21). Public colleges also receive revenue from tuition fees, federal and provincial grants (such as employment services grants), ancillary revenue and donations. In 2022/23, the total revenue of Ontario's public colleges was $7.1 billion ($5.1 billion in 2020/21).

Our 2021 audit found that direct provincial funding per full-time-equivalent domestic public college student in Ontario was the lowest in Canada in 2018/19 and remained the lowest in 2020/21. Between 2012/13 and 2020/21, domestic student enrolments declined by 15%, owing mainly to Ontario's changing demographics, but also because more high school graduates chose to attend university instead.

Nevertheless, public colleges' collective net assets increased $1.22 billion (62%) from 2016/17 to 2019/20. The increase was explained by rising international student enrolment, which subsidized the provincial costs of education, administration and capital expenditures. Over the same period, there had been a 342% increase in international student enrolments, with 62% (2020/21) of these international

students coming from India. By the fall of 2020, about 30% (104,937) of all (348,350) students enrolled in public colleges were international students.

International students view Canada as an attractive destination for study, and enrol in Canadian post-secondary institutions as a pathway for immigration. We found that domestic students continued to have access to public college programs during this growth in international student enrolments; however, the Ministry had not assessed how its high reliance on international student tuition might impact the entire public college sector over the long term.

We also found that public-private college partnerships, existing in Ontario since at least 2005, had significantly expanded in 2019/20 and 2020/21. As of June 2021, 11 public colleges had partnered with a total of 12 for-profit private career colleges. Under partnership agreements, public colleges provide their curriculum to their private career college partner. In turn, the private partner hires instructors who deliver this curriculum on the private college campus, provides student facilities, and manages day-to-day operations. Public colleges retain a portion of the tuition fees paid by each student and the students who graduate from such partner programs obtain a credential issued by the public college.

These partnerships are financially attractive to public colleges, particularly those in northern areas or smaller communities. Having a private career college partner with a campus in a large, urban centre such as the Greater Toronto Area, where most international students prefer to study, means gaining an additional source of revenue. Under existing federal government immigration policy, only those international students who graduate from a public college—not a private college—are eligible for the Post-Graduation Work Permit Program. Studying at a private career college which is affiliated with a public college is attractive to international students because they can then qualify for a work permit.

Some of our significant findings were:

- In 2017/18, for the first time, international student tuition revenue exceeded domestic student tuition revenue. We found that the Ministry had not developed a strategic plan for the sector to help mitigate the risk of a sudden decline in international enrolment and the impact it could have on the college sector, students and government.
- There was limited college oversight of international student recruitment agencies. Public colleges use multiple recruitment agencies with offices located around the world to attract international students. Our in-depth review of four selected colleges found that none of them had established a formal policy to guide the selection and removal of recruitment agencies, and that they had limited oversight of these third-party agencies to confirm whether they were providing services with honesty and integrity.
- Five public colleges that had private college partners could have incurred operating deficits in 2019/20 had they not received international student tuition partnership revenue. We analyzed the financial information from the six colleges that had partnerships prior to 2019 and found that, in 2019/20 alone, five of them (Cambrian, Canadore, Lambton, Northern, and St. Lawrence) could have incurred an annual deficit had they not received partnership revenue, all other factors being equal.
- Most public-private college partnerships and their programs had never been subject to an independent quality assurance audit. The Ontario College Quality Assurance Service conducts third-party quality assurance audits of public colleges, including their policies overseeing private partners, on a five-year cycle. The quality assurance audit standards for public colleges were updated in May 2019 to include

an additional requirement to audit the quality assurance processes at public-private college partnerships. Since the standard was updated, only two colleges with public-private college partnerships had been subject to a quality assurance audit.

- Two partnerships operating in British Columbia conflicted with Ontario's objectives and avoided legislative requirements in British Columbia to be certified under British Columbia's *Private Training Act*.
- The Ministry's allocation of capital funding to public colleges did not take into consideration the level of deferred maintenance and state of repair. In 2013, the Ministry commissioned an assessment report on the condition of public college facilities. Over the subsequent five-year period, the Ministry funded 4% of one college's $94.7 million of assessed deferred maintenance needs, compared to 56% of another college's $5.7 million. The allocation of capital renewal funding was based on the public colleges' domestic enrolment levels and did not factor in deferred maintenance and state of repair needs.
- Ministry standards for public college non-degree programs were either outdated or non-existent. The Ministry establishes program standards that outline minimum requirements for learning outcomes and employability skills for college graduates in each particular field of study. In 2019/20, a total of 3,456 students were enrolled in five programs across all 24 public colleges where the non-degree program standards had not been updated for over 18 years.

We made 26 recommendations, consisting of 53 action items, to address our audit findings. We received commitment from the Ministry and selected public colleges that they would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between April 2023 and September 2023. We obtained written representation from the Ministry of Colleges and Universities and the four public colleges we reviewed in depth (Loyalist, Sault, Seneca, St. Clair) that effective November 10, 2023, they had provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

4.1 Enrolment Trends of International Students

Recommendation 1

To mitigate the risks of public colleges relying highly on the tuition revenues from international students from one country and to assist the public college system in proactively planning for related circumstances that are not within their control, we recommend that the Ministry of Colleges and Universities (Ministry):

- *develop a formal and comprehensive strategy for the diversification of international students for the public college sector;*
- *require that public colleges establish risk mitigation plans, with clear action plans, timelines and measurable outcomes, that align with the Ministry's strategy; and*
- *require public colleges to report annually on their status of achieving their goals and take corrective actions when necessary.*

Status: Little or no progress.

Details

In our 2021 audit, we found that the public college sector had experienced a significant upward trend in

international student enrolments, with a 342% increase between 2012/13 and 2020/21 (compared to a decrease of 15% in domestic enrolment for the same period). The international students who enrolled came primarily from India. For example, Lambton, Loyalist, Northern, St. Clair and St. Lawrence colleges each drew more than 90% of their international students from India, including those studying at the colleges' public-private college partnerships in 2020/21. From 2016/17 to 2020/21, between 48% and 62% of all international students studying at Ontario public colleges were from India.

A high reliance on international student enrolments from any one country poses a risk, should there be a sudden decrease in a significant revenue source because of geopolitical factors, changes to federal government immigration policies, and/or other factors that might cause the influx of students from a particular country to cease. These factors are out of the public college sector's and the Ministry's control.

Our 2021 audit found that 11 of the 24 public colleges had included in either their annual reports or business plans a goal to diversify the countries from which their international students are recruited. However, not all of these colleges had published an action plan or strategy for achieving and/or measuring the goal. The Ministry, on behalf of the colleges and sector as a whole, did not have a risk-mitigation plan or strategy to address the risks associated with such a lack of diversification.

In our follow-up, we found that the Ministry has made little progress on these recommended actions. In March 2023 the Ministry launched an expert panel to provide advice and recommendations on keeping the post-secondary education sector financially stable and focused on providing the best student experience possible. The Ministry reported that it was working towards a longer-term strategic approach that is to be informed by the work of the panel. The panel's recommendations are expected to be released by December 2023.

Given that the Ministry has yet to develop a formal diversification strategy, it has not required public colleges to establish or report on their own risk mitigation plans.

Recommendation 2

As part of the comprehensive international student strategy discussed in Recommendation 1, we recommend the Ministry of Colleges and Universities work with public colleges to develop a long-term strategy for the sector, including options to diversify revenue streams to reduce the sector's high reliance on international students.

Status: Little or no progress.

Details

In our follow-up, we found that in March 2023, the Ministry launched an expert panel to provide advice and recommendations on keeping the post-secondary education sector financially stable. As mentioned in Recommendation 1, the panel's recommendations are expected to be released by December 2023. These recommendations will inform the Ministry's long-term strategic approach to reduce the sector's high reliance on international student revenues.

Recommendation 3

So that international students who are recruited to attend public colleges in Ontario are provided with accurate information to make informed decisions, we recommend that the Ministry of Colleges and Universities:

- *expand the Ministry's directive requirements to include the advertising of college admissions processes, such as visa and language testing;*

  Status: Fully implemented.

Details

Public colleges typically use numerous recruitment agencies to attract international students to study at their institutions. For the four public colleges we reviewed in depth (Loyalist, Sault, Seneca and St. Clair), we reviewed a sample of 100 international recruitment agency websites (25 for each college). Most (93) presented accurate information; however, seven made misleading claims. Examples of misleading claims were related to the visa approval process, such as ensuring 100% success, providing "visa assurance,"

and guaranteeing positive scores on the International English Language Testing.

At the time of our audit, the Framework for Programs of Instruction Minister's Binding Policy Directive stated that boards of governors are responsible for ensuring that college advertising and marketing do not contain inaccurate or deceptive claims with regard to programs offered. There was no similar requirement related to advertising of college admissions processes, such as visa approval and language test scoring.

In our follow-up, we found that the Ministry's International Student Program requirements state that an institution's advertising or recruitment materials cannot: guarantee admission or successful completion of a program; guarantee that prospective international students will receive a study permit; or contain a statement that misleads or is likely to mislead a student. Post-secondary institutions that want to offer programs that allow international students to qualify for a study permit must follow these guidelines.

Further, the Partnerships Directive was updated in March 2023 to include a requirement that colleges establish procedures to conduct regular reviews of international student recruitment practices to ensure they are ethical.

Finally, in March 2023, Colleges Ontario (an association representing all 24 public colleges) issued a new Standards of Practice for international education. Every public college (23) that signed to this new Standards of Practice agreed to market and communicate about their academic programs and services in a way that is accurate, consistent with Ontario law and not misleading. This includes not guaranteeing any academic, immigration or employment outcome. Public colleges are responsible for requiring their agents and other recruitment partners to comply with the same marketing and advertising standards issued by Colleges Ontario by June 2024. These standards are not overseen by the Ministry, but compliance with these standards will be assessed as part of the college quality assurance audit process that is conducted by the Ontario College Quality Assurance Service, an independent organization that is funded by the 24 public colleges.

- *confirm that public colleges have a formal policy for the selection and removal of international student recruitment agencies;*

  Status: Little or no progress.

Details

Based on our 2021 in-depth review of four colleges (Loyalist, Sault, Seneca, St. Clair), we found that while they each had internal processes for their review of recruitment agencies, none of them had formal policies in place that outlined specific criteria to select or remove recruitment agencies. Without a formal policy, it was at the discretion of college staff or management to determine which agencies to contract with. We found that one college required two references to contract with a recruitment agency, while the other three colleges generally performed reference checks, but were not required to do so.

At the time of our follow-up, the Ministry had not confirmed whether any of the public colleges established a formal policy for the selection and removal of international student recruitment agencies. The Ministry indicated that it updated the requirements of its Partnerships Directive in March 2023 to require that colleges "establish procedures to conduct regular reviews to ensure ethical international student recruitment practices," but at the time of our follow-up had not yet confirmed that colleges complied with this requirement.

- *require public colleges to monitor the agencies' advertisements at a regular interval (between three and six months) to confirm they are factually correct, and that any errors or other misleading advertisements found are corrected in a timely manner;*

  Status: In the process of being implemented by June 2024.

Details

Our 2021 audit also found that the four colleges monitor agency advertising and/or approve marketing materials only when they relate to college branding. However, the instances of misleading claims we found

were related to general statements made about the application process by the agencies. These misleading claims, while not specific to a college, still did not accurately reflect the application process to potential students and should be monitored by the colleges on a regular basis.

In our follow-up, we found that the Ministry released an updated Partnerships Directive in March 2023, which includes a new requirement for public colleges to establish procedures to conduct regular reviews to ensure "ethical international student recruitment practices."

In March 2023, Colleges Ontario released a new set of sector-wide standards intended to strengthen programs and supports for international students. The 23 public colleges that committed to the new standards are required to monitor the performance of their education agents and other recruitment partners, and require the termination of contracts with any education agents who have been involved in any serious, deliberate or ongoing conduct that is false, misleading, deceptive or in breach of the law. The colleges agreed to implement the new standards of practice by June 2024.

- *collect data related to fees paid to recruitment agencies, and assess the reasonableness of the fees paid on a per student basis.*

  Status: Little or no progress.

Details

In our 2021 audit, we found recruitment agencies were remunerated based on commissions paid by the public colleges. Since these commissions were calculated as a percentage of tuition paid by international students, recruitment agencies were incentivized to enrol as many students as possible in those programs that charged the highest tuition fees. We noted that commissions paid to recruiters at the four colleges varied, ranging from 15% to 32% of first-year tuition fees.

In our follow-up, we found that the Ministry has not collected data related to fees paid to recruitment agencies, nor did it assess the reasonableness of the fees paid on a per student basis. The Ministry indicated to our Office that it plans to explore a number of policy issues related to international education in the coming year.

Recommendation 4

So that domestic students continue to have access to study at public colleges and high-demand programs, we recommend that the Ministry of Colleges and Universities track applicant information and confirm that Ontario residents are given priority to oversubscribed programs.

Status: Little or no progress.

Details

In our 2021 audit we found that the Admissions Criteria Minister's Binding Policy Directive requires that colleges give preference to Ontario residents when selecting applicants to accept into oversubscribed programs. An oversubscribed program refers to any program where the number of applicants who meet the admissions criteria exceeds the number of spots available for acceptance. After all qualified Ontario residents are accepted, residents of other Canadian provinces and territories are considered, and then finally all other applicants. However, the Ministry did not monitor college information at the program capacity/seats available level for oversubscribed programs. As such, it was unable to confirm that Ontario residents were given admissions priority, as per the directive.

At the time of our follow-up, the Ministry identified that the centralized college applications service did not collect the data required to implement this recommendation. The Ministry was planning to connect with public colleges to better understand what data they have that could help address this recommendation. The Ministry indicated that any potential data collection processes would need to align with and support the Ministry's broader work related to international education issues as discussed in **Recommendation 1**.

4.2 Public-Private College Partnerships

Recommendation 5

To comply with the Public College-Private Partnerships Minister's Binding Policy Directive, we recommend that the Ministry of Colleges and Universities:

- *set a timeline for public colleges to submit their international enrolment plans and establish a reasonable and timely date to comply with the 2:1 international enrolment ratio requirement;*

  Status: No longer applicable.

Details

At the time of our 2021 audit, the Partnerships Directive stated that the private college partner campus could enrol a maximum of two international students for every international student enrolled at the public college's campus. Public colleges that exceeded the 2:1 ratio were to submit an enrolment plan to the Ministry with a timeline indicating when the ratio would be achieved. We assessed the partnership enrolment levels and found that international student enrolment at four of the five partner colleges exceeded their allowable levels. We also found that, as of September 2021, two of the five colleges that had exceeded their levels had not yet submitted an enrolment plan. At the time of our 2021 audit, the Ministry did not give a deadline for when these colleges were to submit these plans.

In our follow-up, we learned that the Ministry initiated a review of the Partnerships Directive in late 2022. As a result of the review, in March 2023 the Ministry released an updated Partnerships Directive that eliminated the 2:1 international-enrolment-ratio requirement and includes a new international-student-enrolment-management mechanism. In the revised directive, each college's total international student enrolment, across all partner campuses in all of the college's public-private partnerships, must not exceed 7,500 students. The partner enrolments at the time of our audit ranged between 2,613 and 5,448 students.

A college that exceeds the 7,500 international student limit must, within 30 days of the updated Directive being released on March 16, 2023, provide a plan to the Minister outlining how and when they will come into compliance. The Ministry will assess compliance with this enrolment limit annually based on fall enrolment, starting in fall 2023. Assessment will be based on enrolment reported through the College Statistical Enrolment Report and in accordance with reporting procedures described in the Enrolment Reporting and Audit Procedure. Since the 2:1 ratio has been eliminated, this recommendation is no longer applicable.

- *implement penalties or other measures for non-compliance with the Directive.*

  Status: In the process of being implemented by January 2024.

Details

In August 2020, the Ministry received Cabinet approval to implement financial penalties for non-compliance with either the enrolment ratio requirement for new partnerships or the legacy enrolment levels for pre-existing partnerships. We found that, although the Ministry drafted a revision to the Partnerships Directive to include compliance measures, the Minister had not yet given approval to issue it.

In our follow-up, we found that the Ministry issued a revised Partnerships Directive in March 2023 that includes financial penalties for colleges that exceed the new public college-private partnership enrolment ceiling and requires the submission of a remediation plan in the event of non-compliance. According to the revised directive, compliance with the new partnership enrolment limit will be assessed annually based on fall enrolment, starting in fall 2023. The assessment is expected to be completed by January 2024.

The Minister may annually reduce the college's operating grant by $5,295 per student enrolled in the college's public college-private partnership(s) over the limit, until compliance is reached.

Recommendation 6

Given the public college-private partnerships started as early as 2005 and the number of partnerships has been growing, we recommend the Ministry of Colleges and Universities review the financial model for these partnership arrangements.

Status: Fully implemented.

Details

Partnerships between publicly assisted colleges and private career colleges for the delivery of public college

programs have existed since at least 2005. As of June 2021, 11 public colleges were partnered with 12 private career colleges.

We found in our 2021 audit that, under the partnership agreements that existed at the time, the public college obtained a portion of the tuition revenue—usually between 20% and 30%—with its private college partner keeping the remainder. We noted that five of the private career colleges that had partnerships with public colleges earned almost 100% of their total revenue from these partnership arrangements. The net profit margins for these private partners ranged between 18% and 53%, based on their 2020 audited financial statements.

In our follow-up, we found that when the Ministry conducted its review of the Partnerships Directive in February 2022, it sought feedback from stakeholders, including publicly assisted colleges, private providers and municipalities. Financial models of these partnership arrangements were part of the discussions with stakeholders. Some colleges indicated that the financial details of partnerships are already outlined within their budgetary documents and audit reports. Other colleges noted that financial terms and operating agreements for the partnership arrangements were confidential agreements, and felt the Ministry should not be involved in setting conditions relating to the terms of their contracts. The Ministry decided not to introduce any new requirements around partnership financial models. Public colleges will continue to have the flexibility to negotiate financial terms in their partnership contracts. As of June 2023, 15 public colleges were partnered with 15 private career colleges, a 27% increase from June 2021.

Recommendation 7

To independently confirm that private partners are delivering a quality of education consistent with that provided by the public colleges, we recommend that the Ministry of Colleges and Universities confirm with public colleges that they require the Ontario College Quality Assurance Service to:

- *conduct quality assurance reviews of partnership arrangements at public colleges that focus solely on the new requirement in the College Quality Assurance Audit Process Standards established in May 2019 every two to three years, in addition to the full quality assurance review that is conducted on a five-year cycle;*
- *include a requirement that at least one program offered by the public-private college partnership is selected for audit as part of the quality assurance audit process;*
- *interview the private partners' management and request audit-related information directly from private colleges as part of its quality assurance audit processes.*

Status: Little or no progress.

Details

In our 2021 audit, we found that the quality assurance audit process for public colleges, including those that have a public-private college partnership, was conducted by the Ontario College Quality Assurance Service on a five-year cycle. The College Quality Assurance Audit Process Standards were updated in May 2019 to include the assessment of quality assurance mechanisms at partnership campuses. We assessed the five-year cycle as too long, as it meant that some public colleges with partnerships would not be audited against the new standards until 2026. As well, there was no requirement that a program offered by a public-private college partnership be selected as part of the sample. We also found that when the Quality Assurance Service conducted audits at public colleges that have private partners, it obtained information and supporting documents through the public colleges instead of directly from the private partners, as it did not have the authority to do so.

In our follow-up, we were advised by the Ministry that it did not have a role in determining the Ontario College Quality Assurance Service's audit timelines or processes. However, following the release of the revised Partnerships Directive in March 2023, the Ministry issued a memo in November 2023 to encourage the Ontario College Quality Assurance Service to address our recommendations.

Recommendation 8

To help ensure students have access to an appropriate range of services (such as mental health support, wireless internet access, tutoring services, academic support and student activities) at private career colleges, as required by their public-private college partnership agreements and the Ministry of Colleges and Universities' Public College-Private Partnerships Minister's Binding Policy Directive, we recommend that public colleges:

- *monitor student services offered at their private partners' campuses and compare them to the services offered by the public colleges annually;*

  Status:
  Cambrian, Canadore, Fanshawe, Georgian, Lambton, Mohawk, Niagara, Northern, Sault, St. Clair, St. Lawrence – Fully implemented.

  Loyalist – In the process of being implemented by December 2023.

Details

During our 2021 audit, we found that three of the four public colleges we reviewed in-depth in 2021 had public-private partnership arrangements. We noted that for each of these three, the private partners were expected to provide most of the student services, as per their agreements. However, the extent to which the three public colleges monitored whether services were being offered varied. Our recommendation was made to the 12 public colleges that had a public-private college partnership agreement in 2021.

In our follow-up, we found that 11 colleges with a public-private college partnership had fully implemented this recommendation. Canadore, Mohawk, Sault and St. Clair conducted a comparison of the student services offered at the main campus to their partner campuses. St. Lawrence completed an in-depth review of the student services offered by their partner and made recommendations for improvement. Cambrian and Lambton conducted third-party reviews of the support services provided at their private partners to identify where services could be improved. The reviews at Lambton and Niagara colleges were particularly extensive, and made numerous recommendations to improve the services provided. Fanshawe, Georgian and Northern implemented this recommendation through their quality assurance review process with their partners, where they included a review of student services offered as part of the overall program review of the partner campus.

In August 2023, Loyalist had a quality assurance review conducted of the student services offered by its partner campus and anticipated receiving the final report by December 2023.

- *address any shortcomings identified in these reviews.*

  Status:

  Cambrian, Georgian, Mohawk, Northern, Sault, St. Clair – Fully implemented.

  Canadore, Fanshawe, Lambton, Loyalist, Niagara, St. Lawrence – In the process of being implemented by January 2024.

Details

In our follow-up, we found that several of the colleges were in the process of addressing identified shortcomings in student services provided at their private partner colleges and expected the process to be completed by December 2023. Lambton College met with its private partner college in February 2023 to review recommendations from a third-party consultant and implement a plan to address any identified shortcomings. Loyalist planned to present specific recommendations from its review to its board in December 2023 for implementation in January 2024.

Some colleges either did not have any gaps identified from their review of the support services provided at their private partners (see first action item under **Recommendation 8**), or had already fully implemented the recommendation by addressing shortcomings in their recent reviews. For example, Mohawk College identified that virtual wellness services were no longer adequate for the students at the partnership campus once in-person classes began, and therefore adopted on-site support at the partnership campus to provide these services. Cambrian College has required its partner college to report back within six months on the steps it has taken to address any service standards that were partially met, or not met.

Recommendation 9

To increase transparency to students and maintain the principles of the Public College-Private Partnerships Minister's Binding Policy Directive, we recommend that the Ministry of Colleges and Universities revisit the existing British Columbia cross-jurisdictional partnership arrangement and determine whether it should allow Ontario public colleges to continue to operate with partnerships in British Columbia, and, if the decision is to allow them to operate, create a formal agreement with British Columbia and update the Partnerships Directive to address concerns.

Status: Fully implemented.

Details

In our 2021 audit, we found that Cambrian and St. Lawrence colleges had partnerships with private career colleges located in Vancouver, British Columbia. The partnerships were established prior to the creation of the Partnerships Directive. We found that this cross-jurisdictional partnership arrangement was complicated and did not align with one of the principles of the Partnerships Directive, which is to protect and enhance Ontario's reputation in post-secondary education and as a place to live and work. Our audit also noted that the accountabilities of Ontario public colleges and their private partners in Vancouver were often unclear and could lead to confusion for both students and the public.

Our audit noted that staff from the Ministry of Advanced Education and Skills Training in British Columbia, along with staff from Immigration, Refugees and Citizenship Canada, had been raising concerns about this cross-jurisdictional partnership arrangement to the Ministry since 2017 and recommended that the cross-jurisdictional partnerships not continue, at least until Ontario was able to consult with all provinces. At the time of our 2021 audit, the Ministry had not addressed the concerns raised.

In March 2023, the Ministry released an updated Partnerships Directive, in which colleges are prohibited from having public college-private partnerships in another province or territory of Canada. Existing public college-private partnerships that are operating in another province or territory are required to be wound down by September 2024.

4.3 Performance Measurement and Reporting

Recommendation 10

To foster and support continuous improvement of public college performance under future Strategic Mandate Agreements, we recommend that the Ministry of Colleges and Universities work with public colleges to reassess their performance target-setting formula so that targets are not set lower than the prior year's target and/or actual performance achieved.

Status: Little or no progress.

Details

We found in our 2021 audit that the way colleges' performance-based targets were established in the 2020–2025 Strategic Mandate Agreements could result in undesired consequences. Colleges that exceeded their own performance target on a metric in one year could still have a lower target set on the same metric the following year. From our review of four selected public colleges, we noted that 18 of the 20 metrics (four colleges with five Strategic Mandate Agreement metrics each) were met in 2020/21. Of these 18 metrics, eight had a lower target set for 2021/22 compared to those of the prior year.

As mentioned in **Recommendation 1**, our follow-up found that in March 2023 the Ministry created an expert panel to provide advice and recommendations on keeping the post-secondary education sector financially stable and focused on providing the best student experience possible. Recommendations from the panel will inform the Ministry's approach to developing the next round of Strategic Mandate Agreements with the public colleges. The Ministry will also evaluate the outcomes from the current Strategic Mandate Agreements to assess the effectiveness of the performance-based funding model. The work is scheduled to begin in 2023/24. The Ministry projects that the new agreements will be effective by March 2025.

Recommendation 11

To align the performance-based metrics established for public colleges under the Strategic Mandate Agreements with the mandate of public colleges, we recommend that the Ministry of Colleges and Universities reassess future performance metrics and modify them so that the metrics:

- *are within the control of public colleges;*
- *incentivize colleges to meet workforce needs even though graduate earnings might be less for some sectors; and*
- *do not further increase dependency on international enrolments without a longer-term strategy in place to address the risks of this approach for financial sustainability.*

Status: Little or no progress.

Details

In our 2021 audit, we found that while the "graduate employment rate in a related field" metric in Strategic Mandate Agreements provided useful information about how successful graduates were in finding employment related to their studies, performance on this metric was not within the control of public colleges, and they were penalized if their performance on this metric did not meet set targets. Also, having another metric (graduate employment earnings) that is tied to graduates' earnings could disincentivize colleges from offering programs for careers with less earnings potential, even if graduates from these programs are needed within society.

We also found that two metrics have the effect of encouraging colleges' continued dependence on international student enrolment: "community/local impact of student enrolment," and "revenue attracted from private sector sources."

As mentioned in **Recommendation 1**, we learned that in March 2023 the Ministry created an expert panel to provide advice and recommendations on keeping the post-secondary education sector financially stable and focused on providing the best student experience possible. Recommendations from the panel will inform the Ministry's approach to developing the next round of Strategic Mandate Agreements with the public colleges. The Ministry will also evaluate the outcomes from the current Strategic Mandate Agreements to assess the effectiveness of the performance-based funding model. The work is scheduled to begin in 2023/24. At the time of writing, new Strategic Mandate Agreements had not yet been negotiated or signed; the Ministry projected that the new agreements would be effective by March 2025.

Recommendation 12

So that prospective students and the public are better informed about the performance of public colleges, we recommend that the Ministry of Colleges and Universities:

- *reinstate the collection and reporting of student satisfaction by individual colleges;*

Status: Little or no progress.

Details

In our 2021 audit, we found that beginning in the 2019/20 academic year, the Ministry stopped collecting information on student satisfaction rates. The Ministry indicated to our Office that it stopped collecting this information in favour of prioritizing the collection of data on labour market outcomes for graduates. Although many colleges have continued to individually collect and publish this information, our view was that the Ministry should also collect and report this data, along with the other performance information, on its website to easily allow prospective students and the public to compare results across all colleges.

In our follow-up, we found that the Ministry was reviewing options on the reintroduction of the student satisfaction survey. A decision on next steps with respect to the Ministry-run survey is expected to be made by the end of 2023. If the student satisfaction survey is reintroduced, the Ministry would need to secure funding, undertake a procurement process to select a survey provider, and work with the public college sector key performance indicator steering committee to develop and launch the survey.

- *publicly report the performance indicators for both domestic and international students;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that the Ministry established five key outcome performance indicators: graduate employment rate, graduation rate, graduate satisfaction rate, employer satisfaction rate, and student satisfaction rate. The Ministry published the performance indicator results annually for each college overall, but the results were not separated for domestic and international students.

In our follow-up, we found that the Ministry has made little progress to implement this recommendation. The Ministry indicated that it needed to conduct stakeholder consultation and subsequent approval from the key performance indicator steering committee. The committee is composed of both Ministry staff and college representatives who are all nominated by Colleges Ontario. The Ministry has not provided a timeline for when stakeholder consultation is expected to occur.

- *work with public colleges to identify barriers faced by domestic students and any opportunities to increase the domestic graduation rate.*

  Status: Little or no progress.

Details

Based on the data tracked internally by the Ministry, we determined in our 2021 audit that the domestic student graduation rate was 16–20% lower than that of international students between 2016/17 and 2020/21.

In our follow-up, we found that the Ministry has made little progress to implement this recommendation. The Ministry told us it had not yet consulted with stakeholders to better understand factors that contributed to lower graduation rates. The Ministry also indicated that public colleges were ultimately responsible for graduation rates and student performance.

4.4 Provincial COVID-19 and Capital Funding for Public Colleges

Recommendation 13

To confirm that the funding from the COVID-19 Emergency Fund and Support Fund was allocated to colleges most impacted by the pandemic, we recommend that the Ministry of Colleges and Universities (Ministry):

- *complete its assessment of whether the public colleges that received this funding met the eligibility criteria using the most recent audited financial statements and other updated information obtained from public colleges; and*

- *recover any excess of COVID-19 support funding based on the results of the Ministry's assessment.*

  Status: Fully implemented.

Details

In our 2021 audit we found that the Ministry provided public colleges with two rounds of support funding, totalling $75.6 million, to help them manage additional, unforeseen costs during the pandemic. Seven colleges used the full amount of funding in the fiscal year granted. Five colleges received a total of $26.7 million. These colleges did not use the full amount within the fiscal year ending March 31, 2021, and deferred a portion of the funding for expenses incurred in the next fiscal year, up to June 30, 2021. The amount deferred by the five colleges totalled $14.7 million. The Ministry indicated to us in June 2021 that it planned to assess whether recoveries would be appropriate after financial reports from the public colleges were submitted in October 2021.

Our follow-up found that the Ministry received financial reports from the 12 public colleges regarding their spending related to the COVID-19 Support Funding in October 2021. In November 2021, the Ministry completed its assessment on the submitted reports and concluded that all 12 public colleges had used the funds for intended purposes, there had been no

program underspending, and therefore recoveries were not required.

Recommendation 14

To better allocate capital funding to public colleges based on deferred maintenance needs, we recommend that the Ministry of Colleges and Universities:

- *conclude its re-evaluation of the way it allocates funding to colleges for deferred maintenance; and*
- *allocate funding based on a method that considers colleges' facilities condition and colleges' management of their deferred maintenance work from self-generated funds.*

Status: In the process of being implemented by March 2025.

Details

Our 2021 audit found that the allocation of Facilities Renewal Program funding to assist the public colleges with the maintenance and upkeep of their facilities was based on the public colleges' domestic enrolment levels and did not take into consideration the deferred maintenance and state of repair needs of individual colleges.

In January 2021, public colleges (through Colleges Ontario) entered into a Memorandum of Understanding with the Ministry, as well as with the Ministry of Infrastructure, to share facility assessments obtained from the colleges on a building level so the ministries could track the facilities' conditions and deferred maintenance needs in more detail. At the time of our audit, the Ministry indicated that it planned to re-evaluate how funding is allocated, but it had not yet established a funding formula based on the information gathered.

In our follow-up, we found the Ministry has been working in collaboration with the public college sector to improve the accuracy and completeness of the sectors' facilities-asset data. However, in March 2023, part way through the evaluation process, the Ministry became aware of major data-integrity issues with the data set as a result of changes in vendors a few years ago. Therefore, the Ministry collected updated facility-assessment data from the public colleges in August 2023.

The Ministry indicated that its re-evaluation of the existing funding methodology for deferred maintenance is scheduled to be conducted after the next two asset data collection cycles are concluded, by June 2024. The Ministry wanted to have two years of validated asset-condition data upon which to base the new funding methodology, and expected to use the June 2023 and June 2024 asset-condition submissions. Approval of the new funding methodology was expected by March 31, 2025.

Based on the facility-assessment data collected in August 2023, and to be collected in June 2024, the Ministry plans to implement a revised funding-allocation methodology at the start of the fiscal year 2025/26.

4.5 Public Colleges' Programs and Job Market Needs

Recommendation 15

To maintain consistent, high-quality and relevant non-degree programs as offered by public colleges, and to help students achieve Ontario's desired learning outcomes, we recommend that the Ministry of Colleges and Universities:

- *update non-degree program standards that have not been revised within the intended five- to 10-year time frame for updating standards; and*
- *develop program standards for all applicable non-degree programs.*

Status: In the process of being implemented by December 2026.

Details

Our 2021 audit found that, as of May 2021, 36 (or 24%) of the 147 non-degree program standards had not been updated within the Ministry's intended five- to 10-year time frame. Thirty-one of the 36 program standards were updated between 11 and 14 years ago. The remaining five programs were last updated over 18 years ago. A total of 3,456 students were enrolled in these non-degree programs in 2019/20 across all 24 public colleges.

In our follow-up, we found that, in May 2022, the Ministry approved an additional $720,000 per year for the following two years, increasing the total budget to $1 million annually, to review and create more program standards. In 2022/23, the Ministry used the additional funding to hire nine external expert facilitators to add to the existing complement of three external expert facilitators. The newly hired facilitators reviewed 15 program standards that, as of 2022/23, were more than five years old. For 2023/24, the Ministry is planning to review another 16 program standards.

The Ministry has identified a further 50 program standards that are at least five years old and will need to undergo a program standard revision that the Ministry expects to be implemented by December 2026.

Our 2021 audit identified the top 10 non-degree programs that did not have program standards; these programs had significant enrolments annually and were offered by several different public colleges. In our follow-up, the Ministry told us that it would work to identify any non-degree programs with sufficient enrolments in multiple colleges to prioritize for the development of full program standards. The Ministry aims to implement this recommendation by December 2026.

Recommendation 16

To enable timely approval processes for both degree and non-degree programs so that colleges can respond quickly to employer needs, while ensuring program quality and needs are met, we recommend that the Ministry of Colleges and Universities:

- *create specific documented guidance and a checklist that should be used by each Ministry program reviewer when reviewing a program approval application submitted by a public college;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that delays in program approvals by the Ministry, for both non-degree and degree programs, had hindered public colleges' ability to respond quickly to both offer programs that met employer needs, and to accept student enrolments. Many factors contributed to these delays, including additional follow-up required from institutions, staff turnover within the Ministry and delays in receiving final approval from the Minister's office.

During our follow-up, we found that the Ministry developed a guideline document to support public colleges in preparing and submitting program-approval applications to the Ministry. The document outlines what information should be included by colleges when preparing an application, the different steps involved in the review and approvals processes, as well as what colleges can expect in terms of review and approval timelines. In 2022, the Ministry also developed an evaluation scoring tool to support Ministry reviewers when assessing an application for Ministry funding of a new program. Tracking and reporting of the program-approval timelines was also introduced, along with updates to the submission application to support the submissions process.

- *provide status updates on the approval process to public colleges (every two to three months) so that colleges can understand the timing and probability of program approvals;*

  Status: In the process of being implemented by December 2023.

Details

In our 2021 audit, we found that the timeliness of the approval process had been improving: programs submitted between April and June 2020 took on average 251 days to receive approval whereas programs submitted in January and March 2021 took an average of 155 days. However, the Ministry's internal target of a 90-day, or three-month, timeline from submission to approval had not been met since the overall average was 188 days from April 2020 to March 2021. Many college presidents expressed concerns that they had not been notified of the status of their program applications on a timely basis.

In our follow-up, we found that the Ministry drafted guidelines for the new program approval processes and a draft document that will be used to provide, on

an ongoing basis, quarterly updates for the previous quarter to the public colleges. In November 2022 these two documents were shared with the public colleges to solicit their feedback and input was received in December 2022. The updated program approval guidelines, as well as the quarterly update, is currently in development. The Ministry anticipates both documents will be finalized and released by December 2023.

- *track and identify reasons for delays in the degree and non-degree program approval processes; and*
- *take corrective actions in a timely manner.*

Status: Fully implemented.

Details

In our follow-up, we found that the Ministry committed to provide degree and non-degree program approvals within 60 to 90 business days. To improve the process, the Ministry developed a tracker for program approvals that captures the status of all program funding reviews, including the timelines involved in arriving at the final decision. This tracker also allows the Ministry to track and identify reasons for delays. The Ministry updated the tracker in September 2022 to better capture the program-approval processes such as: the number of business days it took at every stage of the review and approval process for each individual program; the overall averages on a quarterly basis; and whether a program requires Minister approval and why. In 2022/23, the average time was 38 business days for college program funding approvals. Since the process was implemented, there have not been any reported delays in the degree and non-degree program-approval processes, so no corrective actions have been needed.

4.6 Public College Board Governance

Recommendation 17

To strengthen the orientation processes for new public college board governors we recommend, where applicable, the boards of Loyalist, Sault, Seneca and St. Clair:

- *require, as per the Ministry's Protocol for Board Nominations and Appointments, that external governors attend the College Centre of Board Excellence's (CCBE's) orientation sessions;*

Status:
St. Clair – Fully implemented.

Loyalist, Sault, Seneca – Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation as the Colleges Ontario's orientation sessions provide information specifically focused on the post-secondary education sector and its relationship with the Ministry.

Details

We found in our 2021 audit that the Ministry's Protocol for Board Nominations and Appointments (Protocol) stated that public college boards were to ensure new board members participate in Colleges Ontario's orientation sessions. These sessions provide information on the post-secondary education sector and relationship with the Ministry, as well as key elements of good governance. However, we found that not all public college boards encourage new external members (Lieutenant Governor in Council and board-appointed) to attend the Colleges Centre of Board Excellence (CCBE) training, and attendance of external members from the four colleges we reviewed varied. For one college (Seneca), only one external member had attended this orientation since 2014.

In our follow-up, we found that St. Clair has fully implemented this recommendation. Effective January 2022, the college has a board policy that stipulates that each new board member will be required to complete a CCBE Certificate of Good Governance certificate within two years of being appointed to the board. One of the certificate courses is an in-person board orientation session.

The other three colleges have indicated they will not require external governors to attend the CCBE's orientation sessions on the grounds that new board members are required to attend their college's own internal orientation training instead. These colleges

told us they will, however, provide the opportunity for new governors to attend CCBE's orientation session.

- *encourage the ongoing development of external governors by setting a minimum participation rate for external governors to attend CCBE courses over a specified period of time, with the aim of achieving the CCBE's Good Governance and Advanced Good Governance certificates.*

  Status:
  St. Clair – Fully implemented.

  Loyalist, Sault, Seneca – Will not be implemented.

  The Office of the Auditor General of Ontario continues to support the implementation of this recommendation as ongoing CCBE governance training is a best practice.

Details

We found in our 2021 audit that, according to the Protocol, public college boards are responsible for providing ongoing development activities for board members. Our review of the four colleges found that little ongoing governance training was provided, with three of the four colleges relying on the CCBE's Board Excellence Certificate program for those members who wished to attend. Governors can earn certificates at two levels: Good Governance and Advanced Good Governance. While the training was not mandatory, the various governance modules included in these certificates covered a variety of governance topics, such as enhancing the performance of governors and integrated risk management, and were an opportunity for public college board members to share practices.

In our follow-up, we found that St. Clair has fully implemented this recommendation. In addition to the requirement for new board members to complete a Certificate of Good Governance within two years of being appointed to the board, St. Clair has also adopted a policy that requires candidates to complete the Advanced Good Governance certificate in order to be eligible to serve as board chair. The other colleges have indicated that they will continue to encourage governors to attend the training, but will not set minimum participation rates. They told us that their governors have sufficient board skills from previous experiences.

Recommendation 18

To strengthen its oversight of boards of governors' conflict of interest policies and processes, including ensuring greater alignment with leading governance practices, we recommend that the Ministry of Colleges and Universities:

- *update its directives to require public college board governors to complete annual Conflict of Interest Declaration Forms that are reviewed by board chairs;*

  Status: In the process of being implemented by December 2023.

Details

In our 2021 audit, we found that although all four colleges had conflict of interest policies, none required board members to complete an annual Conflict of Interest Declaration Form. One college required governors to sign an annual code of conduct form, and another required an annual attestation indicating that governors had read and understood the college's conflict of interest policy. Our review of meeting minutes found that these four colleges' boards complied with the Conflict of Interest Minister's Binding Policy Directive's requirement to call for conflicts of interest at the beginning of every board meeting. However, some meeting minutes did not document the resolution of identified conflicts, or whether the member with the conflict of interest recused themselves from the meeting when the item arose.

In our follow-up, we found that the Ministry was working to implement a revised Conflict of Interest Minister's Binding Policy Directive to require public college board governors to complete annual Conflict of Interest Declaration Forms that are reviewed by the board chairs. The Ministry expects to complete this by December 2023.

- *confirm on an annual basis that the updated directive is adhered to by the public colleges.*

  Status: In the process of being implemented by December 2024.

Details

Our 2021 audit noted that leading governance practices for managing conflicts of interest recommend that

all members sign conflict of interest declaration forms annually, and that they recuse themselves from the boardroom discussion/voting when conflicts of interest arise.

As mentioned in the first action under **Recommendation 18**, the Ministry was working to implement a revised Conflict of Interest Minister's Binding Policy Directive that will require public college board governors to complete annual Conflict of Interest Declaration Forms that are reviewed by board chairs. As part of this process, the Ministry plans to require annual attestations of compliance starting in fall 2023, and anticipates this process will be completed by the end of 2024.

Recommendation 19

To strengthen their board of governors' conflict of interest policies and processes, including ensuring greater alignment with leading governance practices, we recommend that the boards of governors of Loyalist, Sault, Seneca and St. Clair colleges have their board members complete an annual Conflict of Interest Declaration Form, which is then reviewed by the board chair.

Status:
Sault, Seneca, St. Clair – Fully implemented.

Loyalist – In the process of being implemented by September 2024.

Details

Our 2021 audit identified leading governance practices for managing conflicts of interest which recommend that all members sign Conflict of Interest Declaration Forms annually, and that they recuse themselves from the boardroom discussion/voting when conflicts of interest arise. The best examples of such declaration forms require members to list all of their professional and community involvements, as well as identify any personal or potential conflicts that may exist. Once signed and dated by the board member, the chair should review the completed form and discuss any mitigating actions that will be taken with the member, which is recorded on the form. If any changes occur during the year, the member should be required to update the form within the year.

In our follow-up, we found that Sault, Seneca and St. Clair now require that their board members complete an annual Conflict of Interest Declaration Form, which is subsequently reviewed by the board chair. Loyalist College is in the process of implementing this recommendation to be completed and reviewed by the board chair by September 2024.

Recommendation 20

To improve board performance in fulfilling governance functions and to align with leading governance practices, we recommend that the boards of public colleges:

- *conduct board evaluations on an annual basis, and make tangible improvements to their board's practices as a result of the evaluation process;*

  Status: Fully implemented.

Details

Over the two-year period reviewed for our 2021 audit (2019/20 and 2020/21), only two of the four colleges (Seneca and St. Clair) conducted board evaluations in compliance with the Governance and Accountability Framework Minister's Binding Policy Directive. Although the two colleges that did conduct board evaluations included some good practices such as assessing committee effectiveness, chair effectiveness, and satisfaction with corporate secretary support to the board, we found that the evaluations' impact on board functioning could be improved, as tangible changes were not evident as a result of the evaluations. We noted that none of the colleges conducted peer assessments of individual directors' overall governance contribution. However, one college (Seneca) included peer assessments in evaluating directors' committee roles.

In our follow-up, we found that each of the four public colleges we reviewed in depth were conducting annual board evaluation surveys, with Sault administering its first in June 2023. As a result of surveys conducted in 2022, improvements to board practices were made, including resuming in-person meetings following the pandemic, and providing regular

board presentations on core operations and emerging priorities.

- *conduct comprehensive, documented annual performance evaluations of the president, based on meaningful criteria and performance measures that identify leadership competency strengths, achievement of strategic objectives, and opportunities for improvement.*

  Status:
  Loyalist, Sault, and St. Clair – Fully implemented.

  Seneca – In the process of being implemented by June 2024.

Details

We found in our 2021 review of the four colleges that some had a more thorough approach than others in how they conducted an annual performance evaluation of their president. We also noted instances where the chair and/or board committee communicated the president's performance review results and feedback verbally, and found that the feedback discussed was not always documented in writing.

In our follow-up, we found that each of the four colleges we reviewed in depth (Loyalist, Sault, Seneca and St. Clair) conduct annual performance evaluations of their presidents. At both Loyalist and St. Clair, board members complete comprehensive written surveys, that include specific performance objectives, to evaluate the performance of their presidents. Sault board members complete an annual appraisal questionnaire that contains limited information on the specific targets or objectives against which performance is being evaluated. Seneca is in the process of implementing the recommendation for its 2023/24 board cycle, which concludes in June 2024.

Recommendation 21

To support public college boards to operate with a full complement of board members, and provide for an orderly transition of appointees, we recommend that the Ministry of Colleges and Universities:

- *stagger the terms of the Lieutenant Governor in Council appointments;*

  Status: In the process of being implemented by September 2026.

Details

In our 2021 audit, we found that most of the colleges did not have staggered terms for Lieutenant Governor in Council (LGIC) appointments, which means that many LGIC appointments could become vacant at the same time. The Ministry's Protocol for Board Nominations and Appointments advises that appointment terms for external members should be staggered in order to maintain continuity and experience for the board overall.

In our follow-up, we found that the Minister of Colleges and Universities approved and committed to implement this recommendation to stagger the terms of LGIC appointments on public college boards starting in fall 2023. It is an ongoing process to maintain staggered LGIC appointments and the maximum term that a LGIC board member can be appointed for is three years. As such, it will take several years for this recommendation to be fully implemented, which is expected to be by the end of the three-year board cycle in September 2026.

- *appoint members on a timely basis to comply with the September 1 start date under the regulation O. Reg 34/03 of the* Ontario Colleges of Applied Arts and Technology Act, 2002.

  Status: In the process of being implemented by September 2024.

Details

In our 2021 audit, we found delays in the LGIC appointment process can result in not all LGIC appointees starting on September 1, as required. This delay can negatively impact the functioning of a board as it would not have a full complement of members for decision-making. At the time of our review in 2021, 10 public college boards had a full complement of LGIC appointments in place. Fourteen other colleges lacked between one and three LGIC appointees.

In our follow-up, we found that in February 2023 the Ministry issued a memo to public colleges inviting them to submit nominees for the Minister's consideration for LGIC appointments for terms beginning in September 2023. For the start of the academic year in September 2023, 29 appointments had been made, but there remained 21 LGIC vacancies across 16 of the 24 public colleges. The Ministry aims to appoint all LGIC appointments in a timely manner for September 2024.

4.7 Financial Statements and Annual Reports of Public Colleges

Recommendation 22

To provide transparency to the public and to comply with all accountability reporting requirements and operating procedures, we recommend that:

- *Fanshawe and St. Clair submit their audited financial statements to the Ministry of Colleges and Universities by the required deadline;*

  Status: Fully implemented.

Details

The Audited Financial Statements Operating Procedure requires public colleges to submit their audited financial statements to the Ministry annually by June 15. Our 2021 review of all 24 public colleges' financial statements for the prior five years (2016/17–2020/21) found that Fanshawe and St. Clair had consistently reported their statements about two weeks after the deadline each year.

In our follow-up, we found that Fanshawe's 2022/23 audited financial statements were completed on June 9, 2023, and St. Clair's 2022/23 audited financial statements were completed on May 24, 2023. Both colleges met the June 15, 2023 deadline.

- *Canadore, George Brown and Sault make their annual reports publicly available on their websites on a timely basis;*

  Status:
  George Brown and Sault – Fully implemented.

  Canadore – In the process of being implemented by July 2024.

Details

The Annual Report Operating Procedure states that public colleges are required to submit their annual report, including a copy of their audited financial statements, by July 31 and to ensure that the report is made publicly available by posting it on their website.

Our 2021 audit found that 21 of the 24 colleges' annual reports for 2020/21 were publicly available on their websites as of July 31, 2021; the annual reports for Canadore, George Brown and Sault were not. As of the beginning of October 2021, of the three, only George Brown had published its report online.

Our follow-up found that George Brown and Sault were publishing their annual reports on their websites on a timely basis. Canadore did not post its 2022/23 annual report by July 2023 and aims to implement the recommendation for the 2023/24 annual report, to be published by July 2024.

- *Loyalist and St. Clair include complete audited financial statements in their annual reports on their operational performance.*

  Status: Fully implemented.

Details

Our 2021 audit found that Loyalist and St. Clair did not include their full audited financial statements in their annual reports, as required by the Ministry's operating procedures. While these two college's audited financial statements were publicly available on their websites, they included only summarized financial statements in their annual reports.

Our follow-up found that for 2021/22, both Loyalist and St. Clair included complete audited financial statements in their annual reports on their operational performance.

Recommendation 23

To provide effective oversight of public colleges and their compliance with the accountability reporting requirements, we recommend that the Ministry of Colleges and Universities maintain documentation regarding delays from public colleges that are consistently submitting their

audited financial statements late, and take corrective action to address the causes for the delays.

Status: Fully implemented.

Details

As mentioned in relation to **Recommendation 22**, we found during our audit that Fanshawe and St. Clair consistently reported their audited financial statements about two weeks late each year. We requested the reasons for these delays from the Ministry, but the Ministry could not provide documentation from these colleges. In 2021, the Ministry followed up with the two colleges to remind them that they were overdue in their submissions; the colleges subsequently submitted their statements.

In our follow-up, we found that the Ministry sent reminders to public colleges to submit their 2021/22 audited financial statements on a timely basis. Only four public colleges—Centennial, Fleming, Georgian and La Cité—submitted their financial statements late by an average of nine days for the 2021/22 fiscal year. Fanshawe and St. Clair submitted their financial statements on time.

For fiscal year 2022/23, the Ministry implemented a new requirement that public colleges make a written request in advance if seeking an extension to their financial statement filing deadline.

Recommendation 24

To improve the reliability and usefulness of public colleges' financial statements, we recommend that:

- *the 18 public colleges (Algonquin, Boréal, Cambrian, Canadore, Conestoga, Confederation, Fanshawe, Fleming, La Cité, Lambton, Loyalist, Mohawk, Niagara, Northern, Sault, Seneca, Sheridan, and St. Clair) append a signed statement of management responsibility dated on or before the date of the audit opinion to their audited financial statements published on their websites;*

  Status: Fully implemented.

Details

Our audit found that the 2020/21 audited financial statements of 18 of the 24 public colleges did not include a signed statement of management's responsibility, as required under Canadian public sector accounting standards. This statement acknowledges that college management is responsible for preparing the college's financial statements in accordance with the college's accounting framework.

Our follow-up found that all 18 colleges appended a signed statement of management responsibility to their 2022/23 audited financial statements, which was dated on or before the date of the audit opinion.

- *Fanshawe include board signatures in its published audited financial statements.*

  Status: Fully implemented.

Details

Our 2021 audit also found that, of the 18 colleges, Fanshawe's financial statements did not include board signatures signifying their approval of the financial statements. This lack of formal acknowledgement of the financial statements by the board might have diluted the perceived reliability of the statements to readers, as it was unclear whether or not the financial statements were indeed reviewed and approved by the board.

From our follow-up we learned that Fanshawe's 2022/23 audited financial statements included signatures of the board chair and the president.

Recommendation 25

To improve the quality of financial information received from public colleges, we recommend that the Ministry of Colleges and Universities require public colleges to report the gross revenue earned and expenses incurred from their public-private college partnerships in their statement of operations, and include a description of the partnership revenue stream in the notes to their financial statements.

Status: Will not be implemented.

The Office of the Auditor General continues to believe public colleges should provide more detailed financial information about their public-private college partnerships.

Details

We found in our 2021 audit that all six public colleges (Cambrian, Canadore, Lambton, Northern, St. Clair, and St. Lawrence) with long-standing public-private college partnerships established prior to the Partnerships Directive did not provide sufficient disclosures in the notes to their 2020/21 financial statements. None of the six public colleges disclosed the amount of revenue earned, or fees paid, related to the partnerships in their financial statements. Given the significance of this revenue stream, we expected the amount earned to be presented as a separate line item in the statement of operations or, at a minimum, be disclosed in the notes to the financial statements. As such, users of the public colleges' financial statements were not fully aware of the existence and extent of this international student revenue stream.

In our follow-up, we found that the Ministry consulted with the public colleges on the disclosure of public-private college partnerships in their financial statements. The public colleges, in consultation with their auditors, have decided not to implement this recommendation as they believe the existing presentation of their financial statements to be in accordance with accounting standards. The Ministry states that public colleges are responsible for the selection and implementation of accounting policies based on the advice of their auditors. The Ministry indicated that it will not implement this recommendation, as it does not intervene in the reporting process if colleges report in accordance with what is permissible under accounting standards, with support from their auditors.

For public colleges that continue to report partnership revenues on a net basis, the Ministry requires them to complete additional forms and schedules to allow the Ministry to adjust the financial information used for the consolidation process. The Ministry indicated that it will continue to work with public colleges to improve consistency and presentation of financial information.

Recommendation 26

To improve the reliability and usefulness of public colleges' financial statements, we recommend that any public college that has or enters into a partnership with a private career college:

- *report the gross revenue earned and expenses incurred (instead of revenue on a net basis) from their public-private college partnerships in their statement of operations;*

  Status:
  Cambrian, Canadore, Fanshawe, Georgian, Lambton, Loyalist, Mohawk, Niagara, Northern, Sault, St. Clair – Fully implemented.

  St. Lawrence – Will not be implemented.

  The Office of the Auditor General continues to support the implementation of this recommendation.

Details

Our 2021 audit found that Cambrian, Northern and St. Lawrence presented revenues and expenses related to partnership arrangements in their statement of operations on a net basis (that is, in a single line item). Canadian public sector accounting standards require revenues and expenses to be presented separately, on a gross basis.

In our follow-up, we found that six colleges (Cambrian, Fanshawe, Georgian, Mohawk, Niagara and Northern) have implemented this recommendation by reporting the gross revenue earned and expenses incurred from their public-private college partnership on a gross basis in their financial statements. This is in addition to the five colleges that had already presented the revenue and expenses in this manner at the time of our audit in 2021 (Loyalist, Sault, St. Clair, Canadore, Lambton).

St. Lawrence has indicated it will not implement this recommendation because it believes the existing presentation of its financial statements to be in accordance with accounting standards. Our Office disagreed with this assessment based on our review and analysis of the arrangement during our 2021 audit and continues to support the implementation of this recommendation by St. Lawrence College.

- *include the partnership revenue stream as a separate revenue line item either in the statement of operations or within a separate schedule in the*

financial statements, in addition to a description of the revenue stream in the notes to their financial statements.

Status:
Lambton, Mohawk, Niagara, St. Clair – Fully implemented.

Cambrian, Canadore, Fanshawe, Georgian, Loyalist, Northern, Sault, St. Lawrence – Will not be implemented.

The Office of the Auditor General continues to support the implementation of this recommendation.

Details

In our 2021 audit, we found that all six public colleges that had long-standing public-private college partnerships did not provide sufficient disclosure of their partnership revenue stream in their financial statements. We recommended that all colleges with a partnership arrangement improve the reliability and usefulness of their financial statements by adding this information.

In our follow-up, we found that four colleges (St. Clair, Lambton, Mohawk and Niagara) have fully implemented this recommendation by disclosing the partnership revenue stream as a separate line item in their financial statements or in a supporting schedule, and included a description of this revenue stream.

Six colleges (Canadore, Fanshawe, Georgian, Northern, Sault, St. Lawrence) had partially implemented the recommendation by disclosing the existence of a partnership in their 2022/23 financial statements, but will not be implementing the remainder of the recommendation to disclose the amount of revenue earned from this revenue stream each year. This is similar to two colleges (Loyalist and Cambrian) that indicated that they will not be implementing this recommendation due to the confidentiality clause within their respective partnership agreements. Our Office continues to believe that it is important for a college to disclose that it has entered into a partnership agreement and the revenue earned through the partnership.

Chapter 1
Section
1.19

Ministry of Economic Development, Job Creation and Trade
Ministry of Public and Business Service Delivery
Ontario Centre of Innovation

Follow-Up on 2021 Value-for-Money Audit:

5G Network Technology and Related Pre-commercial 5G Program

RECOMMENDATION STATUS OVERVIEW						
		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	4	1	1	2	0	0
Recommendation 2	3	1	0	1	0	1
Recommendation 3	1	0	0	0	0	1
Recommendation 4	5	2	3	0	0	0
Recommendation 5	2	0	0	0	0	2
Recommendation 6	1	0	0	0	0	1
Recommendation 7	1	0	0	0	0	1
Recommendation 8	1	0	0	0	0	1
Recommendation 9	1	0	1	0	0	0
Recommendation 10	4	3	1	0	0	0
Total	**23**	**7**	**6**	**3**	**0**	**7**
%	**100**	**30.5**	**26**	**13**	**0**	**30.5**

Overall Conclusion

The Ontario Centre of Innovation (OCI), the Ministry of Economic Development, Job Creation and Trade (Ministry), and the Ministry of Public and Business Service Delivery, as of September 29, 2023, have fully implemented 30.5% of the actions we recommended in our *2021 Annual Report*. OCI has made progress in implementing an additional 26% of the recommended actions. Little or no progress has been made on 13%, or three, of the actions we recommended. Seven recommended actions (30.5%) are no longer applicable because, although the ENCQOR 5G Program (explained below in the Background) was extended past the projected March 2022 date, it was concluded

on September 30, 2022, and no new small and medium-sized enterprises (SMEs) were onboarded during that time.

Among the 30.5% of recommended actions that OCI has fully implemented is the recommendation to create a budget-review process to ensure that program budgets are reviewed for reasonableness based on consistent criteria and that all five projects that we sampled had allocated funds to eligible project costs only. It created this review process in March 2023. Other fully implemented recommendations include putting in place a standardized framework for the protection of intellectual property generated by entities receiving public funds, and including project-performance metrics in future transfer payment agreements. OCI also fully implemented our recommendation to enact and enforce a conflict of interest policy for every provincially funded project it undertakes, requiring applicants and reviewers to disclose the nature of any prior engagement with OCI, including perceived conflicts of interest.

We also noted that the Ministry has fully implemented our recommendation relating to establishing project performance metrics and targets. To demonstrate this, the Ministry was able to show that it had developed a Business Success Transformation Manual in September 2021 that includes a Business Success Metric, a common evaluation framework that enables an evaluation of business supports, including their return on investment, value for money and progress toward targets. In addition, the Ministry has defined measurable project performance targets, such as number of new jobs created and retained, total amount of incremental sales, and new intellectual property submitted for consideration within two subsequent transfer payment agreements it signed with OCI in April 2023.

The recommended actions on which OCI has made progress (26%) include effectively allocating program funds, including applying compensation limits and reviewing the allocation of funding. We noted that additional work needs to be performed to ensure these processes are being applied consistently and allocated between different expense categories. OCI also updated its procurement policy in July 2021 to certify and record evidence that SMEs have followed the Broader Public Sector Procurement Directive; however, additional due diligence is required to ensure that goods and services procured by SMEs are being obtained through a competitive procurement process. OCI has also been able to demonstrate that it has performed an independent assessment of cybersecurity reports or system and organization controls (SOC) reports from its key IT vendors, to provide assurance over IT operations that are performed or managed by OCI's vendors.

Although the ENCQOR 5G Program has concluded, the Ministry would work with OCI and other technology partners to implement continuous testbed usage tracking, should this program be re-established. OCI will ensure that it has clearly defined sector allocations in its future contracts with SMEs. OCI will continue to work with its IT vendors to obtain and review cybersecurity reports, including penetration-testing reports. OCI holds regular meetings with its key IT vendor to highlight and address incident-resolution issues, and has ensured that key performance metrics are included in the draft service-level agreement renewal for ongoing monitoring.

The 13% of the recommended actions on which the Ministry and OCI have made little progress include the recommendation for OCI to implement a due diligence protocol to verify program outcome data. Also, the Ministry of Public and Business Service Delivery has not yet set out clearly defined roles, responsibilities or strategy regarding privacy, and security surrounding the implementation of the 5G network in Ontario. The privacy mandate for telecommunications is a federal responsibility. The Ministry of Public and Business Service Delivery continues to work with its federal counterparts on these issues.

Included in the 30.5% of recommended actions that are no longer applicable is the recommendation to the Ministry concerning updating the Transfer Payment Agreement to include measurable performance targets. Subsequent to our audit in 2021, the ENCQOR 5G

Program was extended from March 2022 to September 2022 via a bridge contract amendment to accommodate the winding down of a few remaining projects, but no new SMEs were onboarded during that time. As a result, the existing Transfer Payment Agreement between OCI and the Ministry was not updated during this wind-down period. In addition, with the end of the program in September 2022, our recommendation to the Ministry to develop an exit strategy that incorporates decommissioning costs and ownership of intellectual property of the ENCQOR 5G test platform is no longer applicable. The Ministry advised us that it would create this strategy, as appropriate, for future programs. The recommendation to establish and quantify test platform usage and usage requirements across all streams, and implement a monitoring process for these, is also no longer applicable since the wind-up of the ENCQOR 5G Program, as are the recommendations relating to cybersecurity and to accept and enrol applicants in the ENCQOR 5G Program from a diverse range of industry sectors.

The status of actions taken on each of our recommendations is described in this report.

Background

In September 2016, the multinational technology companies Ericsson, Ciena and Thales jointly submitted a proposal to Canada's federal government, and the governments of Ontario and Quebec, to build and operate several 5G (fifth-generation) cellular network test platforms. The purpose of the test platforms was to provide entrepreneurs and researchers with access to a small-scale 5G network where they could try out and develop 5G-related concepts, projects and prototypes prior to the commercial availability of a 5G network. The technology vendors that constructed the platforms sought to benefit from collaborating with these small and medium-sized enterprises (SMEs) in order to create innovative and potentially patentable products.

The Ontario government's stated objective in supporting the technology vendors was to generate long-term economic benefits for the Province of Ontario through investment or job opportunities. In Ontario, the funding proposal was submitted to the Ministry of Economic Development, Job Creation and Trade (Ministry) under its Jobs and Prosperity Fund. The proposal was approved and ultimately became known as the ENCQOR 5G Program (Evolution of Networked Services through a Corridor in Québec and Ontario for Research and Innovation). Ericsson, Ciena and Thales collectively contributed a total of $200 million to the ENCQOR 5G Program, matched by $200 million in public money given by the three participating governments. The government of Ontario's share was $66.7 million.

To manage and deliver the program, the Ministry appointed the Ontario Centre of Innovation (OCI) as program administrator. The ENCQOR 5G Program ran entirely independently of the commercial implementation of 5G in the province. Housed at so-called innovation hubs (office locations dedicated to technological incubation and innovation), the test platforms were built solely for the ENCQOR 5G Program and were accessible to selected program participants for a limited time.

The majority of Ontario's ENCQOR 5G Program funding, $56.9 million (86% of total Ontario funds), was paid to Ericsson and Ciena to research, design, build and operate the three test platforms. The remainder ($9.8 million) was earmarked for program participants. At the time of our audit, the ENCQOR 5G Program had been running for 29 months and had hosted 401 projects in total, 282 of which had received funding on top of the opportunity to access a test platform. There were 330 program participants (some participants applied for more than one project).

Our audit found that the Ministry was unable to measure the overall effectiveness of the program because it had not established targets for five of its nine performance metrics, and OCI did not always verify the outcome data that participants reported. We also found that, before its termination, the program was able to enrol only half of the number of expected projects within its two highest-funded program streams. We

further noted that OCI did not formally review the proposed budgets of SMEs before allocating funds to them. Almost 92% of funding that went to the two highest-funded streams was allocated so as to match the amounts that SMEs had requested, without a formal assessment of what the SMEs needed.

Further, we determined that, out of a total of 306 projects that were required to use the test platforms under the iPaaS Access and Demonstration Program Streams, more than one-third (114) had not actually used the test platforms at all as of August 2021. Without monitoring the utilization of the test platforms, the Ministry was unable to assess their effectiveness. Low utilization was attributed to a six-month closure of the test platforms when the COVID-19 pandemic hit Ontario in March 2020, which temporarily restricted SMEs' physical access to the test platforms.

Some of our significant findings were:

- The legislation that was in place in Ontario to protect privacy and ensure data security predated emerging technologies such as 5G. Provincial policies and legislation concerning security and data privacy that specifically contemplated emerging technology such as 5G were not yet in place.
- OCI's fund and budget-allocation process required improvement to ensure that ineligible expenses were not approved. In almost all the cases we reviewed, OCI approved the amount requested by an SME participant. This meant that participants were allocated very different amounts of funding for performing similar roles. We noted that 89% of funding was budgeted as salaries and wages, whereas only 11% was allocated for other project costs. Some SMEs allocated Ontario funds to their daily operational expenses such as Internet service, office rental and medical insurance.
- Cybersecurity on the ENCQOR 5G test platforms should be strengthened. As part of our audit work, we performed a penetration test of the ENCQOR 5G network and identified cybersecurity concerns that were remediated immediately upon communication to the technology vendors. In addition, we identified improvements needed for recordkeeping, tracking of IT incidents and deletion of program participants' data.
- Weak cybersecurity practices at OCI put SMEs' proprietary data at risk of inappropriate disclosure. Our audit found that OCI's vendors, which managed critical IT systems on behalf of OCI as well as its day-to-day operations, did not regularly perform security tests such as penetration testing to identify network vulnerabilities. Confidential SME data, such as company profiles, employee qualifications and pay stubs with Social Insurance Numbers, were stored within these IT systems and remained vulnerable up until the completion of the program. We noted that OCI did not obtain service-level reports from its IT vendors to assess whether IT incidents were being resolved in line with industry best practices. Further, OCI did not have a penalty clause in its vendor contracts by which to hold vendors accountable for poor performance.
- The test platforms had been significantly underused. We found many instances where participants were allocated funding to develop a project on the 5G test platforms yet spent no time at all on the test platforms. In the two program streams where platform use was being tracked, utilization remained low. In one, 42% of projects (78 out of a total of 187 projects) had yet to use the test platforms at the time of our audit. In the other stream, 30% (36 out of 119) of SMEs had not made use of the test platforms. OCI was not regularly monitoring whether SMEs were using the platforms.

We made 10 recommendations, consisting of 23 action items, to address our audit findings. We received commitment from the Ministry and OCI that they would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between March 2023 and August 2023. We obtained written representation from the Ministry of Public and Business Service Delivery, the Ministry of Economic Development, Job Creation and Trade, and the Ontario Centre of Innovation that effective November 20, 2023, they had provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Existing Government Policies and Privacy Legislation Are Outdated and Do Not Contemplate Emerging Technologies Such as 5G

Recommendation 1

To support the future commercial implementation of the 5G network in Ontario, and reduce the risks to privacy, data security and intellectual property that will increase with this implementation, we recommend that the Ministry of Government and Consumer Services and the Ministry of Economic Development, Job Creation and Trade:

- *update relevant and appropriate provincial policies and legislation regarding the security and privacy of data to be able to address and respond to emerging technologies, including 5G;*
- *work with the federal government and key stakeholders to develop clear roles and responsibilities within an overall provincial strategy that encompasses privacy, security and ownership of data and intellectual property;*

Status: Little or no progress.

Details

In our 2021 audit, we found that the risk associated with 5G is with the enormous volume of data that can be shared and the large number of devices and users that will be on a 5G network in real time. The much greater size of the network means there are more entry points that could be exploited to silently obtain sensitive personal, proprietary and/or financial information. Therefore, the development of policies and legislation surrounding data privacy, data security and the ownership of intellectual property is critical to protect Ontarians who participate in the 5G network. A key role the Ontario government plays is in updating the applicable provincial legislation to take into account new and emerging technology such as 5G.

With respect to intellectual property, in April 2019 the Ontario government created a panel with expertise in intellectual law and education, and the commercialization of ideas to provide advice and recommendations on intellectual property policy in Ontario. In July 2020, the Ontario government announced the Intellectual Property Action Plan based on the recommendations made by this panel, known as the Expert Panel on Intellectual Property. However, we found in our audit that the Province had set out no clearly defined roles, responsibilities or strategy for its plan.

The Ministry of Public and Business Service Delivery (formerly the Ministry of Government and Consumer Services) is the lead ministry for providing advice to ministries and other institutions with respect to the collection, use and disclosure of personal information that is obtained by publicly funded bodies in the course of their operations.

In our follow-up, we noted that over the past two years since our audit report was published, the Ministry of Public and Business Service Delivery has worked with the federal government on the implementation of Bill C-27 (*An Act to enact the Consumer Privacy Protection Act, the Personal Information and Data Protection Tribunal Act and the Artificial Intelligence and Data Act and to make consequential and related amendments to other Acts,* also collectively known as the *Digital Charter Implementation Act, 2022*). Bill C-27 would include changes such as repealing parts of the current legislation regulating the use and disclosure of personal information for commercial activity, imposing new rules on private-sector organizations for the protection of personal information. It would also create a new administrative tribunal to hear appeals of orders

issued by the Privacy Commissioner, and apply a new administrative monetary penalty regime created under the *Consumer Privacy Protection Act*. Other measures contained in Bill C-27 include common requirements for the design, development and use of artificial intelligence systems, including measures to mitigate risks of harm and biased output, and prohibiting specific practices with data and artificial intelligence systems that could result in serious harm to individuals or their interests. The Ministry of Public and Business Service Delivery has also surveyed other jurisdictions and found that none of those surveyed are working at this time toward updating legislation or policies specific to 5G. It also informed us that the Information and Privacy Commissioner of Ontario is not considering providing guidance specific to 5G at this time. Although at the time of our audit the Ministry of Public and Business Service Delivery had made little or no progress in updating provincial policies and legislation in response to emerging technologies, including 5G, it continues to engage with the federal government to review proposed changes to Bill C-27, and is dependent on the federal government's direction to update the relevant privacy regulations, since the privacy mandate for telecommunications is a federal responsibility.

- *update the existing standardized governance framework to explicitly include requirements for the protection of intellectual property generated by entities receiving public funds;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that no intellectual property had been generated from the selected projects that we reviewed as part of the ENCQOR 5G Program as of December 2020. However, in the event that entities that receive public funds do develop intellectual property, we recommended that the existing standardized governance framework be updated to explicitly include protections of intellectual property generated by such entities. At the time of the audit, this was not the case.

In our follow-up, we noted that in September 2021 the Ministry had developed a Business Success Transformation Manual that enables ministries to assess the commercial success of their business support programs and services. We reviewed the manual and noted that it outlines intellectual property-related provisions and protection of intellectual property created from new programs and services such as inventions (products and processes). We also reviewed the Base Funding Agreement, effective April 1, 2023, that details how OCI's Business Development team is responsible for identifying new opportunities for the commercialization of intellectual property of companies participating in its programs, and directing these opportunities to Intellectual Property Ontario (IPON). IPON is a provincial agency established in January 2022 that assists the companies participating in OCI programs with protection and commercialization of their intellectual property.

- *for all future Ontario Centre of Innovation programs, ensure ownership and protection of intellectual property clearly demonstrate how the Province will benefit by partnering with third party vendors.*

  Status: In the process of being implemented.

Details

In our 2021 audit, we found that the Ontario government's stated objective in supporting the technology vendors that were providing the hardware and software that make up the ENCQOR 5G test platform infrastructure was to generate long-term economic benefits to the Province of Ontario through investment or job opportunities.

In our follow-up, we noted that the Business Success Transformation Manual that the Ministry had developed in September 2021 provides guidance relating to the ownership and protection of intellectual property. We further noted that the Ministry had not funded OCI on any net new programs that generated intellectual property. The Ministry indicated that it would continue to work with OCI to update agreements as required. The Ministry has not entered into any new transfer payment agreements with OCI that contemplate or reference third-party vendors. For all future

OCI programs that do reference third-party vendors, the Ministry will ensure the benefits of the partnership are demonstrated in regard to ownership and protection of intellectual property.

Ineffective Monitoring of the Program by OCI and the Ministry

Recommendation 2

To improve the oversight of future funded programs that could bring economic benefits to Ontario, we recommend that the Ministry of Economic Development, Job Creation and Trade (Ministry):

- *establish measurable project performance metrics and targets in Transfer Agreements to use to conduct monitoring for economic benefits to Ontario throughout a project lifecycle;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that OCI had a payment schedule subject to the terms and conditions of the Transfer Payment Agreement between the Ministry and OCI through which the Ministry oversaw OCI's delivery of the ENCQOR 5G Program. For the Ministry to continue disbursing funds to OCI, OCI was required to reach program milestones and complete program deliverables. These included reporting on interim program outcomes and targets. The Ministry was accountable for ensuring that the terms and conditions of the Agreement were met, and relied on OCI to provide regular performance reports. We noted, however, that the Ministry did not establish performance targets for five of the nine metrics included in the Agreement.

In our follow-up, we found that the Business Success Transformation Manual that the Ministry had developed in September 2021 includes a Business Success Metric, a common evaluation framework that enables an evaluation of business supports, including their return on investment, value for money and progress toward targets. The manual presents a standardized set of metrics, and groups business supports by common themes and objectives, including research and commercialization, talent, entrepreneurship and growth, and investment attraction. The manual also lists questions to be asked regarding matters such as the economic priority the business support aligns with and the potential economic benefits in identified areas of focus.

Another document that the Ministry uses to collect recipient data is the Business Supports Transformation Initiative Transparency and Performance Evaluation Checklist. This checklist collects information about the company working on the project, and performance measures including number of jobs created, new products and patents filed, and capital raised, among other things. In March 2023, the Ministry created a Business Success Framework to help ministries design, develop and/or transform business support programs and services, by aligning these business supports with the intended objectives and incorporating relevant economic priorities.

We also noted that the Ministry has defined measurable project performance targets, such as number of new jobs created and retained, total amount of incremental sales, and new intellectual property submitted for consideration, within two subsequent transfer payment agreements it signed with OCI in April 2023, the Collaborate to Commercialize and the Ready for Market Fund projects.

- *ensure the Ontario Centre of Innovation performs a comprehensive due-diligence on outcome data before it reports the information to the Ministry;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that four out of nine performance metrics that OCI was responsible for in its Transfer Payment Agreement with the Ministry had defined targets and that OCI reported these four to the Ministry on an annual basis. As part of this annual reporting process, OCI prepared and consolidated the performance reports using the data it collected from technology vendors, innovation hubs and SMEs. In addition, OCI reported on detailed project costs and status to the Ministry on a semi-annual basis. However, we noted that OCI did not always verify the project outcome data reported by the program participants.

As a result, the Ministry may not have received complete and accurate data as required for effective monitoring of the overall progress of the ENCQOR 5G Program.

In our follow-up, we noted that the Ministry is in the process of implementing a due-diligence protocol to verify program outcome data reported by OCI in its ongoing and future projects. The Ministry entered into a new Base Funding Agreement with OCI in April 2023. According to the new funding agreement, the Ministry requires OCI to improve its reporting of program delivery processes by performing due diligence in accordance with the recipient's process of verifying outcome data. We will continue to follow up with this recommendation, since the agreement was signed recently and OCI has not yet had an opportunity to perform a comprehensive due diligence on outcome data before it reports to the Ministry.

- *develop and implement an exit strategy that includes decommissioning of the test platforms, along with the associated cost and ownership of the intellectual property.*

  Status: No longer applicable.

Details

In our 2021 audit, we found that the Ministry did not have a strategy or plan for decommissioning the test platforms that its vendors had built and operated for the ENCQOR 5G Program, or for determining who is accountable for any decommissioning costs and ownership of the intellectual property. The cost of decommissioning had not been assessed at the time of our 2021 audit. We noted that the Transfer Payment Agreement was silent on this matter and did not clearly stipulate a decommissioning/sunset process for the program.

In our follow-up, we found that the Ministry did not develop an exit strategy that incorporates decommissioning costs and ownership of intellectual property of the ENCQOR 5G test platform. Instead, the Ministry advised us that the project agreements between OCI and its technology partners included plans for the decommissioning of project-related infrastructure. However, we found that the agreements between OCI and its technology partners did not include these provisions, as noted in the 2021 audit.

Although the ENCQOR 5G Program was not extended past September 2022, the Ministry informed us that, for future programming, it plans to incorporate into the Transfer Payment Agreement for project technology partners details pertaining to the decommissioning of test platforms, along with the associated cost and ownership of the intellectual property, as appropriate.

Recommendation 3

In the event that the existing ENCQOR 5G program is extended after March 2022, we recommend that the Ministry of Economic Development, Job Creation and Trade (Ministry) update the existing Transfer Payment Agreement between the Ministry and the Ontario Centre of Innovation to include clear and concise measurable targets for all performance metrics.

Status: No longer applicable.

Details

In our 2021 audit, we found that the ENCQOR 5G Program was set to end in March 2022. In October 2021, we inquired about the future of the program and received no definitive information regarding a possible extension of the program or how the program would wind down in the event that it was not extended or renewed. The Ministry informed us that it had not yet reached a decision.

In our follow-up, we noted that, although the ENCQOR 5G Program was extended past the projected March 2022 conclusion date until September 30, 2022, via a bridge contract amendment to accommodate the winding down of a few remaining projects, no new SMEs were onboarded during that time. As a result, the existing Transfer Payment Agreement between the Ministry and OCI was not updated to include measurable targets or performance metrics. The Ministry advised us that it plans to incorporate clear and concise targets for measurable performance metrics in future Transfer Payment Agreements.

OCI's Budgeting and Fund Allocation Process Requires Improvement to Efficiently Allocate Program Funds and Ensure Only Eligible Expenses Are Approved

Recommendation 4

In order for the Ontario Centre of Innovation (OCI) to effectively ensure the proper management of funds allocations to small and medium-sized enterprises (SMEs) for existing and future Ontario government-funded programs, we recommend that OCI:

- *update the existing process for the allocation of funds that includes consistent salary allocation and compensation limits for all employees at SMEs that receive government funds;*

  Status: In the process of being implemented.

Details

In our 2021 audit, we found that the ENCQOR 5G Program was unable to enrol more SMEs and meet its intended target for participants because OCI had already allocated all available funds. At the time of our audit, any new program participants were instead enrolled in the unfunded program stream.

Funding under the program was allocated per the Agreement between the Ministry and OCI. We noted that the majority of the funding from the government of Ontario, 86% of the total grant ($56.9 million), went to two technology vendors to research, design, build and implement the test platforms. Only 14% ($9.8 million) was allocated to support program streams for SMEs and applicants in academia to use the test platforms, with technical and business supports. However, OCI did not allocate the funds to participants according to a comprehensive rationale, and it funded the initial applicants heavily. We calculated that program participants in the SME Technology Development program stream were approved for an average of $133,000 per project, near the maximum per project funding of $167,000. Of a total of 16 projects within this program stream, 13 were allocated funds approaching the maximum possible amount. If the budget had been allocated more evenly, more SMEs could have been enrolled.

The funding agreement between OCI and SME participants allowed SME executives to claim a maximum salary of $5,000 per month, for roles such as a founder or Chief Executive Officer. Our audit found that 14 SME executives applied to the program as regular employees instead of identifying themselves as executives and requested more money than the maximum allowed for executives.

In our follow-up, we found that OCI now performs a review and evaluation of its budget and claims processes. It updated these processes in March 2023 to reflect a review of project budgets in consideration of factors that include consistent allocation of salary and compensation limits. We sampled five projects subsequent to March 2023 to assess whether OCI performs a review of funding allocation to program applicants and noted that OCI did not perform a review for these samples. For example, OCI did not consistently document justification for monthly salaries greater than the $5,000 project threshold or review supporting documents for equipment expenses. In one specific example, we noted that a project had not itemized items in its budget even though OCI had made a note requesting more detail be provided for expenses. We will continue to follow up with this recommendation to test the effectiveness of the review in future programs run by OCI.

- *establish consistent criteria for the allocation of program funds between different expense categories;*

  Status: In the process of being implemented.

Details

In our 2021 audit, we found that OCI had established an expense policy that outlined project costs such as salaries, IT equipment and other project-related costs. However, OCI did not establish a budget threshold for each of the project expense categories. We obtained a list of all approved projects along with their associated project costs across all program streams funded by both Ontario and the federal government. We noted that SMEs had requested a large majority of their project costs to cover salaries and wages. In 226 projects, 89% of reimbursed project costs were for salaries and

wages, 6% were for the purchase of 5G-related hardware equipment, and 5% were for other costs, such as travel and utility expenses.

In our follow-up, we noted that OCI had created a budget process in March 2023 that includes consistent criteria that it uses to perform a review of the different expense categories budgeted by SMEs prior to approving their applications. This is done to ensure that SMEs are allocating program funds to various expense categories and not allocating the majority of the funds to salaries and wages. We reviewed five projects subsequent to March 2023 and noted that the SMEs had allocated the majority of the project costs to salaries and wages. OCI was unable to demonstrate that its review challenged the allocation of the program funds.

As noted in our discussion of **Recommendation 3**, the ENCQOR 5G Program has ended and no net new projects were onboarded during the extension period. We strongly recommend that OCI extend the existing recommendation to any new programs funded by the Province.

- *extend the procurement guidelines to SMEs that are using Ontario funds to procure equipment;*

  Status: In the process of being implemented.

Details

In our 2021 audit, we found that OCI is subject to the Broader Public Sector Procurement Directive, which recommends that entities competitively procure contracts by publicly advertising for required services and by obtaining at least three quotes from independent vendors. We noted that OCI did not ensure that the ENCQOR 5G SMEs that were recipients of Ontario funds procured IT-related equipment, such as software and hardware, using a competitive procurement process. We reviewed the funding agreement between the SMEs and OCI meant to outline project costs and an itemized list of IT equipment that an SME intends to purchase as part of its project. We noted seven projects that had budgeted for a total of $261,000 to procure hardware and software. In one case, an SME submitted a claim of $30,000 to purchase hardware relating to a battery-energy storage system without obtaining multiple quotes to purchase the equipment at a competitive price.

In our follow-up, we found that OCI had updated its procurement policy in July 2021, requiring SMEs to self-certify that they have followed the Broader Public Sector Procurement Directive. This self-certification is logged online in AccessOCI within the project profile. OCI also stated that due to its limited resources, it cannot audit the internal processes of SMEs. We selected five samples and noted that all SMEs acknowledged that they are subject to the Broader Public Sector Procurement Directive. However, for these selected five samples, we noted that OCI had not performed sufficient due diligence to ensure that goods and services procured by SMEs had been obtained through a competitive procurement process.

As noted in our discussion of **Recommendation 3**, the ENCQOR 5G Program has ended and no net new projects were onboarded during the extension period. We strongly recommend that OCI extend the existing recommendation to any new programs funded by the Province.

- *establish a comprehensive verification process to ensure SMEs enrolled in the program are allocating funds toward eligible project costs only;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that OCI did not review the budgets submitted by SMEs as part of their applications to assess whether they included ineligible expenses. We noted that OCI had allowed ineligible expenses that SMEs had budgeted, such as medical insurance, Employment Insurance and contributions to the Canada Pension Plan. OCI also approved SMEs incorporating their office operational costs, such as office rent, Internet connection, and software licences (not related to 5G projects) within their budgets, which is disallowed for the Ontario portion of the program funds.

In our follow-up, we found that OCI had created a budget-review process in March 2023 to ensure that all its programs review budgets for reasonableness based on consistent criteria and in accordance with guidelines for eligible expenditures. For the five samples that we reviewed, we noted that SMEs had allocated funds to eligible project costs.

- *implement and enforce a conflict of interest policy so that OCI is able to effectively oversee and monitor compliance and perceived conflicts and obtain declarations of independence where applicable.*

  Status: Fully implemented.

Details

In our 2021 audit, we found that OCI did not have a formal policy or process to identify potential conflicts of interest among the individuals who review applications and the SME applicants to the ENCQOR 5G Program. One individual, who had been working as a reviewer for the program, subsequently also applied for funding from two ENCQOR 5G Program streams and was approved for a total of $80,000. The individual's application was reviewed by someone other than themselves. However, as the program has no conflict of interest policy, this individual was able to apply with the advantage of insider knowledge of how applicants are scored.

In our follow-up, we found that OCI updates its conflict of interest policy for each project, so that it now requires applicants, co-applicants and reviewers to disclose to OCI the nature of any prior engagement with OCI in addition to any other circumstance that would constitute a perceived conflict of interest. The program manager may check the applicant list against the database containing the names of reviewers on a case-by-case basis to ensure that SME applicants are not active reviewers. For the five projects that we sampled, we compared the project members against the reviewer list to identify any conflict of interest and noted that there were none working as reviewers.

Low Usage of the ENCQOR 5G Test Platforms

Recommendation 5

In order for the Ontario Centre of Innovation (OCI) to ensure the test platforms are being effectively utilized by small- and medium-sized enterprises (SMEs) for innovation and meet the intended economic outcome of the 5G ENCQOR Program, we recommend that OCI:

- *establish and quantify the requirement to utilize the test platform by SMEs; and*
- *implement a periodic monitoring process to identify SMEs with low usage and encourage them to utilize the ENCQOR 5G test platform.*

  Status: No longer applicable.

Details

In our 2021 audit, we reviewed utilization reports for April 2019 to August 2021 for the program streams where utilization was tracked, and found that the time spent by SMEs on the test platforms was significantly low. We noted that OCI did not regularly monitor the platform utilization reports to assess the extent to which SMEs were or were not using the test platforms.

In our follow-up, we found that OCI used an informal assessment to set a minimum two-hour threshold for using the experimental, pre-commercial 5G testbed, and had communicated it to SMEs with low usage. We also noted that OCI had sent emails reminding SMEs that they needed to use the testbed. To avoid encouraging SMEs to work only to the minimum, the emails did not specifically mention the minimum two-hour threshold. However, OCI mentioned this threshold individually to non-compliant SMEs. Some SMEs exceeded the minimum required threshold of two hours of use, but we also identified SMEs with low utilization. We reviewed the test platform usage for five projects and noted that four out of the five projects had used the test platform for a minimum of two hours. The remaining project was completed before OCI had introduced the test platform usage threshold.

As noted in our discussion of **Recommendation 3**, the ENCQOR 5G Program has ended and no net new projects were onboarded during the extension period. We strongly recommend that OCI extend the existing recommendation to any new programs funded by the Province.

Recommendation 6

In the event that the existing ENCQOR 5G Program is extended after the end date of March 2022, we recommend that the Ontario Centre of Innovation and the Ministry update the existing Transfer Payment Agreement to clearly establish requirements to utilize the test platform across all program streams.

Status: No longer applicable.

Details

In our 2021 audit, we found that while the Transfer Payment Agreement between the Ministry and OCI stated that SMEs were to develop and test 5G-related technology at a test platform, it was silent on explicit requirements for SMEs' use of the platforms. OCI did not set a benchmark for the number of hours an SME could or should use the 5G test platform, or even specify that SMEs had to use it at all. The design of the five ENCQOR 5G Program streams required technology vendors to track test platform utilization for only two of the streams, iPaaS Access and the Demonstration program stream. We noted that the technology vendors did not track utilization for the Academia and SME Technology Development program streams, and that the Agreement was unclear about whether this was required.

In our follow-up, we found that, while the ENCQOR 5G Program concluded on September 30, 2022, the Ministry informed us that, if the program is re-established, it would work with OCI and other technology partners to implement continuous testbed-usage tracking, and would ensure a rigorous cross-reference system to assess and validate usage against SME claims. The minimums set would be based on the needs and expectations of the platform's users. The bridge contract amendment, which extended the ENCQOR 5G Program for six months to September 30, 2022, did not include requirements for use of the platforms by SMEs because there was no allocation for SME projects, and no new SMEs were onboarded during that bridge period.

The ENCQOR 5G Program Did Not Include Participation from All Industry Sectors

Recommendation 7

In order to promote innovation and support technological advancement related to 5G across all industry sectors, we recommend that, should the program be extended, the Ontario Centre of Innovation accept and enrol ENCQOR 5G Program applicants from a diverse range of industry sectors especially from those sectors not well represented in the current pool of participants.

Status: No longer applicable.

Details

In our 2021 audit, we found that there were 10 main categories under which ENCQOR 5G Program applicants could identify their projects. These 10 categories were developed based on categories used by the Canadian Foundation for Innovation and were adapted for use by OCI.

We obtained a list of all applications across the four funded ENCQOR 5G Program streams and noted that not all industry sectors were represented. Furthermore, we noted that OCI did not have a review process in place to ensure that there was equal, or at least reasonable, representation from different industry sectors.

In our follow-up, we noted that the ENCQOR 5G Program was extended via a bridge contract amendment to accommodate the winding down of a few remaining projects past the projected March 2022 date until September 30, 2022. Because no new SMEs were onboarded during that time, OCI did not implement this recommendation prior to the completion of the program. OCI advised us that, where applicable, in the future it would clearly define the sector allocations in its contracts.

As noted in our discussion of **Recommendation 3**, the ENCQOR 5G Program has ended and no net new projects were onboarded during the extension period. We strongly recommend that OCI extend the existing recommendation to any new programs funded by the Province.

Cybersecurity of the 5G Test Platforms Needs to Be Strengthened

Recommendation 8

We have provided relevant details of our cybersecurity findings on the 5G test platform to the technology vendors, who have agreed with our observations and recommendations.

Status: No longer applicable.

Details

In our 2021 audit, to ensure that the 5G test platforms' cybersecurity vulnerabilities were being identified on an ongoing basis and remediated, we reviewed cybersecurity controls, such as vulnerability scans and penetration tests, the protection of data using encryption, access controls and the disposal of program participants' intellectual proprietary data. As well, we performed our own penetration test of the ENCQOR 5G network and identified cybersecurity weaknesses that were remediated immediately upon communication of our findings to the technology vendors. In addition, we identified opportunities for improvement relating to better recordkeeping and tracking of IT incidents and the deletion of program participants' data.

To minimize the risk of exposure for ENCQOR 5G Program participants, we provided relevant details of our findings and recommendations directly to the technology vendors for immediate remediation. The technology vendors agreed with the recommendations and acted on them. The other recommendations relating to better recordkeeping and tracking of IT incidents and the deletion of program participants' data are no longer applicable, as the test platforms have been decommissioned and are no longer in use.

OCI Management of IT Vendors Requires Improvement

Recommendation 9

To better protect confidential data and minimize the risks from cyberattacks, we recommend that the agreements with the Ontario Centre of Innovation's (OCI's) IT vendors be amended to incorporate the requirement to perform penetration testing of OCI's IT systems according to industry best practices.

Status: In the process of being implemented by December 2023.

Details

In our 2021 audit, we found that OCI outsourced the management of its own IT environment—including hardware and software support services, helpdesk support and cybersecurity defence—to the vendor Nuvollo. Likewise, OCI relied on another vendor, SmartSimple, for management of a critical IT system for SMEs to submit their ENCQOR 5G Program applications. This system stored confidential SME data, such as company profile, employee qualifications and pay stubs with Social Insurance Numbers. Our audit found that OCI's oversight of its critical IT providers needed improvement in areas relating to cybersecurity and operations of IT.

In our follow-up, we noted that OCI had amended its contract with one of its key IT vendors, SmartSimple, on February 15, 2022, to include requirements for a right-to-audit clause, and to obtain penetration-testing reports annually. For its other key IT vendor, Nuvollo, we noted that OCI had amended its contract, effective July 1, 2023, that includes requirements for the vendor to provide an assurance report such as a system and organization controls (SOC) report to OCI, to provide assurance over security controls in place to protect OCI's data. However, the amended contract with Nuvollo does not include requirements to obtain cybersecurity reports, such as a penetration-testing report, to minimize risks from cyberattacks. In addition, we noted that OCI had contracted a consulting firm to perform a cybersecurity assessment for its IT environment in January 2022. The assessment

indicated a need for improvement in cybersecurity areas relating to governance and risk management processes, among others. OCI informed us that it intended to commence discussions with Nuvollo in order to amend its contract to include the requirement to provide cybersecurity and penetration-testing reports, and that the target for full implementation of this recommendation is December 2023.

Recommendation 10

To improve the effectiveness of IT contracts and the oversight of IT operations at the Ontario Centre of Innovation (OCI), we recommend that OCI:

- *review performance metrics such as incident resolution time within the service level agreements for OCI's IT vendors;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that OCI had established service-level agreements with its vendors Nuvollo and SmartSimple, outlining the expected level of service for day-to-day operations. However, it did not obtain the service-level agreement reports to assess whether these vendors were providing IT services as per the established agreements.

In our follow-up, we noted that OCI holds regular weekly or bi-weekly meetings with its IT vendor Nuvollo to review reports, including current issues and issues relating to new security items and/or services, IT tickets, its firewall, infrastructure and anti-virus protection. We reviewed meeting minutes between OCI and Nuvollo for the months of January 2022, July 2022, September 2022 and March 2023, and found that service-level issues and other performance metrics were discussed and reviewed. OCI also holds meetings with its other IT vendor SmartSimple as required and obtains assurance over service-level agreements via a SOC report, as the report includes controls pertaining to availability, capacity and incidents relating to the IT system managed by SmartSimple.

- *have adequate oversight over the procurement process that impacts critical business operations such as outsourcing of the IT function by obtaining approvals from the relevant stakeholders such as OCI's Board of Directors;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that, for OCI's key IT vendors, the procurement process lacked adequate oversight, since the decisions and related approvals were not obtained from OCI's senior management and its Board of Directors or any other subcommittee.

In our follow-up, we found that OCI had updated its procurement policy in September 2021 to replace the previous version dating from April 2008. This updated policy outlines the different procedures to be taken for the purchasing of goods, with increasing approval requirements for larger dollar-value purchases. For the purchase of goods up to $5,000, staff are to use preferred OCI suppliers, and any new vendors must be approved by the Controller. Purchases of goods valued between $5,001 and $25,000 require staff to prepare a document giving the reason for the purchase and the process for selecting a supplier. A minimum of three written quotes are required to ensure an adequate degree of competition. Purchases of goods valued greater than $25,000 also require a minimum of three written quotes and an open competitive process that includes posting on an electronic tendering system such as the OCI website. Goods valued at $25,000 or more require approval from the vice president of finance and operations and the president, as per the updated procurement policy. We noted that OCI had not procured any IT goods and services since the time of our audit. However, OCI informed us that for any future procurements it will obtain relevant approvals from stakeholders as outlined in its procurement policy.

- *amend existing contracts with OCI's IT vendors to include a "right to audit" and penalty clauses, and periodically review the performance metrics established in the Service Level Agreement;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that, upon review of OCI's service-level agreements with its vendors, Nuvollo and SmartSimple, OCI had not incorporated a right-to-audit clause or penalty clause. This limited OCI's oversight of the services being provided and limited its ability to hold these vendors accountable for missed performance targets.

In our follow-up, we found that OCI had renewed its contract with SmartSimple in February 2022, in which it included stipulations relating to a right to audit, and to obtain cybersecurity reports, such as penetration tests, annually.

For its other IT vendor, Nuvollo, we noted that OCI renewed its contract on July 1, 2023. Although the amended contract does not include a right-to-audit clause, we noted that the contract does include a penalty clause that allows OCI to penalize Nuvollo and hold it accountable for poor service. Nuvollo is also required to provide an assurance report to OCI, in the form of an SOC report providing assurance for security of operations of OCI's IT system and data. We reviewed the SOC report and noted that there were no exceptions identified that impacted OCI. We also noted that OCI periodically met with Nuvollo to review service-level agreements to assess any operational impact resulting from IT outages.

- *establish a process to obtain and review external audit reports to identify IT security risks, and to confirm that corrective action has been taken.*

  Status: In the process of being implemented by December 2023.

Details

In our 2021 audit, we found that OCI had not reviewed the vendor audit reports that are issued by its vendors' external auditors and that identify system weaknesses or risks to IT operations. We obtained these reports and discovered that they identify weaknesses such as vulnerability scans not being performed, inappropriate access to privileged accounts, inadequate review of user access and firewalls, as well as weak password controls and data encryption for key IT systems.

In our follow-up, we found that OCI had renewed its contract with SmartSimple in February 2022, in which it included stipulations to obtain cybersecurity reports, such as annual penetration tests. However, OCI was unable to demonstrate that it had performed its independent assessment of the cybersecurity report to assess the impact of exceptions. Similarly, although OCI obtained an SOC report for Nuvollo, it was unable to demonstrate that it had reviewed the SOC report to ensure that adequate corrective measures are in place to mitigate any IT security risks. We reviewed SOC reports for both Nuvollo and SmartSimple, and noted that there were no exceptions identified. The SmartSimple SOC report included testing of capacity and availability, which OCI will review annually going forward. OCI informed us that it is working on creating a process to obtain and review external audit reports, and OCI anticipates fully implementing this recommended action by December 2023.

Chapter 1
Section
1.20

Ministry of the Attorney General

Follow-Up on 2021 Report

Internet Gaming in Ontario

RECOMMENDATION STATUS OVERVIEW						
		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	1					1
Recommendation 2	2				2	
Recommendation 3	2			2		
Total	**5**	**0**	**0**	**2**	**2**	**1**
%	**100**	**0**	**0**	**40**	**40**	**20**

Overall Conclusion

The Ministry of the Attorney General (Ministry), as of November 23, 2023, has not fully implemented any of the five actions we recommended in our *2021 Annual Report*. The Ministry has made little progress in implementing two of the recommended actions relating to the fairness and integrity of Internet gambling (hereafter referred to in this report as "Internet gaming"). Two other recommended actions relating to the governance structure of iGaming Ontario will not be implemented. Our recommendation pertaining to compliance with the *Criminal Code* of Canada, made prior to the launching of the new Internet gaming market is no longer applicable, since the new Internet gaming market was launched in April 2022. The status of actions taken on each of our recommendations is described in this report.

Background

On July 6, 2021, the Ontario government passed a regulation to create a subsidiary of the Alcohol and Gaming Commission of Ontario (AGCO), iGaming Ontario, with the objective of offering Internet gaming in Ontario through private gaming operators.

The *Criminal Code* of Canada (*Criminal Code*) prohibits commercial gaming unless it is conducted and managed by a province. To fulfill the "conduct and manage" requirement of the *Criminal Code*, provincial governments have created Crown corporations that offer various gaming products to consumers, including lotteries, land-based casinos and Internet gaming. Prior to the creation of iGaming Ontario, the Ontario Lottery and Gaming Corporation (OLG) was the sole legal provider of commercial Internet gaming in Ontario. Following the establishment of Ontario's new

Internet gaming market, OLG continued to conduct and manage its own direct Internet gaming offerings, while iGaming Ontario became responsible for the conduct and management of all other Internet gaming through private gaming operators.

Ontario's model for Internet gaming is unique in the Canadian context. iGaming Ontario enters into operating agreements with private gaming operators who offer their games to Ontario consumers. iGaming Ontario provides a share of revenues generated from Ontario consumers to private gaming operators as variable compensation for the services provided.

At the time of our report in 2021, details of the government of Ontario's Internet gaming initiative had yet to be finalized. Our Office expressed concerns surrounding the legal risks of the new Internet gaming model under the *Criminal Code*, the governance risks of iGaming Ontario's structure, and the Province's diminished role in ensuring the fairness and integrity of Internet gaming.

Our report highlighted three key concerns:

- There were indicators that a significant amount of decision-making power and business risk was going to rest with private operators. As a result, there was legal risk with respect to whether iGaming Ontario met the "conduct and manage" threshold set out in the *Criminal Code*. Consideration of whether a province had illegally delegated the "conduct and manage" function in a gaming scheme to a private entity had been the subject of past legal challenges in Canada. We concluded that there was a risk that iGaming Ontario's business model could be subject to future legal challenges.
- The governance structure of iGaming Ontario created the potential for conflicts of interest that could compromise the AGCO's independence as a regulator. Under the new model, the AGCO maintained its regulatory responsibilities over Internet gaming and was also mandated to oversee iGaming Ontario's online lottery schemes. There was inherent conflict established in legislation between iGaming Ontario's goal of generating profit-based revenue for the Province and the AGCO's goal of effectively administering regulatory oversight of the Internet gaming sector.
- There was limited public information as to how specifically iGaming Ontario would protect Ontario gaming consumers through ensuring the integrity of games offered by private gaming operators. Issues of integrity and fairness in a new gaming market posed significant reputational risk for AGCO as a regulator, iGaming Ontario as a revenue generator, and more broadly, the Province.

We made three recommendations, consisting of five action items, to address these concerns.

Status of Actions Taken on Recommendations

We conducted our work between April 2023 and November 2023. We obtained written representation from the Ministry of the Attorney General that effective November 23, 2023 it has provided us with a complete update of the status of the recommendations we made in the original report.

Legality of Ontario's Proposed Internet Gaming Model Under the *Criminal Code*

Recommendation 1

To address the legal risks associated with the proposed construct for Internet gaming in Ontario, we recommend that the government take appropriate steps to ensure compliance with the Criminal Code prior to launching the new Internet gaming market.

Status: No longer applicable.

Details

In our 2021 report, we noted there was legal risk with respect to whether the Province's model for Internet

gaming meets the "conduct and manage" threshold set out in the *Criminal Code* of Canada. The concept of whether a province had illegally delegated the "conduct and manage" function to a private entity had been the subject of past legal challenges in Canada. Based on our review of publicly released literature available at the time of our original report, we noted Ontario's model for Internet gaming passed on a significant amount of business risk and strategic decision-making power to private gaming operators.

Through our follow-up work, we found that the Internet gaming model was reviewed and approved by both Cabinet and Treasury Board/Management Board of Cabinet. Consistent with the model, iGaming Ontario finalized and entered into operating agreements with operators prior to the launch of the Internet gaming market. On April 4, 2022, private gaming operators that registered with the AGCO and executed an operating agreement with iGaming Ontario began offering their games to players in Ontario.

In August 2022, our Office completed an audit of iGaming Ontario's first set of financial statements for the period ended March 31, 2022. In our *Independent Auditor's Report* for these financial statements, we included an "Other Matter" paragraph to highlight that iGaming Ontario had assumed the legal risk of whether the operating model for Internet gaming met the "conduct and manage" requirement in the *Criminal Code*.

On November 28, 2022, the Mohawk Council of Kahnawà:ke started a legal action against iGaming Ontario and the Attorney General of Ontario. The application seeks a declaration that the Ontario government does not "conduct and manage" online gaming as required under the *Criminal Code*. The application also challenges the legislative and constitutional authority that underpins the regulated Internet gaming market scheme in Ontario.

In August 2023, our Office completed an audit of iGaming Ontario's financial statements for the year ended March 31, 2023, the first year of operations in the new Internet gaming market. As at March 31, 2023, iGaming Ontario had entered into operating agreements with 46 operators. Disclosure of the notice of application by the Mohawk Council of Kahnawà:ke against iGaming Ontario was included in the notes to iGaming Ontario's financial statements. In our *Independent Auditor's Report* for these financial statements, we included an "Emphasis of Matter" paragraph to draw users' attention to this significant legal matter, disclosed in Note 17 to the financial statements. The above-noted court application is expected to be heard in February 2024.

Governance Structure for Internet Gaming in Ontario

Recommendation 2

To address the governance and regulatory risks associated with the proposed construct for Internet gaming in Ontario, we recommend that the Ministry of the Attorney General:

- *remove the governance and operating responsibilities for iGaming Ontario from the Alcohol and Gaming Commission of Ontario; and*
- *should the business model of iGaming Ontario meet the conduct and manage requirements under the* Criminal Code*, transfer the reporting relationship of iGaming Ontario to the Ministry of Finance.*

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to believe this is a significant recommendation and continues to recommend the removal of the governance and operating responsibilities for iGaming Ontario from the Alcohol and Gaming Commission of Ontario, and the transfer of the reporting relationship to the Ministry of Finance.

Details

We found in our 2021 report that the proposed governance structure for Ontario's new Internet gaming model created the potential for conflicts of interest and could compromise the AGCO's independence as a regulator. The AGCO maintained its regulatory responsibilities over Internet gaming and was also mandated to oversee iGaming Ontario's Internet gaming schemes. Until the

creation of iGaming Ontario, the AGCO's responsibilities were strictly regulatory in nature. We found that the AGCO's regulatory responsibilities and oversight of iGaming Ontario's revenue-generating Internet gaming schemes created an inherent conflict of interest.

In our follow-up, we found that the Ministry did not make any changes to the governance structure for Internet gaming in Ontario and intends to continue with iGaming Ontario being a legal subsidiary of the AGCO. The Ministry asserted that sufficient conflict-of-interest policies have been developed to address conflict-of-interest situations that may arise between the regulatory responsibilities of the AGCO and the profit-generating mandate of iGaming Ontario. In addition, the Ministry, the AGCO and iGaming Ontario, entered into a memorandum of understanding (MOU). The MOU details each party's accountabilities and responsibilities to each other. The MOU reiterates the AGCO's legislated mandate to oversee iGaming Ontario's conduct and management of prescribed online lottery schemes. The MOU also states that iGaming Ontario is accountable to the Attorney General for revenue generation, forecasting and reporting. The Ministry believes that since conflicts of interest between the functions of AGCO and iGaming Ontario have been addressed using supplementary policies and the MOU, the benefits of maintaining the status quo outweigh the operational risks and fiscal impacts of establishing a new reporting structure for iGaming Ontario.

Our Office continues to hold the view that, as a regulator, the AGCO should not, in fact or in appearance, be in any way involved in the conduct and management of Internet gaming in Ontario. Instead, a structurally independent government organization (i.e., not a legal subsidiary of the AGCO) should manage the operational and revenue-generating responsibilities for Internet gaming provided through private gaming operators, and be separate and independent of its regulator.

Fairness and Integrity of Internet Gaming in Ontario

Recommendation 3

We recommend that the Ministry of the Attorney General:

- *clearly demonstrate how the province will conduct and manage Ontario's proposed Internet gaming market without directly verifying the fairness and integrity of games being offered by registered private operators; and*
- *make this information available to the Ontario Legislature prior to the launch of the Internet gaming market.*

Status: Little or no progress.

Details

Our 2021 report found that key responsibilities for maintaining integrity and fairness of Ontario's new model for Internet gaming were being delegated and entrusted to the private sector. It appeared that iGaming Ontario would not be involved in critical aspects of gaming operations such as designing games and gaming systems, determining payouts and odds-setting. At the time of issuance of our 2021 report, there was limited public information as to how specifically iGaming Ontario would protect Ontario gaming consumers by ensuring the integrity of games offered by private gaming operators.

In our follow-up work, we found that iGaming Ontario does not proactively monitor operators in terms of ensuring compliance with gaming standards, including standards relating to the fairness and integrity of games. In response to our recommendation, the Ministry highlighted that the regulator, AGCO, has:

- developed the *Registrar's Standards for Internet Gaming*, which includes specific standards to address game integrity;
- mandated that all games be tested and certified against AGCO Standards by Independent Testing

Laboratories that are registered with the AGCO; and

- developed an iGaming compliance program with a dedicated iGaming Compliance Unit whose sole responsibility is to conduct compliance oversight of registered iGaming operators and suppliers.

In addition to the above actions taken by the AGCO, the Ministry noted that iGaming Ontario established a Customer Care and Dispute Resolution Policy to provide recourse to players who have serious concerns, allegations related to behaviours of an operator, or disputes related to an operator's products or services. The Ministry communicated the above actions, taken by the AGCO and iGaming Ontario, to the Legislature in March 2022.

We note that the majority of actions taken with respect to ensuring game integrity are those undertaken by the AGCO. However, the AGCO, in its capacity as the regulator of Internet gaming, should be the second line of defence for the fairness of Internet games. iGaming Ontario, in its capacity as the conductor and manager of Internet gaming, should be acting as the first line of defence in protecting Ontario consumers through ensuring the integrity of games offered by its operators.

While the AGCO is tasked with enforcing compliance with these standards, iGaming Ontario should take an active role in ensuring integrity (i.e., randomness of game outcomes, fair disclosure of game odds, and payouts made as described) of Internet games across its operator network. The dispute-resolution process put in place by iGaming Ontario is a reactive, as opposed to a preventative, mechanism to respond to potential issues of fairness and integrity. More action is needed by iGaming Ontario to ensure the fairness and integrity of games it is responsible for conducting and managing. iGaming Ontario should develop a strategy with respect to monitoring compliance of operators with Internet gaming standards, particularly those that relate to fairness and integrity of games.

In April 2023, the AGCO issued monetary penalties against three of iGaming Ontario's operators for offering slot games on Ontario websites that were not approved by the AGCO, nor certified by an Independent Testing Laboratory. These monetary penalties were issued by the AGCO to the respective private gaming operators. iGaming Ontario has ultimate accountability since these gaming operators are acting as its legal agents to operate websites that offer Internet games to players in Ontario. We urge the Ministry to mandate that iGaming Ontario plays a proactive role in ensuring the integrity of games offered through its operator network. Our Office will continue to follow up on the implementation of this recommendation, as it relates to the role iGaming Ontario plays, over the fairness and integrity of games it is responsible for conducting and managing. In addition, we will follow up on whether any additional actions taken by iGaming Ontario are communicated to the Legislature.

Chapter 1
Section
1.21

Ministry of the Environment, Conservation and Parks

Follow-Up on 2021 Value-for-Money Audit:

Hazardous Spills

RECOMMENDATION STATUS OVERVIEW						
		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	1			1		
Recommendation 2	1			1		
Recommendation 3	7	1	1	5		
Recommendation 4	1		1			
Recommendation 5	1			1		
Recommendation 6	1			1		
Recommendation 7	3			3		
Recommendation 8	2			2		
Recommendation 9	3		3			
Recommendation 10	1			1		
Recommendation 11	1			1		
Recommendation 12	3	1	2			
Recommendation 13	4		3	1		
Total	**29**	**2**	**10**	**17**	**0**	**0**
%	**100**	**7**	**34**	**59**	**0**	**0**

Overall Conclusion

The Ministry of the Environment, Conservation and Parks (Ministry), as of October 13, 2023, has fully implemented 7% of the actions we recommended in our *2021 Annual Report*. The Ministry has made progress in implementing an additional 34% of the recommended actions.

The Ministry has fully implemented recommendations to formally document the rationale when recovery of costs associated with the Province's response to spills is not pursued, and to review the documented response actions to spills on a risk basis to ensure all steps are completed.

However, the Ministry has made little progress on 59% of the recommended actions, including to publicly report the cause, location, impact, responsible party

and status of spills; to train Environmental Officers to critically review spill prevention plans on a risk basis; and to provide consolidated information on the Ministry's website on prosecutions, penalties, tickets, orders and details of violations.

The status of actions taken on each of our recommendations is described in this report.

Background

There are about 8,000 hazardous spills per year in Ontario, some of which injure workers, kill wildlife and pollute the air, land and water. Added to the short-term effects of these spills are unknown long-term and cumulative effects.

Spills can occur due to malfunctioning equipment, human error and/or external factors, such as poor weather, that contribute to vehicle accidents and damage to buildings and infrastructure. In some cases, spilling substances may be a normal part of industrial operations; however, these contained spills were not part of our audit.

We assessed whether the Ministry of the Environment, Conservation and Parks (Ministry), which is mandated to protect Ontario's air, land and water, had sufficient measures in place to reduce the risk of hazardous spills harming human health and/or the environment. These measures involved regulatory and compliance activities, such as ensuring that companies properly planned to prevent and respond to spills; regulating their operating activities to ensure they reduce the risk of spilling hazardous substances; and ensuring companies complied with rules about spills, through inspections and enforcement.

Overall, our audit found that the Ministry did not conduct adequate regulatory activities to reduce the risk of occurrence of the most common sources of spills—natural gas transmission and distribution pipelines, electricity transmission and distribution transformers, and residential fuel tanks. The Ministry's enforcement regime did not effectively ensure compliance with the existing regulations. Other provincial government regulators, such as the Technical Standards and Safety Authority, did not have a mandate to protect the environment by preventing spills.

The Ministry also was not disclosing sufficient information to the public about the number of hazardous spills and the harm they caused. The specific locations where spills occurred, who caused the spills, and the specific impacts the spills had or may have on human health and/or the environment was not reported. The limited information that was made public was not brought forward in a timely manner. Despite timely public reporting requirements under Ontario's Open Data Directive, 2015 (Digital and Data Directive as of February 2021), the Ministry waited until May 31, 2021, while we were conducting our audit, before publicly reporting information on spills that occurred between 2013 and 2020.

Our audit revealed as well that the Ministry was not recovering its costs from responding to spills, which resulted in taxpayers rather than spillers paying for spills. Of the over 73,000 spills that occurred in the province between 2011 and 2020, the Ministry attempted to recover response costs from a spiller on only three occasions.

We analyzed 30 (0.04%) of the 73,000 spills in which the Ministry did not attempt to recover any costs from the spiller and estimated that these 30 spills alone had cost Ontarians $4.5 million in staff time, laboratory tests and other expenses during spills response. Therefore, the total amount of unrecovered costs incurred by the Ministry to respond to spills was potentially tens of millions. A precise total unrecovered amount could not be estimated because the Ministry did not track all of its costs.

Some of our findings were:

- Thousands of spills were caused by entities not subject to spill prevention and contingency planning requirements under O. Reg. 224/07 of the *Environmental Protection Act* (Act). The requirements to provide spill prevention and contingency plans, under the regulation, applied only to industrial facilities in prescribed sectors. The Ministry did not require spill prevention and

contingency plans for high-risk sources such as oil and natural gas transmission and distribution pipelines, electricity transmission substations, fuel delivery trucks and bulk fuel storage facilities.

- The Ministry was not being informed of spills by spillers in a timely manner, even though this is required by the Act. Between 2016 and 2020, 3,746 (or 9%) of the 40,349 reported spills were not reported until the following day, and 505 spills took more than 10 days to report. We reviewed a sample of 110 spills that occurred during the period 2010–20, and discovered that 45 (or 41%) were never reported at all to the Spills Action Centre by the spiller. The Ministry learned of the spills either from first responders, the municipality or members of the public.
- The Ministry did not independently confirm that spillers had remediated the environment after a spill. Instead, the Ministry relied on the spiller to perform its own analysis of soil and water samples, and submit proof the natural environment had been sufficiently restored. Spillers were left to police themselves and ensure effective environmental remediation, with little risk of Ministry enforcement action.
- The Ministry did not use its powers to ensure that spills were promptly remediated. Under the Act, the Ministry is empowered to clean up spills and recover the clean-up costs from the spiller. However, we identified five "medium- to high-risk" spills where the spiller initially refused, could not be found, or was unprepared to remediate the spill, delaying timely clean-up. In these cases, the Ministry did not step in to ensure remediation occurred quickly, resulting in further risks to the environment and to human health.
- Environmental penalties were not used to hold polluters accountable for spills. Financial penalties are intended to encourage quick and effective compliance. Through the Act, they can be applied for failing to report spills. However, between 2016 and 2020, the parties responsible for over 94% (38,124 of 40,349) of reported spills could not be penalized for the spills themselves. This was because penalties applied only to facilities in nine prescribed industrial sectors (for example, petroleum, iron and steel, and metal mining). For example, the only penalties that applied to spills to air were for specific petroleum facilities in Sarnia that discharged sulphur dioxide. Further, the penalty amounts were much lower in Ontario than for similar spills elsewhere. For instance, the 21 sulphur dioxide-related penalties the Ministry issued in 2019 and 2020 amounted to $1.6 million, far less than the nearly $14.7 million in fines that would have been issued if those spills had occurred in California.
- The Ministry allowed repeat offenders to continue operating because of an ineffective compliance strategy. Ministry policy allows it to revoke the environmental approvals of entities that repeatedly violate environmental laws and regulations. Yet the Ministry has only ever revoked two companies' environmental approvals. The Ministry identified to our Office 54 companies it considered repeat offenders. As of October 2021, 41 of these companies continued to operate without being brought into compliance.

We made 13 recommendations, consisting of 29 action items, to address our audit findings. We received commitment from the Ministry that it would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between April 2023 and August 2023. We obtained written representation from the Ministry of the Environment, Conservation and Parks (Environment Ministry) that effective November 9, 2023, it has provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Public Unaware of Hazardous Spills Impacting Their Local Area

Recommendation 1

To improve public transparency about the quantity, location and impact of spills, we recommend that the Ministry of the Environment, Conservation and Parks improve its recording and timeliness over its public reporting of key information on spills while providing data and information in an accessible format that allows the public to easily identify the cause, location, impact, responsible party and status of the spills.

Status: Little or no progress.

Details

In our 2021 audit, we found that despite the Digital and Data Directive requirement to do so, the Environment Ministry had not published information on spills in a timely and accessible manner, and sufficient information on the spills was not disclosed. Information was not disclosed on the specific locations where spills occurred, who caused the spills, or the specific impacts the spills had or may have on human health and/or the environment. Despite the Directive requiring timely public reporting, the Environment Ministry did not publicly report on spills that occurred between 2013 and 2020 until May 31, 2021, while we were conducting our audit.

In our follow-up, we found that on December 16, 2022, the Environment Ministry posted an updated Environmental Occurrences and Spills dataset to the Ontario Data Catalogue, which is accessible to the public. The dataset contains information on spills up to December 21, 2021, and the Ministry informed our Office that it intends to update this information on an annual basis. However, the information on spills made public does not contain key information such as the specific locations where spills occur, who caused the spills, or the specific impacts the spills have had or may have on human health and/or the environment. The Ministry informed us that it would further consider the release of additional data as recommended in our 2021 audit. This would apply to 2023 datasets onward.

Environment Ministry Lacks Performance Measurement for Spills Program

Recommendation 2

To assess the effectiveness of its spills management program at achieving intended objectives, improve public transparency about the quantity and impact of spills, and drive continuous improvement, we recommend that the Ministry of the Environment, Conservation and Parks establish and publicly report performance measures and targets to reduce spills and any short-term and long-term impacts on human health and the environment.

Status: Little or no progress.

Details

In our 2021 audit, we found that the Environment Ministry had not developed a performance measurement framework for its spills program. As a result, decision-makers and the public did not know the effectiveness of efforts to reduce the frequency and negative impacts of hazardous spills.

In our follow-up, we found that the Environment Ministry is in the process of developing a plan to report on performance measures and targets for its spills program. The Ministry plans to develop these measures by November 2023. Following this, the Ministry expects to begin collecting and analyzing the information. However, to date no decision has been made regarding the public reporting of these measures.

Polluters Have Not Paid for at Least $5.6 Million in Spills Response between 2016 and 2020

Recommendation 3

To hold polluters accountable for the Province's costs of responding to spills, and reduce the costs that must be borne by taxpayers, we recommend that the Ministry of the Environment, Conservation and Parks (Ministry):

- *reassess its threshold for recovering spill response costs, so that all reasonable costs are covered by the spiller;*

  Status: Little or no progress.

Details

We found in our 2021 audit that, in 2016, the Environment Ministry decided not to attempt to pursue cost recovery for spills expected to cost the Province less than $10,000 in response costs. The Ministry did not have a basis for this $10,000 cost-recovery threshold. This threshold was based on input from directors within the Ministry at that time, and there is no documented rationale for how this threshold was selected. In contrast, we found that the threshold was significantly higher than that used by other provinces and Ontario municipalities. For example, British Columbia has a $175 minimum for spills cost recovery.

In our follow-up, the Environment Ministry informed us that it considered the available data on spills costs and determined that it does not have adequate data to reassess its threshold at this time. The Ministry plans on gathering more data to then reassess its threshold in early 2026.

The Environment Ministry developed a reference guide that indicates spills with estimated costs below $10,000 can be pursued for cost recovery, and describes factors to consider when determining whether to pursue cost recovery, including whether:

- specialized equipment was used;
- more than eight hours were spent on the response in the first two days; and
- samples were collected and analyzed.

- *formally document the Ministry's rationale when cost recovery is not pursued;*

  Status: Fully implemented.

Details

Our 2021 audit found that between 2016 and 2020, 40,000 spills were reported in the province. Of these, the Environment Ministry documented responding to at least 27,000, but recovered costs in only one instance during this time. When we assessed a sample of 30 spills, we found that 87% would have surpassed the Ministry's $10,000 cost-recovery threshold, yet no cost recovery was pursued for any of these spills. We also found that, in response to a 2016 review by the Ontario Internal Audit Division, the Ministry stated it would develop a procedure to document the rationale for decisions not to pursue cost recovery. However, at the time of our audit in 2021 the Ministry had not yet done so.

In our follow-up, we found that the Environment Ministry has developed a mandatory field in its information system requiring an explanation for why spill cost recovery was not pursued.

- *track all relevant costs associated with its spill response;*
- *fully and accurately calculate the costs of its spill response;*
- *include all costs incurred in responding to spills when recovering the costs from the spiller;*

  Status: Little or no progress.

Details

We found in our 2021 audit that, although identified as a best practice by the Environment Ministry, staff were not recording their time and activities associated with responding to spills. This limited the ability of the Ministry to understand its costs associated with spill response and recover these costs from spillers. We also found that the Ministry did not consistently track or calculate its costs of collecting and testing water and soil samples. When samples were tracked, they were not always tracked in association with specific spills. For example, the Ministry did not include $45,000 in sampling costs when recovering costs associated with two train derailments because it accidentally did not categorize the samples as relating to a spill and they were therefore missed when estimating the spills' response costs.

In our follow-up, we found that in October 2022 the Environment Ministry had developed a spill cost recovery tracking form for tracking all relevant costs associated with each spill. These costs include:

- staff hourly wages and travel expenses;
- use of specialized vehicles; and
- laboratory samples.

This tracking form is intended to be used to ensure that the full and accurate cost of the Ministry's spills responses is calculated. However, the Ministry does not require this form to be used for all spills—only where cost recovery is being pursued.

- *ensure its costs to respond to spills are reasonable and recoverable;*

  Status: In the process of being implemented by November 2024.

Details

Our 2021 audit found that Ministry documentation indicated that it cost the Ministry more than twice the cost of a private-sector company to analyze samples. The *Environmental Protection Act* states that, in order to recover costs from a spiller, costs must be reasonable. For this reason, when recovering costs relating to two train derailments, the Ministry instead calculated its costs using private-sector laboratory costs. We found that the Ministry did not recover about 72% of its $696,000 in sampling costs for three spills because of this.

In our follow-up, we found that the Environment Ministry is currently reassessing its laboratory costing, and plans to complete this analysis by November 2024.

- *recover costs that meet its threshold from the spiller.*

  Status: Little or no progress.

Details

Our 2021 audit found that the Environment Ministry rarely tracked the costs of responding to spills and was not aware of the costs of its spills response. Senior staff at the Ministry informed our Office that, aside from the three spills where the Environment Ministry recovered some of its costs, there had not been any other spills where the responses' costs exceeded the $10,000 threshold. However, when we did our testing we found that this was not the case. The Ministry had not prepared the information it needs to assess whether costs surpassed its threshold, given that it had not calculated its spills response costs for nearly all individual spills.

In our follow-up, we found that the Environment Ministry had not yet begun tracking all costs relating to its spills response and therefore could not provide evidence that all spills with response costs surpassing its current threshold have been or will be pursued for cost recovery. However, the Ministry informed us that it recently began reviewing spills responses that included an after-hours response and has so far identified six spills where data is being collected and reviewed for consideration of cost recovery.

Environment Ministry Rarely Confirms Independently that Spillers Have Sufficiently Remediated the Environment

Recommendation 4

To confirm that spill sites have been effectively restored, we recommend that the Ministry of the Environment, Conservation and Parks develop and implement a risk-based process for independently verifying the sufficient remediation of significant spill sites.

Status: In the process of being implemented by November 2023.

Details

In our 2021 audit, we found that for a majority of spills, the Environment Ministry relied on the spiller to perform its own analysis of soil and water samples, and submit proof to the Ministry that the natural environment had been sufficiently restored after the spill. This means that spillers were left to police themselves and ensure effective environmental remediation, with little risk of Ministry enforcement action. Our audit identified instances where the Ministry did not conduct its own testing, and subsequently the spill was discovered to have not been remediated properly, and to have had a negative impact on the environment.

In our follow-up, we found that the Environment Ministry is currently evaluating its guidance to ensure that the Ministry has a consistent approach for independently verifying spill remediation for significant spill sites. The Ministry plans to complete its evaluation and have necessary changes approved by November 2023.

Environment Ministry Is Not Using Its Powers to Enforce Prompt Spills Remediation

Recommendation 5

To better protect human health and the environment from the impacts of delayed remediation, we recommend that the Ministry of the Environment, Conservation and Parks remediate spills and recover the costs from spillers in situations where the Ministry knows that a spiller is not remediating the area immediately and that additional harm to the environment or human health will result from this delay.

Status: Little or no progress.

Details

In our 2021 audit, we found that despite instances of spillers refusing, or being unprepared, to remediate spills in a timely manner, the Environment Ministry had not used its powers to step in and remediate to prevent further damage to the environment and/or human health.

In our follow-up, we found that in January 2023, the Environment Ministry had developed internal guidance regarding when it would be appropriate to issue a Minister's Direction to have Ministry staff take action to prevent, eliminate or ameliorate the adverse effects of a spill. There have yet to be any instances where the Ministry has used these powers.

Thousands of Spills Are Caused by Entities Not Subject to Spill Prevention Planning Requirements

Recommendation 6

To reduce the risk of hazardous spills occurrences and of hazardous spills from all sources not being properly cleaned up or remediated, we recommend that the Ministry of the Environment, Conservation and Parks review and expand its spill prevention and contingency plan requirements to include additional sources of the most frequent and environmentally harmful spills.

Status: Little or no progress.

Details

In our 2021 audit, we found that thousands of spills were caused by entities not subject to spill prevention and contingency planning requirements under O. Reg. 224/07 (Spill Prevention and Contingency Plans) of the *Environmental Protection Act*. The requirements for having spill prevention and contingency plans in place under O. Reg. 224/07 applied only to a group of prescribed industrial facilities. Between 2016 and 2020, these industrial facilities were responsible for a minority (7%, or 2,842) of the 40,349 reported spills. The Environment Ministry did not require spill prevention and contingency plans for high-risk sources of spills, such as oil and natural gas transmission and distribution pipelines, electricity transmission substations, fuel delivery trucks and bulk fuel storage facilities.

In our follow-up, we found that the Ministry has formed a working group to review O. Reg. 224/07 documentation and data on spills, and conduct a jurisdictional scan. The Ministry then plans to develop potential options regarding the expansion of the regulation to cover additional high-risk sources of spills. The Ministry estimates that a decision regarding alternative approaches and regulatory oversight will be made by November 2025.

Environment Ministry Does Not Verify that Required Spill Plans Are Developed and Effective in Preventing Spills

Recommendation 7

To confirm entities' compliance with the provincial requirement for them to develop effective plans to prevent and respond to spills, we recommend the Ministry of the Environment, Conservation and Parks:

- *request and receive all spill prevention plans and review them for completeness;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that, where entities are required to have plans in place to prevent and respond

to spills, the Environment Ministry did not routinely confirm that plans had been developed. When the Environment Ministry inspected facilities or reviewed spill plans for completeness, it had found that some facilities did not have the required plans.

In our follow-up, we found that in June 2022 the Ministry began to inspect spill prevention and contingency plans of industrial facilities whose plans had not recently been inspected. The Ministry stated it had completed all in-scope reviews as of June 2023, after completing 76 inspections. However, the July 2023 inspection records indicated that nine facilities were still under inspection, and two inspections were on hold due to an ongoing investigation. Additionally, the Ministry had not committed to request and review all other spill prevention plans, namely those required by environmental approval conditions.

- *require professional engineers to approve plans for high-risk facilities;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that the Environment Ministry relied solely on spillers to ensure the effectiveness of spill plans. This includes a requirement to review and revise plans annually, as well as after spills, to ensure the plans' effectiveness. Unlike the US Environmental Protection Agency, the Environment Ministry did not require the spiller to have the plan certified by a professional engineer. Analyses of the root causes of spills, which inform updates to spill plans, were also conducted solely by the spiller.

In our follow-up, we found that the Ministry was reviewing past policies the government had developed relating to the use of "qualified persons" for relevant information. The Ministry was also surveying internal staff regarding Environmental Activity and Sector Registry requirements that state that reports and planning documents are to be developed by a "qualified person." The Ministry expects the information will be used to provide a recommendation by early 2024 regarding the feasibility and/or necessity to require a "qualified person" to create spill prevention and contingency plans. However, the Ministry has not committed to implement the requirement.

- *train Environmental Officers to critically review these plans on a risk basis, including after spills.*

  Status: Little or no progress.

Details

In our 2021 audit, we found that the Environment Ministry did not train its Environmental Officers, who are responsible for reviewing spill plans during inspections, in spill prevention, root cause analysis of spills, or (with few exceptions) in the particular industries they inspect. In contrast, the California Department of Fish and Wildlife's Office of Spill Prevention and Response employs Oil Spill Prevention Specialists as part of its spill response teams. These specialists investigate spills, participate in testing spill plans, review spill plans and submit recommendations. They also analyze and consider the feasibility of requiring new spill prevention technologies.

In our follow-up, we found that the Ministry is awaiting the completion of its desktop inspections of spill prevention and contingency plans before implementing this recommendation. The Ministry expects to define learning objectives, develop training materials and deliver training to Environmental Officers by March 2024.

Environment Ministry Lacks Complete Data to Perform Risk-Based Enforcement of High-Risk Entities

Recommendation 8

So that the Ministry of the Environment, Conservation and Parks (Ministry) has accurate, reliable and historical data to inform policy and enforcement to protect human health and the environment, we recommend that the Ministry:

- *consistently review and ensure the accuracy of its data;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that the Environment Ministry did not properly record or analyze data to identify the highest risk sources and causes of spills that can have negative impacts to human health and/or the environment. This means that it could not target its limited inspection resources to the areas that are likely to provide the most benefit or adjust its regulations and policies to more effectively reduce the impacts of spills.

In our follow-up, we found that the Ministry had created a permanent quality assurance team to review data in its new information system, the Environmental Compliance Hub of Ontario (ECHO). The team has a mandate to provide a verified foundation of tombstone data (that is, legal names and addresses) to support compliance and enforcement. However, the Ministry had not tasked the team with ensuring the accuracy of information beyond tombstone data, such as historical information on environmental non-compliance (for example, spills).

- *migrate validated data into its new information system.*

  Status: Little or no progress.

Details

In our 2021 audit, we found that the Environment Ministry recognized that ongoing compliance efforts required access to historical information. However, when proposing the new information system, it decided to limit data migration for the project to basic information (for example, company and owner name, location). We noted that the lag in acquiring new data in the system would hinder the Environment Ministry's ability to effectively assess and respond to risk, delaying the Environment Ministry from realizing the full capacity and primary purpose of its new information system.

In our follow-up, we found that the Ministry had migrated tombstone data to the new information system. While historical data remains accessible in Ministry legacy systems, the Ministry is also working toward establishing a centralized data repository to store legacy data. However, at the time of our follow-up, the Ministry did not yet have plans to migrate or validate this data.

Environment Ministry Decreasing Proactive Inspection and Enforcement of Environmental Requirements Despite High Rates of Non-compliance

Recommendation 9

To optimize inspection resources used to identify instances of non-compliance with environmental regulations (that are intended to deter and reduce the frequency and environmental impact of spills), we recommend that the Ministry of the Environment, Conservation and Parks:

- *regularly analyze collected data on key risks and sources of spills to determine the inspection frequency and approach needed to effectively address non-compliance;*

  Status: In the process of being implemented by November 2023.

Details

In our 2021 audit, we found that, while the Environment Ministry attempts to target its proactive inspections on higher risk areas, it had no centralized quantitative analysis of risk. Rather, proactive inspections were based on the judgment of Environmental Officers and other staff.

In our follow-up, we found that in summer and fall 2022, the Ministry had analyzed data on spills that have occurred since 2016. The Ministry analyzed spills by regions/districts, by media type (that is, air, land and/or water), by sector and by contaminant. The Ministry expects to update the analysis by November 2023 and annually afterwards.

- *reassess assigned inspection resources to ensure that the intent of the* Environmental Protection Act *is being met;*

  Status: In the process of being implemented by November 2023.

Details

In our 2021 audit, we found that the Environment Ministry had decreased its proactive inspection and enforcement of environmental requirements, such as for spill prevention, by 25% from 2016 to 2019. We found that the decrease was due to a reduction in compliance and enforcement staff by 9% during this same time frame.

In our follow-up, we found that in fall 2022 the Ministry had formed a working group to inform the creation of an annual planning guidance document for "proactive spills compliance activities." The guidance document provides information on spills to help regional and district offices focus their resources. The Ministry expects the guidance document to be updated by November 2023.

- *undertake inspections with the frequency, resources and approach needed to identify and effectively address non-compliance.*

  Status: In the process of being implemented by March 2025.

Details

In our 2021 audit, we found that the Environment Ministry's decrease in proactive inspections had led to a decrease in the instances of non-compliance identified, from 3,980 in 2016 to 3,264 in 2019.

In our follow-up, we found that the Ministry had formed a working group in fall 2022 to inform the creation of an annual planning guidance document for "proactive spills compliance activities." The guidance focused initially on creating awareness of occurrences of spills for 2023/24. The Ministry expects the guidance to more proactively focus inspection plans and resource allocations on higher-risk sectors and spillers in 2024/25. The Ministry expects to complete field work for the 2024/25 inspections by March 2025.

Environmental Penalties Cannot Be Issued to All Spillers

Recommendation 10

To hold polluters accountable and encourage preventing spills that have potential impacts on human health and the environment, we recommend that the Ministry of the Environment, Conservation and Parks expand the application of its environmental penalties to enable it to penalize all spills.

Status: Little or no progress.

Details

In our 2021 audit, we found that environmental penalties could not be used to hold polluters accountable for the most common causes of spills. Environmental penalties are financial penalties used to protect air, water and land, by holding polluters accountable for environmental harm. They are intended to encourage quick and effective compliance, and can be applied for not reporting spills. However, between 2016 and 2020, those responsible for over 94% (38,124 of 40,349) of reported spills could not be penalized. This is because penalties only applied to certain facilities in nine industrial sectors (for example, petroleum, iron and steel, and metal mining). The only penalties that applied to spills to air were for specific petroleum facilities in Sarnia that discharge sulphur dioxide.

In our follow-up, we found that the Ministry had proposed in January 2022 to expand environmental penalties, and to include all spills within their scope. The Ministry posted a regulation proposal notice and consulted the public for 60 days through the Environmental Registry of Ontario (Registry #019-4108), and has not yet posted a decision notice. The Ministry also held engagement sessions with over 500 participants and met with several industry associations. However, the Ministry has not received direction on how to proceed with the proposal.

New Penalty Limits May Reduce the Incentive to Prevent and Promptly Remediate Spills

Recommendation 11

To compel spill prevention and timely spill remediation, we recommend that the Ministry of the Environment, Conservation and Parks reassess its pending environmental enforcement regime to be consistent with the approach used throughout Canada to impose daily financial penalties at amounts significant enough to encourage spill prevention and deter delayed remediation.

Status: Little or no progress.

Details

In our 2021 audit, we found that proposed changes to Ontario's penalty regime may further weaken Ontario's environmental enforcement regime, reducing the incentive for spillers to prevent and remediate the impacts of spills in a timely manner. The proposed changes would put a cap on the maximum penalties per spill, limiting the Environment Ministry's ability to compel timely remediation through cumulative daily penalties.

In our follow-up, we found the Ministry had not yet implemented its planned cap on the maximum penalties per spill. We also found, as mentioned in our discussion of **Recommendation 10**, that the Ministry in January 2022 had proposed to expand the use of environmental penalties, and had consulted the public on this proposal through the Environmental Registry. Consultation documents proposed that penalties be calculated for each day the contravention occurs. However, the Ministry's proposal would still limit daily penalties to a maximum amount.

Environment Ministry Rarely Investigates and Fines Spillers for Failing to Report a Spill

Recommendation 12

To protect the environment through an effective enforcement regime, we recommend that the Ministry of the Environment, Conservation and Parks senior management verify that spill incidents are investigated, appropriately prosecuted and fines are sought for spillers who fail to report in a timely manner and in doing so:

- *provide clear direction to Environmental Officers on all significant steps to be taken and documented;*

  Status: In the process of being implemented by March 2024.

Details

In our 2021 audit, we found that the Environment Ministry rarely investigated spillers. Out of the over 40,000 spills known to have occurred between 2016 and 2020, Environmental Officers had referred only 153 spills to the Ministry's Investigations and Enforcement Branch to be investigated.

In our follow-up, we found that the Ministry had assessed and prioritized investigative operational policies for review/update in November 2022. The Ministry was also reviewing its Investigations Manual, and finalizing its multi-year plan to update investigative operational procedures. The Ministry expects to develop guidance documentation for spill response and supports by March 2024.

- *review the documented spills response actions on a risk basis to ensure all steps are completed;*

  Status: Fully implemented.

Details

In our 2021 audit, we conducted further analysis of 54 cases the Ministry's Environmental Officers had referred to the Ministry's Investigations and Enforcement Branch between 2016 and 2020 for failing to report a spill. These were the 54 spills (of the 153 we discuss in the first action item of **Recommendation 12**) that had been referred to be investigated for possible prosecution. Of these referred spills, only eight were prosecuted, and 17 were closed following investigation. Reasons for not further pursuing these cases include the Environmental Officer not taking necessary photographs or not taking sufficient samples that could be used as evidence.

In our follow-up, we found that the Ministry had reviewed all investigative files relating to spill incidents

that closed without charges between 2017 and 2022. The review found that over 50% of these investigative files that closed without charges between 2017 and 2022 were because insufficient evidence, such as environmental samples to establish impact to the environment, was available to recommend proceeding with a prosecution.

- *use the reviews to identify prevalent issues that limit the Ministry's ability to effectively penalize and prosecute spillers and take corrective action as needed.*

  Status: In the process of being implemented by March 2024.

Details

In our 2021 audit, in addition to the findings we discuss in the second action item of **Recommendation 12**, we also found that the Environment Ministry's Investigations and Enforcement Branch had not prosecuted cases when Environmental Officers had not made a timely response to a spill, or had delayed referring a case to the Investigations and Enforcement Branch.

In our follow-up, we found that the Ministry had solicited feedback from Environmental Officers in December 2022 and found that barriers to submitting requests for investigations included the transition to a new information system (as discussed in **Recommendation 8**), the level of effort required, and poor communication from the Enforcement Branch. We also found that in February 2023, the Ministry solicited internal feedback on recommendations regarding, among other things, raising divisional awareness of why investigations may be closed, modernizing training for Environmental Officers, and conducting regular reviews of closed investigations for continuous improvement. The Ministry expects to develop its strategy to improve the quality of its investigations by March 2024, and it updated the training it provides to environmental officers on sampling in September 2023.

Environment Ministry Does Not Stop Repeat Offenders

Recommendation 13

To reduce repeated violations of environmental laws and regulations by the same offenders, we recommend that the Ministry of the Environment, Conservation and Parks (Ministry) revise its repeat offender strategy to ensure chronic repeat violators are:

- *penalized or prosecuted considering violations on all company operations within Ontario;*

  Status: In the process of being implemented by November 2023.

Details

In our 2021 audit, we found that the Environment Ministry allowed repeat offenders to continue operating because of an ineffective compliance strategy. Despite the Environment Ministry's policy that allowed it to revoke the environmental approvals of entities that repeatedly violate environmental laws and regulations, the Environment Ministry had only ever revoked two companies' environmental approvals. The Environment Ministry identified to our Office 54 companies as repeat offenders, with 41 of the 54 continuing to operate without being brought into compliance as of October 2021. The Environment Ministry had consulted staff and found its repeat violator strategy to be "very onerous and time consuming" and with little added value, which may have discouraged staff from identifying repeat violators.

In our follow-up, we found that the Ministry was in the process of updating its Repeat Non-compliant Violators Strategy. The Ministry plans to finalize the updated strategy and train staff by November 2023.

- *publicly identified with consolidated information published on the Ministry's website on prosecutions, penalties, tickets, orders and details of violations;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that the Technical Standards and Safety Authority had advised the Environment Ministry in 2017 that large companies can be motivated to protect their reputation. In response to our 2016 audit report on Environmental Approvals, the Environment Ministry stated in an internal communication that it would publish convictions as part of a repeat violator strategy. However, we found that publishing convictions was not part of the Environment Ministry's strategy in 2021. While there were 378 Environment Ministry charges that led to convictions from 2016 to 2020, only 288 Environment Ministry court bulletins were published online. The Environment Ministry also does not publish information on repeat violators.

In our follow-up, we found that the Ministry had prioritized the finalization of its Repeat Non-compliant Violators Strategy and had not yet made progress on this recommendation. The Ministry plans to review data and develop options to consolidate and publicly post information on repeat non-compliant violators by the first quarter of 2023/24.

- *provided with written communication of the risk of the cancellation of their environmental approvals with repeat offences;*

  Status: In the process of being implemented by November 2023.

Details

In our 2021 audit, we found that the Environment Ministry did not inform all repeat violators themselves that they had been identified as such.

In our follow-up, we found that the Ministry had drafted a letter template that it plans to use to inform entities of their Repeat Non-compliant Violators designation and of the tools available to the Ministry if compliance is not achieved, including the revocation of approvals. The Ministry expects the letter to be finalized with its updated Repeat Non-compliant Violators strategy by November 2023.

- *denied additional environmental approvals regardless of site location or company name.*

  Status: In the process of being implemented by November 2023.

Details

In our 2021 audit, we found that the Environment Ministry had issued new environmental approvals to repeat offenders, including for the expansion of a landfill where non-compliance was occurring. This was in part because the Environment Ministry's Environmental Permissions Branch relied on staff judgment and did not yet have a policy to ensure consistency when considering non-compliance prior to issuing environmental approvals. The Environment Ministry's 2021 review of its repeat violator strategy also found a lack of a process to co-ordinate among district offices to address repeat violators with sites in multiple districts.

In our follow-up, we found that the Ministry had developed a standard operating procedure on Suspension, Revocation and Refusal: Decisions for Environmental Compliance Approvals and Permits to Take Water. In this standard operating procedure, reasons for suspending, revoking or refusing an approval include repeated non-compliance over time. The Ministry plans to incorporate this procedure into the training and implementation plan for its updated Repeat Non-compliant Violators strategy by November 2023.

Chapter 1

Section
1.22

Ministry of the Environment, Conservation and Parks

Follow-Up on 2021 Value-for-Money Audit:

Non-Hazardous Waste Reduction and Diversion in the Industrial, Commercial and Institutional Sector

RECOMMENDATION STATUS OVERVIEW						
		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	3		1	2		
Recommendation 2	3			3		
Recommendation 3	2			2		
Recommendation 4	1			1		
Recommendation 5	3	1		2		
Recommendation 6	2			2		
Recommendation 7	2			2		
Recommendation 8	1			1		
Recommendation 9	2			2		
Recommendation 10	2			2		
Recommendation 11	2	2				
Recommendation 12	3		1	2		
Recommendation 13	3		2	1		
Recommendation 14	2	1	1			
Recommendation 15	3			3		
Recommendation 16	2			2		
Recommendation 17	2			2		
Total	**38**	**4**	**5**	**29**	**0**	**0**
%	**100**	**11**	**13**	**76**	**0**	**0**

Overall Conclusion

The Ministry of the Environment, Conservation and Parks (Ministry), as of September 1, 2023, has fully implemented four (11%) of the actions we recommended in our *2021 Annual Report*. Three of these recommended actions relate to the Ministry's inspection and enforcement activities, including implementing new processes for inspectors to consistently verify that regulated businesses and institutions are making reasonable efforts, as required by regulation, to ensure their recyclable materials are being collected separately and taken to an appropriate facility for reuse or recycling. The fourth action relates to undertaking research on best practices in other leading jurisdictions to help identify approaches that could be adopted to reduce waste in Ontario's industrial, commercial and institutional (IC&I) sector.

The Ministry has made progress in implementing an additional five (13%) of the recommended actions, including taking steps to identify and fill data gaps about waste generation, diversion and disposal for the IC&I sector.

However, the Ministry has made little progress on the remaining 29 (76%) of the recommendations. For example, the Ministry has made little or no progress in increasing transparency about the waste management industry through new reporting requirements; expanding the scope of its regulatory framework to capture more than the 2% of businesses and institutions that are currently regulated; developing a concrete plan for an organic waste landfill ban; and moving forward on a promised regulatory review to ensure that requirements in its regulations are actually effective at driving waste diversion.

The status of actions taken on each of our recommendations is described in this report.

Background

Approximately 60% of Ontario's waste is generated outside the home by the almost 1.6 million businesses and institutions collectively known as the industrial, commercial and institutional (IC&I) sector. The IC&I sector includes:

- industrial facilities, such as manufacturers;
- commercial businesses, such as retail stores, restaurants, hotels and offices;
- institutions, such as schools, colleges, universities and hospitals; and
- construction and demolition projects.

IC&I establishments are responsible for managing their own waste, at their own cost, through contracts with private waste management businesses. Multi-residential buildings (apartments and condominiums) straddle the IC&I and residential sectors. They are responsible for managing their own waste privately and are regulated along with IC&I establishments. However, approximately 80% of multi-residential households receive municipal garbage and recycling collection, which is counted as residential waste for data purposes.

In addition to generating more waste than the residential sector, the IC&I sector also diverts much less through reusing, recycling or composting. Our audit concluded, consequently, that improving waste management in the IC&I sector holds the key to meeting the Province's waste goals, and avoiding a looming landfill shortage. Yet, we found that the Ministry of the Environment, Conservation and Parks (Ministry) had not taken concrete actions to drive a reduction in the amount of IC&I waste being generated and disposed of. We found the Ministry did not have the data it needed to reliably track the IC&I sector's progress toward Ontario's waste goals.

These were some of our findings:

- The Ministry's IC&I waste regulations made under the *Environmental Protection Act*—the Source Separation Programs Regulation and the Waste Audits and Waste Reduction Work Plans Regulation—applied to less than 2% of Ontario's almost 1.6 million businesses and institutions. The remaining 98% had no obligations under the regulations to reduce or divert any of their waste. While the 2% of regulated establishments

are the largest ones, and therefore generated disproportionately more of the waste (roughly estimated to be between one-third to two-thirds of total IC&I waste), regulating so few establishments limited the potential of existing regulations to drive better overall IC&I waste practices.

- The Source Separation Programs Regulation has driven regulated businesses, institutions and multi-residential buildings to operate recycling programs, but has not led to widespread improvement in diversion rates. Our review of a sample of regulated IC&I establishments from 2014 to 2019 found that diversion rates ranged from 6% to 90%.
- The list of materials that establishments must collect to be recycled had not been updated in over 25 years, and excluded now-common materials, such as coffee cups, compostable packaging and most plastics. The 1994 list focused on common packaging wastes at that time. Several materials commonly found in today's waste stream, such as plastic waste from most subsectors, including retail, offices, schools and hospitals, were excluded from the list. Plastics make up an increasingly large share of IC&I waste: an estimated 10% by weight, and much more by volume.
- Waste management companies often sent IC&I source-separated materials intended for diversion to landfill. We found that waste collectors took roughly half of the IC&I source-separated recycling that they collected to sorting or processing facilities, and the other half to transfer stations. However, only 34% of the transfer stations we examined sorted and processed the materials. The other 66% of transfer stations accepted the IC&I recycling as garbage, which they mostly sent to landfill. We also determined that waste collectors took about one-fifth of collected IC&I organic waste directly to landfill. Overall, many materials that were being collected separately by establishments (like retail stores, restaurants, offices and hotels) with the intent to be diverted as recycling or compost, were never actually recycled or composted.
- Contracts between regulated establishments and waste management companies rarely required the waste collectors to divert the IC&I materials. Our review of 40 agreements between regulated establishments with source-separation programs and their waste collectors found that only three required the collectors to divert the customers' waste. Most of the agreements gave collectors—either explicitly or through the absence of terms about how materials were to be managed—discretion to make operating decisions that balanced costs against waste diversion goals.
- The Ministry had major data gaps with respect to IC&I waste, which hindered the Province's ability to develop effective waste policies and to reliably track progress toward goals. The Province collected detailed data for residential waste but not for IC&I waste. Without any IC&I data, the Ministry had major gaps in its understanding of the state of IC&I waste in Ontario, including which types of establishments generated and disposed of the most waste. On our assessment, the Ministry had likely underestimated the total waste disposed of by up to 3.1 million tonnes per year.

We made 17 recommendations, consisting of 38 action items, to address our audit findings. We received commitments from the Ministry that it would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between April 2023 and September 2023. We obtained written representation from the Ministry of the Environment, Conservation and Parks that effective October 30, 2023, it had provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Data Gaps in Industrial, Commercial and Institutional Waste

Recommendation 1

To inform the Province's review of its current waste regulations and the development of effective policies and programs to address industrial, commercial and institutional (IC&I) waste, and to reliably track progress toward the Province's waste reduction and diversion goals, we recommend that the Ministry of the Environment, Conservation and Parks:

- *utilize existing data from IC&I establishments and waste management facilities, including waste audits, waste facility reports and data collected by other organizations, to help fill gaps in baseline data about total IC&I waste generated, diverted and disposed of, as well as gaps in data about the types of IC&I waste materials and the sources of waste by subsectors and size of establishments;*

  Status: In the process of being implemented by spring 2024.

Details

In our 2021 audit, we found that the Ministry had major gaps in its understanding of the state of IC&I waste in Ontario, hindering the Ministry's ability to develop effective waste policies to meet the Province's waste diversion goals. In particular, the Ministry lacked reliable data on the composition of the IC&I waste stream by type of material, as well as data on which types of IC&I establishments generated and disposed of the most waste. We found that several sources of potential data already existed—including waste audits prepared by regulated IC&I establishments, annual reports prepared by waste facility operators, and data collected by other waste-related organizations—but were being underutilized.

In our follow-up, we found that, in late summer 2022, the Ministry compiled hundreds of reports (waste audits and facility annual reports) that had been prepared by IC&I establishments and waste facility operators. In 2023, Ministry staff began an internal analysis of the data in the compiled reports, which the Ministry anticipates will be completed by spring 2024. The results of this analysis will inform next steps on data needs and other work.

- *implement measures to streamline and simplify existing data reporting requirements and provide for electronic reporting of the standardized data from IC&I establishments and waste management facilities about the types, quantities and destinations of IC&I waste they generate or manage;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that the waste audits and waste facility annual reports required of IC&I establishments and waste facility operators contained valuable data about the quantities and types of IC&I waste generated, diverted and disposed of. However, several limitations in the Ministry's reporting requirements prevented them from being better utilized, including:

- lack of standardization and/or clear direction, resulting in inconsistent reporting;
- paper-based, rather than electronic, reporting, making it more difficult to both input and extract data; and
- requirements that only some reports be submitted to the Ministry, limiting the Ministry's ability to utilize the data.

In our follow-up, we found that, in early 2023, the Ministry began reviewing hundreds of waste audits and facility annual reports submitted by IC&I establishments and waste facility operators to better understand how data is currently being reported. The Ministry advised us that, based on this review, it will consider how reporting requirements could be improved. The Ministry also noted that it will continue to build on ongoing jurisdictional research by looking at best practices for data reporting, which can also inform next steps.

- *publicly report summarized IC&I waste data based on the collected information, and to the extent that any published data does not align with Statistics Canada data, include a clear explanation of the factors that contributed to the different results.*

  Status: Little or no progress.

Details

In our 2021 audit, we found that, whereas the Province collects and publishes its own detailed data for residential waste, it did not collect or publish detailed data for IC&I waste. Further, to the extent that the Ministry did publish waste data, it typically did not align with the high-level data on total residential and IC&I waste published by Statistics Canada.

In our follow-up, we found that the Ministry has not acted on this recommendation. The Ministry stated that it is reviewing its compilation of submitted waste reports to better understand current reporting practices, which can inform future decisions about public reporting.

Waste Management Industry

Recommendation 2

To increase the accountability of waste collectors taking source-separated materials from industrial, commercial and institutional (IC&I) establishments to appropriate waste management facilities for diversion rather than disposal, we recommend that the Ministry of the Environment, Conservation and Parks:

- *require waste collectors to maintain documentation, to be provided to IC&I establishments upon request, to verify how collected source-separated materials are being managed;*
- *require waste collectors to report information to the Ministry (or a delegate) to track the quantities, types and destinations of IC&I materials diverted and disposed of; and*
- *develop and implement a framework to inspect and enforce these requirements.*

Status: Little or no progress.

Details

We found in our 2021 audit that waste collectors took only about half of the source-separated recyclables and organics that they collected from IC&I establishments to processing facilities (to be recycled or composted). The other half was taken to transfer stations, from where roughly two-thirds was sent to landfill. We found that, in contrast to Ontario, some other jurisdictions required waste collectors to report where they took collected waste, and in a few cases, held waste collectors responsible for ensuring collected recyclable and organic waste was brought to an appropriate final destination.

In our follow-up, we found that the Ministry has not taken steps to require waste collectors to maintain documentation or report information regarding the quantities, types and destinations of the source-separated recyclables regulated under the Source Separation Programs Regulation and the organic waste collected for either diversion or disposal. The Ministry stated that it will continue to conduct jurisdictional research on best practices for data-reporting approaches and regulatory responsibilities for waste service providers, which can inform future decisions on this matter.

Recommendation 3

To increase transparency about the waste management industry and help industrial, commercial and institutional establishments make more informed business decisions about the management of their waste, we recommend that the Ministry of the Environment, Conservation and Parks (Ministry):

- *require waste management facilities to report their annual diversion rate, as well as the specific materials they regularly divert, to the Ministry (or a delegate); and*
- *provide publicly accessible information, such as an online central database, of waste management facilities' past reported diversion rates and materials diverted.*

Status: Little or no progress.

Details

We found in our 2021 audit that only 34% of the transfer stations that we examined transferred loads of IC&I recycling to sorting/processing facilities to be diverted; the other 66% accepted the IC&I recyclables as garbage, which they sent to landfill or energy-from-waste facilities. We also found that it

was difficult to obtain information about waste industry operations. Without access to such information, establishments could not easily verify whether their recyclables were being sent to a sorting/processing facility that actually diverted their recycling and, therefore, could not easily make informed decisions when contracting waste services.

In our follow-up, we found that the Ministry has not acted on this recommendation to implement new reporting requirements for waste management facilities and provide publicly accessible waste diversion information. However, as a preliminary step, in early 2023, the Ministry began reviewing a compilation of hundreds of waste management facility annual reports submitted to the Ministry by waste management facility operators to understand waste flows and waste management trends at these facilities, which can inform future decisions about reporting.

Recommendation 4

To support efforts by industrial, commercial and institutional (IC&I) establishments to have their source-separated waste diverted by their waste management service providers, we recommend that the Ministry of the Environment, Conservation and Parks develop and distribute resources for IC&I establishments, such as guidance and template terms, that promote waste service agreements that require diversion of materials and reporting back on final disposition.

Status: Little or no progress.

Details

Our 2021 audit found that, out of a sample of 40 service agreements between regulated IC&I establishments and their service providers, only three (8%) required the waste collectors to divert the customers' source-separated waste. We also found that there was minimal publicly available information to guide IC&I establishments on the types of terms that could or should be included in a waste service agreement to ensure waste is diverted.

In our follow-up, we found that, in late 2021, Ministry staff reviewed examples of other jurisdictions' guidance and overall messaging relating to the terms of waste service agreements, to identify potentially effective means to communicate with the IC&I sector. Ministry staff also developed a draft fact sheet for IC&I establishments that would promote waste service agreements that require diversion of materials and reporting back on final disposition. However, at the time of our follow-up, the draft fact sheet had not been finalized and no plans had been set for releasing it. The Ministry told us that it will continue to assess options for providing more detailed guidance to Ontario's IC&I sector to influence a positive impact on waste diversion.

Underlying Barriers to Waste Reduction and Diversion

Recommendation 5

To overcome the underlying barriers to reducing and diverting waste from the industrial, commercial and institutional (IC&I) sector, including high diversion costs, contamination and lack of stable end markets, we recommend that the Ministry of the Environment, Conservation and Parks:

- *look to jurisdictions that have achieved significant reductions in their waste disposal rates to assess their use of policies and programs—including landfill bans, landfill levies and measures to support end markets for IC&I materials—to encourage waste reduction and improve the viability of diversion;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that several major, interrelated barriers—namely, high diversion costs, high contamination rates and weak end markets—prevented or hindered waste management companies from diverting more IC&I waste in Ontario. We also found that other governments, in Canada and around the world, had increased waste diversion and reduced waste disposal by implementing measures, such as landfill bans and landfill levies, to address these barriers and improve the economic conditions for waste diversion.

In our follow-up, we found that the Ministry has undertaken considerable research into approaches used by leading jurisdictions—including bans, levies, green procurement, voluntary and industry-led programs, targets, extended producer responsibility, etc.—to achieve higher waste diversion and reduced waste disposal. The Ministry advised us that it will continue to monitor cross-jurisdictional developments through ongoing research until such time as the Ministry makes a decision on implementing any new approaches (see the second action item of **Recommendation 5**).

- *based on this review, implement measures demonstrated to be most effective at reducing and diverting IC&I waste;*

  Status: Little or no progress.

Details

In our follow-up, we found that the Ministry has not acted on this recommendation. While the Ministry has undertaken research gathering examples of approaches used by leading jurisdictions (see the first action item of **Recommendation 5**), the Ministry advised us that development and implementation of any new approaches in Ontario are dependent on future decisions based on the information gathered.

- *promptly develop a concrete plan for an organic waste landfill phase-out with firm dates for implementation.*

  Status: Little or no progress.

Details

We found in our 2021 audit that, despite Ministry commitments (including in its 2020 progress update on the 2018 Made-in-Ontario Environment Plan) to consult on a plan to ban organic waste from landfill by 2030, the Ministry had not yet taken steps toward developing the proposed landfill ban. Organic waste makes up about one-quarter of the IC&I waste stream. We found that landfill bans, which prohibit the disposal of specific materials, had been used effectively by many jurisdictions to reduce the amount of waste disposed, as well as to drive development of end markets for the banned materials. For example, after Nova Scotia implemented its disposal ban in 1997, the disposal rate decreased 46% from 1990 to 2018 and resulted in the opening of several new processing facilities.

In our follow-up, we found that the Ministry is not moving forward with a landfill ban on food waste at this time. The Ministry stated that, because of the impacts of the COVID-19 pandemic, Ontario's businesses, hospitals and schools need more time to recover before the Ministry will consider moving forward with disposal bans as a way of reducing and diverting waste. As of September 2023, despite the receding impacts of the COVID-19 pandemic, the Ministry could not provide a timeline for implementing its commitment to develop a plan for an organic waste landfill phase-out.

Recommendation 6

To encourage waste reduction by the industrial, commercial and institutional (IC&I) sector, we recommend that the Ministry of the Environment, Conservation and Parks:

- *introduce a target for reducing the total amount of IC&I waste disposed of annually; and*
- *track and publicly report on progress toward the IC&I waste reduction target.*

  Status: Little or no progress.

Details

We found in our 2021 audit that Ontario's waste management programs, policies and performance metrics focused almost exclusively on improving waste diversion rates, with little focus on reducing waste. Conversely, other top performing jurisdictions, such as Nova Scotia, placed a greater focus on waste reduction over diversion.

In our follow-up, we found that the Ministry has not acted on this recommendation to introduce a target for reducing the total amount of IC&I waste. The Ministry noted that it has other targets aimed at reducing IC&I waste, such as an overall waste diversion target for all waste in Ontario, as well as waste-reduction and resource-recovery targets for food and organic waste for individual IC&I facilities. However, the Ministry

stated that development of a target for waste reduction for the IC&I sector as a whole is dependent on future decisions.

Portion of Businesses and Institutions That Are Regulated

Recommendation 7

So that the scope of Ontario's regulatory framework enables meaningful improvement in overall industrial, commercial and institutional (IC&I) waste diversion and disposal rates, and to facilitate identification and inspection of regulated establishments, we recommend that the Ministry of the Environment, Conservation and Parks:

- *review options for significantly expanding the application of the IC&I waste regulatory framework to additional businesses and institutions, with possible exemptions for small establishments (based on quantity of waste generated, number of employees or other metrics); and*
- *based on the outcome of the review, expand the application of the IC&I waste regulatory framework such that a significant majority of IC&I waste is covered.*

Status: Little or no progress.

Details

We found in our 2021 audit that less than 2% of all businesses and institutions in Ontario were subject to the IC&I waste regulations, meaning that over 98% of the almost 1.6 million IC&I establishments in the province were not required to take the measures set out in the regulations to reduce and divert their waste. While the 2% of regulated establishments are the largest ones, and therefore generated disproportionately more of the waste (roughly estimated to be between one-third to two-thirds of total IC&I waste), regulating so few establishments limited the potential of existing regulations to drive better overall IC&I waste practices.

In our follow-up, we found that the Ministry has not acted on this recommendation to expand the IC&I waste regulations to additional establishments. However, as a preliminary step, the Ministry has compiled hundreds of waste audits that have been submitted to the Ministry by regulated IC&I waste generators, and Ministry staff have begun analyzing this compiled data, which can inform future decisions on this matter.

Mandatory Recycling Programs

Recommendation 8

So that the requirements imposed on industrial, commercial and institutional (IC&I) establishments and multi-residential buildings effectively drive waste reduction and diversion, we recommend that the Ministry of the Environment, Conservation and Parks revise or replace the requirements in the IC&I Source Separation Programs Regulation (Ontario Regulation 103/94) with clear and enforceable outcomes-based requirements for establishments to separately collect and divert recyclables, such as diversion targets, disposal caps or contamination thresholds.

Status: Little or no progress.

Details

We found in our 2021 audit that the Source Separation Programs Regulation had not been effective at driving waste diversion. We found that, even though compliance with the regulation was generally high (88% of inspected IC&I establishments had implemented a recycling program as required), such compliance did not necessarily result in higher waste diversion. Based on the self-reported data of a sample of 60 regulated IC&I establishments, we found that diversion rates ranged from 6% to 90%. Further, although the Ministry had itself concluded that the regulation was not effective and needed to be reviewed, it had not yet begun a review.

In our follow-up, we found that the Ministry has not acted on this recommendation. In the interim, the Ministry advised us that it is continuing to investigate best practices among jurisdictions to assess outcomes-based requirements for source separation, as well as exploring other options to improve waste diversion in the IC&I sector.

Recommendation 9

So that Ontario's waste regulatory framework applies to a sufficient portion of the waste stream to significantly contribute to Ontario's waste diversion rates, we recommend that the Ministry of the Environment, Conservation and Parks:

- *expand the list of materials, in the current or revised regulatory framework, that industrial, commercial and institutional (IC&I) establishments must separately collect and divert to include common recyclable materials in the waste stream, including plastics, to cover a larger portion of the IC&I waste stream; and*
- *develop and implement a process to update the list to align, as required, with shifts in the waste stream and with residential recycling programs.*

Status: Little or no progress.

Details

We found in our 2021 audit that the list of materials that establishments were required to collect separately for recycling had not been updated in over 25 years, and excluded now-common materials such as coffee cups, compostable packaging and most plastics. Our review of a sample of 45 waste audits from regulated IC&I establishments found that, on average, only 41% of their generated waste (by weight) was regulated. Excluding food waste (roughly 27% of the waste stream by weight), which the Ministry is addressing through a separate organic waste policy, still left 32% of the IC&I waste stream as unregulated.

In our follow-up, we found that the Ministry has not acted on this recommendation. The Ministry noted that it has other policies and programs that promote the diversion of IC&I waste and complement the IC&I waste regulations. These include the 2018 *Food and Organic Waste Policy Statement*, which provides direction to IC&I establishments and the waste management sector (as well as to others) to increase waste reduction and resource recovery of food and organic waste, and the Blue Box program, which was expanded in 2021 to include beverage containers supplied in the IC&I sector. To help inform future decisions about the regulation of other IC&I waste materials, the Ministry has compiled hundreds of waste audits submitted to the Ministry by regulated IC&I waste generators, and Ministry staff have begun analyzing this compiled data.

Recommendation 10

To promote effective recycling programs by industrial, commercial and institutional (IC&I) establishments and multi-residential buildings, we recommend that the Ministry of the Environment, Conservation and Parks:

- *develop and distribute more detailed guidelines and educational resources for effective recycling programs in IC&I establishments and multi-residential buildings, including best practices to reduce contamination and increase capture of recyclables; and*
- *in consultation with stakeholders, implement measures to encourage or require IC&I establishments and multi-residential buildings to collect IC&I materials, such as paper fibres and containers, in multiple streams to reduce contamination.*

Status: Little or no progress.

Details

We found in our 2021 audit that many establishments, including those deemed by the Ministry to be fully complying with the Source Separation Programs Regulation, were operating poorly performing recycling programs (that is, those that did not capture most recyclables and/or where recyclables were highly contaminated with garbage or food waste). To improve the performance of recycling programs, we identified a number of best practices, such as collecting recyclables in multiple separate streams, that could be more widely used by IC&I establishments.

In our follow-up, we found that, in late 2021, Ministry staff reviewed examples of guidance and templates developed by other jurisdictions to identify effective and appropriate means to communicate with the IC&I sector. Ministry staff also developed a draft fact sheet for IC&I establishments that includes guidance and best practices for effective recycling programs. However, at the time of our follow-up, the draft fact sheet had not been finalized and no plans had

been set for releasing it. The Ministry told us that it will continue to assess options for providing more detailed guidance to Ontario's IC&I sector.

Recommendation 11

To promote and more consistently enforce the recycling or reuse of source-separated materials by industrial, commercial and institutional establishments and multi-residential buildings with private collection, we recommend that the Ministry of the Environment, Conservation and Parks:

- *implement processes for inspectors to consistently obtain all necessary documentation from establishments about the collection and final destination of their source-separated materials; and*
- *implement processes for inspectors to verify, based on the documentation, that establishments have hired a waste collector to separately collect and take their source-separated materials to an appropriate facility for reuse or recycling.*

Status: Fully implemented.

Details

We found in our 2021 audit that, despite regulatory requirements for establishments to make "reasonable efforts" to ensure that their the recyclables are recycled, in 40% of the inspection files we reviewed, the documentation provided by establishments did not demonstrate that their recyclables were collected separately and taken to an appropriate final destination to be recycled. Further, our examination found that, in 67% of the cases where establishments had not provided complete information (that is, proof that their recyclables were being collected separately and taken to an appropriate final destination), their recyclables were, in fact, being taken to transfer stations that sent most of the materials they received to landfill as garbage.

In our follow-up, we found that the Ministry has implemented new inspections protocols and online workflows to ensure that information and documentation about the collection and final destination of recyclables are consistently captured, and that all aspects of the inspection protocols are completed by inspectors. Further, in early 2023, the Ministry finalized new guidance materials for inspectors, as well as a new standard operating procedure for conducting inspections, which are now fully implemented. Collectively, these measures should help ensure that inspectors consistently obtain all necessary documentation from regulated IC&I establishments about the collection and final destination of their source-separated materials.

Waste Audits and Waste Reduction Work Plans

Recommendation 12

So that requirements imposed on regulated industrial, commercial and institutional establishments are effective and efficient, and enforced where needed, we recommend that the Ministry of the Environment, Conservation and Parks:

- *undertake its promised review, in consultation with stakeholders, to assess the efficacy of each of the requirements in the Waste Audit and Work Plans Regulation (Ontario Regulation 102/94) and the Packaging Audits and Packaging Reduction Work Plans Regulation (Ontario Regulation 104/94) at driving waste reduction and diversion or at providing useful data to measure progress by establishments;*
- *based on the review, revise or revoke any requirements that are found to be ineffective or inefficient, and replace them with alternative measures to drive waste reduction and diversion and track progress as appropriate;*

Status: Little or no progress.

Details

We found in our 2021 audit that Ministry inspectors were generally no longer inspecting for compliance with two regulations relating to IC&I waste (Ontario Regulations 102/94 and 104/94). Ministry inspectors

had identified issues with enforcing the regulations, yet the Ministry had not undertaken a review to assess the effectiveness of each of the regulatory requirements.

In our follow-up, we found that, in March 2022, Ministry staff had developed documents to prepare for a review of the IC&I waste regulations in consultation with stakeholders. However, at the time of our follow-up, no plans had been set to release these internal documents or initiate such consultation. Ministry staff had also undertaken research on third-party standards for waste audits to evaluate the effectiveness of Ontario Regulations 102/94 and 104/94, and advised us that they intended to undertake further jurisdictional research on best practices for auditing and waste-reduction approaches. The Ministry stated that it may, pending future direction, consider repealing Ontario Regulation 102/94 depending on opportunities to develop audit and/or reporting requirements as part of future policy reform.

- *continue Ministry inspections of any requirements that remain in force.*

  Status: In the process of being implemented by April 2024.

Details

We found in our 2021 audit that, as of April 2019, Ministry inspectors were no longer inspecting for compliance with the Waste Audits and Waste Reduction Work Plans Regulation (Ontario Regulation 102/94), except in corporate initiative inspections (which occur after a company such as a retail or fast food chain has committed to and confirmed full compliance at all of its locations) or where warranted by a risk assessment or complaint. Our audit noted that having a regulation remain in force, but that is not being enforced, creates regulatory confusion and undermines the concept of the rule of law.

In our follow-up, we found that, starting in December 2021, the Ministry restarted inspecting for compliance with Ontario Regulation 102/94 for the construction and/or demolition sectors and has completed reviews of more than 180 waste audit and reduction plans. As of September 1, 2023, the Ministry was working to define and implement an ongoing compliance monitoring approach (including a guidance document) for inspecting compliance with the requirements in Ontario Regulation 102/94 for regulated IC&I establishments.

Ministry Inspections of Regulated Establishments

Recommendation 13

To improve risk-based inspection planning of establishments across all industrial, commercial and institutional (IC&I) subsectors, to maximize the effectiveness of inspections, and to avoid unsuccessful inspection visits to non-regulated establishments, we recommend that the Ministry of the Environment, Conservation and Parks:

- *establish processes to obtain better information to identify which establishments are regulated, such as through the use of private directories or data sharing agreements with other government agencies;*

  Status: In the process of being implemented by April 2024.

Details

We found in our 2021 audit that some IC&I subsectors, such as the manufacturing, restaurant and demolition sectors, received few Ministry inspections. Ministry inspectors told us that a key reason for the lower inspection rate was the difficulty in identifying which establishments met the thresholds for being regulated.

In our follow-up, we found that, in July 2022, as a first step, the Ministry developed a project plan to define its business needs (that is, assess gaps and options for obtaining the necessary data). At the time of our follow-up, information gathering was partially completed. For example, Ministry staff had collected information to improve their understanding of the regulatory profile of the manufacturing sector, which, as of June 2023, included information on 69 manufacturing sites obtained from ongoing field activities. Ministry staff were continuing to conduct research and analysis, including identifying options for procuring private data directories and information sharing with

other ministries, which they expect to complete by April 2024.

- *prioritize inspections of establishments that are likely not complying with the regulations, including establishments within subsectors that have a history of lower compliance rates;*

  Status: In the process of being implemented by April 2024.

Details

We found in our 2021 audit that the IC&I subsectors with the lowest compliance rates, namely the manufacturing, restaurant and demolition sectors, received few Ministry inspections. For example, the manufacturing subsector had the lowest compliance rate of any subsector (60% of inspected sites failed to comply with the Source Separation Programs Regulation), yet the Ministry had inspected only 10 manufacturers over five years—fewer than any other subsector.

In our follow-up, we found that, in accordance with our recommendation, the Ministry has prioritized compliance monitoring activities in the manufacturing, construction and demolition, and restaurant sectors. In 2022/23, the Ministry completed inspections at 20 construction and demolition sites and 22 restaurants. In 2023/24 (up to September 2023), the Ministry initiated inspections at seven manufacturing sites, 18 construction sites and seven restaurants. The Ministry has also initiated a corporate compliance strategy with four restaurant chains based on earlier inspections. As of September 1, 2023, the Ministry was continuing work to define and implement an ongoing compliance monitoring approach for oversight of the various IC&I subsectors.

- *review, in consultation with stakeholders, options to revise the thresholds set out in the IC&I waste regulations so that they are easier to apply and enforce.*

  Status: Little or no progress.

Details

We found in our 2021 audit that the method set out in the IC&I waste regulations for defining which establishments are regulated—by setting minimum thresholds—created various inefficiencies. For example, we found that 10% of all IC&I inspections attempted between 2014/15 and 2018/19 were unsuccessful, mostly because Ministry inspectors were unable to determine in advance whether an establishment met the threshold to be regulated.

In our follow-up, we found that the Ministry has not acted on this recommendation. However, as a preliminary step, the Ministry has compiled hundreds of waste audits submitted to the Ministry by regulated IC&I waste generators, and Ministry staff have begun analyzing this compiled data, which can inform future decisions on amending the thresholds in the regulations.

Recommendation 14

So that industrial, commercial and institutional waste (IC&I) establishments and multi-residential buildings proactively comply with the IC&I waste regulations, and remain in compliance with the regulations, we recommend that the Ministry of the Environment, Conservation and Parks:

- *review its compliance and enforcement approach to determine whether stronger measures, such as administrative fines, are needed to address non-compliance with the IC&I waste regulations;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that there was minimal risk or penalty for establishments found non-compliant with the IC&I waste regulations. As a result, establishments could defer implementing required measures without consequence, until directed to do so by a Ministry inspector.

In our follow-up, we found that the Ministry had reviewed its compliance and enforcement approach, and had determined that availability of administrative penalties in this area would provide for stronger enforcement of environmental requirements. In January 2022, the Ministry consulted on a proposal through the Environmental Registry (#019-4108) to expand administrative penalties to cover more

environmental contraventions, including the IC&I waste regulations (Ontario Regulations 102/94 and 103/94), and received 62 comments. The Ministry also held six engagement sessions with over 500 registrants and met with several industry associations. As of May 2023, the Ministry had reviewed all stakeholder comments, and was considering further changes to the proposed approach to address stakeholder concerns.

- *based on the outcome of the review, implement any changes to its compliance and enforcement policies.*

  Status: In the process of being implemented by January 2025.

Details

As noted in the first action item of **Recommendation 14**, in our follow-up, we found that the Ministry had consulted in January 2022 on a proposal to expand administrative penalties to cover more environmental contraventions, including those under the IC&I waste regulations. The Ministry has reviewed all comments and is considering further changes to the proposed approach to address stakeholder concerns. The Ministry's target to complete the expansion of the administrative penalties is January 2025.

The Ministry also advised us that, as of May 2023, it was working to update its overarching Compliance Policy, which provides the decision-making framework for compliance and enforcement decisions. It undertook consultations in 2021 through the Environmental Registry on Ministry proposals to modernize its Compliance Policy. The Ministry held three municipal engagement sessions (with a total of 520 registrants) on modernizing environmental compliance practices, and included an update on the Compliance Policy in four webinar sessions (with over 300 registrants) on expanding administrative penalties. It received 41 comments through the Environmental Registry and stakeholder engagement sessions. The Ministry does not yet have an anticipated timeline for completing the update of its Compliance Policy.

Organic and Food Waste Reduction and Diversion

Recommendation 15

To promote and enforce the reduction and diversion of food and organic waste by industrial, commercial and institutional waste (IC&I) establishments and multi-residential buildings, in accordance with the Food and Organic Waste Policy Statement*, we recommend that the Ministry of the Environment, Conservation and Parks:*

- *promptly provide guidance on calculating the baseline from which establishments are to measure progress toward the 2025 targets;*

  Status: Little or no progress.

Details

In our 2021 audit, we found that the Ministry had not taken steps needed to effectively implement its *Food and Organic Waste Policy Statement*, including the policy's target for IC&I establishments to each reduce organic waste by either 50% or 70%, depending on their size and subsector, by 2025. In particular, the Ministry had not provided guidance to establishments on how to calculate the baseline for the target, from which to calculate the percentage of waste reduction achieved. Given that the target was the central feature of the policy, a lack of direction risks undermining the effectiveness of the entire policy to reduce food waste. In October 2021, shortly before the release of our audit report, Ministry staff completed draft guidance and a draft food waste calculator to help establishments determine their baseline and progress toward the targets, and provided these to senior management for review.

In our follow-up, we found that the Ministry had not, at the time of our follow-up, provided guidance to IC&I establishments on calculating the baseline from which they are to measure progress toward the 2025 waste-reduction and resource-recovery targets in the *Food and Organic Waste Policy Statement*. Despite the draft guidance and food waste calculator being near complete, the Ministry had not publicly posted either of these resources. The Ministry advised us that the public

release of the draft guidance and online calculator is dependent on future decisions.

- *require establishments to measure and track their organic waste to demonstrate progress toward the targets;*

  Status: Little or no progress.

Details

We found in our 2021 audit that the Ministry had not taken steps needed to effectively implement its *Food and Organic Waste Policy Statement*. We found that the policy did not require establishments to conduct food waste audits to quantify the amount and type of food waste. Without measuring and recording their food waste, there would be no means for either the establishments or the Ministry to monitor establishments' progress in reducing organic waste. Prior to our audit, in fall 2020, the Ministry had consulted on amendments to the policy that included tracking and reporting requirements for the targets. However, no further steps had been taken on this potential amendment.

In our follow-up, we found that the Ministry has not acted on this recommendation. The Ministry advised us that proposed amendments to the *Food and Organic Waste Policy Statement*, as well as feedback received by stakeholders during the fall 2020 consultation, are still under consideration by the Ministry.

- *develop and implement a strategy for education, outreach and enforcement of the policy, and for tracking the effectiveness of enforcement measures.*

  Status: Little or no progress.

Details

We found in our 2021 audit that the Ministry had not yet taken steps needed to effectively implement its *Food and Organic Waste Policy Statement*. In addition to the issues noted in the first two action items in **Recommendation 15**, we found that the Ministry had not yet undertaken outreach activities to educate establishments about the new requirements and promote compliance with the new policy.

In our follow-up, we found that the Ministry has not acted on this recommendation. The Ministry advised us that the release of the guidance and calculator (discussed in the first action item in **Recommendation 15**) would likely be the primary means of education and outreach for the Policy Statement.

Delegating Duties to Resource Productivity and Recovery Authority

Recommendation 16

To collect and analyze industrial, commercial and institutional (IC&I) waste data, we recommend that the Ministry of the Environment, Conservation and Parks:

- *assess the feasibility of assigning responsibility for collecting, analyzing and reporting on IC&I waste data to the Resource Productivity and Recovery Authority (Resource Authority), including assessing the Resource Authority's operational capacity to take on additional data collection and analysis responsibilities over the next two years; and*

- *based on the review, develop and implement a plan for assigning responsibility to the Resource Authority, or alternatively an appropriate body within the Ministry, for collecting, analyzing and reporting on IC&I waste data.*

  Status: Little or no progress.

Details

We found in our 2021 audit that the Resource Productivity and Recovery Authority (Resource Authority)—a non-Crown, not-for-profit corporation that delivers waste-related services to support the Province—already had in-house staff expertise and information technology and systems in place for waste data collection and analysis. Despite the potential to further leverage the Resource Authority's existing assets and expertise, we found that the Ministry had not assessed the potential for delegating responsibility to the Resource Authority for collecting, analyzing and reporting IC&I waste data.

In our follow-up, we found that the Ministry has not acted on this recommendation, stating that implementation is dependent on future policy decisions. The Ministry noted that the Resource Authority is currently focused on implementing producer responsibility regulations for a number of existing programs (tires, batteries, electrical and electronic equipment, hazardous and special products, and Blue Box materials), as well as currently overseeing the transition of local Blue Box programs to a producer responsibility framework (that is, making producers responsible for waste generated by their products).

Recommendation 17

To achieve higher diversion rates for materials generated by the industrial, commercial and institutional waste (IC&I) sector, similar to the rates achieved by the producer-run diversion programs overseen by the Resource Productivity and Recovery Authority, we recommend that the Ministry of the Environment, Conservation and Parks:

- *undertake an assessment of potential candidate materials, including materials from the IC&I sector, to identify materials that are suited to producer-run diversion requirements under the* Resource Recovery and Circular Economy Act, 2016*; and*
- *designate additional products and materials from the IC&I sector that have been identified as appropriate.*

Status: Little or no progress.

Details

We found in our 2021 audit that the producer-run diversion framework under the *Resource Recovery and Circular Economy Act, 2016*, which is overseen by the Resource Productivity and Recovery Authority, had resulted in diversion programs that achieved significantly higher collection and recycling rates compared to other IC&I waste. We found that there was a potential opportunity to increase IC&I diversion rates by including more materials under the producer-run diversion framework.

In our follow-up, we found that the Ministry has not acted on this recommendation. However, as a preliminary step, the Ministry has compiled hundreds of waste audits submitted to the Ministry by regulated IC&I waste generators, and Ministry staff have begun analyzing this compiled data, which can inform future decisions on designating new materials.

Chapter 1

Section
1.23

Ministry of the Environment, Conservation and Parks
Ministry of Natural Resources and Forestry

Follow-Up on 2021 Value-for-Money Audit:

Protecting and Recovering Species at Risk

RECOMMENDATION STATUS OVERVIEW						
		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	2	1			1	
Recommendation 2	1				1	
Recommendation 3	1				1	
Recommendation 4	2		2			
Recommendation 5	5		3		2	
Recommendation 6	3		2		1	
Recommendation 7	2				2	
Recommendation 8	3			3		
Recommendation 9	1				1	
Recommendation 10	3			3		
Recommendation 11	2			2		
Recommendation 12	1			1		
Recommendation 13	3			3		
Recommendation 14	4	1	2	1		
Recommendation 15	3				3	
Recommendation 16	1				1	
Recommendation 17	2	2				
Recommendation 18	4			4		
Recommendation 19	4				4	
Recommendation 20	3				3	
Recommendation 21	2				2	
Total	**52**	**4**	**9**	**17**	**22**	**0**
%	**100**	**8**	**17**	**33**	**42**	**0**

Overall Conclusion

The Ministry of the Environment, Conservation and Parks (Ministry), as of September 20, 2023, has fully implemented 8% of actions we recommended in our *2021 Annual Report*. The Ministry has made progress in implementing an additional 17% of the recommended actions.

The Ministry has fully implemented actions such as ensuring that membership on the Committee on the Status of Species at Risk in Ontario is sufficient for quorum at meetings, and delegating authority to approve use of funding under Ontario's Species at Risk Stewardship Program.

However, the Ministry has made little progress on 33% of the recommended actions, including evaluating and publicly reporting on the effects of conditional exemptions and overall benefit permit approvals on species at risk; developing and implementing staff guidance on processing and issuing permits; and developing and implementing a long-term strategy, with specific actions and timelines, to address systemic threats to species at risk. The Ministry has indicated that it does not intend to implement 42% of the actions recommended in our 2021 report.

The status of actions taken on each of our recommendations is described in this report.

Background

Our audit examined whether the Ministry of the Environment, Conservation and Parks (Environment Ministry) was effectively and efficiently protecting and recovering species at risk and their habitats. The Environment Ministry is responsible for administering the *Endangered Species Act, 2007* (Act). Prior to April 2019, the Ministry of Northern Development, Mines, Natural Resources and Forestry (Natural Resources Ministry) administered the Act. In June 2022, the Ministry of Northern Development, Mines, Natural Resources and Forestry was divided into three separate ministries: the Ministry of Northern Development, the Ministry of Mines, and the Ministry of Natural Resources and Forestry.

Species at risk are the plants, mammals, birds, fish, and other organisms that are in danger of extinction and being lost forever. The worldwide rate at which species are now going extinct and disappearing is tens to hundreds of times higher than over the past 10 million years—and the rate is accelerating. Experts and world leaders are calling for urgent action to address this global loss of nature. Species loss directly affects how the natural world works, and impacts the many ways in which humans rely on nature and the services it provides. In Canada, habitat loss and degradation—resulting from land use changes and disturbance from human activities—is the biggest threat to species at risk. Other threats include hunting, fishing and trapping, climate change, pollution, and invasive species. As of October 2021, Ontario had 16 extirpated species (that previously, but no longer, live in the wild in Ontario), 56 species of special concern (that live in the wild in Ontario but may become threatened or endangered based on their biology and identified threats), 54 threatened species (which are likely to become endangered if steps are not taken to address threats) and 117 endangered species (that face imminent extirpation or extinction).

Our audit found that, between 2009, the first full year the Act was in effect, and 2020:

- the total number of species at risk has risen by 22%;
- annual approvals to harm species at risk have increased by 6,262%;
- annual approvals for protection and recovery have increased by 59%;
- annual stewardship funding has decreased by 10%; and

- the number of charges laid under the Act was zero in 2020.

Our audit found that the Ministry was failing in its mandate to protect species at risk. Its actions had not been sufficient to improve the state of these species and their habitats. The Ministry did not have a long-term plan to improve the state of species at risk and there were no performance measures to evaluate the effectiveness of the species at risk program. Additionally, some species at risk may not be protected in the future, as the Act's classification criteria for species at risk was changed in 2019 and is now inconsistent with how species are assessed in other provinces across Canada.

Moreover, forestry operations on Crown lands were exempted from the Act in 2020, resulting in some species actually losing habitat protections under the Act. The committee that advises Ontario's Environment Minister on how to implement the Act was dominated by industry stakeholders, whose interests could have been contrary to protecting species at risk and their habitats. Additionally, the Ministry could not explain how six recent appointees had been identified, screened and chosen for the independent science committee that classifies which species are at risk.

The Ministry lacked guidance on when to say "no" to permit applications to harm species at risk and their habitats. Indeed, no application to harm species or their habitats had ever been denied. Most approvals were granted automatically by the Ministry without review and there were no inspections to ensure that companies and other applicants abided by the conditions of their approvals.

Because the government's goals were generally less ambitious than the recommendations made by independent scientists, its planned actions for the protection and recovery of species at risk were unlikely to improve their status. Few performance measures had been developed to gauge progress for any particular species, and progress was reviewed only once for each species, as that is all that is required by the Act.

Some of our significant findings were:

- The *More Homes, More Choice Act, 2019* changed the classification criteria used by the independent scientific committee to determine whether a species was at risk. Previously, species assessments were based on their biological status in Ontario, while accounting for functional connections with populations elsewhere. This was consistent with practices across Canada and internationally. The bill required the Committee on the Status of Species at Risk in Ontario to consider a species' condition outside Ontario, and to classify the species at lower risk in Ontario if it were deemed to be at lower risk outside of the province.
- No new species at risk were regulated in 2019 and 2020 because the committee that assesses and classifies species lacked quorum to function. The Species at Risk in Ontario List had not been updated since 2018 and some species that could have been protected sooner were not.
- Recovery strategies were delayed for six endangered and 11 threatened species. Fourteen recovery strategies had been delayed because the Ministry planned to adopt the federal recovery strategies for these species and was waiting for the federal government to complete the strategies. Two recovery strategies—for mountain lion (cougar) and spoon-leaved moss, both due in 2013—had been delayed to allow the Ministry to prioritize the preparation of recovery strategies for other species. The recovery strategy for Algonquin wolf, due in 2018, was delayed due to "complex issues," despite a draft strategy that warned that a delay may jeopardize the wolf's long-term recovery.
- Response statements for two endangered, one threatened and one special concern species had been delayed for over seven years. Response statements publicly identify the actions and

priorities that Ontario intends to take and support to protect and recover a species. Response statements were prepared for 164 or 98% of species at risk but not for the American eel and three populations of lake sturgeon (a fish). Another 17 endangered or threatened species did not have response statements because the recovery strategies upon which the statements would be based had not yet been created.

- In 2020, 893 (or 96%) of approvals to harm species at risk and their habitats were conditional exemptions—which require only that harm be minimized rather than, as in overall benefit permits, requiring that the species be made better off than before the activity occurred. In 2020, conditional exemptions impacted 123 different species at risk.
- The Ministry delayed issuing some permits for conservation work, while fast-tracking some permits for development. According to Ministry staff with technical expertise, delays that dated back to 2017—including a delay in obtaining the Minister's approval—likely contributed to the Massasauga rattlesnake becoming locally extinct. In contrast, we found that companies or organizations who complained to higher levels within the Ministry obtained permits for development 43% faster than had they not complained. Our review of permit files found that the Ministry prioritized permits for Infrastructure Ontario ahead of other applicants.
- There was an increasing use of social or economic benefit permits to allow activities that were harmful to species as long as the activities were expected to result in significant social or economic benefit to Ontario. There were four of these permits issued for large-scale projects since 2019. Metrolinx had obtained three economic benefit permits in 2020 for transit projects in the Greater Toronto Area that collectively impacted at least nine species at risk. Issuing multiple permits to a Crown agency for harmful activities that required no overall benefit to species demonstrated that the government set a low standard for itself with regard to species at risk conservation.
- The Ministry was not charging any fees for approvals to harm species or their habitats. The Ministry charged fees for other activities that impacted the environment. For example, it charged between $1,190 and $2,353 for different types of approvals under its Environmental Activity and Sector Registry program and charged up to $60,000 for certain types of permits. Had the Ministry charged the lowest similar fee for the 935 approvals it issued in 2020 under the *Endangered Species Act, 2007*, it could have generated over $1.1 million in revenue to support species at risk conservation.
- The Ministry had never conducted any inspections to ensure compliance with the requirements of agreements, permits and conditional exemptions. There had been 6,539 approvals (agreements, permits and conditional exemptions) under the Act between 2007 and 2020 but none of the activities involved had ever been inspected for compliance with their approval conditions by the Ministry or the Natural Resources Ministry (when it was responsible for the program prior to 2019). The Environment Ministry expected to finalize a draft of a new enforcement plan in 2021, but its approach was designed to remain complaint-driven. For other provincial environmental programs, inspections are routine.

We made 21 recommendations, consisting of 52 action items, to address our audit findings.

Status of Actions Taken on Recommendations

We conducted assurance work between April 2023 and September 2023. We obtained written representation from the Ministry of the Environment, Conservation and Parks that, effective October 30, 2023, it has provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Species Assessment and Classification

Recommendation 1

So that independent expertise is used to promptly assess species and improve the status of species at risk in line with the purpose of the Endangered Species Act, 2007, *we recommend that the Ministry of the Environment, Conservation and Parks:*

- *ensure that membership on the Committee on the Status of Species at Risk in Ontario is sufficient for quorum to be able to carry out its mandate to assess and classify species for subsequent recovery and protection efforts;*

  Status: Fully implemented.

- *develop, publish, and follow transparent and accountable procedures so that technical and program staff with species-at-risk expertise screen and recommend to the Minister candidates for appointment and reappointment to the Committee on the Status of Species at Risk in Ontario.*

  Status: Will not be implemented.

  The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

In our 2021 audit, we found that no new species at risk were regulated in 2019 and 2020 because the committee that assesses and classifies species lacked quorum to function. The Committee on the Status of Species at Risk in Ontario (Assessment Committee) is responsible for the critical task of assessing and classifying Ontario species as being endangered, threatened, special concern, extirpated, extinct or not at risk. For a species to receive protections under the Act, the Assessment Committee assesses and classifies the species, then the Environment Ministry adds them to the Species at Risk in Ontario List regulation under the Act. The Committee may consist of up to 12 members, and must have a minimum of eight members present at meetings for quorum, including the Chair or Deputy Chair, to conduct committee business. Because of the Assessment Committee's inability to make quorum in 2018 and 2019, by spring 2020, there was a backlog of 46 species requiring assessment in Ontario. Once it had sufficient members again in 2020, the committee assessed and classified 35 species from the backlog. We found that, as a result of the Assessment Committee's inability to function, the Species at Risk in Ontario List had not been updated since 2018, and species had not been protected as soon as they could have been.

In our follow-up, we found that, since the release of our report, 10 Assessment Committee members were appointed or reappointed for three-year terms. As of August 2023, there were 10 members on the Assessment Committee, which is sufficient for quorum. The committee held two assessment meetings in 2022, both with quorum.

Details

In our 2021 audit, we found that the process for appointing and reappointing new members to the Assessment Committee was not transparent. Until fall 2019, vacancies on the committee were broadly advertised, and technical and program staff with species-at-risk expertise screened applications using standardized review criteria, recommending qualified candidates to the Minister for interviews. However, after the Environment Ministry took responsibility for the program in 2019, the Minister's office appointed one

candidate who was not recommended (after staff had determined the candidate was marginally qualified), and the Minister also appointed five individuals in 2019 and 2020 who were not screened or recommended by staff with species-at-risk expertise. The Environment Ministry could not provide details about how these six recently appointed members were identified, screened and chosen. Further, we found that from 2017 to 2020, the Minister dismissed without explanation five productive and well-respected committee members who were willing to continue to serve when their terms expired. Ontario's current process for filling vacancies on its Assessment Committee contrasts with the clearly defined and transparent process used to fill vacancies on the federal assessment committee. The federal assessment committee advertises vacancies on its website and via email notifications, and new members are selected by a committee comprising existing members who score applicants against established criteria.

In our follow-up, we found that the Ministry had not taken any steps to develop, publish and follow transparent and accountable procedures so that technical and program staff with species-at-risk expertise screen and recommend Assessment Committee candidates to the Minister. The Ministry told our Office that the *Endangered Species Act, 2007* sets out the role and member qualifications of the Assessment Committee, and that the Ministry will continue to ensure that the processes outlined by the Public Appointments Secretariat and the Agencies and Appointments Directive are adhered to in appointments and reappointments to the committee. The Ministry does not intend to develop procedures that are unique to the Assessment Committee.

Recommendation 2

So that the Committee on the Status of Species at Risk in Ontario (Assessment Committee) has the resources needed to effectively fulfill its mandate as required by the Endangered Species Act, 2007*, we recommend that the Ministry of the Environment, Conservation and Parks ensure that the Assessment Committee be provided access to the technical support it needs, and be supplied with the necessary tools and the funds to procure needed status reports to promptly and effectively assess species.*

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found in our 2021 audit that the Assessment Committee requires additional technical resources to fulfill its mandate.

In order to conduct species assessments, the committee must assemble and analyze data correctly, as it is used to determine whether a species meets a threshold for a given classification status. In May 2017, the Assessment Committee requested that the Natural Resources Ministry provide it with technical support for it to be able to assemble and analyze data, and subsequently referenced this need in meeting minutes. We found that the need for support with these analyses remained an issue for the current committee. By contrast, the secretariat for the federal assessment committee—funded and staffed by the Canadian Wildlife Service—provides technical support as required to committee members. We also found that the Assessment Committee had identified that the Environment Ministry should acquire assessment software for rapid screening to prioritize species in need of assessment, and that funds may be needed to contract external consultants to prepare comprehensive status reports

for species that have not been assessed by the federal assessment committee.

In our follow-up, we found that the Ministry will not be implementing this recommendation. The Ministry had been in the process of acquiring licences for the assessment software requested by the Assessment Committee. The Ministry had been planning to finalize approvals and acquire the software licences by July 2023. Following indications from the Assessment Committee's Deputy Chair, however, that the previously requested software was subsequently determined to be unnecessary for the assessment of species at this time, the Ministry ceased these efforts in June 2023. As a result, the Ministry indicated that it will not be proceeding with implementing the recommendation. Irrespective of the Assessment Committee's needs at the time of our follow-up, our Office continues to recommend that the Ministry regularly identify the technical supports the Assessment Committee needs to promptly and effectively assess species, and to provide the tools and funds needed.

Recommendation 3

So that species at risk receive protections under the Endangered Species Act, 2007 *when appropriate, we recommend that the Ministry of the Environment, Conservation and Parks align the assessment and classification criteria used by the Committee on the Status of Species at Risk in Ontario with that used by the federal and other provincial or territorial assessment committees.*

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

Our 2021 audit found that legislative changes made to the Act in 2019 now require the Assessment Committee to consider a species' condition outside Ontario. If the condition of the species across this broader area is determined to be at a lower risk level than had only the population in Ontario been considered, the committee must classify the species at the lower risk level. Our audit found that no other province or territory in Canada used this classification criterion. Previously, species assessments were based on their biological status in Ontario only, while accounting for functional connections with populations elsewhere. This was consistent with practices across Canada and internationally. Information on species in areas outside Ontario may be of varying reliability or may not exist—they may be out of date or inaccurate, and information on population trends, threats and efforts to protect and recover species may be unavailable or unknown. Due to this legislative change, some species at risk in Ontario may lose protections, and some newly assessed species may never receive protections.

In our follow-up, we found that the Ministry will not be implementing this recommendation. The Ministry indicated that it was supportive of the Assessment Committee continuing to utilize the assessment criteria used by the International Union for Conservation of Nature and the federal Committee on the Status of Endangered Wildlife in Canada, with appropriate modifications taking into consideration the 2019 amendments to the Act. However, the Ministry asserted that taking steps to further align the classification criteria used by the Assessment Committee with that used by the federal and other provincial and territorial assessment committees would contradict the rules for classification set out in the Act. Our Office continues to recommend that the Ministry review those criteria used by other Canadian assessment committees and bring forward options to align Ontario's assessment and classification criteria with them.

Recovery Planning

Recommendation 4

To identify goals, objectives and approaches to improve the status of all species at risk, and to be transparent and accountable to the public and timely in meeting its legislative responsibilities under the Endangered Species Act, 2007, *we recommend that the Ministry of the Environment, Conservation and Parks:*

- *ensure the preparation and public release of recovery strategies for Algonquin wolf, mountain lion (cougar), and spoon-leaved moss by December 2022;*

  Status: In the process of being implemented by November 2025.

Details

Our 2021 audit found that recovery strategies were delayed for several species at risk. The Act requires that a recovery strategy must be prepared within one year for endangered species and two years for threatened species from the date that the species is placed on the Species at Risk in Ontario List. However, the Ministry may take additional time to ensure the completion of recovery strategies if they involve complex issues, are prepared in co-operation with other jurisdictions like the federal government, or the government wants to prioritize the preparation of recovery strategies for other species. To do so, the Minister must post a notice on a Government of Ontario website to provide the reason for the delay and an estimate of when the recovery strategy will be completed—and must do this before the one- or two-year statutory deadlines for endangered or threatened species recovery strategies expires. The Environment Ministry posts these notices on the Environmental Registry of Ontario.

As of June 2021, recovery strategies had been completed for 154 (or 90%) of Ontario's 171 endangered and threatened species but were delayed for six endangered and 11 threatened species. Eight (or 47%) of these 17 species had had the preparation of their recovery strategies delayed for eight or more years. Recovery strategies for three species (the Algonquin wolf, the mountain lion, and spoon-leaved moss) had been delayed to give priority to other species, or due to complex issues. Until a recovery strategy is complete, the Ministry is not required to develop government response statements that identify actions it intends to take or support to help recover the species. This delays provincial efforts to improve the status of these species.

In our follow-up, we found that the Ministry had prepared and released a recovery strategy for spoon-leaved moss in September 2022 (see Environmental Registry #019-5595). In April 2023, the Assessment Committee released its 2022 annual report (see Environmental Registry #019-6719), down-listing the mountain lion (cougar) from endangered to special concern. The Ministry is expected to file corresponding regulatory amendments by January 30, 2024, such that a recovery strategy will no longer be required under the Act for this down-listed species (as recovery strategies are only required for endangered and threatened species). In its 2022 annual report, the Assessment Committee made no change in the assessed status (threatened) of the eastern wolf (formerly referred to as the Algonquin wolf by the committee). The Ministry commits to finalizing the development of a recovery strategy for this species by November 2025.

- *post the list of outstanding recovery strategies and management plans, and a timetable for their development on the Environmental Registry on a quarterly basis.*

  Status: In the process of being implemented by November 2023.

Details

In our follow-up, we found that Ministry staff have performed a preliminary draft analysis to determine how best to publicly share information about the status and timelines for outstanding recovery strategies, management plans and response statements. The Ministry expects to finalize the analysis through a review and approvals process by November 2023. The Ministry reported that, as of June 2023, recovery strategies were

outstanding for 14 species, though the requirement for a mountain lion (cougar) recovery strategy is expected to change given its recent reassessment (see above). The Ministry noted that recovery strategies for an additional 14 species were currently underway or would be initiated shortly, with the expectation that they will be completed by their legislative deadlines.

Recommendation 5

To increase transparency and improve clarity about the government's actions to improve the status of all species at risk, and to increase accountability and progress in implementing identified protection and recovery actions, we recommend that the Ministry of the Environment, Conservation and Parks:

- *develop guidance for the preparation of response statements that will result in the achievement of meaningful outcomes for species at risk;*

  Status: Will not be implemented.

  The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

A government response statement identifies the actions that Ontario intends to take to protect and recover the species, and identifies potential actions for third parties, such as conservation organizations. Under the Act, the Environment Minister must generally develop a response statement within nine months of finalizing a species' recovery strategy or management plan, though the Minister may delay preparation if additional time is required for one of three reasons specified in the Act.

In our 2021 audit, we found that response statements were prepared for 164 or 98% of species at risk but not for the American eel and three populations of lake sturgeon (a fish). Another 17 endangered or threatened species did not have response statements because the recovery strategies upon which the statements would be based had not yet been created (see **Recommendation 4**). Our review of a sample of 30 response statements from 2010 to 2020 found that the Province's goals are generally less ambitious than the scientific advice in recovery strategies, and government-led actions are often not specific to the species and include meeting existing legal obligations. We also found that response statements do not establish performance measures and do not provide cost estimates to help inform decisions about which protection and recovery actions to take or prioritize. As a result of these weaknesses, implementing response statement actions, in general, was unlikely to improve the status of species at risk.

In our follow-up, we found that the Ministry does not intend to implement this recommended action. The Ministry indicated that it is focused on each response statement identifying a recovery goal for the species, as well as key objectives and prioritized actions necessary to support the recovery and meaningful outcomes for the species. However, the Ministry is not developing new guidance for the preparation of response statements at this time.

- *complete the development of response statements for American eel and lake sturgeon by December 2022 so that actions to protect and recover species can be implemented;*

  Status: In the process of being implemented by November 2024.

Details

In our follow-up, we found that the Ministry has undertaken additional, targeted engagement (for example, meeting with Indigenous communities and organizations, and staff at the Ministry of Natural Resources and Forestry), and is working toward finalizing response statements for American eel and lake sturgeon by November 2024.

- *post the list of outstanding response statements, and a timetable for their development on the Environmental Registry on a quarterly basis;*

  Status: In the process of being implemented by November 2023.

Details

In our follow-up, we found that Ministry staff have performed a preliminary draft analysis to determine how best to publicly share information about the status and timelines for outstanding response statements, as well as recovery strategies and management plans (see **Recommendation 4**). The Ministry expects to finalize the analysis through a review and approvals process by November 2023. The Ministry reported that, as of June 2023, response statements were outstanding for American eel and three populations of lake sturgeon.

- *include performance measures in response statements based on recovery strategies so that success can be assessed and accountability established for undertaking required actions;*

  Status: In the process of being implemented by November 2023.

Details

In our follow-up, the Ministry indicated that it is working toward including performance measures in all response statements posted on the Environmental Registry for consultation in or after November 2023. To this end, Ministry staff have developed draft guidance for developing response statement performance measures, pointing to examples of federal response statements with performance indicators. The Ministry stated that, once these response statements are finalized, the performance measures within them will be used to assess and report on progress toward the protection and recovery of these species.

- *include cost and time estimates in response statements so that the needed allocation of resources for actions is clear to decision-makers and the public.*

  Status: Will not be implemented.

  The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

In our follow-up, we found that the Ministry does not intend to implement this recommended action. The Ministry indicated that it is committed to incorporating time considerations into response statements through prioritization of the actions identified as necessary to support the protection and recovery of each species, as well as for some species by identifying short- and long-term goals or timelines for achieving the goals or particular actions. However, cost estimates will not be included in response statements. The Ministry noted that response statements identify actions necessary to support recovery, but that they remain flexible so that stewards and stakeholders can identify the best approaches for implementing or achieving the actions.

Recommendation 6

To increase accountability on progress made to improve the status of species at risk in Ontario, we recommend that the Ministry of the Environment, Conservation and Parks:

- *report on the outcomes of actions and impacts on species at risk in reviews of progress, based on the performance measures described in* ***Recommendation 5****;*
- *detail in reviews of progress how government-led actions were implemented;*

  Status: In the process of being implemented by November 2023.

Details

According to the Act, the Ministry must prepare a review of progress for all threatened, endangered and extirpated species for which a response statement has been published. Reviews of progress are prepared by Environment Ministry staff who compile information from a wide variety of sources, including

the Natural Resources and other ministries, and summarize the progress toward meeting all actions in the response statements.

In our 2021 audit, we found that reviews of progress do not evaluate the effectiveness of actions taken, and cannot be used to gauge progress for the recovery of a species at risk. Also, once a review is completed, the Ministry is not required to report again on the actions taken for that species, even when the review identifies that no progress has been made. In contrast, the federal government, Nova Scotia, and the Northwest Territories report on progress every five years until either a species' recovery objectives have been achieved or the species' recovery is no longer required or feasible.

As discussed for **Recommendation 5**, the Ministry is working toward the inclusion of performances measures in all government response statements posted for consultation in or after November 2023. The Ministry has indicated that, once these response statements are finalized, the performance measures they contain will be used to assess and report on progress toward the protection and recovery of these species.

In our follow-up, we also found that the Ministry is exploring the feasibility of implementing processes and systems to enhance progress tracking and following up on actions identified in response statements. Given the connections between this recommendation and relevant actions in **Recommendation 7** in our 2020 value-for-money audit, Setting Indicators and Targets, and Monitoring Ontario's Environment, the Ministry indicated that explorations will be performed concurrently and in a co-ordinated manner. That recommendation was for the Ministry to establish a database of actions contained in response statements, and use the database to annually track and follow up on progress on actions. In response, Ministry staff have held meetings to discuss options, and started drafting a feasibility assessment. The Ministry expects to complete the feasibility assessment by November 2023, but has not committed to establishing a database or other system for tracking progress on actions.

- *report on progress for species every five years until the species is no longer on the Species at Risk in Ontario List.*

  Status: Will not be implemented.

  The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

In our follow-up, we found that the Ministry does not intend to report on progress for species every five years until the species is no longer on the Species at Risk in Ontario List. The Ministry noted that the Assessment Committee maintains the priority list of species requiring assessment or reassessment, and generally performs species reassessments on an approximate 10-year cycle, aligned with federal species assessment processes. The Committee's reports are provided annually to the Minister and are made available to the public within three months of being received.

Approvals (Agreements, Permits and Conditional Exemptions)

Recommendation 7

To minimize the harm to species at risk allowed by permit approvals under the Endangered Species Act, 2007*, we recommend that the Ministry of the Environment, Conservation and Parks (Environment Ministry):*

- *develop and implement guidance for Environment Ministry staff on when to deny approvals based on the needs of a species; and*

- *ensure language used in proposed permits on the Environmental Registry clearly identifies expected impacts to species and their habitats.*

  Status: Will not be implemented.

  The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

While it is illegal to kill, harm or harass endangered and threatened species or damage and destroy their

habitats, the Minister may allow activities that would otherwise be prohibited using various types of permits. In our 2021 audit, we found that, in 2018, Natural Resources Ministry staff identified the need for guidance on when to say "no" to a permit application. However, no guidance was developed. Consequently, we found that no permits have ever been denied since the Act was passed in 2007. Additionally, in our review of permits, we noted that the language in proposal notices on the Environmental Registry was sometimes oversimplified and misleading. Even when staff determined that an activity would destroy habitat for species at risk, some proposal notices on the Environmental Registry described that the activity "may impact" the habitat. Staff selected the understated wording of "may impact" at the preference of the Minister's office.

In our follow-up, we found that the Ministry is not developing guidance for staff on when to deny approvals based on the needs of species. The Ministry indicated that its priority is guidance for staff on how to determine whether the Act's requirements have been met; permit proposals that meet the Act's legal tests are recommended to the Minister for issuance, while those that do not meet the Act's legal tests are not.

In addition, we found that the Ministry does not intend to implement the second recommended action item. The Ministry responded that, when the Ministry prepares to post a notice on the Environmental Registry, each individual notice is evaluated and carefully reviewed to avoid technical and legal jargon, and to ensure that it clearly identifies expected impacts to the natural environment. The Ministry committed to ensuring that the same standard is applied to all Environmental Registry notices, including those related to the *Endangered Species Act, 2007*. We reviewed a sample of proposed permits posted on the Environmental Registry since January 2022 and found that several continue to use understated wording that the activity "may impact" or "may adversely impact" the habitat of species at risk.

Recommendation 8

To minimize the harm to species at risk allowed by conditional exemption approvals under the Endangered Species Act, 2007, *we recommend that the Ministry of the Environment, Conservation and Parks:*

- *evaluate the effects of conditional exemptions on species at risk and their habitats;*
- *make the results of that evaluation public; and*
- *take corrective action as necessary on the requirements and scope of conditional exemptions.*

Status: Little or no progress.

Details

In our 2021 audit, we found that 893 (or 96%) of approvals allowed under the Act in 2020 to harm species at risk and their habitats were automatic conditional exemptions, which the Environment Ministry cannot deny or tailor for specific circumstances. Harmful activities are allowed under conditional exemptions (sometimes called permit-by-rule) if a standard set of rules is followed. In 2020, conditional exemptions affected 123 different species at risk. Often, these conditional exemptions require only that harm be minimized, which may contribute to a worsening status for the species at risk. In contrast, overall benefit permits require that species be made better off than before the activity occurred.

In our follow-up, we found that the Ministry had made little progress implementing this recommendation. The Ministry noted that, within budgetary and staffing realities, it will continue to evaluate the effectiveness of conditional exemptions.

Recommendation 9

To minimize the harm to species at risk allowed by conditional exemption approvals under the Endangered Species Act, 2007, *we recommend that the Ministry of the Environment, Conservation and Parks require that health*

or safety conditional exemptions justify the need for the exemption and provide details of the activity, including an assessment of how species will be impacted.

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

In our 2021 audit, we found that there had been 2,954 conditional exemptions for infrastructure or structure maintenance, or repairs or certain replacements related to non-imminent threats to human health and safety where a mitigation plan is not required. These types of activities may include removing hazardous trees, replacing bridges, lowering pond levels to prevent flooding of roads, or replacing culverts. However, we found that there is no requirement to explain how species at risk will be impacted by the activity or how human health or safety will be impacted if the activity is not allowed to proceed. In eight (or 27%) of 30 conditional exemptions we reviewed, no information was provided by the registrant on the threat to human health and safety to justify the need for the activity. Additionally, none of the registrations we sampled described how much species at risk habitat would be damaged or destroyed, as this is not required. Similarly, the Natural Resources Ministry found in 2017 that some conditional exemptions did not include information about the threat, indicate whether the mitigation plan was prepared by an expert, describe what would happen if the work was not done, or include details about the activity. The Natural Resources Ministry did not take any corrective action based on these findings, as the transfer of the species at risk program from the Natural Resources Ministry to the Environment Ministry was announced in 2018.

In our follow-up, we found that the Ministry agrees with this recommendation with respect to select activities related to structures and infrastructure. The Ministry noted that a condition to the exemption for activities involving structures and infrastructure under the conditional exemption for non-imminent threats to health and safety is that proponents, before commencing their activity, must develop a mitigation plan that includes information about the need for the exemption and an assessment of the activity's likely effects on species at risk identified in the mitigation plan. However, the Ministry does not intend to apply this requirement to all activities that are eligible for the health or safety conditional exemptions (for example, lowering of pond levels).

Recommendation 10

To improve the status of species at risk affected by overall benefit permit approvals under the Endangered Species Act, 2007, *we recommend that the Ministry of the Environment, Conservation and Parks:*

- *evaluate the outcomes to species at risk from issuing overall benefit permits to confirm that required conditions are making species better off;*
- *publicly report on that evaluation;*

Status: Little or no progress.

Details

In our 2021 audit, we found that the Environment Ministry had not assessed the effectiveness of overall benefit permits, which allow harmful activities but require that species be made better off. Overall benefit permits are issued for activities that may have an unavoidable adverse effect on species at risk or their habitat. Conditions for this permit include the requirement to achieve an overall benefit, making the species better off than before the activity, within a reasonable time. We found that a total of 276 overall benefit permits were issued between 2007 and 2020—93% for locations in southern Ontario.

In our follow-up, we found that the Ministry had made little progress implementing this recommendation. The Ministry noted that, within budgetary and staffing realities, it will evaluate the outcomes to species at risk from issuing overall benefit permits.

- *update internal guidance using the best available scientific information to ensure overall benefit permits result in successful outcomes for species at risk and their habitats.*

  Status: Little or no progress.

Details

In our 2021 audit, we reported that the Natural Resources Ministry found in 2018 that staff need better guidance on suitable habitat offsets and replacement ratios (how much is replaced compared to how much is destroyed) in some overall benefit permits. Similarly, our review of approvals files found that eight overall benefit permits for redside dace (a fish) issued in the last two years always allowed for more damage or destruction of habitat than what was restored or replaced. Further, we found that guidance incorporated into permits may not be effective. For example, we found that the guidance for the construction of building kiosks and nest cups for barn swallows may not be working.

In our follow-up, we found that the Ministry intends to evaluate requirements and expectations for benefit permit applications, including in relation to technical matters; data and other information requirements of applications; and the timing of proponent activities and the active seasons of species. The Ministry noted that this information will inform the refinement of internal guidance, and expected this recommended action to be implemented by December 2023. However, the Ministry could not provide any evidence that it had initiated this work.

Recommendation 11

So that all permit approvals under the Endangered Species Act, 2007 *achieve the best possible outcomes for species at risk and their habitats, we recommend that the Ministry of the Environment, Conservation and Parks:*

- *develop and implement guidance for staff to process all permits in a consistent manner; and*
- *develop and implement guidance that delegates Ministerial authority back to Ministry staff to issue permits with the main purpose of assisting in the protection or recovery of the species.*

  Status: Little or no progress.

Details

In our 2021 audit, we found that the Environment Ministry delayed the issuance of permits for the protection and recovery of species at risk by prioritizing permits related to development activities. Protection and recovery permits are issued for conservation work that aims to conserve species at risk or their habitat (for example, restoring a wetland). Delays in issuing protection and recovery permits resulted in delayed conservation work, and may have negatively impacted efforts to improve species at risk recovery efforts. By contrast, permit applications related to development were prioritized and processed first. We found that in a sample of 30 permits related to development activities, seven (or 23%) were prioritized, which resulted in an approval being issued 43% faster than those that were not. To reduce the amount of time taken to process permit applications, in 2020, the Environment Ministry set a target to reduce the permit-processing time by 10 to 16 weeks. As of August 2020, the average time to complete the permit process was 256 days.

In our follow-up, the Ministry indicated that it was working to evaluate permit application requirements, including topics related to technical data, the timing of

proponent activities and active seasons of species. The Ministry stated that it intends to use this information to evaluate internal guidance on permit applications. However, when requested by our Office, the Ministry could not produce any documentation supporting this permit application review process or the proposed implementation timeline.

Recommendation 12

To minimize the harm to species at risk allowed by social or economic benefit permit approvals under the Endangered Species Act, 2007, *we recommend that the Ministry of the Environment, Conservation and Parks develop and implement guidance based on the best available science that details when it is appropriate to issue a social or economic benefit permit rather than an overall benefit permit.*

Status: Little or no progress.

Details

In our 2021 audit, we found that there was an increase in the number of social or economic benefit permits issued for public infrastructure projects. Social or economic benefit permits are issued when an activity may have an adverse effect on a species at risk or its habitat, but the result of the activity is expected to have a significant social or economic benefit to Ontario. Unlike the overall benefit permit, which requires that the species should be better off within a reasonable timeline, the social or economic benefit permit does not have a set timeline for completion. We found that in the four most recent social or economic benefit permits processed, three of the four were for public transit projects by Metrolinx, a Crown agency. In all three cases, the Ministry did not require Metrolinx to apply for an overall benefit permit and instead allowed the request for a social or economic benefit permit to be processed to reduce the length of the permitting process.

In our follow-up, we found that the Ministry is planning to refine the internal guidance used to make permit application decisions. The Ministry intends to use the information obtained by evaluating the permit application process to inform whether further updates are necessary. Despite this, the Ministry could not provide our Office with evidence that work on the permit application process had been initiated.

Recommendation 13

To minimize the harm to species at risk allowed by approvals under the Endangered Species Act, 2007, *we recommend that the Ministry of the Environment, Conservation and Parks:*

- *evaluate the cumulative effects of approvals and other threats over time on species at risk and their habitats and factor this knowledge into the issuance or non-issuance of future approvals;*
- *publicly report on this information; and*
- *take corrective actions as necessary to ensure that approvals contribute to successful outcomes for species at risk and their habitats.*

Status: Little or no progress.

Details

In our 2021 audit, we found that the Ministry does not assess the cumulative effects of agreements, permits, or conditional exemptions on species at risk, except for on the boreal caribou. Instead, each approval is treated in isolation and does not consider the multiple stressors that may pose a threat to species recovery.

Moreover, we looked at the top 10 species affected by the highest number of approvals (agreements, permits, conditional exemptions) and found that each of these 10 species have an average of 1,025 approvals each, causing them to be subject to further pressures.

For example, the bobolink was affected by 39 permits and 2,010 conditional exemptions, contributing to the estimated 77% population decline in Ontario since 1970.

In our follow-up, the Ministry indicated that internal discussions had been held to discuss approaches for the use of landscape agreements (which approve multiple harmful activities across a broad geographic area), while still balancing the impacts on species at risk. However, as of September 2023, the Ministry had no plans to enable landscape agreements, or develop any guidelines for staff to assess the cumulative effects of species at risk approvals.

Compliance and Enforcement

Recommendation 14

So that regulated species at risk and their habitats are protected according to prohibitions under the Endangered Species Act, 2007 *and in the conditions of approvals, we recommend that the Ministry of the Environment, Conservation and Parks:*

- *develop and implement a comprehensive risk-based and sector-based compliance and enforcement plan, including regular inspections of approval holders to confirm that they are operating as allowed and are fulfilling their commitments regarding species at risk;*

  Status: In the process of being implemented.

Details

In our 2021 audit, we found that since assuming responsibility for the *Endangered Species Act, 2007* in April 2019, the Environment Ministry has laid two charges for harming species at risk. When compared to the average of 19 annual charges laid by the Natural Resources Ministry under its stewardship of the Act, this resulted in a 95% annual reduction of charges laid.

Further, the Environment Ministry's inspection program does not ensure that approval holders adhere to the conditions set out in their approval. Out of the 6,539 approvals issued between 2007 to 2020, the Environment Ministry has never inspected or laid a charge on an approval holder for contraventions of the Act. In July 2020, the Ministry started to develop a risk-based compliance and enforcement plan, which was expected to be finalized in 2021.

In our follow-up, we found that the Ministry has drafted a standard operating procedure for field officers working on species at risk enforcement. This document is in the process of being finalized. The Ministry has also implemented a 2023/24 inspection plan that outlines planned inspection timelines of permit and regulatory exemption conditions.

- *ensure the sufficiency of enforcement resources, including training requirements, information management strategies, and the number of appointed officers;*

  Status: In the process of being implemented by September 2023.

Details

In our 2021 audit, we found that the Environment Ministry had not yet appointed any environmental officers to ensure the Act's enforcement. Prior to the transition of the species at risk program to the Environment Ministry, the Natural Resources Ministry had 184 conservation officers appointed to enforce the Act, in addition to park wardens in the Ontario Parks branch. By contrast, we found that there were 47 investigators and other staff appointed to enforce the Act in the Environment Ministry's Environmental Investigations and Enforcement Branch. However, at the time of our audit, the Ministry had not yet appointed any environmental officers under the Act and had provided no additional resources for the increased workload.

Moreover, the Environment Ministry investigations staff need additional training on technical species knowledge to assist in investigations. Previously, tools like untraceable cellphones were provided to

Natural Resources Ministry staff to assist in conducting undercover investigations. However, the Environment Ministry does not provide staff with these tools, which may decrease the staff's ability to covertly conduct undercover operations.

In our follow-up, we found that between May 2022 and April 2023, the Ministry trained 333 staff on compliance and enforcement of the *Endangered Species Act, 2007*. In September 2023, the Ministry expected to complete an analysis on enforcement activities undertaken during the 2022/23 fiscal year to further inform program delivery. However, the Ministry has not yet taken any steps to assess the sufficiency of its enforcement resources.

- *provide information on its website that informs the public that it is responsible for enforcement of the* Endangered Species Act, 2007 *and how to report possible violations;*

  Status: Fully implemented.

Details

In our 2021 audit, we found that the Environment Ministry did not have a dedicated website, phone line, or email address available for the public to report possible contraventions of the Act. The public may report species at risk issues to the Ministry's Spills Action Centre. However, the lack of information on the *Endangered Species Act, 2007* on the website may cause confusion for members of the public looking to submit issues.

In our follow-up, we found that the Ministry provided information on its website that stated that it was responsible for the *Endangered Species Act, 2007*, and also included information on its violation-reporting webpage (report-pollution.ene.gov.on.ca) on how to report potential violations with respect to impacts on species at risk or their habitats.

- *publicly report on the Environment Ministry's enforcement actions as part of its yearly published plans and annual report.*

  Status: Little or no progress.

Details

In our 2021 audit, we found that the Ministry did not publicly report on enforcement actions.

In our follow-up, the Ministry stated that the results from the compliance and enforcement analysis of the 2022/23 fiscal year would be used to inform any recommendation for public reporting. However, the Ministry is not publicly reporting on enforcement actions at this time.

Funding for Species at Risk Conservation

Recommendation 15

To improve the sufficiency of financial resources available for actions to protect and recover species at risk in Ontario, we recommend that the Ministry of the Environment, Conservation and Parks:

- *charge fees for approvals to harm species at risk that recover program costs and help discourage harmful activities;*

- *actively engage the public, businesses, and the philanthropic sector in cultivating new sources of investment for species recovery actions; and*

- *develop a business case to implement a specialty licence plate program to raise funds for species at risk conservation.*

  Status: Will not be implemented.

  The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

In our 2021 audit, we found that the Ministry did not charge fees for any type of approval (agreements, permits, conditional exemptions) to recover the cost of program delivery. If the Ministry had charged fees (based on the rate charged for its environmental compliance approvals) for the 935 permits and conditional exemptions issued in 2020, over $1.1 million in

revenue would have been generated to support species at risk conservation. Further, the Ministry does not actively seek new opportunities to fund species at risk recovery programs through specialty licence plate programs or by engaging in corporate sponsorships and donations.

In our follow-up, we found that the Ministry does not intend to charge fees for approvals to harm species at risk, actively engage stakeholders in cultivating new sources of investment, or develop a business case to implement a specialty licence plate program. The Ministry noted that, while it agrees with the importance of ensuring sufficient financial resources to protect and recover species, its current priority is to support the Species Conservation Action Agency (which may receive donations from members of the public and organizations) in fulfilling its legislative purpose.

Species at Risk Stewardship Program

Recommendation 16

To increase the positive outcomes for species at risk made possible by the Species at Risk Stewardship Program, we recommend that the Ministry of the Environment, Conservation and Parks evaluate and provide the annual funding needed for the Stewardship Program to implement government-supported actions in response statements.

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

In our 2021 audit, we found that the Stewardship Program's funding allocation was insufficient to finance all government-supported actions. The Stewardship Program was established by the *Endangered Species Act, 2007* to help fund conservation efforts for species at risk by organizations, agencies and public groups. According to the Ministry, as of 2022/23, the Stewardship Program has funded 1,248 projects that helped to restore 60,605 hectares of species at risk habitat. In 2017, the annual funding allocation decreased from $5 million to $4.5 million, despite a 32% increase in the number of regulated species from 2008 to 2020.

In addition, we reviewed a sample of 30 response statements and found that, out of the 249 government-supported actions identified, 37 (or 15%) had made no progress. This included eight of 90 (9%) high-priority actions that had also made no progress.

In our follow-up, the Ministry indicated that it will not implement this recommendation. The Ministry responded that it will continue to identify response statement actions as a high priority for funding within the program's annual application guidelines, and to evaluate and provide annual summaries of the Stewardship Program. The Ministry noted that this priority-setting exercise allows it to focus stewardship dollars toward those projects and species that need it most. In March 2022, the Ministry announced $4.5 million in funding for projects approved through the Stewardship Program, and the Ministry indicated that $4.5 million in funding continues to be available for stewardship projects. However, the Ministry does not intend to evaluate the annual funding needed to implement all government-supported actions in response statements, and provide the needed funding.

Recommendation 17

To increase the efficiency and effectiveness of Ontario's Species at Risk Stewardship Program, and allow successful applicants to undertake protection and recovery actions in a timely manner, we recommend that the Ministry of the Environment, Conservation and Parks:

- *follow the delegation of authority already in place by having the Deputy Minister approve use of program funding to enable prompt decision-making for this low-cost program; and*
- *modify the funding cycle to reduce the time required for the approvals process.*

Status: Fully implemented.

Details

In our 2021 audit, we found that inconsistent timing between the launch of proposals, the notification of successful applications and the finalization of funding agreements negatively impacted program delivery. For example, the Environment Ministry was consistently

waiting for final approval from the Minister to launch the Stewardship Program, despite the approval being within the Deputy Minister's delegated authority. Delays in finalizing funding agreements with successful applicants caused some proposed projects to not be completed, as well as a reduction in scope for other projects, due to the short timeline.

In our follow-up, we found that, in the 2021/22, 2022/23 and 2023/24 fiscal years, the Ministry applied the delegation of authority already in place by having the Assistant Deputy Minister or the Deputy Minister approve use of program funding in accordance with approval levels.

In addition, we found that the call for proposals for funding through the 2023/2024 Species at Risk Stewardship Program was in early fall (September 15, 2022–October 20, 2022), which is months earlier than in previous years. The Ministry indicated that all applicants were notified of funding decisions on April 4, 2023. Despite this change in timing, we note that the Ministry does not have a documented funding cycle for future years.

Governance and Accountability

Recommendation 18

To guide decisions that can impact species at risk in Ontario, and to effectively, efficiently and accountably achieve successful outcomes for those species, we recommend that the Ministry of the Environment, Conservation and Parks:

- *identify priority species, places, and systemic threats as well as how they are to be addressed;*
- *develop a long-term strategy that outlines specific protection and recovery actions, with associated timelines, that the Ministry will undertake for the program as a whole;*
- *implement the strategy; and*
- *publicly report on the progress toward achieving the strategy's objectives as part of an annual report.*

Status: Little or no progress.

Details

In our 2021 audit, we found that the Ministry does not have a long-term strategic plan to aid in the recovery of species at risk. Strategic direction can identify priority areas, describe the allocation of resources and detail objectives for staff to help achieve successful outcomes. The Ministry's species at risk priorities are defined by the 2018 Made-in-Ontario Environment Plan and the Ministry's annual report, both of which do not contain any detailed actions or conservation timelines for species at risk recovery.

In our follow-up, we found that the Ministry has made no progress implementing this recommendation. The Ministry responded that, at this time, the Ministry is focused on fulfilling the purposes of the *Endangered Species Act, 2007*, and that the overarching purposes of the Act guide Ministry decisions relating to species at risk in Ontario.

Recommendation 19

So that the Province of Ontario conforms with the federal Species at Risk Act, *we recommend that the Ministry of the Environment, Conservation and Parks:*

- *assess the risks of non-conformity with the federal* Species at Risk Act;
- *provide information on the risks to the Comptroller General for inclusion in the province's Enterprise Risk Plans;*
- *publicly report on those risks; and*
- *take corrective actions to ensure sufficient habitat protections for species at risk.*

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

In our 2021 audit, we found that the Ministry had not assessed non-conformity in its habitat protection plan for species at risk with the federal *Species at Risk Act*. For example, the boreal caribou is federally classified as a threatened species, yet much of its critical habitat

remains unprotected in Ontario. This lack of protection in Ontario causes a risk of non-conformity with the federal legislation. In March 2021, the federal Minister of Environment and Climate Change notified the Environment Minister that a conservation agreement to protect the remaining boreal caribou habitat needed to be implemented or the federal government would take corrective action. Despite this, at the time of our audit, the Environment Ministry had not developed a plan to address these concerns.
Additionally, in 2020, the Office of the Comptroller General was created to identify and mitigate financial and policy risks such as the issues surrounding boreal caribou habitat protections. The Ministry does not currently publicly report on those risks.

In our follow-up, we found that the Ministry does not intend to implement these recommended actions. The Ministry noted that it regularly assesses its approach to protecting species at risk and their habitats with the federal approach, and takes appropriate action to manage risks as needed.

Recommendation 20

To measure the effectiveness of its species at risk program at improving the status of species at risk and their habitats, we recommend that the Ministry of the Environment, Conservation and Parks, adhering to guidance from the Treasury Board Secretariat:

- *develop a performance measurement framework for the species at risk program that focuses on successful outcomes;*
- *include the performance measurement framework within the long-term strategy described in* ***Recommendation 18****; and*
- *publicly report on actual results against these performance measures as part of an annual report.*

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

In our 2021 audit, we found that the Ministry had not developed a performance measurement framework to evaluate the effectiveness of the species at risk program and does not have any performance targets for the enforcement of, and compliance with, the *Endangered Species Act, 2007*. As a result, the status of conservation efforts for species at risk and their habitats remains unknown.

In our follow-up, we found that the Ministry does not intend to develop a performance measurement framework for its species at risk program. The Ministry responded that it has a full spectrum of key performance indicators to measure the Ministry's delivery of its mandate and commits to ensuring that they continue to be applied. The Ministry noted that its priority regarding performance measurement related to the species at risk programs includes fulfilling the commitment to ensure each response statement includes performance measures (see **Recommendation 5**) and exploring the feasibility of enhanced progress tracking and follow up on actions identified in response statements (see **Recommendation 6**).

Recommendation 21

So that the appointments and work of the Species at Risk Program Advisory Committee (Advisory Committee) are transparent and helpful to the Environment Minister for improving the status of species at risk, we recommend that the Ministry of the Environment, Conservation and Parks:

- *assess the existing mix, composition, and competencies of the Advisory Committee, including Indigenous representation; and*
- *develop and implement transparent criteria and procedures for appointments and reappointments to the Advisory Committee, including to address any identified competency and representation gaps.*

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

In our 2021 audit, we found that the appointments process for the Species at Risk Advisory Committee (Advisory Committee) lacked transparency in member appointments and in committee activities. The Advisory Committee was established under the *Endangered Species Act, 2007* to advise the Minister on matters related to species at risk. We found that the Advisory Committee lacked Indigenous representation, had over half of its membership registered with lobbyist groups, and did not include any academics with an expertise in biology or conservation.

In our follow-up, we found that the Ministry does not intend to assess the mix, composition and competencies of the Advisory Committee, or to develop and implement criteria and procedures for appointments and re-appointments to the Advisory Committee. The Ministry noted that it is committed to ensuring that the processes outlined by the Public Appointments Secretariat and the Agencies and Appointments Directive are adhered to in appointments and reappointments to the Advisory Committee. However, the Ministry does not intend to develop procedures that are unique to the Advisory Committee.

Chapter 1
Section
1.24

Ministry of the Environment, Conservation and Parks
Ministry of Natural Resources and Forestry
Ministry of Agriculture, Food and Rural Affairs

Follow-Up on 2021 Value-for-Money Audit:

Reporting on Ontario's Environment

RECOMMENDATION STATUS OVERVIEW

		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	2				2	
Recommendation 2	5				5	
Recommendation 3	1	1				
Recommendation 4	1	1				
Recommendation 5	1				1	
Recommendation 6	2		1			1
Recommendation 7	1		1			
Recommendation 8	1				1	
Recommendation 9	1				1	
Recommendation 10	1	1				
Recommendation 11	2	2				
Recommendation 12	1				1	
Recommendation 13	1				1	
Recommendation 14	1	1				
Total	**21**	**6**	**2**	**0**	**12**	**1**
%	**100**	**29**	**10**	**0**	**57**	**5**

Note: The Ministry of the Environment, Conservation and Parks was tasked with **Recommendations 1, 2, 5, 8**, and **12**. The Ministry of Northern Development, Mines, Natural Resources and Forestry (now the Ministry of Natural Resources and Forestry) was tasked with **Recommendations 3, 6, 9**, and **13**. The Ministry of Agriculture, Food and Rural Affairs was tasked with **Recommendations 4, 7, 10**, and **14**. The Treasury Board Secretariat was tasked with **Recommendation 11**.

Overall Conclusion

The Ministry of the Environment, Conservation and Parks (Environment Ministry); the Ministry of Natural Resources and Forestry (Natural Resources Ministry); the Ministry of Agriculture, Food and Rural Affairs (Agriculture Ministry); and the Treasury Board Secretariat (which was not an auditee in the original audit but still subject to a recommendation), as of October 23, 2023, have fully implemented 29% of actions we recommended in our *2021 Annual Report*. The Ministries have made progress in implementing an additional 10% of the recommended actions.

Although the Province has not produced comprehensive state-of-the-environment reports, the Natural Resources Ministry and Agriculture Ministry indicated that they consider relevant published state-of-the-environment reports as part of their internal program evaluations and will continue to do so. We also found that the Agriculture Ministry has now developed and finalized policies on providing regular updates to the public on its environmental strategies, policies and plans, and on posting its environmentally related reports on the Environmental Registry.

However, the ministries have indicated that 57% of the recommended actions will not be implemented. Notably, the Environment Ministry indicated that it will not be preparing and releasing a comprehensive state-of-the environment report, and asserted that ministries can continue to collaboratively produce credible, informed, consistent and beneficial reporting without the assistance of an advisory panel. Further, the Environment Ministry and Natural Resources Ministry will not be developing policies or frameworks requiring regular public reporting on progress implementing their environmental strategies, policies and plans, and will not post all their environmental reports on the Environmental Registry.

While Treasury Board Secretariat started requiring all ministries to complete an annual attestation on compliance with applicable legislation, ministries are not required to report on meeting policy commitments, and the provided guidance and template form are unclear as to the attestation's time frame.

The status of actions taken on each of our recommendations is described in this report.

Background

Understandable and easily accessible environmental reporting makes people aware of environmental conditions, benefits, problems and risks (for example, air pollution that can affect people's breathing, or the spread of Lyme disease), and helps people understand whether environmental goals are being met (for example, decreasing the amount of waste disposed per person per year). In Ontario, regularly sharing information on the state of the environment would allow the Legislature, scientists and the public to question the underlying reasons for changes in Ontario's environment and provide relevant information to improve understanding. Similar to provincial reporting on the province's finances, reporting to the public on the state of its environment would increase transparency, accountability and informed decision-making.

To be able to report this picture, however, there needs to first be effective monitoring of Ontario's environment, natural resources, wildlife and agriculture. Indicators can be used to assess the state of the environment and the Province's progress in achieving targets, objectives and goals, as our Office previously observed within the 2020 report Setting Indicators and Targets, and Monitoring Ontario's Environment. Other jurisdictions have regularly reported to the public on the overall state of the environment for years, citing several benefits. Dozens of European countries are required to release state-of-the-environment reports at least every four years and the United States Environmental Protection Agency has publicly reported on more than 80 peer-reviewed environmental indicators since 2008. Since 1996, Australia has been commissioning and tabling comprehensive, independent reports on the state of its environment. Federally, Canada has released three five-year state-of-the-environment reports, and now updates a suite of indicators online as new information becomes available. The provinces of Saskatchewan and Yukon regularly release state-of-the-environment reports, as required by their legislation.

Our audit found that, in Ontario, there has been no regular reporting on the overall state of the environment. The Province did produce regular reports summarizing information on air quality, forests and protected areas. However, the Province was not adequately reporting to the public on the overall state of the environment and natural resources, providing progress reports on meeting environmental goals and targets, or meeting legislated deadlines and policy commitments for public reporting.

Responsibility for monitoring, reporting on and improving the state of Ontario's environment and natural resources falls primarily to the Ministry of the Environment, Conservation and Parks (Environment Ministry) and the Ministry of Natural Resources and Forestry (Natural Resources Ministry). (Note that subsequent to our 2021 audit, the former Ministry of Northern Development, Mines, Natural Resources and Forestry was divided in June 2022 into three separate ministries: the Ministry of Northern Development, the Ministry of Mines, and the Ministry of Natural Resources and Forestry.) The Ministry of Agriculture, Food and Rural Affairs (Agriculture Ministry) plays a key role in monitoring, reporting on and improving the environmental sustainability of Ontario's agriculture.

Some of our significant findings were:

- Ministries did not always meet legislated deadlines and policy commitments to report on issues related to the environment, and were not held accountable. For example, the Environment Ministry was late releasing the 2019 Great Lakes progress report, which was required under the *Great Lakes Protection Act, 2015*, and did not fulfill legislated requirements to release 2013, 2014 and 2018 annual reports under the *Lake Simcoe Protection Act, 2008* (but instead included the content of these annual updates in its five-year reports). Ministries faced no consequences for failing to meet reporting requirements and commitments.
- The Environment Ministry had stopped regularly reporting on the overall state of Ontario's water quality. The Ministry previously released Water Quality in Ontario reports between 2009 and 2016, but stopped this comprehensive reporting in 2016. Information on the state of Ontario's water quality, including inland lakes, the Great Lakes, streams and groundwater, was being published in a variety of different reports and report formats which were harder for the public to access and understand.
- Ministries did not publicly report on wild pollinators, the health of soil or pesticide use. The Natural Resources Ministry and Agriculture Ministry had little data to report on wild pollinators, such as bees, butterflies and hummingbirds, because neither ministry monitored them provincially—despite their essential role in Ontario's crop production and sustaining the health and diversity of wild plants. We also found that neither the Agriculture Ministry nor the Environment Ministry collected and reported information on the amount, type, timing and location of the application of pesticides to agricultural lands.
- In 2019, the Natural Resources Ministry cut funding to the Ontario Biodiversity Council (Council), which had reported publicly on the state of Ontario's biodiversity since 2008. The Council had released reports on the biodiversity indicators in 2008, 2010, and 2015, and updated indicators online in 2021. Between 2015 and 2018 provincial support for the Council dwindled to approximately $10,000 a year until it was cut completely in 2019. No funding has been provided since then.
- The three ministries were not taking advantage of the Environmental Registry to inform the public of the release of reports related to the environment. Under the *Environmental Bill of Rights, 1993*, the Environmental Registry (a website maintained by the Environment Ministry since 1994) provides a "means of giving information about the environment to the public." Some of the reports that had not been posted included the Air Quality in Ontario reports, Water Quality in Ontario reports, Minister's Reports on Toxics Reduction, progress reports on the 2018 Made-in-Ontario Environment Plan, annual reports related to the Provincial Wildlife Population Monitoring Program, and reports related to diseases and pests that affect managed honey bees.
- The Natural Resources Ministry did not plan to release to the public its prepared report on the state of the province's natural resources. The Ministry informed us in June 2021 that it would use the prepared State of Ontario's Natural Resources Report as an internal document to

inform program and policy decisions but did not plan to share the current report with the public because it had not sought or received approval from the new Natural Resources Minister to do so.

We made 14 recommendations, consisting of 21 action items, to address our audit findings.

Status of Actions Taken on Recommendations

We conducted assurance work between April 2023 and September 2023. We obtained written representation from the Environment Ministry, Natural Resources Ministry, Agriculture Ministry and the Treasury Board Secretariat that, effective October 30, 2023, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Comprehensive Reporting

Recommendation 1

So that decision-makers, industry, stakeholders, and the public are regularly and consistently provided with a comprehensive assessment of the state of Ontario's environment, whether it is getting better or worse, and how effectively it is being managed, we recommend that the Ministry of the Environment, Conservation and Parks work with the Ministry of Northern Development, Mines, Natural Resources and Forestry, Ministry of Agriculture, Food and Rural Affairs, and Environment and Climate Change Canada and other relevant partners to:

- *prepare and publicly release state-of-the environment reports every five years, describing the drivers of change, pressures on natural and physical resources, the state of the environment (including air, water, land, climate, biodiversity and ecosystems), how the environment has changed, the impacts of changes, and forecasts for the state of the environment and potential impacts in the future; and*
- *table these reports in the Legislative Assembly.*

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

In our 2021 audit, we found that the Environment Ministry did not report on the overall state of Ontario's environment. Although the Environment Ministry, Natural Resources Ministry and their partners and agencies published information on the condition of Ontario's environment and natural resources, these reports did not allow for an easy, effective, comprehensive and objective evaluation of the overall state of the environment – an issue our Office noted more than 20 years ago. In our *2000 Special Report on Accountability and Value for Money*, we noted that, while the Environment Ministry periodically published reports and news releases on its activity in key environmental areas, these documents generally described recent Ministry successes or initiatives and lacked objective appraisals of the quality of Ontario's environment. To ensure that the Environment Ministry's progress in managing the environment is measured and communicated in an objective manner, in 2000 we recommended that a state-of-the-environment report should periodically be prepared using a set of comprehensive outcome measures that assess the quality of and changes to the environment over time. More than 20 years later, we found that the problem remained. As a result, the public, businesses, stakeholders and decision-makers still did not have a clear, comprehensive picture of the general state of the environment at any given period of time or of changes over time, nor of the connections and interactions between the different areas of the environment, such as water, air and natural resources.

In our follow-up, we found that the Environment Ministry has no plans to prepare and release a comprehensive state-of-the-environment report, describing the pressures on the environment, how the environment has changed, the impacts of those changes, and projections for the state of the environment.

The Ministry noted that it continues to make environmental reports of interest available to the public online (at Ontario.ca) and location-specific environmental data available on the Ontario Data Catalogue. Since the release of our report, these have included the Air Quality in Ontario Reports, the Minister's annual reports on drinking water, the Chief Drinking Water Inspector's annual reports, the Minister's Annual Report on Lake Simcoe (2019-2020) and regular progress reports on Ontario's species at risk. In addition, the Ministry has worked to improve the format of its reports. For example, since 2021, the Ministry has released the State of Ontario's Protected Areas Report with a new modern format that includes individual indicator reports that can be updated as new information becomes available.

In 2020, the Ministry also commissioned a peer-reviewed report (Ontario Provincial Climate Change Impact Assessment) to better understand the risks of climate change to Ontario's residents, communities, systems and sectors. The information in this report is intended to help prioritize investments, policy making and decision-making focused on adaptation. (Although this report was submitted to the Minister in January 2023, the Ministry did not publicly post this report on its website until August 2023.)

Moreover, the numerous ministries' reports and information sources on the environment do not allow for an easy and effective evaluation of the overall state of Ontario's environment. More than 20 years ago, our Office reported on the lack of comprehensive, objective reporting on the state of Ontario's environment. In our 2000 Special Report on Accountability and Value for Money, we noted that the Environment Ministry periodically published reports and news releases on its activity in key environmental areas but these documents generally described recent Ministry successes or initiatives. They generally lacked objective appraisals of the quality of Ontario's environment.

To ensure that the Environment Ministry's progress in managing the environment is measured and communicated in an objective manner, we recommended in 2000 that a state-of-the-environment report should periodically be prepared using a set of comprehensive outcome measures that assess the quality of and changes to the environment over time. A state-of-the-environment report, which is required and produced in several other jurisdictions, can act as a mechanism to help monitor progress toward achieving environmental goals, targets and quality. Such a report could also be used to objectively report on Ontario's progress in meeting established provincial, national and international environmental standards and commitments.

In May 2023, our Office released a report, *The State of the Environment in Ontario*, which was conceived as an illustration of what can be prepared and provided to the public, based on available information. The report is meant to contribute to the discussion of the benefits of public reporting on the state of the province's environment and serve as an accountability mechanism for the Province to inform the people of Ontario objectively about how well it is doing in protecting the environment.

Recommendation 2

So that Ontario's environmental reporting is credible, informed, consistent and beneficial in improving environmental protection and management policies, programs and initiatives, we recommend that the Ministry of the Environment, Conservation and Parks, in consultation with the Ministry of Northern Development, Mines, Natural Resources and Forestry and the Ministry of Agriculture, Food and Rural Affairs:

- *establish a scientific advisory panel to provide independent, expert advice on the focus, priority issues and content of state-of-the-environment reports, as well as the research, monitoring and data needed to provide robust, comprehensive and effective reporting;*
- *develop and implement a transparent process for appointing qualified experts to this panel;*
- *define, in consultation with this panel, a set of core environmental indicators, and consistently collect the data needed to regularly report on the status of these indicators and changes over time;*

- *include in state-of-the-environment reports a description—in the context of the report's findings—of what policies, programs and initiatives currently exist, what new policies, programs and initiatives are proposed or planned, and what analysis will be undertaken to identify any other policies, programs and initiatives needed; and*
- *use published state-of-the-environment reports in internal program evaluations.*

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

As discussed in **Recommendation 1**, our 2021 audit found that the Environment Ministry did not report on the overall state of Ontario's environment. By contrast, several other provinces, territories and international jurisdictions use environmental indicators to publicly report on the state of the environment and progress toward meeting environmental targets and goals. Some engage with independent experts and panels to author or review this work.

For example, Australia's state-of-the-environment reports are required by law to be tabled every five years. To ensure that they are highly credible and robust, these reports are authored by a panel of independent experts, using the best available evidence, and a rigorous consultation, peer-review and fact-checking process. Similarly, in North America, the indicators in the United States Environmental Protection Agency's Report on the Environment are externally peer-reviewed by experts in relevant scientific fields to ensure that they are useful, meet the indicator definition and criteria, and are properly documented and scientifically sound. Only indicators that pass this review are included in the Report on the Environment. In addition, the entire report is reviewed periodically by the Environmental Protection Agency's Science Advisory Board.

In our follow-up, we found that the Ministry will not be implementing this recommendation. The Ministry asserts that the Environment Ministry, Natural Resources Ministry and Agriculture Ministry can continue to collaboratively produce credible, informed, consistent and beneficial reporting without the assistance of an advisory panel.

Recommendation 3

To improve environmental protection and natural resource management policies, programs and initiatives, we recommend that the Ministry of Northern Development, Mines, Natural Resources and Forestry use published state-of-the-environment reports in internal program evaluations.

Status: Fully implemented.

Details

In our follow-up, we found that, although the Province has not yet published comprehensive state-of-the-environment reports (see **Recommendation 1**) that could be used to inform internal program evaluations, the Ministry indicated that it already considers relevant published state-of-the-environment reports as part of its internal program evaluations and will continue to do so. The Ministry noted that its 2018 Guide to Policy Evaluation references the inclusion of annual reports and/or monitoring reports as examples of the data that should be gathered to support policy evaluations. The Ministry stated that this guidance is intended to support all internal program and policy evaluations. When asked for a list of all program evaluations conducted since 2010, the Ministry provided a list of 12 policy evaluations rather than program evaluations. While the Ministry asserted that, in practice, policy evaluations examine all aspects of a policy (including design, implementation and outcomes), we found that some recent policy evaluations did not assess the effectiveness of related programs, lacking information on the program's staffing resources, expenditures, performance measures and outcomes.

Recommendation 4

To improve the environmental sustainability of Ontario's agriculture and the effectiveness of environmental protection and management policies, programs and initiatives, we recommend that the Ministry of Agriculture, Food and Rural Affairs use published state-of-the-environment reports in internal program evaluations.

Status: Fully implemented.

Details

In our follow-up, we found that, although the Province has not yet published comprehensive state-of-the-environment reports (see **Recommendation 1**) that could be used to inform internal program evaluations, the Agriculture Ministry uses science and reports about the state of the environment to inform and evaluate its strategies and programs. For example, in preparation for the Sustainable Canadian Agricultural Partnership—a five-year (2023–2028) investment by federal, provincial and territorial governments to strengthen and grow Canada's agriculture and agri-food sector—the Ministry undertook program evaluations based on recent science. This included a review of evidence from the On-Farm Applied Research and Monitoring (ONFARM) program, a four-year, applied research initiative that began in 2019 that supports soil health and water quality research on farms across Ontario.

The Ministry also reported using information from various published reports to assess and improve the Canada-Ontario Agreement for Great Lakes Water Quality and Ecosystem Health, and the Lake Simcoe program.

Recommendation 5

To provide the public with regular and comprehensive information on the overall state of Ontario's water quality for decision-making, policy and program development, and holding the government accountable for progress, we recommend that the Ministry of the Environment, Conservation and Parks review its current water reporting and provide biennial summarized reporting to the public as well, as part of a future regular, comprehensive state-of-the-environment reporting.

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

Our 2021 audit found that the Environment Ministry previously released Water Quality in Ontario reports between 2009 and 2016, summarizing the results of multiple monitoring programs, including key findings on the Great Lakes, inland lakes, streams and groundwater, but stopped this comprehensive reporting in 2016. Stakeholders found these consolidated publications on the state of all water resources valuable, as they provided Ministry analysis of the collected data besides the raw data itself. However, the Ministry stopped issuing these reports in 2016, as it moved to posting data on the Ontario Data Catalogue. Although the posted data supports various water-related reports (including the Minister's annual drinking water report, the Minister's Reports on Lake Simcoe, Ontario's Great Lakes Strategy Progress Report, and the Canada-US State of the Great Lakes Reports), posted data was not summarized to explain what it means (for example, the underlying reasons for observed results and the impacts on people and the environment). Moreover, the Environment Ministry did not publicly report water withdrawal, consumption and availability quantities.

In our follow-up, we found that the Ministry has no plans to provide the public with regular, comprehensive, summarized reporting on the overall state of Ontario's water. The Ministry asserts that it reported on the state of Ontario's water while avoiding duplication by producing regular reports, for example on drinking water, Lake Simcoe, and the Great Lakes; supporting the Canadian government on compiling reports; making data publicly available on the Ontario Data Catalogue; and continually reviewing the Ministry's environmental reporting. However, as discussed in **Recommendation 11**, several reporting requirements related to the state of Ontario's

water (for example, the Great Lakes and Lake Simcoe) have not been promptly met.

Recommendation 6

So that Ontarians are fully informed regarding the province's natural resources, and that the Ministry efficiently and effectively meets it statutory and policy requirements for public reporting, we recommend that the Ministry of Northern Development, Mines, Natural Resources and Forestry:

- *regularly release consolidated information on the state of Ontario's natural resources (including on aggregates, fisheries, forests, oil and gas and, in co-operation with the Ontario Biodiversity Council, aspects of Ontario's biodiversity);*

  Status: In the process of being implemented.

Details

Our 2021 audit found that the Natural Resources Ministry had been planning a State of Ontario's Natural Resources Report since 2017 to unify the Ministry's public reporting (including legislated reporting on forests and protected areas) into one easily navigated online report. Ministry staff had indicated that consolidated reporting would reduce duplication in separate reports, improve consistency in messaging and make it easier for Ontarians to access information on the province's natural resources. However, during our audit, the Ministry informed us that, rather than release the prepared report to the public, it would instead use it as an internal document to inform program and policy decisions.

During the course of our audit, we also learned that, as part of the government's commitment to balance the budget, in 2019 the Ministry ended financial support for the Ontario Biodiversity Council (Council)—a group of volunteer stakeholders and scientists who have reported to the public since 2008 on the state of Ontario's biodiversity in support of commitments in Ontario's Biodiversity Strategy.

In our follow-up, we found that the Ministry worked with the Council to support the development of a summary of updates (released December 2021) on 26 indicators that assessed progress achieving the 15 targets identified in Ontario's Biodiversity Strategy. Also, in March 2022, the Ministry released for the first time ever, consolidated information on the state of Ontario's natural resources (including consolidated information on aggregates, fisheries, oil and gas, forests and biodiversity) in a State of Ontario's Natural Resources (SONR) Report (2021). However, the Ministry does not have a schedule for updating and releasing this report on a regular basis.

- *work with the Ministry of the Environment, Conservation and Parks to include relevant areas of this reporting in any future regular, comprehensive state-of-the-environment reporting [as described in **Recommendation 1**].*

  Status: No longer applicable.

Details

As discussed in **Recommendation 1**, our 2021 audit found that the Environment Ministry did not report on the overall state of Ontario's environment. Although the Environment Ministry, Natural Resources Ministry and their partners and agencies published information on the condition of Ontario's environment and natural resources, these reports did not allow for an easy, effective, comprehensive and objective evaluation of the overall state of the environment.

In our follow-up, we found that the Natural Resources Ministry is willing to share information with the Environment Ministry (the lead ministry) to include in any future regular, comprehensive state-of-the-environment reporting. However, as discussed in **Recommendation 1**, the Environment Ministry has no plans to prepare and regularly release comprehensive state-of-the-environment reporting.

Recommendation 7

To understand and inform the public about the types and amounts of pesticides applied to Ontario crops, detect trends in pesticide use and environmental impact, and inform policy development, decision-making and the

public, we recommend that Ministry of Agriculture, Food and Rural Affairs develop and implement an approach for collecting and publicly reporting information on agricultural pesticide use.

Status: In the process of being implemented.

Details

Our 2021 audit found that, between 1973 and 2013, the Agriculture Ministry collected detailed pesticide-use data using a voluntary survey, and publicly released summary reports every five years. The survey provided information on the types, amounts and use of pesticides on agricultural crops, and reportedly was useful in estimating pesticide use; tracking trends in pesticide use; and supporting studies that evaluated pesticide risks. Early surveys were also used to gauge the local and overall effectiveness of a pest management program that was completed in 2002. According to the Agriculture Ministry, it stopped conducting these surveys due to low response rates. The Ministry received more than 1,200 submissions for the 1998, 2003 and 2008 mail-in surveys, but received only 475 submissions for the 2013 online survey. While the Agriculture Ministry does not have a mechanism to require mandatory reporting of agricultural pesticide use, it told us that it was reviewing its approach for collecting information and exploring options that may provide more robust data on pesticide use.

In our follow-up, we found that the collection of pesticide use and environmental monitoring data is being investigated at the federal-provincial-territorial level to support common interests for improved access to data for policy development and scientific review of pesticide registrations. The Ministry indicated that it continues to participate in these discussions to ensure that any potential solutions will consider Ontario's needs, including those identified by our Office's recommendation. In fall 2022, the federal Pest Management Regulatory Agency continued engagement and consultations to complete a technical scan and analysis with the agriculture sector; develop potential pilots; and engage partners on key elements of the path forward. Next steps for the agency will be to develop a proposed framework for data-collection strategies and consult on the proposal in fall 2023.

The Ministry is also continuing to explore options with industry that may provide more robust pesticide-use data to complement environmental monitoring data. According to the Ministry, if a viable option is identified for collecting pesticide-use data, it will work with industry to implement a pilot project to evaluate its effectiveness. For example, the Ministry met with the Ontario Fruit & Vegetable Growers Association in fall 2022 and summer 2023 to discuss options for data collection.

Ministries Not Reporting Progress Implementing Environmental Strategies, Plans and Policies, or Progress Toward Targets

Recommendation 8

To promote accountability, transparency and progress on achieving published goals, objectives and targets, we recommend that the Ministry of the Environment, Conservation and Parks develop and implement policies and frameworks that require regular reporting to the public on progress in implementing all its environmental strategies, policies and plans.

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

The Province's numerous environmental strategies, policies and plans contain objectives and key actions to achieve overarching goals. However, our 2021 audit found that the Environment Ministry had not regularly reported publicly on progress implementing some of its strategies, policies and plans, and the resulting outcomes. For example, the Environment Ministry had not reported publicly on Ontario's progress in meeting waste diversion targets, or the outcomes of actions to reduce greenhouse gas emissions, which contribute to global climate change. Effective progress reporting can help a ministry explain to the public what steps have

been taken to implement actions and tactics, and the outcomes of implementing these actions in achieving stated objectives and targets.

In our follow-up, we found that the Environment Ministry has no plans to develop and implement a policy or framework that would require regular reporting to the public on progress implementing its environmental strategies, policies and plans. The Ministry noted that it had reported publicly on progress implementing several environmental strategies, policies and plans, such as in the Minister's annual reports on drinking water, Great Lakes strategy progress report, Lake Erie Action Plan annual update, Lake Simcoe reports, Air Quality in Ontario reports and others. The Ministry indicated that it will consider additional opportunities for reporting to enhance the public's understanding of the Ministry's progress in implementing its environmental strategies, policies and plans.

Our Office noted that, despite the release of some progress reports, others have been incomplete or delayed. For example, under the *Great Lakes Protection Act, 2015*, the Environment Minister must prepare a progress report at least once every three years. The Environment Ministry published one Great Lakes progress report in 2016, which indicated the Ministry's intention to report again in three years using a suite of performance measures to track progress. However, the second report, which was due in 2019, was not tabled in the Legislature and released publicly until May 2023.

Moreover, the Ministry did not fulfill legislated requirements to release 2013, 2014 and 2018 annual reports under the *Lake Simcoe Protection Act, 2008* (but instead included the content of these annual updates in its five-year reports). The Ministry also did not release the Minister's 2019-2020 annual report on Lake Simcoe until October 2022 and, as of June 2023, has not yet released the 2021 annual report on Lake Simcoe. The Ministry asserted that the *Lake Simcoe Protection Act, 2008* does not provide a specific timeline for the release of annual reports, and that the Ministry is working toward releasing the 2021 report.

In addition, the *Cap and Trade Cancellation Act, 2018* requires the Minister of the Environment, Conservation and Parks to prepare a climate change plan and regular reports on progress. The Ministry released brief, high-level summaries in 2019, 2020 and 2021 that focus on outputs and do not report the status of recent greenhouse emissions relative to Ontario's 2030 target; the estimated emissions in each sector; the outcomes and expected contribution that taken actions have had on reducing emissions; nor revised emissions forecasts based on progress implementing the plan. Moreover, there was no public update in 2022.

Finally, although the Ministry released its first five-year progress report on the *Strategy for a Waste-Free Ontario: Building a Circular Economy* in February 2023, the progress report does not even mention, let alone report on progress achieving, the strategy's waste diversion targets: to divert 30% of Ontario's total waste generated by 2020, 50% by 2030 and 80% by 2050.

Recommendation 9

To promote accountability, transparency and progress on achieving published goals, objectives and targets, we recommend that the Ministry of Northern Development, Mines, Natural Resources and Forestry develop and implement policies and frameworks that require regular reporting to the public on progress in implementing all its environmental strategies, policies and plans.

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

Our 2021 audit found that, like the Environment Ministry (see **Recommendation 8**), the Natural Resources Ministry had not regularly reported publicly on progress implementing some of its strategies, policies and plans, and the resulting outcomes. For example, the Natural Resources Ministry had not released regular reports on progress conserving wetlands, adapting to climate change, preventing the spread of invasive species, or implementing fish and wildlife management strategies.

In our follow-up, we found that the Natural Resources Ministry will not be developing a policy

or framework that requires regular reporting to the public on progress implementing all its environmental strategies, policies and plans, as recommended by our Office. Rather, decisions regarding regular public reporting on progress implementing the Ministry's environmental strategies, policies and plans will be made on a case-by-case basis.

The Ministry has not drafted public reports describing progress made implementing actions and tactics, and meeting goals, objectives and targets, contained in a number of its environmental strategies, policies and plans. This includes the Strategy for Wolf Conservation in Ontario (2005); Ontario Invasive Species Strategic Plan (2012); Biodiversity: It's In Our Nature (2012); and Naturally Resilient: MNRF's Natural Resource Climate Adaptation Strategy (2017). The Ministry noted that none of these strategies, policies or plans actually commit to reporting to the public on progress. Similarly, while the Ministry has not produced a report on progress implementing Ontario's Provincial Fish Strategy (2015), the Ministry noted that the strategy does not explicitly require it but includes actions such as communicating fisheries information that focuses on status and trends, rules and regulations, best management practices, and open data. The strategy states that progress toward achievement of the strategy's goals, objectives and outcomes will be measured regularly and reported on through provincial State of Resource Reporting.

Recommendation 10

To promote accountability, transparency and progress on achieving published goals, objectives and targets, we recommend that the Ministry of Agriculture, Food and Rural Affairs develop and implement policies and frameworks that require regular reporting to the public on progress in implementing all its environmental strategies, policies and plans.

Status: Fully implemented.

Details

Our 2021 audit found that, like the Environment Ministry and Natural Resources Ministry (see **Recommendations 8** and **9**), the Agriculture Ministry had not regularly reported publicly on progress implementing some of its strategies, policies and plans, and the resulting outcomes. For example, the Agriculture Ministry had not reported publicly on progress in implementing Ontario's soil health strategy or the former Pollinator Health Action Plan (2016).

In our follow-up, we found that the Ministry has developed and finalized a policy on providing regular updates to the public on its environmental strategies, policies and plans. The policy indicates that policy/program leads of strategies, policies and plans that meet specified criteria should develop a process for regular public reporting and publicly communicate the key components of the process (for example, a schedule and description of reporting).

Ministries Missing Public Reporting Deadlines in Legislation and Policies by Several Years

Recommendation 11

So that ministries' legislated and policy requirements and deadlines for reporting to the public are met, and so that ministries are held accountable for failing to meet these responsibilities, we recommend that the Treasury Board Secretariat:

- *require ministries, either as part of or separate from the Certificate of Assurance process, to itemize, attest to and report annually to Treasury Board Secretariat on their compliance with all applicable legislation and meeting of policy commitments; and*
- *annually report the results of this ministry reporting to the Treasury Board.*

Status: Fully implemented.

Details

Our 2021 audit found that ministries were not always meeting legislated deadlines and policy commitments to report on issues related to the environment, and were not held accountable. For example, the Environment Ministry was late releasing the 2019 Great Lakes progress report, which is required under the *Great*

Lakes Protection Act, 2015, and had not fulfilled legislated requirements to release 2013, 2014 and 2018 annual reports under the *Lake Simcoe Protection Act, 2008* (but instead included the content of these annual updates in its five-year reports). Despite a commitment in A Wetland Conservation Strategy for Ontario: 2017–2030 to initiate public reporting on progress in 2020, the Natural Resources Ministry had not developed a framework for progress reporting and no data has been collected. Because ministries faced no consequences for failing to meet reporting requirements and commitments, we recommended that Treasury Board Secretariat hold ministries accountable for failing to meet these responsibilities, and attest annually on their compliance with applicable legislation and meeting of policy commitments.

In our follow-up, we found that, starting with the 2023/24 Strategic Planning Process, all ministries were directed by Treasury Board Secretariat to complete an attestation indicating whether or not the ministry, to the best of its knowledge, was compliant with all applicable legislation, such as the *Environmental Bill of Rights, 1993*, the *Human Rights Code* and the *Public Service of Ontario Act, 2006*. If not in compliance with any applicable legislation, the ministries were asked to describe where the ministry was not compliant, provide a rationale for the ministry's current non-compliance and outline actions underway to move the ministry toward compliance. Neither the provided guide nor the template form is clear as to the time frame to which the attestation applies. Further, the template does not require ministries to report on their meeting of policy commitments.

In fall 2022, 27 ministries, as well as the Premier's Office and the Office of the Lieutenant Governor, submitted their confirmations of compliance to Treasury Board Secretariat. Three ministries signed the attestation without clearly indicating whether or not they are in compliance with applicable legislation. Moreover, several ministries modified the wording of their attestation to confirming whether they were "substantially" compliant with applicable legislation.

Public Could Be Notified and Provided Environmental Reports Through Environmental Registry

Recommendation 12

So that Ontarians can readily find and access information about all environmental reports, publications, and research, we recommend that the Ministry of the Environment, Conservation and Parks post all its reports related to the environment on the Environmental Registry.

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

Our 2021 audit found that the Environment Ministry, Natural Resources Ministry and Agriculture Ministry were not taking advantage of the Environmental Registry to inform the public of the release of all their reports that relate to the environment. Under the *Environmental Bill of Rights, 1993*, the Environmental Registry (a website maintained by the Environment Ministry since 1994) is to provide a "means of giving information about the environment to the public." However, the ministries were not fully using this centralized source of public information to notify the public of all their environmental reports. For example, the Environment Ministry had not posted any of its Air Quality in Ontario reports, Water Quality in Ontario reports, Minister's Reports on Toxics Reduction, or progress reports on the 2018 Made-in-Ontario Environment Plan.

In our follow-up, the Environment Ministry indicated that it will not post all its reports related to the environment on the Environmental Registry. Rather, the Ministry asserted that it uses various methods to provide environmental-based information to the public, including the Environmental Registry, as appropriate.

Since the release of our report in 2021, the Ministry has released several environmental reports, some of which were posted on the Environmental Registry as recommended (for example, regular progress reports

on species at risk, the Progress Report on the Strategy for a Waste-Free Ontario, and the 2021 State of Ontario's Protected Areas Report) while others were not. These include the Minister's Annual Report on Lake Simcoe, 2019-2020; the 2021 update on the Made-in-Ontario Environment Plan; the 2020 Air Quality in Ontario Report; the 2018-2021 Minister's Reports on Toxics Reduction; the 2023 Guide to Eating Ontario's Fish; the 2021 and 2022 Environmental Penalty Annual Reports; the 2016-2020 Environmental Penalties Five Year Review; the Chief Drinking Water Inspector's Annual Reports; the Minister's Annual Reports on Drinking Water, and the 2023 Ontario Provincial Climate Change Impact Assessment.

Moreover, the Ministry did not alert the public to the release of many of these reports, for example, through news releases or social media posts. As mentioned in our 2021 report, the Environmental Registry allows members of the public to register to receive email alerts when notices with specified keywords are posted on the Registry—even if the released reports are not promoted through social media or other communications channels. Given the Environmental Registry's well-established reputation and extensive use as a source of information about government environmental decisions, it would be sensible and beneficial for ministries to use the Registry as a central site for informing the public about all important environmental activities and developments, regardless of whether more detailed information is provided on other government websites.

Recommendation 13

So that Ontarians can readily find and access information about all environmental reports, publications, and research, we recommend that the Ministry of Northern Development, Mines, Natural Resources and Forestry post all its reports related to the environment and natural resources on the Environmental Registry.

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

As discussed in our follow-up of **Recommendation 12**, our 2021 audit found that the three ministries were not taking advantage of the Environmental Registry to inform the public of the release of all their reports that relate to the environment. For example, the Natural Resources Ministry had posted some but not all of its forest-related reports, and had not used the Environmental Registry to inform the public of the 2010 and 2015 State of Ontario's Biodiversity reports, or its annual reports related to its Provincial Wildlife Population Monitoring Program.

In our follow-up, we found that, given the volume of publications it produces, the Natural Resources Ministry is not contemplating posting all its reports related to the environment and natural resources on the Environmental Registry. Rather, the Ministry committed to continue making environmental reports and publications available to the public using a wide variety of methods, including posting to the Environmental Registry, as appropriate. We found that the Ministry had used the Environmental Registry to notify the public of the release of a few reports (its Five-Year Environmental Assessment Report on Forest Management and State of Ontario's Natural Resources—Forests 2021 report) but had not posted all its recent reports related to the environment and natural resources on the Environmental Registry. This includes the State of Ontario's Biodiversity 2020 Report, released by the Ontario Biodiversity Council (of which the Ministry of Natural Resources and Forestry is a member), and the State of Ontario's Natural Resources Report (2021). The Ministry noted that it had decided to post the State of Ontario's Natural Resources Report to Ontario.ca, which is public and accessible. However, the Ministry did not alert the public about the release of this report, for example, through a news release or social media.

Recommendation 14

So that Ontarians can readily find and access information about all environmental reports, publications and

research, we recommend that the Ministry of Agriculture, Food and Rural Affairs post all its reports related to the environment, and the environmental sustainability of Ontario's agriculture, on the Environmental Registry.

Status: Fully implemented.

Details

As discussed in our follow-up of **Recommendations 12** and **13**, our 2021 audit found that the three ministries were not taking advantage of the Environmental Registry to inform the public of the release of all their reports that relate to the environment. For example, we had found that the Agriculture Ministry had not posted its reports related to diseases and pests that affect managed honey bees, many of which were also not available elsewhere online.

In our follow-up, we found that the Ministry has developed and finalized a policy on posting its environmentally related reports on the Environmental Registry. The policy indicates that policy/program leads of reports that meet specified criteria should post a bulletin notice on the Environmental Registry informing the public of the report's release and including attachments and links to the report where applicable. In 2021, the Ministry migrated its webpage with links to its annual apiculture winter loss reports (2017–2022) describing honey bee colony winter mortality and the management practices used by beekeepers to monitor and control pests and diseases. Although the Ministry did not post the 2021 and 2022 reports (or earlier reports) on the Environmental Registry for public notice, it intends to post the 2023 report and subsequent reports on the Environmental Registry going forward.

Chapter 1

Section
1.25

Ministry of the Environment, Conservation and Parks

Ministry of Natural Resources and Forestry

Follow-Up on 2020 Value-for-Money Audit:

Conserving the Natural Environment with Protected Areas

RECOMMENDATION STATUS OVERVIEW

		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	3				3	
Recommendation 2	2				2	
Recommendation 3	2	2				
Recommendation 4	3		3			
Recommendation 5	3		1	2		
Recommendation 6	3				3	
Recommendation 7	1	1				
Recommendation 8	2				2	
Recommendation 9	2			2		
Recommendation 10	4			4		
Recommendation 11	2			2		
Recommendation 12	1			1		
Recommendation 13	1			1		
Recommendation 14	1		1			
Recommendation 15	2			2		
Recommendation 16	2	1			1	
Recommendation 17	2	1	1			
Total	**36**	**5**	**6**	**14**	**11**	**0**
%	**100**	**14**	**17**	**39**	**31**	**0**

Note: **Recommendations 1, 2, 4–6, 8–13** and **16** were made to the Ministry of the Environment, Conservation and Parks. **Recommendations 3, 7, 14, 15** and **17** were made to the Ministry of Natural Resources and Forestry.

Overall Conclusion

The Ministry of the Environment, Conservation and Parks (Environment Ministry) and the Ministry of Natural Resources and Forestry (Natural Resources Ministry), as of October 1, 2023, have fully implemented only 14% of actions we recommended in our *2020 Annual Report*. The ministries had made progress in implementing an additional 17% of the recommendations.

The Environment Ministry has fully implemented the recommended action to screen submissions for sites to be reported as protected areas within a defined and reasonable period of time. The Natural Resources Ministry has fully implemented the recommended action to centrally track its decisions on external requests for land-use amendments to create recommended provincial parks and conservation reserves.

However, the ministries have made little or no progress on 39% of the recommended actions. In our follow-up, we found that the Environment Ministry has not established a long-term area-based target for expanding its protected areas with associated timelines. The Environment Ministry also has not developed a long-term strategy that outlines specific actions to permanently protect a network of provincial parks and conservation reserves. We also found that the Natural Resources Ministry has not sought direction on the Province's position to support the creation of Indigenous Protected and Conserved Areas.

The ministries will not be implementing 31% of the recommended actions. The Environment Ministry will not be reviewing the impact of the current level of commercial logging in Algonquin Provincial Park in order to treat more lands within the park as a protected area (in which commercial logging would not be allowed). The Environment Ministry will also not be allocating the necessary science and planning staff so that it can meet its legislative responsibility under the *Provincial Parks and Conservation Reserves Act, 2006* to maintain, and restore when possible, the ecological integrity of provincial parks and conservation reserves.

The status of actions taken on each of our recommendations is described in this report.

Background

Protected areas are places where nature is allowed to function relatively unaffected by human activities. These areas are an effective way to conserve species and habitats by acting as safe havens from the harmful impacts of activities like logging, mining, urban development and agriculture. They also serve people and communities through essential services such as water filtration, flood control, crop pollination and climate regulation. Nature provides sources of food, clean air and water, as well as places for enjoyment and recreation.

In addition to conserving biological diversity—which is known as biodiversity—protected areas contribute directly to the economy. A 2011 study for the Canadian Parks Council, a group made up of representatives from federal, provincial and territorial parks agencies, estimated that provincial and federal protected areas in Ontario supported more than 6,400 full-time jobs, created $305 million in labour income, generated $48 million in tax revenue for governments, and contributed more than $466 million to the province's gross domestic product. Such economic benefits are at risk as the World Economic Forum ranked biodiversity loss as a top-five risk globally over the next decade.

The Environment Ministry and the Natural Resources Ministry share the primary responsibilities for creating and managing protected areas in Ontario.

At the time of our audit in 2020, protected areas covered 10.7% of Ontario. While the Environment and Natural Resources ministries manage the majority of these protected areas, entities such as the federal government, First Nations communities and conservation groups manage other types of protected areas, including national parks and privately owned conservation sites.

Our audit examined whether the Environment Ministry and the Natural Resources Ministry are permanently protecting a network of provincial parks, conservation reserves and other protected areas that conserves biodiversity and that, in totality, represents Ontario's natural regions. We looked at the two ministries' processes for identifying and creating new

protected areas, as well as their management of existing protected areas.

Our audit findings included the following:

- The Environment Ministry and Natural Resources Ministry did not have sufficient science and planning staff to manage existing protected areas or expand the province's protected areas network.
- The Environment Ministry did not collect sufficient and necessary information about species at risk, invasive species that harm biodiversity, or whether activities like hunting, fishing and trapping are ecologically sustainable in individual provincial parks and conservation reserves.
- Two-thirds of Algonquin Provincial Park does not meet criteria for a protected area because of commercial logging. Commercial logging—an activity that is incompatible with biodiversity conservation—is permitted in the park's "recreation/utilization" zone, which covers 498,785 hectares. Algonquin Provincial Park has been logged since before it was established in 1893. If all of Algonquin Provincial Park met the criteria for protected areas, it would increase the total provincial protected area coverage by about 0.5%. Commercial forestry is prohibited in all other provincial parks.
- The Province was not identifying lands and establishing new provincial parks and conservation reserves in fulfillment of its legislative responsibilities under the *Provincial Parks and Conservation Reserves Act, 2006*. The law requires the Environment Ministry to permanently protect a network of provincial parks and conservation reserves that includes the best examples of Ontario's ecosystems, serving to protect provincially significant elements of Ontario's natural heritage and maintain biodiversity.

We made 17 recommendations, consisting of 36 action items, to address our audit findings.

Status of Actions Taken on Recommendations

We conducted assurance work between January 2022 and September 2023. We obtained written representation from both ministries that effective October 30, 2023, they had provided us with a complete update of the status of the recommendations we made in the original audit in November 2020.

Insufficient Staff for Science-Related Activities Hampers Ontario's Ability to Meet Legal Obligation to Conserve Biodiversity

Recommendation 1

So that the Ministry of the Environment, Conservation and Parks (Ministry) can meet its legislative responsibility under the Provincial Parks and Conservation Reserves Act, 2006 *to maintain, and restore when possible, ecological integrity in provincial parks and conservation reserves, we recommend that the Ministry:*

- *review its staffing mix to determine the appropriate level of science staff at the park, regional or zone, and head office levels to undertake science activities;*
- *determine the appropriate level of park planners necessary to develop, review and update management plans; and*
- *allocate the necessary staff based on the results of this review.*

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

In our 2020 audit, we found that only seven of the 254 staff members at Ontario Parks, a branch within the Environment Ministry, were ecologists responsible for leading science-related activities to understand impacts on biodiversity. Ecologists are responsible

for gathering and analyzing scientific information to, for example, determine what actions are needed to recover particular species at risk or manage invasive species. One ecologist is assigned to each of the five regions across Ontario, which cover between 45 and 291 provincial parks and conservation reserves. Additionally, there were two ecologists in the Ontario Parks head office.

In our 2020 audit, we also found that only 12 staff members at Ontario Parks were park planners responsible for developing, reviewing and updating the management plans for the 630 provincial parks and conservation reserves. Depending on the region, each park planner was responsible for maintaining the management plans for between 19 and 97 provincial parks and conservation reserves. Each park planner had between four and 29 outdated or deficient plans that needed to be replaced.

In our follow-up, we found that Ontario Parks will not be assessing the appropriate numbers of science staff and park planners to meet its legislative responsibilities under the *Provincial Parks and Conservation Reserves Act, 2006*, now and into the future. Instead, the Environment Ministry informed our Office that it had provided the levels of science and planning staff at the park, region or zone, and head office it can within budgetary and staffing limitations, and has allocated available resources accordingly.

In 2021/22, Ontario Parks had 10 permanent, full-time science staff. However, no new science positions have been created since our 2020 audit, as the three additional science positions already existed (previously considered as operations staff) but are now counted as science positions. Additionally, Ontario Parks had 12 park planners. Accordingly, the number of science and planning staff remains unchanged since our 2020 audit. The Environment Ministry informed our Office that it will allocate science and planning resources each fiscal year, based on ongoing priorities and within budgetary and staffing limitations, but it will not review its staffing mix or the appropriate levels of science staff needed.

Recommendation 2

So that the Ministry of the Environment, Conservation and Parks (Environment Ministry) can fulfill its responsibilities under the Provincial Parks and Conservation Reserves Act, 2006*, by planning a network of protected areas that maintains Ontario's biodiversity, we recommend that the Environment Ministry:*

- *assess the human resources needed to expand protected areas; and*
- *allocate such resources.*

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

In our 2020 audit, we found that no branch or staff in the Environment Ministry were specifically tasked with expanding the province's protected area network as directed by the *Provincial Parks and Conservation Reserves Act, 2006*. As a result, identifying sites for protection and completing the process to create protected areas was not prioritized. In contrast, we found that Parks Canada has a dedicated branch with staff who are responsible and accountable for creating new protected areas.

We found that, in 2019, the Environment Ministry proposed protecting 197,835 hectares of Crown land as new provincial parks and conservation reserves, or additions to existing ones. However, the Ministry did not proceed with protecting these sites because it lacked the necessary staff and funding. The Ministry estimated that it would need a team of up to 23 full-time-equivalent staff per year over a four-year period to complete the process of formally protecting these lands.

In our follow-up, we found that Ontario Parks will not be assessing the appropriate numbers of staff to meet its legislative responsibilities under the *Provincial Parks and Conservation Reserves Act, 2006*, now and into the future, to expand Ontario's network of protected areas. We found that Ontario Parks has identified the

need to create 10 new positions to expand or establish some new protected areas. However, the positions have not been created and filled, and a budget has not been allocated. The Environment Ministry informed our Office that it assesses human resource needs and allocates staff each fiscal year—in alignment with government priorities—to expand protected areas based on ongoing priorities and resource limitations. However, the Ministry will not determine the appropriate level of staff needed to expand protected areas.

Ontario Does Not Know Whether It Is Meeting Legal Obligation to Conserve Nature in Protected Areas

Recommendation 3

So that the Ministry of Natural Resources and Forestry (Natural Resources Ministry) is compliant with the Far North Act, 2010*, we recommend that the Natural Resources Ministry:*

- *assess the human resources needed to complete the community-based land-use plans; and*
- *allocate such resources.*

Status: Fully implemented.

Details

In our 2020 audit, we found that no branch or staff in the Natural Resources Ministry was specifically tasked with expanding the province's protected area network. As a result, identifying sites for protection and completing the process to create protected areas were not prioritized. Moreover, we found that the number of full-time-equivalent staff assigned to work on land-use planning in the Far North region, which involves the creation of protected areas, decreased from 22 in 2018 to 10 at the time of our audit. At the time of our audit, we found that only four land-use plans had been approved under the *Far North Act, 2010*, covering a total of three million hectares, or 6.7%, of this region. Ten other community-based land-use plans were in various stages of development

In our follow-up, we found that there are now eight full-time staff working on land-use planning in the Far North. We found that the Natural Resources Ministry had assessed the numbers of staff to complete community-based land-use planning in the Far North that is currently under way. The Ministry informed our Office that staffing is a moving target and it will continue to routinely assess human resource requirements needed to meet planning demands.

Recommendation 4

So that the Ministry of the Environment, Conservation and Parks (Environment Ministry) can meet its legislative responsibility under the Provincial Parks and Conservation Reserves Act, 2006 *to maintain viable and healthy populations of native species, including species at risk, we recommend that the Environment Ministry:*

- *develop a monitoring program to regularly collect information about the types and populations of species at risk and their habitat in each provincial park and conservation reserve;*
- *implement the monitoring program;*

Status: In the process of being implemented by March 2025.

Details

In our 2020 audit, we found that the Environment Ministry does not centrally collect information on how many and what kinds of species at risk are found in each provincial park or conservation reserve—or the state of their habitats. The *Provincial Parks and Conservation Reserves Act, 2006* requires the Environment Ministry to maintain healthy and viable populations of at-risk species and their habitat within provincial parks and conservation reserves. The Act also directs that these protected areas are to provide points of reference to support monitoring of ecological change on the broader landscape. We found that there are at least 181 types of species at risk in provincial parks and conservation reserves.

In our follow-up, we found that the Environment Ministry prepared an Ontario Parks Science Strategy in

February 2023 to guide how Ontario Parks generates, acquires, manages, and uses science, knowledge, data and information. This includes identifying and implementing opportunities to use consistent monitoring, inventory, and data management protocols where feasible. In response to priority actions in the strategy, the Ministry has initiated a project to evaluate all inventory and monitoring activities conducted by Ontario Parks, including for species at risk, to identify opportunities for adopting standard protocols. The Ministry expects this work to be completed by March 2025, with additional work required to develop or adopt standard protocols for identified priorities. Inventory and monitoring programs are ongoing within provincial parks, especially in southern and central Ontario where species at risk are more prevalent, there is higher visitor use and more staff are present. The Ministry told us that it is in the process of introducing a range of measures (including a new data-collection application and a species occurrence database) to improve species inventorying and monitoring throughout the province, including species at risk. Collectively, these measures are intended to improve species data collection and better inform management decisions.

In 2021, the Ministry estimated that 4,539 days in staff time were spent on species at risk activities, with estimated spending of $1.32 million for species at risk management. The Ministry informed our Office that Ontario Parks dedicated $1.4 million of its operating budget in 2022/23 to maintaining and improving ecological integrity throughout Ontario's provincial parks and conservation reserves system, including enhancing the protection and restoration of species at risk populations.

- *publicly report, as part of the* State of Ontario's Protected Areas Report*, on the status of species at risk and their habitats in provincial parks and conservation reserves based on the results of its monitoring program.*

  Status: In the process of being implemented by 2031/32.

Details

The *Provincial Parks and Conservation Reserves Act, 2006* requires the Environment Ministry to report on the state of the province's protected areas every 10 years. In February 2022, the Environment Ministry released its 2021 State of Ontario's Protected Areas Report, publishing 16 indicator reports by theme using available scientific data, including a report on species at risk in provincial parks and conservation reserves. In our follow-up, the Ministry informed our Office that it will rely on its forthcoming Ontario Parks Science Strategy to implement improved data collection and management processes and better inform update reports by 2031/32, in accordance with its legislative obligation. The Act directs that the next State of Ontario's Protected Areas Report will be released by 2032.

Recommendation 5

So that the Ministry of the Environment, Conservation and Parks (Environment Ministry) can meet its legislative responsibility under the Provincial Parks and Conservation Reserves Act, 2006 *to maintain viable and healthy populations of native species in provincial parks and conservation reserves, we recommend that the Environment Ministry:*

- *collect information about the extent and type of invasive species by provincial park and conservation reserve;*

  Status: In the process of being implemented by March 2025.

Details

In our 2020 audit, we found that the Environment Ministry does not systematically monitor the presence or abundance of invasive species in provincial parks and conservation reserves. Invasive species are plants and animals that enter a new environment where they are not native, and have significant negative impacts on native species and habitats. We found in our review of the management plans for a sample of provincial parks

and conservation reserves across the province that one-third of the plans did not outline actions to identify, prevent and manage invasive species. We also visited a sample of 27 provincial parks and found, through our own observations, research, and discussions with park staff, that invasive species were present in 25 of them.

In our follow-up, we found that the Environment Ministry developed an Ontario Parks Science Strategy in February 2023 to identify and implement opportunities to use consistent monitoring, inventory, and data management protocols where feasible, including for invasive species. In response to goals and priorities identified in the strategy, the Ministry has initiated a project to evaluate all inventory and monitoring activities conducted by Ontario Parks, including for invasive species, to identify opportunities for adopting standard protocols. The Ministry expects this work to be completed by March 2025, with additional work required to develop or adopt standard protocols for identified priorities.

The Ministry informed our Office that, given the general increase in new species invasions in recent years, it has increased the quantity of staff time and expenditures spent addressing invasive species in provincial parks and conservation reserves. In 2021, the Ministry estimated that 1,465 days in staff time were spent monitoring and mitigating invasive species, with estimated spending of $387,000.

The Ministry is piloting a data collection application in Ontario Parks' southern zones to help identify and track occurrences of invasive species and management actions undertaken within provincial parks and conservation reserves. The Ministry is exploring the development of a database to house invasive species data captured through iNaturalist (a mobile app that helps users identify and report plants and animals) and to promote the use of iNaturalist more broadly by provincial park and conservation reserve visitors. These measures are intended to improve invasive species data collection and monitoring on a park-by-park basis in order to better inform management decisions. Timelines for completion of this project are to be determined.

- *assess the impacts of invasive species in individual provincial parks and conservation reserves;*
- *take the necessary actions, where feasible, to reduce or eliminate invasive species and their negative impacts in provincial parks and conservation reserves.*

Status: Little or no progress.

Details

In our 2020 audit, we also found that the Environment Ministry does not systematically monitor the impacts of invasive species on native species in provincial parks and conservation reserves. We found in our review of the management plans for a sample of provincial parks and conservation reserves across the province that one-third of the plans did not outline actions to identify, prevent and manage invasive species.

In our follow-up, we found that the Ministry has not assessed the impacts of invasive species in each provincial park and conservation reserve and has no plans to do so, given resource constraints. Using its existing resources, the Ministry takes a risk-based approach to assessing and mitigating the impacts of invasive species within provincial parks and conservation reserves by focusing on protected areas vulnerable to invasive species habitation and spread. For example, the Ministry generally focuses on protected areas in southern zones, along invasive species pathways, with higher levels of public use. The Environment Ministry informed our Office that it expects that new tools and measures, such as those under the Ontario Parks Science Strategy and data collection via iNaturalist, will help assess and mitigate invasive species in provincial parks and conservation reserves throughout the protected areas system.

Recommendation 6

So that hunting, fishing, trapping and other activities in provincial parks and conservation reserves are ecologically sustainable, we recommend that the Ministry of the Environment, Conservation and Parks:

- *work with the Ministry of Natural Resources and Forestry to gather information about the extent of hunting, fishing and trapping activities in each provincial park and conservation reserve;*
- *assess the ecological impacts of such activities in provincial parks and conservation reserves; and*
- *take necessary actions to mitigate any negative ecological impacts of the activities.*

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

In our 2020 audit, we found that the Environment Ministry does not assess whether hunting, fishing and trapping activities in provincial parks and conservation reserves are ecologically sustainable. These activities can negatively impact species and how effectively these sites function as protected areas. The *Provincial Parks and Conservation Reserves Act, 2006* requires that these activities, which are allowed in most of Ontario's 630 provincial parks and conservation reserves, be carried out in a manner that will maintain healthy and viable populations of native species.

In our follow-up, we found that the Environment Ministry has not gathered information about the extent of hunting, fishing and trapping in each provincial park and conservation reserve. Additionally, the Environment Ministry has not assessed the ecological impacts of hunting, fishing and trapping in provincial parks and conservation reserves. Further, the Environment Ministry will not be implementing these recommended actions.

The Environment Ministry informed our Office that it is the responsibility of the Natural Resources Ministry to administer and monitor impacts and set policies for hunting, fishing and trapping in Ontario. Given the expansive distribution and species range of game animals, the Natural Resources Ministry conducts these activities on the basis of broad landscape units (which are generally much larger in scale than most provincial parks and conservation reserves). The Environment Ministry noted that it will continue to support the Natural Resources Ministry's efforts to gather and utilize information collected regarding wildlife harvesting in provincial parks and conservation reserves. Where appropriate, the Environment Ministry will use these data to inform park management decisions and mitigate negative ecological impacts.

The Environment Ministry informed our Office that information on ecological impacts is gathered during life science inventories and other investigations. These efforts may reflect the negative ecological impacts associated with hunting, fishing and trapping in provincial parks and conservation reserves. For example, the Natural Resources Ministry's Broad-Scale (Fisheries) Monitoring Program assesses fish populations in a sample of lakes across Ontario including in provincial parks and conservation reserves. Both ministries work together to conduct recreational fishing surveys, and periodically conduct angler surveys on fish harvests in larger parks such as Algonquin and Quetico Provincial Parks.

Recommendation 7

So that the wilderness areas in Ontario are maintained in their natural state as required under the Wilderness Areas Act*, and so that activities that are not permitted do not occur, we recommend that the Ministry of Natural Resources and Forestry improve its processes for managing wilderness areas.*

Status: Fully implemented.

Details

In our 2020 audit, we found three of Ontario's 11 wilderness areas that remain on Crown land outside of other protected areas were open to logging or mining activities. This is inconsistent with the requirements of the *Wilderness Areas Act* that wilderness areas be protected in their natural state. We found that the surface and mining rights for Sankey Township Nature Reserve Wilderness

Area were not withdrawn from prospecting, mining claim registration, sale and lease. Additionally, we found that Derby Lake and Eighteen Mile Island Wilderness Area were open to commercial logging.

We also found that the Natural Resources Ministry does not have any policy requiring staff to monitor wilderness areas. In addition, a 2016 report by the Natural Resources Ministry noted that six of Ontario's 11 wilderness areas had been variously impacted between 1960 and 1997 by one or a combination of logging, logging roads or gravel pits. These past activities indicate that these areas have historically not been protected by the Natural Resources Ministry as required by law. For example, Eighteen Mile Island Wilderness Area, which was in "pristine condition" when it was created in 1960, was then logged from 1960 to 1970, yet Ministry staff have stated that "no effort has been expended to ensure the integrity of the area."

In our follow-up, we found that in April 2022, the surface and mining rights for Sankey Township Nature Reserve Wilderness Area were withdrawn from prospecting, mining claim registration, sale and lease. In June 2022, the policy reports for Derby Lake and Eighteen Mile Island Wilderness Areas were amended to confirm that commercial logging is not permitted. Further, the policy reports for all the wilderness areas in question, which are available to the public, were also amended to provide clarity and transparency on the listed prohibited activities and land uses within *Wilderness Areas Act* sites. In addition, in 2023, a memo was sent to various parts of the Ministry that are responsible for approvals and compliance/enforcement activities to ensure staff awareness of the prohibitions within wilderness areas.

While the Natural Resources Ministry has not developed a policy requiring staff to monitor or inspect wilderness areas, monitoring and inspection of wilderness areas will be carried out on a case-by-case basis where there is an identified need. The Natural Resources Ministry noted that forestry, aggregate extraction, and other intrusive activities on Ontario's public lands are regulated by the Ministry under various frameworks, and staff actively monitor these industries, including to ensure they are not encroaching into restricted areas, like wilderness areas. Further, the Ministry noted that mineral exploration and development is regulated by the Ministry of Mines under the *Mining Act*, and that no wilderness areas are open to staking under the Act and there are no active claims in these areas. Monitoring and inspecting wilderness areas, some with a history of prohibited activities, is important to prevent prohibited activities from occurring.

Recommendation 8

To enhance ecological integrity in Algonquin Provincial Park by treating more of it as a protected area, we recommend that the Ministry of the Environment, Conservation and Parks in consultation with the Ministry of Natural Resources and Forestry:

- *review the impact of the current level of commercial logging in Algonquin Provincial Park on the ecological integrity of the Park; and*
- *amend the Algonquin Park Management Plan to implement the results of this review.*

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

In our 2020 audit, we found that although Algonquin Provincial Park, at 763,000 hectares, is one of the largest provincial parks in Ontario, only one-third of the park is reported as a protected area by the Environment Ministry. This is because commercial logging is permitted in the park's "recreation/utilization" zone, which covers 498,785 hectares, or two-thirds of the park. National criteria do not allow an area to be reported as a protected area if activities that are incompatible with the conservation of biodiversity—like commercial logging—are allowed to occur. We found that, if all of Algonquin Provincial Park met the criteria for protected areas, it would increase the percentage of Ontario's total protected areas by about 0.5%. Algonquin is the only provincial park in

Ontario where commercial logging is still permitted. Public debate about whether Algonquin Provincial Park should be open to commercial logging has been ongoing for decades.

In our follow-up, we found that the Environment Ministry has not reviewed the impact of the current level of commercial logging in Algonquin Provincial Park in order to treat more lands within the park as a protected area (in which commercial logging would not be allowed) and does not intend to implement this recommendation. The Environment Ministry informed our Office that it has no plans to update the commercial forest management policies in the Algonquin Park Management Plan—which governs how the lands in the park are managed—and a date for a full examination of the park's management plan had not been set. In 2021, with the Environment Ministry's endorsement, the Natural Resources Ministry approved the 2021–2031 Algonquin Park Forest Management Plan, directing how commercial logging will be undertaken in the "recreation/utilization" zone of the park. The Environment Ministry informed our Office that, throughout the forest management planning process, it prioritized the protection of park values, particularly ecological integrity. The Environment Ministry has stated that it is satisfied that key ecological and heritage values throughout the park—such as brook trout habitat, species at risk habitat, and unique and sensitive ecological communities—are protected from negative impacts associated with logging through various tools included within the forest management plan.

Outdated and Lack of Management Plans Impede Ministry's Legal Duty to Conserve Biodiversity

Recommendation 9

So that the Ministry of the Environment, Conservation and Parks (Environment Ministry) complies with its legislative responsibility under the Provincial Parks and Conservation Reserves Act, 2006 *we recommend that the Environment Ministry:*

- *develop a strategy to have up-to-date management plans in place for regulated provincial parks and conservation reserves; and*
- *implement the strategy.*

Status: Little or no progress.

Details

In our 2020 audit, we found that the Environment Ministry has not replaced 78, or 86%, of the 91 management plans that it had determined needed to be replaced within the required time frame. Once the Ministry determines that a plan needs to be replaced, its guidelines state that replacement plans should be approved within three to five years, depending on their complexity. By not replacing these plans in a timely manner, provincial parks and conservation reserves may not be effectively addressing threats to the natural features of the parks or reflect the objective of making ecological integrity the top priority.

Our Office also found that the Environment Ministry has not examined the plans for 17 provincial parks that have been in place for over 20 years, as required by the *Provincial Parks and Conservation Reserves Act, 2006*. Additionally, we found that the Environment Ministry did not have management plans for nine provincial parks and three conservation reserves, despite the requirement for plans.

In our follow-up, the Environment Ministry informed our Office that it was brainstorming ideas and planned to complete a draft Ontario Parks Planning Efficiency Strategy as early as March 2024, to improve planning efficiency and outputs to address outdated management plans for provincial parks and conservation reserves. In the interim, the Ministry has implemented a planning-prioritization model to ensure that existing Ontario Parks planning capacity is directed toward priority projects.

Creating More Protected Areas Not a Provincial Priority

Recommendation 10

To help achieve the objective of the Provincial Parks and Conservation Reserves Act, 2006 *to permanently protect a network of provincial parks and conservation reserves, we recommend that the Ministry of the Environment, Conservation and Parks work with the Ministry of Natural Resources and Forestry to:*

- *establish a long-term area-based target for expanding its protected areas with associated timelines;*
- *develop a long-term strategy that outlines specific actions the ministries will take to achieve its targets;*
- *implement the plan; and*
- *publicly report on their progress toward this strategy as part of an annual report to be accountable.*

Status: Little or no progress.

Details

In our 2020 audit, we found that, at the last year progress was reported on (2011), the Province was not meeting most of its targets to protect nature in provincial parks. The targets were first set in 1978 and have been only slightly modified since then to incorporate newly available information on Ontario's natural areas. We found that the Environment Ministry had not developed a plan to expand the network of protected areas across Ontario to meet these targets. Environment Ministry staff had internally described the Ministry's current approach as "ad-hoc."

We found that there was no province-wide target for how much of Ontario's area the Province should aim to protect. In our 2020 audit, we found that 10.7% of Ontario was within protected areas. Our Office found that most other provinces and territories have adopted long-term, area-based targets to expand their protected area systems.

In our follow-up, we found that the Ministry has not established a long-term area-based target, with associated timelines, for expanding its protected areas. Additionally, the Ministry has not developed a long-term strategy that outlines specific actions to achieve its targets.

In 2021, the Ministry established a Protected Areas Working Group to identify opportunities to protect and conserve more natural areas. The Protected Areas Working Group shared ideas and recommendations with the Environment Ministry to support the development of targets and a future provincial strategy. The Environment Ministry states that it continues to consider ideas and opportunities proposed by the Protected Areas Working Group, which may inform future protected areas initiatives and targets, and a future workplan for protected areas expansion. The Environment Ministry informed our Office that it continues to proceed with various initiatives to expand protected areas in Ontario, for example through the Greenlands Conservation Partnership and the creation of new protected areas at Alfred Bog in eastern Ontario and in Prince Edward County.

Recommendation 11

So that the Ministry of the Environment, Conservation and Parks is making concrete progress toward compliance with the Provincial Parks and Conservation Reserves Act, 2006 *by planning a network of protected areas that conserves nature by maintaining Ontario's biodiversity, we recommend that the Environment Ministry:*

- *assess the financial resources needed to implement the actions described in a long-term strategy to expand protected areas, as described in* ***Recommendation 10****; and*
- *allocate such resources.*

Status: Little or no progress.

Details

In our 2020 audit, we found that in the previous five years, the Province had added only 3,007 hectares—or 0.003% of Ontario's land area—to its network of provincial parks, conservation reserves and dedicated protected areas. We found that, in 2019, the Environment Ministry proposed protecting 197,835 hectares of Crown land as new provincial parks and conservation reserves or additions to existing ones. However, the Environment Ministry did not proceed with protecting these sites because it lacked the necessary staff and funding. The Environment Ministry estimated that it would need a team of up to 23 full-time-equivalent staff per year over a four-year period to complete the process of formally protecting these sites.

We also found that the Environment Ministry's budget for land acquisition was $1,000 per year. Such funding is used to purchase privately owned properties, as well as for administrative costs such as legal fees and land surveying costs. In 2018, the Ontario budget contained a $15 million commitment over three years to preserve natural heritage, but this budget item was not implemented.

In our follow-up, we found that the Environment Ministry has not developed a long-term strategy that outlines specific actions to achieve its targets to protect Ontario's biodiversity (see our follow-up on **Recommendation 10** above). Accordingly, it cannot assess the financial resources needed to implement actions until one is developed. The Environment Ministry informed our Office that it allocates existing staff resources on a project-by-project basis, in alignment with government priorities, to expand protected areas. The Ministry indicated that in 2021/22, 2022/23 and 2023/24, it prioritized the level of staff dedicated to expanding protected areas in accordance with budgetary and staffing limits, and will continue to do so on an annual basis.

In 2020, after our audit was completed, the Environment Ministry established the Greenlands Conservation Partnership to expand privately protected areas in southern Ontario. This partnership provides $20 million over four years, ending in 2024, for land trusts to secure and manage new privately protected areas. Additionally, the 2022 Ontario Budget included a commitment of $4 million to support securement of ecologically important lands in central Ontario by land trusts, and the 2023 Ontario Budget committed an additional $14 million investment in the Greenlands Conservation Partnership.

Recommendation 12

To meet its legislative responsibility under the Provincial Parks and Conservation Reserves Act, 2006 *to permanently protect ecosystems that are representative of all of Ontario's natural regions, we recommend that the Ministry of the Environment, Conservation and Parks, in developing its long-term protected area strategy in* ***Recommendation 10****, include actions specifically targeted toward increasing protected area coverage in southern Ontario such as establishing partnerships with conservation organizations that can assist in establishing and managing protected areas and restoring degraded habitats.*

Status: Little or no progress.

Details

In our 2020 audit, we found that southern Ontario is the most biologically diverse part of Canada but its biodiversity is among the most at risk because it is widely developed. We found that provincial parks and conservation reserves covered 60,848 hectares, or only 0.4% of this part of Ontario. Including protected areas managed by Parks Canada and others, the protected area coverage increases to only 0.6%, or 78,707 hectares. For example, we found that there were only four operating provincial parks with campgrounds and six non-operating provincial parks with hiking trails located within 100 kilometres of the City of Toronto, despite the high demand for recreation.

In our follow-up, we found that the Environment Ministry has not developed a long-term protected area strategy that includes actions specifically targeted toward increasing protected area coverage in southern Ontario (see our follow-up on **Recommendation 10** above).

The Environment Ministry indicated that it has made significant progress in developing partnerships with conservation organizations to expand protected areas in southern Ontario in recent years. The Ministry has established the Greenlands Conservation Partnership to expand privately protected areas in southern Ontario. This partnership provides $20 million over four years, ending in 2024, for land trusts to secure and manage new privately protected areas. Between January 2021 and April 2022, 36 properties and 99,045 hectares were secured by partner organizations. The 2022 Ontario Budget also included a commitment of $4 million to support securement of ecologically important lands in central Ontario by land trusts, and the 2023 Ontario Budget committed an additional $14 million investment in the Greenlands Conservation Partnership.

The Environment Ministry also noted that it had increased protected area coverage in southern Ontario through the creation of new provincial protected areas in 2023, including Monarch Point Conservation Reserve in Prince Edward County and Alfred Bog Provincial Park, east of Ottawa.

Recommendation 13

To meet its legislative responsibility under the Provincial Parks and Conservation Reserves Act, 2006 *to permanently protect ecosystems that are representative of all of Ontario's natural regions, we recommend that the Ministry of the Environment, Conservation and Parks, in developing its long-term protected area plan in* ***Recommendation 10****, use known key biodiversity areas to identify new potential protected areas.*

Status: Little or no progress.

Details

In our 2020 audit, we found that the Environment Ministry did not consider known key biodiversity areas to identify new areas to protect. In 2016, the International Union for Conservation of Nature released a global standard to identify key biodiversity areas that should be considered for protection.

In our follow-up, we found that the Environment Ministry has not developed a long-term strategy that will use known key biodiversity areas to identify new potential protected areas (see our follow-up on **Recommendation 10** above). However, the Environment Ministry informed our Office that it will use known key biodiversity areas to inform the establishment of provincial parks and conservation reserves in the future. The Ministry is working with the Wildlife Conservation Society (a non-governmental organization) on an ongoing basis to review potential key biodiversity areas and where they overlap with existing provincial parks and conservation reserves. Additionally, the National Standard for the Identification of Key Biodiversity Areas in Canada is being used across the country, including in Ontario, to identify and assess key biodiversity areas. The Environment Ministry indicated that it receives data and information, as well as expert advice and review, from the Natural Resources Ministry to support the identification and assessment of key biodiversity areas in the province.

Little Progress Made to Work with Indigenous Peoples to Create Protected Areas

Recommendation 14

So that timely decisions are made jointly with First Nations about where to establish protected areas and where to allow development in the Far North, and to comply with the Far North Act, 2010*, we recommend that the Ministry of Natural Resources and Forestry work with willing First Nations to complete the community-based land-use plans that are unfinished.*

Status: In the process of being implemented.

Details

In our 2020 audit, we found that—10 years after the *Far North Act, 2010* was passed directing the Natural Resources Ministry to work with First Nations to protect 50% of the Far North—only 4.7 million hectares, or 10.4% of the Far North, were protected. We found that

only four land-use plans had been approved, covering a total of three million hectares, or 6.7%, of the Far North. We found that 10 other community-based land-use plans were in various stages of development. Additionally, we found there was no Far North strategy to guide the development of land-use plans, no joint advisory body to provide advice, and transfer payments to First Nations to work on land-use planning had been reduced.

In our follow-up, we found that workplans that support advancing the finalization of land-use plans, and transfer payment agreements to support those workplans, have been completed with willing First Nations (Moose Cree First Nation, Constance Lake First Nation, Marten Falls First Nation and Webequie First Nation). The Ministry noted that, because community-based land-use planning is a joint process, and dates shift over time, an estimated date of completion is unknown at the time of our follow-up.

Recommendation 15

To confirm the Province's position on Indigenous-led protected areas, we recommend that the Ministry of Natural Resources and Forestry:

- *seek the necessary direction regarding the Province's support for the creation of Indigenous Protected and Conserved Areas; and*
- *if direction and approval are obtained, include in its long-term protected area strategy described in* ***Recommendation 10****, actions to recognize Indigenous Protected and Conserved Areas.*

  Status: Little or no progress.

Details

In our 2020 audit, we found the Natural Resources Ministry had not decided whether it would recognize and support the creation of Indigenous Protected and Conserved Areas, as that direction would need to come from a government plan or an official position taken by the Province. Indigenous Protected and Conserved Areas are lands and waters where Indigenous governments have the primary role in protecting and conserving ecosystems through Indigenous laws, governance and knowledge systems. We found that, in 2019, six First Nations expressed interest in creating Indigenous Protected and Conserved Areas.

In our follow-up, we found that the Natural Resources Ministry has not sought direction on the Province's position with regard to supporting the creation of Indigenous Protected and Conserved Areas. The Ministry informed our Office that district and operational staff are continuing to hold discussions with interested First Nation communities.

Province Missing Opportunities to Work with Conservation Authorities, Municipalities and Public to Conserve Biodiversity

Recommendation 16

To recognize and encourage work done to conserve biodiversity by conservation authorities, municipalities and others, we recommend that the Ministry of the Environment, Conservation and Parks:

- *implement a public outreach program to further increase awareness among all potential contributors to the accounting of protected areas;*

  Status: Will not be implemented.

  The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

In our 2020 audit, we found that the Environment Ministry had inadequately engaged with other entities who undertake conservation efforts in Ontario. Because of this, the Province was missing opportunities to increase the size of its protected area network by not leveraging the work already being done by others. We found that the Environment Ministry had received and screened only 23 municipal or conservation authority properties to determine whether they meet the criteria to be considered as protected areas.

We found that there was no budget for outreach for the purposes of screening third-party lands. In 2017/18, the Ministry allocated and spent $55,000 on outreach and assisting partners to screen their lands as protected areas. In 2018/19, the Ministry approved $100,000, but it was not spent due to a freeze on discretionary spending in June 2018. Additionally, the Ministry's website did not have any information to educate interested parties about the screening process to have lands counted as protected areas and encourage them to contribute to the Province's efforts to support biodiversity conservation initiatives. We also found that there was a lack of funding to assist external parties in gathering the necessary information for their submissions such as for land surveying, mapping and gathering biological information about the specific site.

In our follow-up, we found that the Environment Ministry provides in-house staff support for work paid for by the federal government with conservation partners to increase awareness and screen sites. This in-house support is the same type of support as we noted in our 2020 audit. Accordingly, the Ministry has not implemented a new public outreach program to further increase awareness among all potential contributors to the accounting of protected areas. The Environment Ministry informed our Office that it plans to continue participating in pan-Canadian initiatives to increase awareness of accounting and reporting of protected areas.

- *screen site submissions within a defined and reasonable period of time after receipt.*

  Status: Fully implemented.

Details

In our 2020 audit, we found that six conservation areas totalling 5,150 hectares that are managed by conservation authorities had been screened and met criteria to be reported as protected areas. However, we found that a total of 545 additional properties owned by conservation authorities, covering more than 150,000 hectares, could be screened and potentially reported as protected areas. Additionally, we also found that 11 environmentally significant areas totalling 839 hectares, all managed by the City of London, had been screened and reported as protected areas. Our research identified other municipalities that manage environmentally significant areas that could have numerous lands screened and potentially reported as protected areas.

In our follow-up, we found that the Environment Ministry has significantly increased the number of sites that it reports as protected areas. In December 2021, the Environment Ministry reported 335 new areas covering 40,498 hectares of municipal, conservation authority and privately owned lands. The Environment Ministry informed our Office that it will screen and report protected areas on an annual basis.

Recommendation 17

So that the Ministry of Natural Resources and Forestry (Natural Resources Ministry) effectively addresses public requests to create recommended protected areas, consistent with its Guide for Crown Land Use Planning, we recommend that the Natural Resources Ministry:

- *centrally track its decisions on external requests for land-use amendments to create recommended provincial parks and conservation reserves;*

  Status: Fully implemented.

Details

In our 2020 audit, we found that the Natural Resources Ministry did not know, or centrally track, how many public requests it received to undertake Crown land-use planning to designate a site as a "recommended" provincial park or conservation reserve. Accordingly, the Natural Resources Ministry could not demonstrate that any requests were reviewed in line with its Guide for Crown Land Use Planning. We identified that there had been at least two such requests.

In our follow-up, we found that, in response to our recommendation, the tracking of public requests has been established and will be maintained by regional staff. One public request was received to support the addition of lands to an existing provincial park, one request was to add Crown land to a proposed provincial

park, and one request was to establish a new conservation reserve. The Natural Resources Ministry screened these submissions in accordance with the Guide for Crown Land Use Planning.

- *report annually on its decisions in its yearly published plan and annual report.*

  Status: In the process of being implemented by May 2024.

Details

In our 2020 audit, we found that the Natural Resources Ministry did not centrally track external requests to create protected areas. Accordingly, we—and by extension, the public—could not determine how many opportunities the Natural Resources Ministry has chosen to pursue or not to create new protected areas.

In our follow-up, the Natural Resources Ministry initially informed our Office that it and the Environment Ministry had come to an agreement on implementing our recommendation: the Natural Resources Ministry would prepare a stand-alone summary report on external requests for land-use amendments to create recommended provincial parks and conservation reserves and provide this to Environment Ministry at the end of each fiscal year. However, the Environment Ministry subsequently informed our Office that the responsibility to publicly share this information remains with the Natural Resources Ministry. The Natural Resources Ministry has prepared annual summaries (for 2021/22 and 2022/23) of external requests for land use amendments to create provincial parks and conservation reserves, and the subsequent land use amendment decisions. Although the Natural Resources Ministry's 2021/22 and 2022/23 annual reports did not contain this information, the Ministry intends to reference a summary of work achieved in a forthcoming annual report, with an estimated implementation date of May 2024.

Chapter 1
Section
1.26

Ministry of Energy
Ministry of Municipal Affairs and Housing
Ontario Energy Board

Follow-Up on 2020 Value-for-Money Audit:

Reducing Greenhouse Gas Emissions from Energy Use in Buildings

RECOMMENDATION STATUS OVERVIEW

		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	1		1			
Recommendation 2	1			1		
Recommendation 3	1				1	
Recommendation 4	3	1			2	
Recommendation 5	2	1		1		
Recommendation 6	1			1		
Recommendation 7	2	1	1			
Recommendation 8	1			1		
Recommendation 9	3			3		
Recommendation 10	1			1		
Recommendation 11	1	1				
Recommendation 12	3	3				
Recommendation 13	2	2				
Recommendation 14	2			2		
Recommendation 15	1			1		
Recommendation 16	3			3		
Recommendation 17	1		1			
Recommendation 18	1	1				
Recommendation 19	1				1	
Total	**31**	**10**	**3**	**14**	**4**	**0**
%	**100**	**32**	**10**	**45**	**13**	**0**

Note: **Recommendations 1**, **2**, **11**, and **13** through **19** were made to the Ministry of Energy, Northern Development and Mines (now the Ministry of Energy); **Recommendations 3** and **12** were directed to the Ontario Energy Board; and **Recommendations 4** through **10** were made to the Ministry of Municipal Affairs and Housing.

Overall Conclusion

The Ministry of Energy (Energy Ministry), the Ministry of Municipal Affairs and Housing (Municipal Affairs Ministry) and the Ontario Energy Board (OEB), as of August 1, 2023, had fully implemented 32% of the actions we recommended in our *2020 Annual Report*. The Energy Ministry, the Municipal Affairs Ministry and the Ontario Energy Board had made progress in implementing an additional 10% of the recommended actions.

Recommended actions that the Municipal Affairs Ministry has implemented include working with stakeholders to address inspection, compliance and enforcement issues identified by Ministry staff and municipal building officials with respect to the Ontario Building Code (Code); consulting with building officials to identify the guidance, tools and support they need to consistently interpret and implement the current 2012 Code's energy-efficiency requirements; and consulting with experts to strengthen the energy-efficiency requirements in the Code. However, the Municipal Affairs Ministry stated that it will not be implementing two of the recommended actions: to collect and analyze information from municipal building departments on inspections, compliance and enforcement of the Code, and to undertake a pilot assessment of builders' compliance with the Code's energy-efficiency provisions. While the Municipal Affairs Ministry stated that it does not have the statutory responsibility to implement these actions, our Office maintains that the Ministry, as the administrator of the *Building Code Act, 1992*, is uniquely positioned to assess and ensure that the Act is administered effectively throughout the province.

The Energy Ministry has fully implemented three of our recommended actions: ensuring that the OEB continues to work toward a natural gas conservation framework that balances the implementation of cost-effective natural gas conservation with the impact on ratepayers; finalizing a new memorandum of understanding with and issuing annual mandate letters to the OEB; as well as developing a plan to share building energy-use data with stakeholders. Recommended actions that the Energy Ministry was in the process of implementing include developing a provincial long-term energy plan that includes fuels beyond electricity, and requiring natural gas and electricity utilities to provide building energy-use data using a consistent process.

The OEB has fully implemented three of our recommended actions: to identify methods to incorporate actual data for natural gas use into the evaluations that determine the impact of natural gas conservation programs; providing clarity as to when updated assumptions (such as consumer behaviour) are to be used in evaluations of conservation programs; and completing all high-priority multi-year assessments to update assumptions.

The status of actions taken on each of our recommendations is described in this report.

Background

Greenhouse gases released into the atmosphere through human activity have resulted in increased global temperatures, contributing to melting glaciers and sea ice, rising sea levels, extended heat waves and droughts, and more frequent and severe storms, flooding and wildfires. This is known as climate change. Climate change has had major impacts on biodiversity and ecosystems, infrastructure (such as transportation systems), food and water supply, human health and tourism. In response, jurisdictions around the world have established goals to reduce emissions and help address climate change. In 2018, Ontario established a target to reduce greenhouse gas emissions by 30% below 2005 levels by 2030.

Greenhouse gases are generated through various activities, but the largest contribution is from burning fossil fuels, including coal, transportation fuels, heating oil and natural gas. At the time of our 2020 audit, based on the most recent year of data (2018), Ontario's emissions were estimated at 165 megatonnes (Mt). At the time of our follow-up, based on the most

recent year of data (2020), Ontario's emissions were estimated at 150 Mt, with the decline in large part attributed to a decrease in transportation emissions.

In residential, commercial and institutional buildings, natural gas is the primary source of energy used for heating. Between 2005 and 2019 (the most recent full set of data available), natural gas use in the province increased by 2%, whereas its use in buildings increased by 13%. As a result, buildings are the third-largest source of emissions in Ontario, contributing 39 Mt, or 24% of the provincial total. Of these emissions, about 77% result from the use of natural gas.

Responsibility for programs and oversight related to reducing energy use in buildings is shared across two ministries and two agencies; only one agency was subject to this audit due to its focus on natural gas conservation:

- The Ministry of Municipal Affairs and Housing (Municipal Affairs Ministry) administers the *Building Code Act, 1992* and the Ontario Building Code, which includes energy-efficiency requirements for buildings.
- The Ontario Energy Board (OEB) is a quasi-judicial adjudicative body that regulates natural gas utilities. One of the OEB's statutory objectives in relation to natural gas is to promote energy conservation and energy efficiency in accordance with the policies of the government of Ontario.
- The Ministry of Energy (Energy Ministry) has oversight of the OEB. The Energy Minister may, with the approval of the Lieutenant Governor in Council, direct the OEB to take steps to promote energy conservation. The Energy Ministry also has responsibility for two energy reporting programs that separately apply to private- and public-sector buildings, and for setting efficiency standards for appliances and products used in buildings. In June 2021, the Energy Ministry was created from the former Ministry of Energy, Northern Development and Mines.

Overall, our audit in 2020 found that the Province was at risk of missing its 2030 emission-reduction target. This was in part because climate change and the reduction of greenhouse gas emissions were not yet a cross-government priority, even though the government made a specific commitment in Preserving and Protecting our Environment for Future Generations: A Made-in-Ontario Environment Plan (Environment Plan) to make climate change a cross-government priority in order to meet the target. Although the 2018 Environment Plan was released by the Ministry of the Environment, Conservation and Parks (Environment Ministry), many programs and initiatives necessary to reduce emissions and meet the target require action by other ministries and agencies. At the time of our audit, we concluded that none of the three auditees (the Municipal Affairs Ministry, the OEB, or the Energy Ministry) focused on climate change or the reduction of greenhouse gas emissions in its decision-making. This will make it a challenge to reduce emissions enough to achieve Ontario's 2030 target.

Status of Actions Taken on Recommendations

We conducted assurance work between April 2022 and August 2023. We obtained written representation from the Municipal Affairs Ministry, the OEB and the Energy Ministry that effective November 9, 2023, they had provided us with a complete update of the status of the recommendations we made in the original audit in November 2020.

An Integrated Long-Term Natural Gas and Electricity Energy Plan Could Assist in Achieving Emission-Reduction Target

Recommendation 1

To co-ordinate energy decisions across government, we recommend that the Ministry of Energy, Northern Development and Mines develop an integrated long-term energy plan that aligns plans for the use of Ontario's major sources of energy (including natural gas) with the government's emission-reduction target. The energy plan

could incorporate and consider long-term industrial, commercial and housing development.

Status: In the process of being implemented by December 2024.

Details

In our 2020 audit, we found that fossil-fuel energy use produced about 77% of Ontario's greenhouse gas emissions. To achieve the emissions reductions target in the Environment Plan, Environment Ministry staff identified the need for a long-term energy plan that focuses on electricity, as well as other fuels, such as natural gas. At the time of our audit, the most recent Long-Term Energy Plan, which was released in October 2017, was marked as archived, and the Energy Ministry was reviewing the process for long-term energy planning.

In our follow-up, we found that in January 2021 the Energy Ministry posted a proposal notice on the Environmental Registry to consult on reforming its long-term energy planning process. The proposal made no mention of natural gas, but rather focused exclusively on energy planning related to electricity. In April 2022, the Energy Ministry closed the proposal notice with a report that summarizes stakeholder feedback, including that electricity planning should be integrated with other fuels in a holistic manner. Also in 2022, the Energy Ministry commissioned an independent, cost-effective pathways study to better understand how to optimize technology and prepare the energy system for electrification, and established an Electrification and Energy Transition Panel to advise the Energy Minister on how to co-ordinate long-term energy planning. The Energy Ministry expects the panel's report will be submitted to government in late 2023, advising on high-value short-, medium- and long-term opportunities in the energy sector. This includes opportunities to strengthen Ontario's long-term energy planning process by better co-ordinating the fuels and electricity sectors. The Energy Ministry informed us that it would consider recommendations from the panel's report and develop policy options for long-term planning reform. The Ministry indicated that any changes to Ontario's long-term planning framework will require additional direction from government. The Ministry informed us that, at this time, it plans to complete this work by approximately December 2024.

Energy Ministry Not Implementing Initiatives in the Environment Plan to Reduce Building Emissions

Recommendation 2

To help Ontario meet its 2030 greenhouse gas emission-reduction target, we recommend that the Ministry of Energy, Northern Development and Mines work with relevant ministries, agencies and stakeholders to implement initiatives in the Made-in-Ontario Environment Plan, including increased cost-effective natural gas conservation, increased uptake of renewable natural gas, and the voluntary display of home energy-efficiency information.

Status: Little or no progress.

Details

We found in our 2020 audit that the Environment Plan showed the largest contribution to emissions reductions was expected to come from the Energy Ministry working with the OEB and natural gas utilities to increase cost-effective natural gas conservation. However, the Energy Ministry informed the Environment Ministry to expect a continuation of the programs in place, with no planned increase in conservation. The Energy Ministry had provided no direction to the OEB to update its natural gas conservation framework and instead deferred to the OEB on future natural gas conservation. In turn, the OEB relied on natural gas utilities, and Enbridge in particular, to voluntarily offer conservation programs.

In our follow-up, we found that the Energy Ministry has made little progress working with stakeholders to implement initiatives in the Environment Plan. We found that in November 2020 the then Associate Energy Minister co-wrote a letter with the Environment Minister to the OEB. The letter expressed support for increased natural gas conservation, but also clarified that the Environment Plan estimate of emissions reductions through natural gas conservation is not a

prescriptive target that the OEB is expected to facilitate through ratepayer-funded conservation programs. In December 2020, the OEB referenced the November 2020 letter when inviting Enbridge Gas to develop new natural gas conservation programs. During our follow-up, the OEB approved an application from Enbridge for natural gas conservation programming beginning in January 2023. According to Enbridge, the programming for 2023–27 is expected to result in similar annual gas savings, and therefore emission reductions, as in 2018—the year the Environment Plan was released. In November 2022, the OEB approved the new natural gas conservation program for 2023–2025.

We also found in our 2020 audit that the Environment Plan expected 2.3 Mt of emissions reductions to come from an increase in the use of renewable natural gas. This was to be achieved by requiring utilities to offer renewable natural gas to their customers. At the time of our audit, no such requirement had been made by either the Energy Ministry or the OEB. Additional emissions reductions from renewable natural gas use were also expected to come from the Energy Ministry and the Environment Ministry working together to develop additional policy measures. However, the Energy Ministry had asked the Environment Ministry to relieve it of any responsibilities related to renewable natural gas in the Environment Plan.

In our follow-up, we found that there continues to be no requirement for utilities to offer renewable natural gas. Despite the absence of a requirement, Enbridge, the natural gas utility that serves 3.7 million customers in Ontario (99.7% of all natural gas customers), has begun to voluntarily offer renewable natural gas to its customers. The program launched in April 2021, and over 800 customers had enrolled as of January 2022. This level of participation is far less than the 16,000 first-year customers projected by Enbridge before the OEB approved the program. However, in October 2022, Enbridge Gas proposed to gradually increase the percentage of renewable natural gas in its supply to 4% by 2028. The cost of renewable natural gas not voluntarily purchased by customers would be shared by all Enbridge customers at an average cost of up to $8 per month per customer by 2028. At the time of our follow-up, the OEB had not made a decision on this proposal. EPCOR Natural Gas serves the remaining 0.3% of regulated natural gas customers in Ontario and, according to the Energy Ministry, has no plans to offer a voluntary renewable natural gas program. The Energy Ministry has indicated to our Office that further work regarding renewable natural gas is the responsibility of the Environment Ministry.

Our 2020 audit also found that, although the 2018 Environment Plan assigned responsibility to the Energy Ministry to work with the Ontario Real Estate Association to encourage the voluntary display of home energy-efficiency information on real estate listings, no progress had yet been made. In response to our recommendation, the Energy Ministry acknowledged the importance of energy-efficiency data for home purchasers and committed to re-engaging with the Ontario Real Estate Association to explore the voluntary display of home energy ratings on real estate listing services.

In our follow-up, we found that in March 2022, the Energy Ministry had an initial meeting with the Ontario Real Estate Association, and other associations, to discuss voluntary home energy ratings. The Energy Ministry has also connected with other relevant partners, including Natural Resources Canada, which has been directed via a federal mandate letter to implement home energy labelling at time of sale. In December 2022, the Energy Ministry co-ordinated a meeting with Natural Resources Canada, the Ontario Real Estate Association and the Canadian Real Estate Association to discuss the voluntary display of home energy-efficiency information on real estate listings. The Energy Ministry told our Office that it will continue to support federal leadership in this area, and that it participated with provincial and other partners on a Natural Resources Canada Energy Labelling Working Group that was formed to support implementation of federal direction to Natural Resources Canada on home energy labelling.

The Energy Ministry has, however, implemented an Environment Plan commitment to work with natural gas and electricity utilities to implement the Green Button data standard. This is further discussed in our follow-up to **Recommendation 17**.

At the time of our follow-up, we found that the Environment Ministry has not been transparent with the public about the status of the Environment Plan and its described path to meet Ontario's 2030 emission-reduction target. Despite posting updates online on actions taken to implement commitments in the Plan, the Ministry has not posted a decision notice or update on the Environmental Registry on its 2018 proposal for the Environment Plan (see our 2022 report on the Operation of the *Environmental Bill of Rights, 1993* for more information).

Recent Ontario Energy Board Decisions Could Undermine Environment Plan Goal to Cost-Effectively Switch Buildings from High-Carbon Heating to Electricity

Recommendation 3

So that the Ontario Energy Board's decisions support the government's emission-reduction goals, we recommend that the Ontario Energy Board align its decisions with the Environment Plan and any other provincial climate change goals.

Status: Will not be implemented.

Details

In our 2020 audit, we found that prior decisions by the OEB could undermine the Environment Plan's goal to, where cost-effective, switch building heating from high-carbon fuels to low-carbon electricity. For example, in 2020, the OEB approved an Enbridge proposal to construct a $10.1 million natural gas pipeline to connect new customers in North Bay. The OEB deemed the project as being consistent with government energy and economic development policies. The approval was granted despite the cost to existing ratepayers and the availability of an electric alternative that was both lower cost and consistent with the government's Environment Plan.

In our follow-up, we found that the OEB will not be implementing this recommendation. The OEB noted that its independent adjudicative decision-making cannot be bound by a specific predetermined outcome, such as a requirement to align with provincial climate change goals. The OEB further stated that it will continue to act with due regard to all of its legislated objectives, the "just and reasonable" standard for natural gas rates, and applicable government policy as may be articulated in legislation or a directive. Although the Environment Plan was developed to comply with legislation, the Environment Plan itself is not in legislation nor is it a directive. As discussed in **Recommendation 2**, at the time of our follow-up, we found that the Environment Ministry has not been transparent with Ontarians about the status of the Environment Plan.

In our follow-up, we found that in May 2021 the OEB denied an Enbridge proposal to replace a natural gas pipeline in Ottawa. The OEB concluded that Enbridge had not carried out a detailed assessment of a less costly retrofit alternative. As part of its decision, the OEB also encouraged Enbridge to undertake in-depth analyses of alternatives that specifically include energy conservation and de-carbonization efforts.

We also found that the OEB issued a decision and order in July 2021 regarding Enbridge's integrated resource plan proposal. This established a first-generation framework for Enbridge that creates a new assessment process for alternatives to natural gas infrastructure expansion to meet Ontario's natural gas system needs. This includes cost-effective alternatives that could reduce natural gas demand. However, the OEB concluded that it is not appropriate for natural gas ratepayers to finance electricity alternatives in the same manner as natural gas infrastructure. This is despite the Environment Plan's goal to support fuel switching, and Enbridge stating that this limitation will undermine the ability of integrated resource planning to respond to system expansion needs, which, by its very nature, involves connecting new customers. Though the OEB instead determined that Enbridge can seek opportunities to work with the Independent Electricity System Operator or local electricity distributors to facilitate electricity-based solutions to reduce natural gas system costs, Enbridge argued that there is no evidence that electricity sector entities are interested in funding projects to reduce natural gas system

costs and that there is no provincial policy to support such a transfer of costs.

The Energy Minister provided the OEB with a mandate letter in November 2021. The letter, which is publicly available on the OEB's website, outlines the Minister's interest in increasing natural gas conservation savings and reducing greenhouse gas emissions. The Minister also stated that it is important that natural gas conservation enables customers to reduce energy bills in the most cost-effective way possible, regardless of whether that is through more efficient natural gas or electric equipment. In July 2023, Enbridge submitted to the OEB an integrated resource plan proposal for Parry Sound that includes electrification as a pilot project. Enbridge argued that broader implementation of electrification in the future will require integrated energy planning across energy sources, and that a pilot project would support and inform future work.

The Energy Minister provided the OEB with a renewed Letter of Direction (formerly called mandate letters) in October 2022. The letter included an expectation that the OEB provide Ontario's Electrification and Energy Transition Panel (Panel) with advice on potential changes to the OEB's mandate and operations, to support the transformation of the energy sector. The OEB provided its report to the Panel in June 2023, which advised that the *Ontario Energy Board Act, 1998* could be updated to include a specific reference to reducing greenhouse gas emissions, and that co-ordination and planning alignment between the natural gas and electricity sectors is critical.

In the proceeding on the application from Enbridge for approval of multi-year natural gas conservation programming to begin in January 2023, OEB staff made a submission to the OEB in May 2022 on Enbridge's application. The OEB staff submission referred to the November 2021 mandate letter and the Environment Plan when noting the tension between natural gas conservation and Enbridge's core business as a natural gas utility. OEB staff recommended that conservation should lead to tangible reductions in overall natural gas usage, and indicate that conservation funding is not to be used to incentivize continued reliance on natural gas and that larger budgets and shareholder incentives could be established for Enbridge to reward significantly higher natural gas reductions. The OEB issued its decision on Enbridge's multi-year natural gas conservation framework in November 2022. The decision approved funding for a new joint home retrofit program between Enbridge Gas and Natural Resources Canada that includes incentives for measures to allow customers to switch away from natural gas heating, and an incentive for Enbridge to reduce its overall natural gas sales volume.

The new Enbridge multi-year natural gas conservation framework took effect on January 1, 2023, and Enbridge is in the process of delivering the programs in the framework. As required by the OEB's November 2022 decision, a Demand Side Management Stakeholder Advisory Group has been established to provide input on natural gas conservation and energy-efficiency projects and plans.

The OEB expects that the impacts of its decision, as well as Enbridge's integrated resource planning framework, on future adjudicative proceedings should be realized by November 2024. The OEB told us that, through its policies and the independent adjudication of applications, the OEB has promoted natural gas conservation and energy efficiency in accordance with the policies of the government of Ontario, and will continue to do so.

Municipal Affairs Ministry Does Not Effectively Oversee Administration of the Building Code's Energy-Efficiency Requirements

Recommendation 4

To support the effective administration of the Ontario Building Code's energy-efficiency requirements across the province, we recommend that the Ministry of Municipal Affairs and Housing:

- *collect, review and analyze information on inspections, compliance and enforcement from municipal building departments;*

- *undertake a pilot assessment of energy efficiency compliance, using best practices developed by other jurisdictions (e.g., a statistically representative sample of building types and sizes, and a range of data collection methods);*

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

Details

In our 2020 audit, we found that, although the Municipal Affairs Ministry is responsible for administering the *Building Code Act, 1992* and the Ontario Building Code (Code), it exercises little oversight on whether the Code is being properly implemented across the province. In particular, the Ministry does not collect information to assess compliance with the Code's energy-efficiency provisions. Studies from other jurisdictions have found compliance with energy-efficiency requirements in building codes is often low, thus reducing expected energy cost savings and benefits from reductions in greenhouse gas emissions.

In our follow-up, we found that the Ministry had not taken any steps to collect information on inspections, compliance or enforcement, nor undertaken a pilot assessment of compliance with the energy-efficiency provisions of the Code. The Ministry reiterated its position that our recommendation relates to enforcement, rather than administration, of the Code's energy-efficiency requirements and does not fit within the Ministry's statutory responsibility under the *Building Code Act, 1992*. Our Office continues to take the position that, while municipalities (and other principal authorities) have been delegated responsibility for inspecting and enforcing compliance with the Code within their specific areas of jurisdiction, the Ministry, as the administrator of the *Building Code Act, 1992*, is uniquely positioned to assess and ensure that the Act, and how it is administered across the province, is effective.

- *work with municipalities and other stakeholders to develop and implement processes to address identified inspection, compliance and enforcement issues.*

  Status: Fully implemented.

In our follow-up, we found that in February 2022, the Municipal Affairs Ministry convened a focus group composed of staff and building officials. The group was to review and provide advice on draft questions related to Code compliance, enforcement, and inspection practices to be included in a municipal survey. The group finalized a survey that the Ministry sent out in April 2022 to municipal building officials in Ontario. The Ministry informed us that in December 2022 it finalized its review of the responses and disseminated information to associations representing building officials on the best practices on verifying compliance with energy-efficiency requirements.

Recommendation 5

To help support consistent interpretation and implementation of the Building Code's energy-efficiency requirements across municipalities, we recommend that the Ministry of Municipal Affairs and Housing:

- *consult with building officials to identify support gaps;*

  Status: Fully implemented.

Details

In our 2020 audit, we found that, although the Municipal Affairs Ministry provided educational materials and information to building stakeholders to improve their understanding of the Ontario Building Code's energy-efficiency requirements, the Ministry did not have sufficient resources and expertise to fully meet stakeholders' needs. At the time of our audit, the Ministry was considering delegating a number of Code-related services, including providing support to municipalities, to a new administrative authority. In July 2020, the *Protecting Tenants and Strengthening Community Housing Act, 2020* received royal assent. The Act included enabling amendments to the *Building Code Act, 1992*, to allow the establishment of an administrative authority.

In our follow-up, we found that the Ministry has not yet established an administrative authority. However, from September 2020 to December 2021 the Ministry

consulted with stakeholders on a variety of topics relating to a potential administrative authority, including additional guidance and tools that might be provided to building practitioners. As discussed in our follow-up on **Recommendation 4**, the Ministry convened a focus group to develop a municipal building code survey, which it sent out to municipal building officials in April 2022. The Ministry reviewed the responses and, in December 2022, it disseminated information on support gaps to associations representing building officials, who sent the information to its members. In addition, the Ministry shared this information on support gaps with training providers to support any planned updates to training course content and materials related to the Building Code's energy-efficiency requirements.

- *review and update the Ministry's support materials and advisory services to ensure that building officials receive the guidance materials and technical information they need.*

  Status: Little or no progress.

At the time of our follow-up, we found that in September 2021 the Ministry released an update to a 2018 guidance document for building regulators that provides technical information on energy efficiency improvements for housing. The Ministry's support materials are up to date with the current energy-efficiency requirements in the current 2012 Building Code. With the publication of the 2020 National Construction Codes in March 2022, the formal timeline began for the Ministry to create the next edition of Ontario's Building Code. To support implementation of the next edition of Ontario's Code, the Ministry will update its current guidance materials (e.g., technical bulletins) once the Code's energy-efficiency changes have been finalized. The Ministry indicated that it will identify guidance documents being developed by the National Research Council of Canada on energy-efficiency requirements to incorporate into the Ministry's support materials. At the time of our follow-up, however, the Ministry was still undecided whether to deliver the Ontario Building Code advisory services through an administrative authority, a third party, and/or on an in-house basis.

Municipal Affairs Ministry Does Not Evaluate Whether Building Code's Energy-Efficiency Requirements Produce Intended Energy Reductions

Recommendation 6

So that the Ministry of Municipal Affairs and Housing is aware of the effectiveness of the Code's energy-efficiency requirements at achieving the energy reductions expected, we recommend that the Ministry establish and implement processes and requirements, such as air tightness testing and updated key performance indicators, that evaluate and verify the efficacy of the Ontario Building Code's energy-efficiency requirements.

Status: Little or no progress.

Details

In our 2020 audit, we found that although the Ontario Building Code has been updated four times since 1975 to improve energy-efficiency requirements for new buildings, the Municipal Affairs Ministry had not evaluated the Code's effectiveness in producing the intended energy reductions. The Ministry agreed with our recommendation and stated it would work with building industry stakeholders and experts to examine ways to assess the energy performance outcomes of new houses and buildings.

In our follow-up, we found that the Ministry has not established or implemented any processes or requirements to evaluate and verify the efficacy of the Code's energy-efficiency requirements. As discussed in our follow-up on **Recommendations 4** and **5**, the Ministry surveyed the province-wide community of municipal building officials in April 2022. Among other things, this survey solicited input on evaluating post-construction energy performance of houses and buildings. The Ministry has advised our Office that any decision to implement outcome-based energy requirements would be taken after Ontario's energy-efficiency requirements are finalized between 2022 and 2023, following the publication of the 2020 National Construction Codes. In January 2022, the Ministry posted a proposal notice on the Environmental Registry to update the Ontario Building Code. The Ministry proposed to encourage, but not require, the use of air-tightness testing in the

construction of new houses. If approved, the Ministry plans to file the next edition of Ontario's Building Code in winter 2024, with an in-effect date of March 2024.

Delay in Updating Energy-Efficiency Requirements in Building Code Means Lost Opportunities to Save Energy and Reduce Emissions

Recommendation 7

So that there is a continued improvement in the energy efficiency of buildings, and reductions in the greenhouse gas emissions they produce, we recommend that the Ministry of Municipal Affairs and Housing:

- *consult with experts to strengthen the requirements in the Ontario Building Code—including as part of any harmonization process;*

  Status: Fully implemented.

Details

In our 2020 audit we found that, in 2016/17, the Municipal Affairs Ministry developed a set of energy-efficiency improvements to the Ontario Building Code that it had proposed to phase in by 2022, but which were never adopted. The proposed changes would have increased the energy efficiency of new houses and other buildings by approximately 20% over the current Code. In November 2018, the Ministry received government direction to not proceed with the proposed changes and to instead focus on harmonizing the Ontario Building Code with the National Construction Codes. Every year that goes by without more stringent energy-efficiency requirements in place locks in higher energy use and greenhouse gas emissions for thousands of new buildings, likely for decades.

In our follow-up, we found that in 2022 the Ministry posted for consultation on the Regulatory Registry, as well as on the Environmental Registry (see #019-4974 and #019-6211), proposed changes to harmonize energy-efficiency provisions with the 2020 National Construction Codes. As well, the Ministry is engaging with stakeholders, including subject-area experts, on the draft energy-efficiency requirements in the National Construction Codes. The Ministry concluded consultations on energy-efficiency requirements for the next edition of the Building Code in December 2022. The Ministry will assess the results of each of these consultations prior to drafting any amendments to the Ontario Building Code. The Ministry anticipates filing the next edition of the Building Code, if approved, in winter 2024, with an in-effect date of March 2024. At the time of our follow-up, no decisions had yet been made, and decision notices had not been posted on the Environmental Registry for these regulatory proposals.

- *ensure that harmonization continues to strengthen rather than weaken the Ontario Building Code's energy-efficiency requirements.*

  Status: In the process of being implemented by March 2024.

Details

In our 2020 audit we found that, as part of the federal government's commitment to adopt net-zero-energy-ready building codes by 2030, the proposed 2020 updated National Codes introduced a tiered approach to energy efficiency that outlines a path toward lower greenhouse gas emissions and energy use. Five tiers were proposed for houses and four tiers for large buildings. As we noted at the time of our audit, whether harmonization would improve the energy-efficiency requirements of Ontario's Building Code depends on how the Province chooses to harmonize with federal requirements.

In our follow-up, the Ministry indicated to our Office that it is committed to avoiding a reduction in energy efficiency standards as a result of harmonizing with the National Construction Codes. As part of its proposal notice on the Environmental Registry in January 2022, the Ministry indicated its plan to adopt Tier 3 for houses and Tier 1 for large buildings. According to a preliminary analysis conducted for the Ministry, Tier 3 represents an average improvement in energy efficiency of 10% for houses over the current Code requirements. Estimates prepared for the National Research Council of Canada indicate that Tier 1 represents an average improvement in energy efficiency of 8.5% for large gas-heated buildings. For large electrically heated buildings, the average improvement is estimated to be 6.8%. The selection of single tiers contrasts with British Columbia's multi-tiered approach, which allows municipalities to adopt more stringent standards than the provincial building code. The new National Construction Codes were released in March 2022. In December 2022, the Ministry concluded consultations on energy-efficiency requirements for the next edition of the Building Code, including Tier 3 for houses and Tier 1 for all other buildings. At the time of our follow-up, a decision had not been made. If approved, the Ministry plans to file a new edition of the Ontario Building Code in winter 2024, with an in-effect date of March 2024.

Lack of Energy-Efficiency Standards for Renovations Misses Opportunity to Reduce Energy Use and Greenhouse Gas Emissions

Recommendation 8

So that energy and greenhouse gas reduction opportunities are realized on a timely basis, we recommend that the Ministry of Municipal Affairs and Housing, through consultation with stakeholders, assess opportunities to address emissions reductions through effective energy-efficiency requirements for renovations, including as part of any Building Code harmonization process, and put the effective requirements into place.

Status: Little or no progress.

Details

In our 2020 audit, we found that the Ontario Building Code does not meet best practices and require energy-efficiency upgrades at the time buildings are renovated. In 2017, the Municipal Affairs Ministry consulted and developed new energy-efficiency requirements for extensive renovations. In 2018, however, the Ministry was directed not to proceed with the proposed requirements and instead focus on harmonizing the Ontario Building Code with the National Construction Codes. Although the National Construction Codes are in the process of being updated by the National Research Council, energy-efficiency requirements for renovations were not anticipated until the next update in 2025, further delaying opportunities to reduce Ontario's greenhouse gas emissions from the building sector.

In our follow-up, we found that the Ministry had not yet consulted stakeholders to assess opportunities to reduce emissions through energy-efficiency requirements for renovations. However, in August 2021, the Ministry sent a letter to the National Research Council indicating that energy-efficiency requirements for renovations should be a key priority for its work. To assist, the Ministry stated that it would share information and the proposals it developed in 2017 with the Council. The Ministry indicated to our Office that it would then

consider implementing renovation requirements in the 2027 edition of the Ontario Building Code, once they have been included in 2025 National Construction Codes.

Registered Building Practitioners Have Knowledge Gaps on Energy Efficiency

Recommendation 9

So that building practitioners have the knowledge needed to ensure compliance with the Ontario Building Code's energy-efficiency requirements, we recommend that the Ministry of Municipal Affairs and Housing work with stakeholders to:

- *develop a mandatory training and continuous professional development program;*
- *update exams in a timely manner to reflect energy-efficiency changes to the Code; and*
- *ensure that exams are designed to demonstrate a sufficient understanding of the Code's energy-efficiency requirements.*

Status: Little or no progress.

Details

In our 2020 audit, we found that gaps exist in building practitioners' knowledge of energy efficiency and low-carbon building techniques. We identified several factors including that:

- no mandatory training or continuous professional development requirements exist for registered building practitioners on energy efficiency;
- a majority of practitioners qualified under earlier versions of the building code, and few have taken official energy-efficiency training courses;
- the exams are not updated in a timely fashion to reflect changes made to the Ontario Code; and
- the examination process does not effectively demonstrate an understanding of energy-efficiency requirements in practice.

In our follow-up, we found that in December 2021 the Municipal Affairs Ministry consulted with stakeholders to seek input on Building Code exams, practitioner qualification and training, and recruitment of future building officials. This consultation was conducted as part of the Ministry's broader consultations with regard to potentially establishing a new administrative authority as discussed in our follow-up on **Recommendation 5**. In April 2022, the Ministry hired a third-party vendor to review and provide recommendations on potential improvements to the qualification program for building practitioners. This review included interviews with a cross-section of building industry stakeholders and those involved in training and administering Building Code exams. Following this review, the Ministry released a discussion paper on the Environmental Registry (see #019-6433) for public consultation on potential future enhancements and operational changes to its qualification program, including proposals for mandatory training and continuous professional development. The Ministry will review the comments received, and future direction on program enhancements will be subject to a government decision. The Ministry will also assess the need for updated exam questions once changes to a new edition of the Building Code are approved and finalized.

Training and Oversight of Builders in the Code's Energy-Efficiency Requirements Is Lacking

Recommendation 10

So that builders, contractors and other skilled trades have the knowledge needed to ensure compliance with the Ontario Building Code's energy-efficiency requirements, we recommend that the Ministry of Municipal Affairs and Housing work with the relevant ministries (e.g., the Ministry of Labour, Training and Skills Development and the Ministry of Government and Consumer Services) to ensure that training and continuous professional development is required and provided for all building professionals.

Status: Little or no progress.

Details

In our 2020 audit, we found that limited training on energy efficiency is provided to, and undertaken by, builders, general contractors and site supervisors. These are the people who are on-site while buildings are under construction and who therefore play a critical role in ensuring that Ontario Building Code requirements are met. Several other jurisdictions have addressed the lack of builder qualifications through mandatory training or continuing professional development requirements.

In our follow-up, we found that the Municipal Affairs Ministry held a stakeholder consultation in December 2021, as discussed in our follow-up on **Recommendations 5** and **9**. This consultation included a discussion on how to improve the training provided to building practitioners. The Municipal Affairs Ministry plans to use feedback received from this session and findings from the consultant's report (as discussed in the Ministry response to **Recommendation 9**) in future discussions with the Ministry of Labour, Immigration, Training and Skills Development (formerly the Ministry of Labour, Training and Skills Development) and the Ministry of Public and Business Service Delivery (formerly the Ministry of Government and Consumer Services) on potential enhancements to training and continuous professional development for building professionals to help support compliance with Building Code energy-efficiency requirements. The Municipal Affairs Ministry indicated that it will also assess the need for updated support materials once changes to a new edition of the Building Code are approved and finalized.

Ontario Energy Board's Natural Gas Framework Can Evolve to Achieve More Cost-Effective Natural Gas Savings for the Longer Term

Recommendation 11

To achieve natural gas conservation savings and to minimize future costs, we recommend that the Ministry of Energy, Northern Development and Mines ensure that the Ontario Energy Board continue to work toward a natural gas conservation framework that balances the implementation of cost-effective natural gas conservation with the impact on ratepayers.

Status: Fully implemented.

Details

In our 2020 audit, we found that the OEB had not enabled all cost-effective natural gas conservation to be undertaken, as it set a budget cap on allowed investments in conservation. This cap was used to set the limit on costs that could be charged at $2.00 per month for the average residential ratepayer for the duration of the 2015–20 natural gas conservation framework. Without a cap, ratepayers could have received a net benefit of $4.7 billion in avoided costs by 2045 associated with reduced natural gas use.

In our follow-up, we found that the Energy Minister provided the OEB with a mandate letter on November 2021. The letter outlines the Minister's expectation that a new natural gas conservation framework be implemented to help reduce ratepayers' energy bills in the most cost-effective way possible. The OEB approved a new 2023–2025 natural gas conservation framework in November 2022, which came into effect in January 2023. The approval includes a 2023–2025 budget that will continue to cost typical residential customers less than $2.00 per month, and a new stakeholder advisory group to identify potential cost-effective natural gas conservation opportunities for 2026–2030.

Ontario Energy Board Has Not Ensured the Most Accurate Estimates Are Used in Calculating Natural Gas Savings

Recommendation 12

To more accurately estimate the natural gas savings achieved through natural gas conservation programs, we recommend that the Ontario Energy Board:

- *ensure the next framework is explicit on when to use updated assumptions (retroactively or not);*

  Status: Fully implemented.

Details

In our 2020 audit, we found that the OEB used outdated assumptions when calculating the amount of natural gas savings attributed to conservation programs. For example, if the OEB had used updated assumptions with respect to the number of participants who would have installed a conservation measure even in the absence of a program targeted at industrial facilities, the amount paid to the utilities for natural gas conservation in 2015 would have been reduced by $4.3 million. The OEB accepted the utilities' argument to use the historical rate on the basis that 2015 was a transition year to a new natural gas conservation framework.

In our follow-up, we found that this recommendation was addressed as part of the OEB's November 2022 decision on Enbridge's multi-year natural gas conservation program application. With OEB staff support, the OEB approved Enbridge's proposal that changes to input assumptions should be applied retroactively to the past year being evaluated. This approved approach is to be applied to all but certain mass-market programs, for which Enbridge argues it has less direct influence on program participation. Input assumptions for these mass-market programs will be applied to the year after assumptions change.

- *complete all multi-year assessments that it has identified as high priority;*

  Status: Fully implemented.

Details

In our 2020 audit, we found that in 2016 the OEB identified the need to conduct multi-year assessments to update the assumptions used to estimate utilities' natural gas savings. In particular, the OEB identified the need to update the assumptions used for participation in home retrofit programs, but that the study had not yet been completed. Without such an assessment, calculated savings attributable to a residential conservation program may continue to rely on inaccurate inputs—thus affecting both the amount paid to utilities and the ability to measure and improve conservation programs.

In our follow-up, we found that the OEB's evaluation contractor (third-party auditor) submitted to the OEB a recommended evaluation plan for 2021–22 that identified three priority assessments. The OEB indicated that it had completed the annual verification process of natural gas conservation programs for 2020 and 2021 with the issuance of reports in December 2021 and November 2022, respectively. Further, the verification of Enbridge's e-tools software was completed with the issuance of a report in January 2023. The OEB indicated that this completed the high-priority evaluation items identified by the evaluation contractor, with the exception of one relating to Enbridge's Residential Home Retrofit. This evaluation will not be undertaken because the program will change due to the OEB's decision on Enbridge's natural gas conservation program application, and a partnership between Enbridge and Natural Resources Canada to deliver a joint home retrofit program.

- *identify methods to further incorporate actual natural gas use data, as recommended by its evaluation contractor.*

  Status: Fully implemented.

Details

In our 2020 audit, we found that in 2016 the OEB's evaluation contractor recommended that the savings attributed to conservation program results be calibrated using an analysis of residential participants' natural gas bills starting in 2017. Despite this

recommendation, the OEB instead continued to rely on the results from simulation models to estimate the amount of natural gas savings achieved in each retrofitted home.

In our follow-up, we found that the OEB has identified methods to incorporate actual natural gas use data into its evaluation work. The 2020 natural gas conservation annual verification report issued in December 2021 explains the OEB's plan to use this data in future evaluation work.

Energy Ministry Providing Unclear Guidance to the OEB on Natural Gas Conservation

Recommendation 13

To clearly and transparently outline its expectations of the Ontario Energy Board, we recommend that the Ministry of Energy, Northern Development and Mines:

- *work with the Ontario Energy Board to finalize a new memorandum of understanding, as required by the* Ontario Energy Board Act, 1998 *and the Agencies and Appointments Directive;*

  Status: Fully implemented.

Details

In our 2020 audit, we found that the Energy Ministry had not ensured guidance to the OEB was up to date. Under the *Ontario Energy Board Act, 1998,* the Energy Ministry is required to enter into a memorandum of understanding with the OEB every three years. Further, the Agencies and Appointments Directive states that provincial agencies such as the OEB must have a memorandum in place with the overseeing ministry. The 2016 memorandum of understanding expired in April 2019 and by October 2020 a new memorandum of understanding still had not been signed.

In our follow-up, we found that the Ministry and the OEB entered into a new, three-year memorandum of understanding in February 2021.

- *issue annual mandate letters to the Ontario Energy Board, as required by the Agencies and Appointments Directive.*

  Status: Fully implemented.

Details

In our 2020 audit, we found that the Energy Ministry had also been required by the Agencies and Appointments Directive since 2016 to issue an annual mandate letter to the OEB, outlining broad expectations with respect to service and performance priorities. However, ministries are not required to provide a mandate letter in years when the agency undergoes a mandate review. The OEB had a mandate review in 2016/17 and continued to be reviewed by the OEB Modernization Review Panel in 2017/18. In October 2020, the new OEB governance
structure came into effect and the Energy Ministry issued its first mandate letter to the OEB.

In our follow-up, we found that the Energy Minister issued the OEB a mandate letter in November 2021. The Energy Minister provided the OEB with a subsequent Letter of Direction (formerly called mandate letters) in October 2022.

Recommendation 14

To assess and monitor whether the Ontario Energy Board (OEB) is achieving its mandated objectives, particularly in the area of energy conservation as required under the Ontario Energy Board Act, 1998*, we recommend that the Ministry of Energy, Northern Development and Mines:*

- *regularly request that the OEB prepare and submit a report on the effectiveness of its policies and initiatives in achieving desired outcomes and mandated objectives, including the promotion of natural gas conservation and energy efficiency; and*
- *table the OEB's effectiveness reports in the Legislative Assembly.*

  Status: Little or no progress.

Details

In our 2020 audit, we found that the Energy Ministry had not thoroughly assessed the OEB's effectiveness in meeting mandated objectives. Before the *Ontario Energy Board Act, 1998* was amended in October 2020, the Energy Minister was required to have a report prepared every five years on the OEB's effectiveness in meeting its legislated objectives, which include promoting natural gas conservation and energy efficiency. Despite these requirements, and similar requirements in the 2016 memorandum of understanding, the Energy Ministry and the Minister never thoroughly assessed the effectiveness of the OEB in meeting its legislated objectives.

In our follow-up we found that, following consultation with the OEB to assess when a review would provide the most value in evaluating the OEB's effectiveness, the Energy Ministry has determined that it will consider conducting an effectiveness review following the implementation of the OEB's current 2022/23 to 2024/25 business plan in 2026 or later. After completing such a review, the Ministry would plan to table a report on the review in the Legislative Assembly.

Building Energy Reporting Programs Include Inaccurate and Incomplete Data

Recommendation 15

To improve the accuracy of the energy-use data received, and the effectiveness of its energy reporting and benchmarking programs, we recommend that the Ministry of Energy, Northern Development and Mines require periodic third-party verification of submitted data, or conduct energy audits of building samples that include those with likely errors.

Status: Little or no progress.

Details

In our 2020 audit, we found that the Energy Ministry does not require that the energy-use data it receives from broader-public-sector and private-sector buildings be independently verified for accuracy. For data submitted in 2018, 67% of the building owners that were required to verify their data indicated they had done so. In 2019, the Ministry analyzed the self-reported private-sector data collected in 2018 and found that 30% of reported buildings had either missing or likely inaccurate data.

In our follow-up, we found that the Energy Ministry has developed internal standard operating procedures for Ministry staff to follow when reviewing and preparing the reported data on public and private building energy use. According to the Ministry, the goal is to ensure the reporting process is more streamlined, clear and consistent from year to year. The Energy Ministry has also developed a methodology to clean the datasets to identify and treat atypical data. The Ministry has informed our Office that, though it will continue to explore options for improving accuracy of reported data, and will work with the public and private building sectors to explore data validation approaches in the future, it has made no commitment to require periodic third-party verification of submitted data, or to conduct energy audits of building samples that include those with likely errors.

Recommendation 16

To improve the completeness of the energy-use data received, and the effectiveness of its energy reporting and benchmarking programs, we recommend that the Ministry of Energy, Northern Development and Mines:

- *implement best practices to enforce compliance with its private-sector energy reporting programs;*

  Status: Little or no progress.

Details

In our 2020 audit, we found that the Energy Ministry's lack of enforcement of energy-reporting requirements under the *Electricity Act, 1998* results in the Ministry receiving incomplete data from its private-sector energy reporting program participants. In 2019, data was received from 45% of private-sector buildings that were required to report.

In our follow-up, we found that the Energy Ministry continues to work with stakeholder groups to raise awareness of the reporting requirement and

provide training. In August 2022, the Ministry created a task force that concentrates on initiatives to improve compliance. The Ministry is also using a new commercial property database to improve the quality of its contact information for those required to report building energy use. The Ministry continues to work with stakeholders to identify and reduce areas of burden on reporters to support increased compliance, and to hold training and transition webinars for interested reporters. The Ministry also conducted outreach to new reporters, and launched a targeted social media campaign in March 2023. To support increased compliance, the Ministry also extended the deadline for submitting 2022 reporting year data. However, the Ministry has not committed to enforcing compliance with its private-sector energy reporting regulation.

- *expand the reporting requirements to include broader-public-sector buildings that have high energy consumption, such as social housing and long-term-care homes;*

  Status: Little or no progress.

Details

In our 2020 audit, we found that the Energy Ministry line has incomplete data in its broader-public-sector reporting program because it does not require some of the most energy-intensive public buildings to report their energy use. For example, in 2019, the Ministry received data from just 44 of the approximately 100 public long-term-care homes in Ontario, and from 54 of the over 350 municipal social housing buildings.

In our follow-up, we found that the Energy Ministry has made no commitment to expand the reporting requirements to include broader-public-sector buildings that consume high amounts of energy, such as social housing and long-term-care homes. The Ministry cited the burdens these particular building owners and operators already have experienced during COVID-19. The Ministry will explore options to add these building types to the regulation.

- *ensure voluntary participants have access to their utility data.*

  Status: Little or no progress.

Details

In our 2020 audit, we found that the Energy Ministry requires utilities to provide energy use data only to mandatory program participants—not to voluntary private-sector reporters. Making the collection of energy data easier for building owners and operators would likely result in higher rates of voluntary energy reporting. In turn, including information from buildings below the mandatory reporting size threshold would improve the completeness of Ontario's energy use data on private-sector buildings.

In our follow-up, we found that the Ministry has been engaging with the utility sector on an ongoing basis to encourage adoption of practices to make it easier for building owners to acquire the data required to report. The Ministry has created a best practices document for utilities when providing energy-use data. It is also establishing a task force dedicated to resolving data-sourcing issues for buildings. The Ministry received energy reports for 350 buildings in 2021 that were submitted voluntarily, which is an increase of 40% from the previous year. Although a previously planned regulatory change in reporting requirements has increased the number of mandatory participants that utilities are required to provide data to, the Ministry has made no commitment to ensure utilities provide data to voluntary reporters. The Ministry notes that Ontario has many more utilities to work with compared with other jurisdictions with energy-reporting requirements.

Recommendation 17

To reduce the administrative burden on reporters, such as building owners, and help improve both the accuracy and completeness of the energy-use data received, we recommend that the Ministry of Energy, Northern Development and Mines require utilities to submit data directly to the Ministry using a consistent process.

Status: In the process of being implemented by September 2024.

Details

In our 2020 audit, we found that building landlords have expressed difficulties obtaining tenant energy-use

data to report. Ontario has over 370 utilities with inconsistent processes for providing data. We noted that requiring utilities to submit data directly to the Ministry would help simplify the process, reduce the burden on reporters, and ensure greater accuracy of the reported data.

In our follow-up, we found that the Energy Ministry introduced a new requirement under the *Electricity Act, 1998* in November 2021 for most regulated electricity and natural gas utilities to provide customers with access to their energy usage data in Green Button format no later than November 1, 2023. (Green Button applications can analyze energy-use data and provide customers with personalized ways to increase energy efficiencies.) In October 2021, the Energy Ministry learned that Natural Resources Canada and the US Environmental Protection Agency (EPA) had agreed in principle to explore software development options that would integrate a Green Button standard with the EPA's Portfolio Manager software, which is the platform the Energy Ministry uses for its private-sector reporting program. The Energy Ministry estimates that Green Button will be integrated into Portfolio Manager by spring/summer 2024.

Ministry Has No Plan to Ensure the Usefulness of Publicly Available Building Energy Data

Recommendation 18

To improve program effectiveness, support transparency and innovation, and allow stakeholders to incorporate energy efficiency information into their decision-making, we recommend that the Ministry of Energy, Northern Development and Mines develop an open data engagement plan to explore ways to make data on the energy use of private- and broader-public-sector buildings useful and promptly available to relevant stakeholders.

Status: Fully implemented.

Details

In our 2020 audit, we found that the Energy Ministry had not developed an open data engagement plan as recommended at the time by the Ontario Open Data Directive. The goal of such plans is to promote open data and communicate the strategic value of the data to stakeholders and the public.

In our follow-up, we found that, in September 2021, the Energy Ministry developed an open data engagement plan for its private- and public-sector reporting programs. The Energy Ministry shared the plan with key stakeholders in October 2021. The plan outlines the importance of energy reporting programs and reviews the legislative framework for reporting in Ontario. It includes commitments to "support stakeholders through the energy reporting process, provide stakeholders with information about the benefits of the program and open data, and assess and prepare open data to be shared publicly." The plan also commits to "publish and promote open data, and work directly with stakeholders to understand and consider their needs for data usefulness."

Energy Ministry Does Not Confirm Compliance with Energy-Efficiency Standards

Recommendation 19

So that energy-efficiency standards achieve their intended energy, emission and cost savings, we recommend that the Ministry of Energy, Northern Development and Mines establish and implement processes to monitor and enforce compliance with its energy-efficiency standards.

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

Details

In our 2020 audit, we found that the Energy Ministry does not ensure compliance with the energy performance standards it sets for many products that are sold or leased in Ontario. These include windows and other products, such as furnaces, that burn natural gas or oil in buildings. The Ministry requires regulated products sold or leased in Ontario to display a label or other marking indicating that a certification company has tested and confirmed the product's compliance with energy-efficiency standards. However, certification

companies have warned consumers that their certification labels have been used fraudulently on uncertified products. Our Office found two window manufacturers advertising with certification labels where the information on the labels did not match any windows in the certification organization's certified product directory. The Energy Ministry does not inspect the products for which it sets standards, nor are there any monitoring or enforcement provisions for non-compliance with the standards. This increases the risk of non-compliance and undermines the effectiveness of the standards at ensuring energy efficiency.

In our follow-up, we found that the Energy Ministry continues to engage with other regulators and industry stakeholders to ensure awareness of its energy-efficiency standards, but it has stated that it will not implement this recommendation on the grounds that it does not have the regulatory authority to engage in compliance activities. The energy-efficiency standards are set out in regulation under the *Electricity Act, 1998*, which is administered by the Energy Ministry. This Act also gives Cabinet broad regulation-making powers with respect to these standards. So that its energy-efficiency standards achieve their intended objectives, our Office recommends that the Energy Ministry review regulatory options to improve monitoring and compliance with the standards, and take steps to have any necessary Ministry inspection and enforcement authority added under the Act. The Ministry informed us that it is not considering any changes or updates to the Electricity Act, 1998 that would add or introduce inspection or enforcement provisions.

Chapter 1
Section
1.27

Ministry of the Environment, Conservation and Parks
Ministry of Natural Resources and Forestry
Ministry of Agriculture, Food and Rural Affairs

Follow-Up on 2020 Value-for-Money Audit:

Setting Indicators and Targets, and Monitoring Ontario's Environment

RECOMMENDATION STATUS OVERVIEW

		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	1	0.33	0.66			
Recommendation 2	2	1.66	0.33			
Recommendation 3	1	1				
Recommendation 4	1		0.33	0.66		
Recommendation 5	2	2				
Recommendation 6	1				1	
Recommendation 7	4		2	2		
Recommendation 8	3			3		
Recommendation 9	2				2	
Recommendation 10	2	1		1		
Recommendation 11	1	0.33	0.33		0.33	
Recommendation 12	3		2.33	0.66		
Recommendation 13	2	1.33	0.66			
Recommendation 14	1	1				
Recommendation 15	1	0.33	0.66			
Total	**27**	**8.98**	**7.30**	**7.32**	**3.33**	**0**
%	**100**	**33**	**27**	**27**	**12**	**0**

Note: The Ministry of the Environment, Conservation and Parks was tasked with **Recommendations 1–5, 7, 11, 12, 13** (two action items), and **15.** The Ministry of Natural Resources and Forestry was tasked with **Recommendations 1, 2, 4–6, 9, 11, 12, 13** (one action item), **14**, and **15**. The Ministry of Agriculture, Food and Rural Affairs was tasked with **Recommendations 1, 2, 4, 5, 8, 10–12, 13** (two action items), and **15**.

Overall Conclusion

The Ministry of the Environment, Conservation and Parks (Environment Ministry); the Ministry of Natural Resources and Forestry (Natural Resources Ministry); and the Ministry of Agriculture, Food and Rural Affairs (Agriculture Ministry), as of October 31, 2023, had fully implemented 33% of actions we recommended in our *2020 Annual Report*. The Ministries had made progress in implementing an additional 27% of the recommended actions.

While the three Ministries previously changed over time the set of key performance indicators (KPIs) that they report to the Treasury Board Secretariat, hampering year-over-year performance tracking, all

three have improved their continuation of tracking existing KPIs, allowing for the successive measurement and reporting of ministry performance. Further, the three Ministries have collectively established a means of sharing information with Ministry staff on the objectives, activities and results of their monitoring programs.

The Environment Ministry has also fully implemented recommended actions such as establishing a process for developing outcome-based targets, including all approved KPIs in its published annual plan, and establishing a process for evaluating the use of water quality assessment values from other jurisdictions and organizations. In addition, the Ministry has made some progress toward developing performance measurement frameworks for its monitoring programs and has developed a data management policy that requires data management plans to be established.

The Natural Resources Ministry has also made progress toward developing performance measurement frameworks and data and information management plans for its monitoring programs; establishing a process for developing comprehensive, outcome-based targets to meet its legislated and strategic goals; and has obtained independent assurance of the information technology systems that store Ontario's natural heritage information.

The Agriculture Ministry has fully implemented recommended actions such as establishing a standardized process for developing, reviewing and approving its Apiary Program procedures and guidance documents, and developing and implementing a data management policy. The Ministry has also made progress toward establishing a process for developing outcome-based targets to meet its legislated and strategic goals, reviewing its existing targets, creating a performance measurement framework for its Apiary Inspection Program, developing data and information management plans, and has worked with stakeholders to develop a collaborative implementation plan for Ontario's Agricultural Soil Health and Conservation Strategy.

However, the three Ministries have made little progress on 27% of the recommended actions, some of which involve longer-term commitments or rely on the completion of other actions before they can be initiated, and will not be implementing 12% of them.

The Environment Ministry has made little progress reviewing all its targets to ensure they have meaningful time frames and are based on sound evidence, and establishing a database of actions to protect and recover at-risk species. Moreover, while the Natural Resources and Agriculture Ministries have taken steps to establish processes for developing, reviewing and approving their environmental monitoring protocols, the Environment Ministry indicated that it will not implement this recommendation, asserting that the ability to detect environmental change over time can be achieved through means other than standardized monitoring and surveying. Our Office continues to recommend that the Ministry develop a documented, standardized process for developing, reviewing and approving monitoring and survey protocols.

The Natural Resources Ministry has made little progress reviewing all its existing targets. The Ministry will not be developing an integrated, broad-scale monitoring program of Ontario's biodiversity, or a broad-scale, long-term monitoring program for wild pollinators.

The Agriculture Ministry has made little progress monitoring the impacts of honey bee pests and diseases on wild species that pollinate Ontario's crops, as the Ministry indicated that it has no mandate to do so.

The status of actions taken on each of our recommendations is described in this report.

Background

Ontario's natural environment provides many benefits, including water, food, energy, resources and medicines. The environment, natural resources and agriculture can be affected by pollution, resource

extraction, development, climate change and other pressures. Damage to the environment can have an impact on Ontarians' health, economic productivity and quality of life.

Decision-makers and the public need to have an adequate picture of the state of the environment, knowledge of whether the environment is improving or deteriorating, and awareness of underlying environmental problems and risks. To provide this picture, the Province needs to thoroughly monitor Ontario's environment, natural resources, wildlife and agriculture, and provide clear public reporting.

Protecting the environment effectively requires establishing targets, monitoring the environment and analyzing collected data. Specifically:

- Setting targets based on scientific evidence and with time frames enables the Province to accomplish its environmental goals such as reducing the waste that goes to landfills and reducing Ontario's greenhouse gas emissions, which contribute to global climate change.
- Monitoring alerts the relevant ministries of environmental risks, such as an invasive species threatening the health of forests or algae rising to levels that could reduce oxygen in lakes and pose a threat to fish. Monitoring also helps the Province assess whether its programs have lessened environmental damage and to what degree.
- Establishing data management plans before the data is collected helps to mitigate risks around the ownership, security and future use of the data.

The Province has made strong commitments to protect Ontario's natural environment, including establishing legislation and related regulations, policies and programs to protect against environmental degradation and support better health and quality of life for future generations. Three lead ministries share the responsibility for environmental monitoring to confirm that these commitments are being met. These ministries have mandates related to protecting, conserving and sustaining Ontario's environment, natural resources and agriculture:

- **The Ministry of the Environment, Conservation and Parks (Environment Ministry)** is responsible for protecting Ontario's air, land, water and at-risk species and their habitat; managing provincial parks and conservation reserves; and co-ordinating the Province's response to climate change.
- **The Ministry of Natural Resources and Forestry (Natural Resources Ministry)** is the provincial lead for conserving Ontario's biological diversity (biodiversity) and managing Ontario's natural resources, including its forests; aggregate, oil and gas resources; fish and wildlife; and Crown lands.
- **The Ministry of Agriculture, Food and Rural Affairs (Agriculture Ministry)** has a priority to ensure the sustainability of Ontario's agriculture. The Ministry oversees the province's managed honey bee sector, and has released action plans and strategies to improve the health of pollinators and agricultural soils.

Our audit found that the Environment Ministry's air and water monitoring programs were extensive and responded to legislative and regulatory requirements, inter-jurisdictional agreements and other commitments.

However, we found that the three lead Ministries had not put into place effective systems and processes for setting targets, carrying out effective monitoring practices, and ensuring data quality and data sharing for certain aspects of Ontario's environment.

For example, our audit found that some environmental protection targets lacked deadlines and were not evidence-based. We also found that when the Ministries had set targets, they did not always make them public.

In addition, there was no long-term, broad-scale monitoring of Ontario's biodiversity. In 2012, the government recognized that, while many independent monitoring programs collect data related to biodiversity, there was a need for an integrated, broad-scale monitoring program to cover all aspects of Ontario's biodiversity. Without this, impacts on populations, species, habitats and ecosystems could be occurring without detection. With this in mind, in 2012, the Province committed to developing such a program led

by the Natural Resources Ministry. The Ministry had taken some steps in this direction by the time of our audit in 2020 but had not yet developed the necessary monitoring program.

We made 15 recommendations, consisting of 27 action items, to address our audit findings.

We received commitment from the Ministries that they would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between April 2022 and October 2023. We obtained written representation from the Environment Ministry, Natural Resources Ministry and Agriculture Ministry that, effective November 14, 2023, they had provided us with a complete update of the status of the recommendations we made in the original audit in November 2020.

Targets Not Set in Some Important Environmental Areas, Including Water Conservation, Invasive and At-Risk Species, and Soil Health

Recommendation 1

To track performance, report on progress and drive continuous improvement toward environmental goals, we recommend that the Ministry of the Environment, Conservation and Parks; Ministry of Natural Resources and Forestry; and Ministry of Agriculture, Food and Rural Affairs establish and implement a process for developing comprehensive, outcome-based targets to meet the legislated and strategic goals and objectives within their areas of responsibility.

Status:

Environment Ministry – Fully implemented.

Natural Resources Ministry – In the process of being implemented by fall 2023.

Agriculture Ministry – In the process of being implemented by October 2024.

Details

In our 2020 audit, we found that, while the Treasury Board Secretariat (Secretariat) has provided guidance encouraging ministries to set targets to measure program effectiveness, and several pieces of legislation explicitly authorize or require ministers to set targets, these three Ministries lacked targets to achieve several important environmental goals. Further, the Ministries did not have their own documented procedures for developing and establishing indicators and targets.

In our follow-up, we found the following:

- **Environment Ministry:** In January 2021, the Environment Ministry endorsed an approach for its Program Performance Management Framework. As one component of this framework, in June 2021, the Ministry published and distributed an internal guidance document and template to support an annual process for assessing its key performance indicators (KPIs), including the development of outcome-based targets. An intended outcome of this process is to build the Ministry's capacity to develop and implement KPIs through establishing KPI committees. According to the Ministry, as part of its KPI assessment rollout, it has started to review its targets based on this framework (see **Recommendation 4**) and will consider the need for new targets based on scientific evidence, where appropriate. Between June 2021 and March 2022, 10 KPI assessment committees were established and provided guidance, templates and training to complete the assessment process.
- **Natural Resources Ministry:** The Natural Resources Ministry initially indicated that it had finalized a list of indicators for each goal in the Ministry's 2020–2025 strategic plan, *Naturally Resourceful*, and was developing targets for each indicator. However, the Ministry could not provide this finalized list of indicators, nor any documentation of work conducted to develop associated targets (or a process for developing targets). The Ministry later explained that since the 2020–2025 strategic plan and its associated

indicators were developed solely for the Ministry of Natural Resources and Forestry (which merged with the Ministry of Northern Development and Mines in June 2021 to become the Ministry of Northern Development, Mines, Natural Resources and Forestry), the new Ministry would need more time to deliver a performance measurement framework. In June 2022, the merged ministry was split into three: the Ministry of Northern Development, the Ministry of Mines and the Ministry of Natural Resources and Forestry. In June 2023, the Natural Resources Ministry informed us that it had resumed efforts to develop a performance measurement framework for its strategic plan, *Naturally Resourceful*. The Ministry has since drafted a performance measurement framework, including indicators and targets, and prepared a draft internal report with indicator results, which the Ministry expected to finalize by fall 2023.

- **Agriculture Ministry:** In response to recommendations in our 2020 report, in September 2021, the Agriculture Ministry released an internal pilot edition of a Performance Measurement Guide, which included guidance to staff on establishing targets. Further, the Ministry developed an internal Ministry Outcomes and Values Framework, which outlines five priority areas and 13 ultimate outcomes. Together, the guide and framework are intended to steer and support the Ministry in its strategic and operational planning, program design and delivery, establishment of KPIs and baselines, and setting of new or more effective metrics and targets where sufficient evidence exists.

  As reported in our 2020 report, the Ministry is also in the process of drafting an Agri-Food Environment Plan. If the plan is approved for consultation, stakeholders would be engaged on improving performance measurement. Drafts of the plan proposed establishing, through consultation, quantitative performance targets across several metrics such as soil erosion risk, soil organic carbon, soil cover, agriculture greenhouse gas emissions, and hectares of farmland. In 2020, the Ministry anticipated initiating a dialogue with stakeholders during public consultation on the draft plan to establish a process for setting quantitative performance targets.

  At the time of our follow-up, progress on the draft Agri-Food Environment Plan was paused. However, the Ministry has continued work on establishing performance indicators as part of the Sustainable Canadian Agriculture Partnership (see **Recommendation 4**) and anticipates tracking and reporting on 50 federal indicators and tracking 40 additional provincial indicators. Work is under way to align these indicators to the 13 ultimate outcomes outlined in the Ministry Outcomes and Values Framework. Targets and performance indicators are expected to be set by October 31, 2024. To support this work, in February 2022, the Minister held a roundtable with agri-food leaders to discuss opportunities for improving environmental performance measurement. The Ministry also identified a number of ongoing data collection and management activities that will support and inform the implementation of the enhanced process for developing metrics and targets.

Recommendation 2

So that key performance indicators are meaningful, transparent and effective at assessing progress toward environmental targets and goals, we recommend that the Ministry of the Environment, Conservation and Parks; Ministry of Natural Resources and Forestry; and Ministry of Agriculture, Food and Rural Affairs:

- *submit consistent, outcome-based key performance indicators to the Treasury Board Secretariat;*

  Status:
  Environment Ministry – Fully implemented.

  Natural Resources Ministry – Fully implemented.

  Agriculture Ministry – Fully implemented.

Details

We found in our 2020 audit that the three Ministries had developed and submitted KPIs to the Secretariat to measure progress toward desired outcomes and government priorities, but have changed these KPIs and their associated targets over time, adding some and dropping others. While this year-over-year variability may reflect changes to key strategic priorities and goals, it hampers transparent, ongoing tracking of consistent measures for assessing performance.

In our follow-up, we found the following:

- **Environment Ministry:** Since our 2020 audit report, the Environment Ministry added six new government-directed KPIs related to reducing regulatory "red tape," providing digital channels and services to the public, and meeting emergency management planning requirements. The Ministry also kept all its existing KPIs, allowing for the continued measurement and reporting of these indicators over time. The Ministry has indicated that it will continue to assess and submit KPIs and program-level performance measures in alignment with direction from the Secretariat.
- **Natural Resources Ministry:** In 2021/22, the Natural Resources Ministry dropped two KPIs, one on providing recovery assistance to communities affected by floods and/or fires, the other on dollar savings (which was replaced with other measures related to tracking administrative efficiencies). In 2022/23, the Ministry kept all its 2021/22 KPIs, and added 11 more. These new measures include one related to forest regeneration, two related to sharing geospatial data, and others related to mining and petroleum operations (which relate to the part of the previous Ministry of Energy, Northern Development and Mines that merged with the Ministry of Natural Resources and Forestry in June 2021). The Natural Resources Ministry has recommended replacing one KPI (the percentage annual increase in Learn to Fish program participants) with a more outcomes-based measure.
- **Agriculture Ministry:** Since our 2020 audit report, the Agriculture Ministry has not dropped any KPIs, but added four in 2021/22. These new indicators are related to reducing regulatory compliance requirements for businesses, stimulating the adoption of innovations to mitigate the workforce impacts of COVID-19, delivering digital services, and completing emergency management requirements.

- *include all approved key performance indicators and targets in their published annual plans.*

Status:
Environment Ministry – Fully implemented.

Natural Resources Ministry – Fully implemented.

Agriculture Ministry – In the process of being implemented by December 2023.

Details

In our 2020 audit, we found that, despite the Secretariat's recommendation that ministry-level outcomes or KPIs be included in annual reports, the three Ministries we audited kept several of these targets and KPIs internal, and did not include them in the published annual plans we reviewed (2017/18 to 2019/20).

In our follow-up, we found the following:

- **Environment Ministry:** In its 2020/21 published plan (released December 2020), the Environment Ministry published just five (or 50%) of its 10 KPIs at the time. The five unpublished KPIs related to public visits to provincial parks, the amount of land regulated as a protected area, and restoring Great Lakes Areas of Concern, amongst other things. In its 2021/22 published plan, the Ministry included all 10 of these KPIs, and added three more (related to reducing regulatory "red tape" and ensuring emergency management plans meet legislated and regulated requirements). The Ministry did not include three other new KPIs (related to digital channels and services) because trend and target data for them were not yet available. In its 2022/23 published plan, the Ministry published 13 (or 81%) of its 16 KPIs, again not publishing the three related to digital channels and services, for which trend and target data were still not available.

- **Natural Resources Ministry:** In its 2020/21 published plan, the Natural Resources Ministry did not include any of its approved KPIs and targets. Since then, the Ministry has made some progress making public its KPIs and targets, but has still not published all of them in its published annual plans. In its 2021/22 published plan, the Ministry included 15 (or 83%) of its 18 KPIs. It omitted three government-directed KPIs (and accompanying targets) related to increasing administrative efficiencies as the data and achievements for these new measures were not yet available. In its 2022/23 published plan, the merged Ministry of Northern Development, Mines, Natural Resources and Forestry included 27 (or 93%) of its 29 KPIs, omitting one on reducing regulatory compliance requirements and one on public participation in the Learn to Fish program (which the Ministry had recommended replacing with a more outcomes-based performance indicator). While not yet released publicly by the Treasury Board Secretariat at the time of our follow-up, the Ministry has included all 21 of its KPIs in its submitted 2023/24 published plan.
- **Agriculture Ministry:** In its 2020/21 published plan, the Agriculture Ministry did not include any of its internal KPIs, including those related to the environment. In its 2021/22 and 2022/23 published plans, the Ministry included only one (or 8%) of its 12 KPIs, which related to the level of adoption of environmentally beneficial best-management practices. While the Ministry has yet to report all of its internal KPIs and targets, the Ministry indicated that it will continue to work with the Treasury Board Secretariat toward including all relevant KPIs as recommended through our 2020 audit and in alignment with Treasury Board Secretariat instructions. The Ministry will also be reassessing its current suite of KPIs and working with the Treasury Board Secretariat on enhancements. The Ministry confirmed with our Office its intent to publish all of its KPIs in the Ministry's 2023/24 published plan.

Recommendation 3

So that the values used in water quality assessments are transparent and adequately substantiated, we recommend that the Ministry of the Environment, Conservation and Parks establish a documented process, similar to that used for air quality, for evaluating the use of assessment values from other jurisdictions and organizations where provincial values do not exist.

Status: Fully implemented.

Details

In our 2020 audit, we found that, for monitoring emerging contaminants in drinking water, the Environment Ministry used an informal hierarchy of jurisdictions and organizations from which it obtained contaminant benchmarks for assessing drinking water quality (including those used for monitoring and setting conditions in approvals and permits). The Ministry could not provide us with a documented justification for using this hierarchy. Moreover, the Ministry had not conducted a separate review of the evidence for each contaminant benchmark to substantiate its assumption that all the assessment values from one jurisdiction or organization are superior to all those of another. By contrast, the Ministry followed a well-defined process (described in its *Air Contaminants Benchmark List)* for using values from other jurisdictions in its assessments of local air quality under the *Environmental Protection Act*.

In our follow-up, we found that the Environment Ministry had developed a hierarchy document for selecting water benchmarks (including those for drinking water, surface water, recreational water use, sediment and animal tissue). This hierarchical approach provides a documented process for selecting benchmarks from other jurisdictions and organizations where such benchmarks in Ontario do not exist or when another benchmark may be more appropriate. The Ministry distributed the finalized hierarchy document to its internal users of water benchmarks in April 2022.

Some Targets Do Not Have Specific Time Frames or Are Not Based on Sound Evidence

Recommendation 4

So that set targets are effective at driving and measuring progress toward science-based environmental goals, we recommend that the Ministry of the Environment, Conservation and Parks; Ministry of Natural Resources and Forestry; and Ministry of Agriculture, Food and Rural Affairs review their existing targets, and ensure that these and new targets have meaningful achievement-focused time frames and are based on sound, scientific evidence.

Status:
Environment Ministry – Little or no progress.

Natural Resources Ministry – Little or no progress.

Agriculture Ministry – In the process of being implemented by October 2024.

Details

In our 2020 audit, we found that some of the targets set by the three Ministries—including those related to protected areas, pollinators and waste disposed per capita—did not have time frames for achievement or were not based on credible evidence. This is at odds with the Secretariat's direction that, to motivate the achievement of specific results and give a clear sense of when progress will be assessed, targets should have specific time frames.

In our follow-up, we found the following:

- **Environment Ministry:** According to the Environment Ministry, it has started reviewing its targets as part of its KPI assessment rollout (see **Recommendation 1**), and will consider the need for new targets based on scientific evidence, where appropriate. At the time of our follow-up, the Ministry had not set optional targets to achieve the goals of the *Water Opportunities Act, 2010* (on water conservation), or the *Clean Water Act, 2006* (on the use of the Great Lakes as a source of drinking water). The Ministry completed the first cycle of KPI assessments and review of targets in 2022 (except for the Ministry's target related to air quality, which the Ministry intended to complete by summer 2023). While no targets were adjusted during this first assessment cycle, the Ministry plans to continue to review all KPI-associated targets annually to ensure they are based on scientific evidence, where appropriate. According to the Ministry, this review will inform its review of science-based targets in programs that support or contribute to achieving progress on KPIs. However, this review focuses only on targets related to published high-level KPIs, and thus excludes others such as the Ministry's provincial park class targets and the waste diversion targets in Ontario's Food and Organic Waste Policy Statement and the Strategy for a Waste-Free Ontario. According to the Ministry, targets for programs not linked to KPIs will be reviewed in the future, where appropriate.
- **Natural Resources Ministry:** The Natural Resources Ministry has started reviewing its monitoring program targets and drafted an inventory of its monitoring programs. However, the review will only focus on targets related to the Ministry's monitoring programs. The Ministry's development of new targets for monitoring programs will begin after it completes guidance for performance measurement frameworks by September 2023 (see **Recommendation 12**). With respect to broader targets for meeting environmental goals, which were the subject of our recommendation, the Ministry said it is focused on developing targets as part of the performance measurement framework of its strategic plan, *Naturally Resourceful* (see **Recommendation 1**), and does not have plans to set additional environmental targets at this time.
- **Agriculture Ministry:** As described above for **Recommendation 1**, the Agriculture Ministry intends for its newly developed Ministry Outcomes and Values Framework and Performance Measurement Guide to support and guide its strategic and operational planning, program design and delivery, establishment of KPIs and baselines, and setting of new or more effective metrics and targets where sufficient evidence

exists. In developing this framework and guide, the Ministry has met with subject matter experts to review its existing metrics and targets. Further, the Ministry will be working with partners to establish performance measures, including considering targets, as part of the Sustainable Canadian Agricultural Partnership—a five-year (2023–2028) investment by federal, provincial and territorial governments to strengthen and grow Canada's agriculture and agri-food sector. Targets and performance indicators are expected to be set by October 31, 2024.

Little Internal Awareness of or Co-ordination between Ministries' Environmental Monitoring Programs

Recommendation 5

So that staff are able to co-ordinate, collaborate and draw on information collected through monitoring programs within their own and the other two ministries, we recommend that the Ministry of the Environment, Conservation and Parks; Ministry of Natural Resources and Forestry; and Ministry of Agriculture, Food and Rural Affairs:

- *establish an internal means for sharing information on the objectives, activities and results of monitoring programs; and*
- *require staff to keep the information up to date.*

Status:
Environment Ministry – Fully implemented.

Natural Resources Ministry – Fully implemented.

Agriculture Ministry – Fully implemented.

Details

In our 2020 audit, we found that there was inconsistent co-ordination of, or little access to information on, the environmental monitoring conducted in other branches, divisions or ministries. We found cases where staff were unaware of what information was being collected within their own ministry or even branch, or of the termination of monitoring relevant to their work. The Environment Ministry and Natural Resources Ministry lacked updated portals or databases to inform their own and other ministries' staff about the monitoring activities and results of their programs.

In our follow-up, we found that the three Ministries have worked together to create a Tri-Ministry Monitoring Programs site on Microsoft Teams that houses an inventory of their monitoring programs and linkages to their data and reports. The Ministries have produced a standard operating procedure on site governance and updates, which directs staff from each Ministry to review and update the information in the inventory at least annually.

Air and Water Monitoring Extensive; Monitoring Lacking on Biodiversity, Species at Risk, Protected Areas, Pollinators and Soil Health

Recommendation 6

So that Ontario's biodiversity is effectively monitored and the province can make informed decisions to protect and restore it, we recommend that the Ministry of Natural Resources and Forestry develop an integrated, broad-scale monitoring program for all aspects of Ontario's biodiversity.

Status: Will not be implemented.

Details

Our 2020 audit found that, in 2012, the Province recognized that, while many independent monitoring programs across a number of ministries collect biodiversity-related data, there was a need for an integrated, broad-scale monitoring program covering all aspects of Ontario's biodiversity. With this in mind, in its 2012 biodiversity plan (*Biodiversity: It's In Our Nature*), the Province committed to developing such a program led by the Natural Resources Ministry. Specifically, the Ontario government's biodiversity plan included, as one activity, "building on existing programs, develop an integrated, broad-scale monitoring program for all aspects of Ontario's biodiversity." However, more than eight years later, this program had not yet been developed. An integrated, long-term, and broad-scale monitoring of biodiversity would better allow the Ministry to measure the direction and speed

of changes within natural systems, assess the causes and impacts of those changes, and predict and respond to future changes.

In our follow-up, we found that the Natural Resources Ministry will not be implementing this recommendation, though it had initiated work to address this recommended action, including: drafting a jurisdictional scan of Canadian approaches to monitoring and reporting on the state of biodiversity; meeting with external parties (e.g., the Alberta Biodiversity Monitoring Institute, Quebec Biodiversity Monitoring Network); initiating a gap analysis to review the Ministry's existing monitoring and identify opportunities to improve understanding of the state and trends of Ontario's biodiversity; and meeting with staff, scientists and other experts to discuss indicators, emerging technology, and options for biodiversity reporting.

Based on the draft jurisdictional scan, the Ministry concluded that its ability to monitor and report on biodiversity is among the best in Canada, and that the idealistic goal of developing an integrated, broad-scale monitoring program for all aspects of Ontario's biodiversity is not achievable from a technical, operational, or financial perspective. Rather, the Ministry plans to complete the gap analysis and update the jurisdictional scan to reflect the release of a new Ontario Biodiversity Strategy (see Environmental Registry #019-6701); assess the feasibility of implementing opportunities to improve biodiversity monitoring and reporting identified in the gap analysis; and continue to investigate opportunities to address gaps in biodiversity knowledge.

Recommendation 7

For progress to be made on protecting and recovering species at risk, we recommend that the Ministry of the Environment, Conservation and Parks:

- *establish a database of actions contained in government response statements;*
- *use the database to annually track and follow up on progress on actions;*

  Status: Little or no progress.

Details

Our 2020 audit found that, despite the Province identifying the development and implementation of monitoring programs for certain at-risk species as a high priority, these actions had not been initiated for a number of endangered species. As required under the *Endangered Species Act, 2007*, the government has released response statements that summarize and prioritize the actions it intends to take to address recommendations in recovery strategies for endangered and threatened species. Some of these actions involve developing and implementing survey and monitoring protocols for at-risk species. However, we found that the Ministry did not even have a database to track the assignment, implementation and progress of actions in the government response statements. We concluded that, until the Environment Ministry undertakes, delegates, co-ordinates and tracks the implementation of the actions in response statements, including those related to monitoring, little progress will be made toward achieving species recovery goals.

In our follow-up, the Environment Ministry informed us that it is acting on the commitment it made in response to our 2020 report and will explore the feasibility of implementing processes and systems to enhance progress tracking, and following up on actions identified in the government response statements. As part of this work, which is in the process of being completed, Ministry staff held meetings to discuss options, and started drafting a feasibility assessment. The Ministry expected to complete the feasibility assessment by November 2023, but has not committed to establishing a database or other system for tracking progress on the aforementioned actions.

- *execute on high-priority actions to be taken, including monitoring; and*
- *solicit interest from and assign responsibility for certain actions to conservation partners (e.g., organizations, agencies, universities and other stakeholders).*

  Status: In the process of being implemented by November 2023.

Details

Since our 2020 audit, the Ministry has executed or initiated several high-priority actions related to developing survey or monitoring protocols for endangered species. These include protocols for riverine dragonflies (like the riverine clubtail), the false hop sedge (a grass-like plant), Fowler's toad, and the common five-lined skink (a lizard). The Ministry anticipated being able to make the survey protocols for Fowler's toad and the common five-lined skink publicly available by November 2023. The Ministry has also funded projects to develop and implement standardized survey or monitoring protocols for other species, like the branched bartonia (a flowering plant) and at-risk bumblebee species. However, the Ministry has not yet initiated or assigned 10 other high-priority actions identified in our 2020 audit report, such as developing survey and/or monitoring protocols for endangered species like the American badger, barn owl, butternut tree, and king rail (a bird).

The Ministry continues to solicit interest, including through its Species at Risk Stewardship Program, from willing partners to implement certain actions in government response statements. The Ministry awarded funding in 2021/22 to 30 new projects through this program in November 2021. The Ministry supported 67 projects in 2022/23 through this program, and is providing $4.5 million to fund 50 projects in 2023/24.

Recommendation 8

To support the long-term sustainability of Ontario's animal-pollinated crops, we recommend that the Ministry of Agriculture, Food and Rural Affairs:

- *explore and implement opportunities to expand the surveillance of honey bee pests and diseases, and monitor their impacts on wild species that pollinate Ontario's crops;*
- *work with the Ministry of Natural Resources and Forestry to develop and implement a research and monitoring program on wild species that pollinate Ontario's crops;*

Status: Little or no progress.

Details

Our 2020 audit found that Agriculture Ministry staff had identified and recommended options for surveying American foulbrood and varroa mites (two of the greatest threats to Ontario's managed honey bees) to provide a more informed view of pests and diseases in the managed honey bee population. Further, our audit noted there are opportunities to improve knowledge of the potential spillover effects of honey bee pests and diseases on wild species, including important pollinators of Ontario's crops. In 2015, the Ministry initiated a time-limited Enhanced Apiary Monitoring Project for pests and diseases. That project concluded in 2019, as the Agriculture Ministry had determined that it had collected sufficient data in those five years to have a good baseline understanding of honey bee pests and diseases in Ontario apiaries.

Since then, Ministry staff have expanded and standardized decision-making guidance documents for apiary (managed beehive) inspectors, and broadened them with additional information on honey bee pests and diseases, which may also affect a range of pollinators, to enhance detection efforts and improve response when pests and diseases are found in inspected bee yards. Staff recommended taking a flexible inspection and response approach that balances risk of disease or infestation, logistics and resource requirements.

Our 2020 audit also found that, despite the importance of wild pollinators (such as bees, flies, wasps, butterflies, moths and beetles) to agricultural production (particularly fruit, vegetable and nut crops), Ontario had no comprehensive, long-term program to monitor the health of these wild species or their contribution to the pollination of Ontario's crops. As a result, information on this contribution by pollinators was dated or lacking for many crops (such as soybeans, peas, beans, peaches and sour cherries).

In our follow-up, we found that the Agriculture Ministry has continued work on its five-year Enhanced Apiary Monitoring Project. For instance, it has finalized monitoring summary reports, and added or updated corresponding datasets on the Ontario Data Catalogue

for 2015–2019. The Ministry indicated that the data it collected through this project will be a valuable source for comparison should future, similar studies be needed after policy changes or improvements are made to managed honey bee practices. The Ministry also indicated that it has completed an inventory of honey bee pests and pathogens found in Ontario apiaries. Further, the Ministry has put forward a research proposal that would draw from this and other data to analyze existing data on varroa mites, and potentially other honey bee pests and pathogens, to inform knowledge on their spread, population dynamics, seasonal influence, and timing of sampling, and to develop updated recommendations for honey bee management.

The Agriculture Ministry noted that, while it has no mandate to monitor the impacts of honey bee pests and diseases on wild pollinators, it is responsive and expands its monitoring for honey bee pests and pathogens when warranted. For example, the Ministry reported that its Apiary Program co-ordinated and carried out additional monitoring inspections, sampling and follow-up inspections: in fall 2022 for beekeepers that reported high overwinter mortality in spring 2022; for a European foulbrood outbreak in spring 2023; and for suspected resistant varroa mites in fall 2023. Additionally, the Ministry told us that, for the 2023 beekeeping season, extra monitoring inspections were conducted of yards that have either never been inspected or have not been inspected in over five years.

While the Agriculture Ministry indicated that it will not be initiating a program to monitor the impacts of honey bee pests and diseases on wild species that pollinate Ontario's crops, it is committed to supporting the Natural Resources Ministry in developing and implementing a broad-scale, long-term monitoring program for wild pollinators, including wild pollinators of agricultural crops (see **Recommendation 9**). In response to our 2020 audit, the Natural Resources Ministry committed to developing options for delivery models for wild pollinator monitoring and reporting, and the Agriculture Ministry indicated that it would support the Natural Resources Ministry in such an initiative. However, our follow-up found that the Natural Resources Ministry will not be developing and implementing a broad-scale, long-term monitoring program for wild pollinators (see **Recommendation 9**).

- *publicly report annually on the results of these monitoring programs.*

  Status: Little or no progress.

For public reporting, the Ministry created an apiculture (beekeeping and honey bee health) landing page to house annual Provincial Apiarist reports, reports on honey bee colony winter mortality, and other related information. However, public reporting on monitoring wild pollinators (see **Recommendation 9**), and information on the impacts of honey bee pests and diseases on these wild species, are unavailable due to the little progress made in these areas.

Recommendation 9

To detect changes in wild pollinator species, and inform actions to be taken on related conservation strategies, we recommend that the Ministry of Natural Resources and Forestry:

- *develop and implement a broad-scale, long-term monitoring program for wild pollinators; and*
- *publicly report annually on the results of this monitoring program and on the status of Ontario's wild pollinators.*

  Status: Will not be implemented.

  The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

Our 2020 audit found that little information is known and collected on wild pollinators and their pollination of wild plants. Although the Natural Resources Ministry started some monitoring on wild pollinators in 2016, it had not yet processed and summarized the data, and the monitoring was limited to eight sites. Further, while university research groups have conducted research and surveying of wild pollinators, there was no broad-scale, long-term monitoring of

these species, especially in Northern Ontario. A 2017 report commissioned by the Agriculture Ministry concluded that the lack of critical information on the distribution and biodiversity of pollinators in Ontario represents a major obstacle to developing appropriate and sustainable conservation strategies.

In our follow-up, we found that the Natural Resources Ministry will not be implementing this recommendation. The Ministry had previously committed to developing a proposal that would explore a suite of options for delivery models for wild pollinator monitoring and reporting. The Natural Resource Ministry had committed to consulting with the Environment Ministry and the Agriculture Ministry on how to address wild pollinator species within a broader monitoring framework, as pollinators are of interest to all three ministries. It had also indicated its intention to conduct a detailed science and business review, develop sampling protocol options, and carry out a partner review and consultation by November 2022. The Ministry noted that it would likely take at least five years to design, test and implement a new, long-term monitoring program for wild pollinators.

In June 2023, the Ministry indicated to our Office that, based on its partner consultation and science and business review, it had concluded that there are insufficient drivers for development of a broad-scale monitoring program specifically for wild pollinators. The Ministry noted that, because it recognizes that wild pollinators represent a gap in its overall biodiversity monitoring efforts, it will consider the feasibility of limited wild pollinator-related monitoring when it assesses opportunities for improving the Ministry's ability to monitor and report on biodiversity (see **Recommendation 6**).

Recommendation 10

To implement Ontario's Agricultural Soil Health and Conservation Strategy and improve the tracking, measuring, analyzing and reporting on the state of Ontario's agricultural soil health, we recommend that the Ministry of Agriculture, Food and Rural Affairs work with the Soil Action Group to:

- *promptly develop and execute a collaborative implementation plan;*

Status: Fully implemented.

Details

Our 2020 audit found that, despite the Agriculture Ministry recognizing the need to improve the tracking and measuring of changes in the health of Ontario's agricultural soils, little progress had been made implementing the Province's 2018 *New Horizons: Ontario's Agricultural Soil Health and Conservation Strategy* (Soil Health Strategy). In this strategy, the Ministry noted that province-wide soil assessment tools were not well developed, and that creating Ontario-specific indicators and making them consistent and comparable at different scales (e.g., farm, field, regional, provincial) would allow for a more detailed and useful analysis of Ontario's soil health. The strategy also outlined more than 30 actions related to tracking, measuring, storing and sharing soil health data, with the objectives of developing the capacity to track soil health and ensuring that soil data is well documented, replicable, defensible, comprehensive and publicly available.

However, we found that, two years after the Ministry released the Soil Health Strategy, little progress had been made implementing foundational actions within it. The Soil Action Group—a partnership between government, industry, conservation groups and academics to lead and monitor the strategy's implementation—only first met in January 2020, and its terms of reference were still in draft form as of October 2020. Further, the group had not yet developed any collaborative implementation plans, annual work plans or schedules for progress reporting to co-ordinate and document actions or report on its progress.

In our follow-up, we found that the Soil Action Group (which is co-chaired by a representative from the Agriculture Ministry) had begun a collaborative process to develop a plan for implementing the Soil Health Strategy. In October 2020, the Soil Action Group struck three separate multi-stakeholder Task Teams to identify preliminary priorities for collaborative implementation. In summer 2021, the group developed a refined

short list of priorities on which it sought feedback from its members. Work was conducted to understand and address raised concerns, with an expectation that an implementation plan would be defined by April 2023. In September 2022, the Soil Action Group met and agreed on next steps to develop a detailed implementation plan. In April 2023, five years after the Soil Health Strategy was released, Soil Action Group representatives, including Ministry representatives, endorsed the implementation plan for prioritized goals and activities of the strategy, and agreed to continue working together to address gaps. The Ministry noted that, since 2018, it has committed over $33 million to projects related to soil health, and over 20 Soil Action Group partners have over 60 actions under way to support the Soil Health Strategy's implementation.

- *report annually to the public on progress.*

  Status: Little or no progress.

Details

The Ministry has made progress reporting on implementation of some Soil Health Strategy actions through announcements of various programming efforts under way, and communications from members across the Soil Action Group, that are collectively driving progress on the Soil Health Strategy. Soil Action Group members are working toward more co-ordinated public communications and are exploring approaches for shared communications.

Lack of Standardized Monitoring Protocols Jeopardizes Consistency and Comparability of Collected Data

Recommendation 11

So that monitoring programs are credible, and collect standardized, comparable data that can reliably detect environmental changes over time, we recommend that the Ministry of the Environment, Conservation and Parks; Ministry of Natural Resources and Forestry; and Ministry of Agriculture, Food and Rural Affairs develop and implement requirements and processes for developing, reviewing and approving the content of standardized monitoring and survey protocols for all their monitoring programs.

Status:
Environment Ministry – Will not be implemented.

The Office of the Auditor General of Ontario continues to believe this is a significant recommendation and continues to recommend that the Environment Ministry develop and implement a standardized process for developing, reviewing and approving monitoring and survey protocols, including standard, basic requirements for protocol content.

Natural Resources Ministry – In the process of being implemented beyond 2025.

Agriculture Ministry – Fully implemented.

Details

In our 2020 audit, we found that the Environment, Natural Resources and Agriculture Ministries did not have standards or direction for the required content or format of their environmental monitoring and survey protocols. To ensure that environmental data collected by different people, in different locations and at different times (sometimes decades apart) is comparable, monitoring protocols should explain in detail how data is to be collected, managed, analyzed and reported. Such protocols are necessary to ensure that changes detected by monitoring are actually occurring in nature and not an artifact of differences in the way that people collected, processed and analyzed the information. Best practices and guidance used by the United States Department of Agriculture, Fish and Wildlife Service, Geological Survey and National Park Service recommend that effective monitoring protocols include standard content, such as that on background information; sampling and survey design; field methods; data management and analysis; reporting; personnel and operational requirements; and procedures for reviewing the monitoring program and revising the protocol.

In our follow-up, we found the following:

- **Environment Ministry:** In 2020, the Environment Ministry indicated that it would not implement this recommendation, asserting

that the ability to detect environmental change over time can be achieved through means other than standardized monitoring and surveying. The Ministry stated that it had specifically designed, and maintains and adapts, its monitoring programs to ensure significant changes can be detected over time and accurate conclusions drawn. Still, both during our audit and at the time of our follow-up, the Ministry did not have a documented, standardized process for developing, reviewing and approving monitoring and survey protocols, nor standard, basic requirements for protocol content. Our Office continues to recommend that the Ministry develop and implement these processes and requirements.

- **Natural Resources Ministry:** The Natural Resources Ministry has drafted a process for developing, reviewing and approving monitoring protocols and a monitoring protocol template for organizing and documenting the details of each monitoring program. After completing the monitoring program template and process document, the Ministry plans to create a timeline for transferring existing monitoring programs to the new template, as time and resources allow (expected November 2023 to beyond 2025). Given the Ministry's large number of complex monitoring programs, transferring all these programs to a new template is expected to take several years—beyond 2025.
- **Agriculture Ministry:** With respect to environmentally related monitoring programs led by the Agriculture Ministry, in July 2021, the Ministry finalized its Apiary Program Protocol, which describes a standardized process for developing, reviewing and approving Apiary Program Standard Operating Procedures and internal guidance documents. The protocol also provides direction on staff responsibilities, records management, document retention, and quality assurance and control.

Few Monitoring Programs Are Measured for Their Effectiveness

Recommendation 12

To assess the effectiveness of monitoring programs at achieving their stated objectives, we recommend that the Ministry of the Environment, Conservation and Parks; Ministry of Natural Resources and Forestry; and Ministry of Agriculture, Food and Rural Affairs, in adherence with guidance from the Treasury Board Secretariat:

- *develop effective, program-specific performance measurement frameworks for all their monitoring programs;*

  Status:
  Environment Ministry – In the process of being implemented by December 2023.

  Natural Resources Ministry – In the process of being implemented by December 2025.

  Agriculture Ministry – In the process of being implemented by fall 2024.

Details

In our 2020 audit, we reported that, for over a decade, the Secretariat had encouraged ministries to develop performance measurement frameworks—consistent processes to collect, analyze and report information on how programs are performing and whether they are achieving their intended outcomes. However, we found that none of the monitoring programs we reviewed had documented performance measurement frameworks in place.

In our follow-up, we found the following:

- **Environment Ministry:** In June 2021, the Environment Ministry published and distributed an internal guidance document and template to support its annual process for assessing its KPIs (see **Recommendation 1**). Part of this assessment process includes identifying whether the Ministry needs to develop performance measures for specific programs. According to the Ministry, the assessment results will allow it to prioritize

which program-specific performance measurement frameworks should be implemented and prioritized. The Ministry is developing guidance to support the development and implementation of such frameworks as well as logic models, and has held staff training on how to develop program performance measures. By December 2023, the Ministry expects to complete performance measurement frameworks for two priority programs that monitor Lake Simcoe and ambient air quality, respectively. The Ministry anticipates that this recommendation will take more than three years to implement, subject to available resources.

- **Natural Resources Ministry:** The Natural Resources Ministry planned to complete guidance for establishing program-specific performance measurement frameworks for its monitoring programs (expected December 2023), use this guidance to create frameworks for developing new monitoring programs, and develop a schedule for creating frameworks for existing monitoring programs (expected 2023 to 2025). The Ministry held four meetings in late 2021 and early 2022 to determine the project scope and to begin developing guidance for performance measurement frameworks. The Ministry also developed a one-page overview in late 2021 to guide these discussions.
- **Agriculture Ministry:** In November 2021, Apiary Program staff met with a performance measurement specialist from the Agriculture Ministry to discuss developing performance measures based on regulatory programming. At the time of our audit, Ministry staff were working through the Ministry's new Performance Measurement Guide (see **Recommendation 1**), starting with the initial stage: defining the problem and assessing the situation to provide a rationale for outcomes, goals, objectives and activities. The Ministry has started working identifying potential performance measures specific to its Apiary Inspection Program, which it will then incorporate into a performance measurement framework for evaluating and reporting on the program's effectiveness. The Ministry expects to complete this work by fall 2024.

- *establish and implement documented processes for regularly, independently and formally evaluating and reporting on the effectiveness of their monitoring programs;*

  Status:
  Environment Ministry – In the process of being implemented by December 2025.

  Natural Resources Ministry – In the process of being implemented by December 2024.

  Agriculture Ministry – Little or no progress.

Details

In our 2020 audit, we found that the Secretariat had repeatedly provided guidance to ministries on conducting program evaluations to assess the effectiveness, efficiency, relevance and sustainability of programs. Independent program evaluations can help objectively identify aspects of a program that are outdated or not working (e.g., field and laboratory methodologies, technologies, software, assumptions, models, analyses); assess whether the program is effectively meeting its objectives; expand understanding of leading practices; and identify opportunities for improvement. However, we found that few of the three Ministries' environmental monitoring programs had undergone formal, documented evaluations. Moreover, some program evaluations were conducted by the monitoring program's staff rather than an independent evaluation unit or third party that could provide an objective analysis and recommendations for improvement.

In our follow-up, we found the following:

- **Environment Ministry:** Developing and implementing program performance measurement frameworks is generally a first step in assessing how well programs are working and why. The second is evaluating and reporting on the programs' effectiveness. While performance

measurement evaluates what has been achieved, program evaluation helps assess what can be fixed in the future. Because the Environment Ministry is still in the process of developing performance measurement frameworks for its monitoring programs, it has not yet established and implemented a process for evaluating their effectiveness. The Ministry anticipates that this recommendation will take more than five years to implement, subject to available resources.

- **Natural Resources Ministry:** Similarly, the Natural Resources Ministry is still in the process of developing guidance for establishing program-specific performance measurement frameworks for its monitoring programs, and has made little progress establishing a process for then evaluating and reporting on the effectiveness of those programs. The Ministry has committed to completing this action by December 2024.
- **Agriculture Ministry:** Apiary Program staff in the Agriculture Ministry have connected with contacts in Regulatory Compliance Ontario and have reached out to other ministries that conduct inspections to gather best practices, lessons learned and established processes for conducting program evaluations. The Ministry has not yet taken other steps to establish and implement documented processes for regularly, independently and formally evaluating and reporting on the Apiary Program's effectiveness. The Ministry engaged the Ontario Animal Health Network (OAHN) regarding the independent evaluation of the Apiary Program in June 2022. However, the OAHN indicated that it does not have the capacity or expertise to perform formal, independent program reviews. Further, the Ministry indicated that is unaware of any other body or organization with the capacity and expertise to perform an independent evaluation of the effectiveness of the Apiary Program's monitoring activities. As a result, the Ministry has made no further progress on this recommendation.

- *periodically undertake a co-ordinated, comprehensive and independent evaluation of their environmental monitoring programs.*

  Status:
  Environment Ministry – In the process of being implemented.

  Natural Resources Ministry – In the process of being implemented beyond 2025.

  Agriculture Ministry – Little or no progress.

- **Environment Ministry:** The Ministry has made some progress toward undertaking a co-ordinated, comprehensive and independent evaluation of its environmental monitoring programs. The Ministry has indicated that it is developing guidance and training to enhance its staff's skills and capacity for conducting program evaluation. For example, the Ministry indicated that it has developed and is piloting a comprehensive program evaluation guidance document, which is expected to be completed by the end of 2023. Training modules based on the guidance are planned to be completed by fall 2024, and live training events rolled out across the Ministry throughout 2025.
- **Natural Resources Ministry:** Because the Natural Resources Ministry is still in the process of developing guidance for establishing program-specific performance measurement frameworks, and establishing a process for evaluating and reporting on monitoring program effectiveness, it has not yet undertaken a comprehensive evaluation of all its environmental monitoring programs. The Ministry has indicated that, because reviews for large programs can take a year or more to complete, addressing this recommended action for all environmental monitoring programs will take five years or more.
- **Agriculture Ministry:** With respect to periodically undertaking a comprehensive evaluation of its environmental monitoring programs, the Ministry indicated that it will consider doing this and related work in the long-term future.

Monitoring Programs Lack Data and Information Plans

Recommendation 13

To improve the integrity, security and effective use of data being used for monitoring purposes, we recommend that:

- *the Ministry of the Environment, Conservation and Parks and Ministry of Agriculture, Food and Rural Affairs develop and implement a data management policy that outlines requirements for establishing data management plans;*

  Status:
  Environment Ministry – Fully implemented.

  Agriculture Ministry – Fully implemented.

Details

In our 2020 audit, we found that neither the Environment Ministry nor the Agriculture Ministry had a data management policy outlining requirements for data management activities, including the planning, collection, use, access, maintenance, security, retention and disposal of collected or acquired data. By contrast, the Natural Resources Ministry released a Data Management Policy in April 2019, requiring program areas responsible for co-ordinating the collection or acquisition of data to prepare a data management plan, release data on the Ontario Data Catalogue according to the requirements of Ontario's Open Data Directive, and identify stakeholders to engage on data access.

In our follow-up, we found the following:

- **Environment Ministry:** In February 2022, senior management at the Environment Ministry approved a Digital Strategy for the Ministry, which includes introducing data management best practices and developing data management plans. In June 2022, the Ministry finalized a data management policy, which requires program areas responsible for co-ordinating the collection or acquisition of data to prepare a data management plan (based on a Ministry data management plan template) within 12 months of the policy's approval.
- **Agriculture Ministry:** In August 2021, the Agriculture Ministry finalized and released a Data Management Policy to guide the implementation of responsible and consistent data management practices across the Ministry. The policy directs Ministry branches that are responsible for co-ordinating the collection or acquisition of data on behalf of the Ministry to prepare data management plans that adhere to all aspects of the policy.

- *the Ministry of the Environment, Conservation and Parks; Ministry of Natural Resources and Forestry; and Ministry of Agriculture, Food and Rural Affairs develop and implement data and information management plans for their monitoring programs.*

  Status:
  Environment Ministry – Fully implemented.

  Natural Resources Ministry – In the process of being implemented beyond 2025.

  Agriculture Ministry – In the process of being implemented by December 2023.

Details

In our 2020 audit, we found that many of the three Ministries' environmental monitoring programs that we reviewed lacked data and information management plans, jeopardizing the integrity, security and effective use of collected data. Data management plans are important for ensuring that the resources and safeguards needed to manage data throughout their life cycle are identified and documented before the data is collected. Collecting data without a plan in place may result in unclear ownership, inappropriate use and access, and insufficient security and storage of the data. All these factors jeopardize data quality, which may pose risks to data integrity and analysis, and to the reliability of data for decision-making and compliance purposes. Data management plans are meant to mitigate these risks and enable knowledge transfer among

those responsible for collecting, analyzing and managing data. The lack of a documented data management plan not only threatens data security, integrity, and access, but also hinders the identification of opportunities to proactively share collected data with those who would benefit from it.

In our follow-up, we found the following:

- **Environment Ministry:** As part of the Environment Ministry's implementation of its new Digital Strategy and data management policy, the Ministry developed a template for data management plans, which the Ministry indicated were then completed for its monitoring programs in 2022/23.
- **Natural Resources Ministry:** The Natural Resources Ministry provided data management plan training to over 200 staff from nine different sections responsible for data management, and indicated that further training will take place. In addition, the Ministry has developed or drafted data management plans for five monitoring programs, and plans to use its inventory of monitoring programs to further develop data management plans for corresponding datasets, where applicable. The Ministry expects these plans to be completed beyond 2025.
- **Agriculture Ministry:** Following its development of a Data Management Policy, the Agriculture Ministry has created and shared a template for completing data management plans. Some plans have already been completed and are centrally stored as part of the Ministry's Open Data Inventory. The Ministry informed our Office that the creation of data management plans is proceeding slowly across all areas of the Ministry, and that it is working on a new data-governance-reporting structure, with clearer accountabilities for the creation of data management plans—anticipated late fall 2023.

Recommendation 14

To obtain assurance over the security, access and integrity of Ontario's natural heritage information, we recommend that the Ministry of Natural Resources and Forestry obtain and review independent assurance reports annually for the information technology systems used to store this information.

Status: Fully implemented.

Details

Our 2020 audit found that, despite the abundance of important information in its natural heritage database, some of which is highly sensitive, the Natural Resources Ministry had no third-party, independent assurance over the information technology (IT) system used to store this data in the United States. This web-based database, operated by NatureServe, a non-profit organization based in the United States, has stored information about Ontario's natural heritage (such as the locations and conditions of over 2,000 species, plant communities and wildlife concentration areas) since 2005. Although the Ministry is a member of the NatureServe network, it was unable to provide us with a contract with NatureServe or independent assurance over the IT controls, such as the hosting environment (located in Ashburn, Virginia), system backup, and access to and security of Ontario's natural heritage data.

In our follow-up, we found that the Natural Resources Ministry had completed an independent threat risk assessment, including penetration testing (simulated cyberattack), of NatureServe's software and cloud services to identify and remediate any security risks. This threat risk assessment included an assessment of the IT system's technology and operations security; backup measures; hosting environment; network security; and access, authentication and authorization controls. The Ministry has taken actions to reduce risks identified in this assessment to the Ministry's satisfaction.

Recommendation 15

So that the public, researchers and interested stakeholders are able to make effective use of data collected through monitoring programs, we recommend that the Ministry of the Environment, Conservation and Parks; Ministry of Natural Resources and Forestry; and Ministry of Agriculture, Food and Rural Affairs comply with the Open Data Directive and, unless exempted in specified circumstances, release data to the Ontario Data Catalogue in a timely manner.

Status:
Environment Ministry – Fully implemented.

Natural Resources Ministry – In the process of being implemented.

Agriculture Ministry – In the process of being implemented.

Details

In our 2020 audit, we found that, despite requirements in Ontario's Open Data Directive (Directive), not all data collected through the three Ministries' environmental monitoring programs was published in the Ontario Data Catalogue in a timely manner. Since 2016, the Directive has required that all data created, collected and/or managed by ministries and provincial agencies be made public, unless exempt in specified circumstances. The purpose of the Directive is to support government efficiency, effectiveness and innovation, and support public engagement and participation by allowing Ontarians to develop their own analysis, insights and digital products. Under the Directive, ministries are to periodically review and update released datasets to ensure accuracy and timeliness. If a dataset cannot be made accessible to the public as open data, ministries must provide a detailed explanation as to why. Our audit found instances where datasets from entire monitoring categories were not published at all on the Ontario Data Catalogue. In other cases, the Ministries had collected more recent data, but had not updated datasets in a timely manner.

In our follow-up, we found the following:

- **Environment Ministry:** At the time of our follow-up, we found that the Ministry had continued to update its open entries and add new datasets to the Ontario Data Catalogue. As of August 2023, the catalogue housed 74 Ministry open datasets. We initially found six instances where the Environment Ministry had not updated its datasets on the Ontario Data Catalogue in a timely manner. For example, the Ministry had not updated its dataset of large landfill sites since 2011. However, shortly following our inquiries in this area, the Ministry updated its online datasets for large landfill sites (updated to 2021), industrial wastewater discharges (2020 data), municipal treated wastewater effluent (2020 data), and sediment chemistry (2018 data). The Ministry indicated that it had updated 42 of its 68 open datasets in 2021 and expected to continue adding outstanding data to other datasets. Our follow-up also found that Ministry decisions to publicly release several datasets on the Ontario Data Catalogue—including those on water taking, algae monitoring, and lead reporting—had been "under review" since 2017 (2019 and 2020 daily and annual water-taking data was added to the Ontario Data Catalogue in July 2022). The Ministry provided our Office with explanations for this review status, noting that some datasets are provided on other websites, while others were expected to be updated on the Ontario Data Catalogue later in 2022.
- **Natural Resources Ministry:** At the time of our follow-up, we found that 50 (or 18%) of the Natural Resources Ministry's 278 datasets on the Ontario Data Catalogue were "under review," and 11 (or 4%) of them were "restricted." (The Ministry had previously told us that the "under review" status is most often given to datasets where a program area would like to publish the data in the Ontario Data Catalogue but has not yet completed an open data assessment, or the data is not in a machine-readable or open and accessible format fit for publication.) The Ministry indicated that in the last year it has added several new datasets to the Ontario Data Catalogue, and that implementation of this recommended action is in progress, as data

management training is ongoing. The Ministry indicated that it will continue to add datasets to the Ontario Data Catalogue according to Ministry policy.

- **Agriculture Ministry:** The Agriculture Ministry has identified 13 datasets related to its Apiary Program and Enhanced Apiary Monitoring Project (see **Recommendation 8**) that may qualify for posting on the Ontario Data Catalogue. The Ministry is finalizing the list of datasets that will be added to the catalogue and is reviewing and updating the plain-language descriptions for the applicable datasets. These datasets may include those related to honey bee colony winter mortality and responses to in-season honey bee mortality incidents. According to the Ministry, once it finalizes its list of applicable datasets, qualifying datasets will continue to the Open Data Posting process, which includes finalizing the data description form required for each dataset, conducting a risk assessment to determine whether the data can be shared publicly or should be restricted, preparing the data for release and adding the data to the Ontario Data Catalogue. The Ministry indicated that the process of posting the datasets takes time, and the Ministry will continue to progress through the listed data to fulfill this recommendation balanced with other regulatory program obligations.

Chapter 2
Section
2.01

Ministry of Health
Ministry of Long-Term Care
Ministry for Seniors and Accessibility
Treasury Board Secretariat

Follow-Up on 2021 Value-for-Money Audit:

Management of Health-Related COVID-19 Expenditures

RECOMMENDATION STATUS OVERVIEW

		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	3	3				
Recommendation 2	1	0.5		0.5		
Recommendation 3	1					1
Recommendation 4	1	0.4	0.6			
Recommendation 5	1					1
Recommendation 6	1					1
Recommendation 7	2	2				
Recommendation 8	2					2
Recommendation 9	2	1				1
Recommendation 10	2	2				
Recommendation 11	1	1				
Recommendation 12	1					1
Total	**18**	**9.9**	**0.6**	**0.5**	**0**	**7**
%	**100**	**55**	**3**	**3**	**0**	**39**

Overall Conclusion

The Ministry of Health; Ministry of Long-Term Care; Ministry for Seniors and Accessibility; and the Treasury Board Secretariat, as of November 17, 2023, have fully implemented 55% of actions we recommended in our *2021 Special Report*. In addition, the Ministry of Health and Ministry of Long-Term Care have made progress in implementing an additional 3% of the recommended actions. However, the Ministry of Health has made little progress on 3% of the recommended actions.

As many of the time-limited COVID-19 initiatives addressed in our 2021 audit have concluded, or evolved and were integrated into broader ongoing operations, a further 39% of our recommendations are no longer applicable.

The Ministry of Health has fully implemented recommendations such as returning to the consistent

use of open competitive procurements; obtaining Treasury Board/Management Board of Cabinet (TB/MBC) approval prior to disbursing funds in excess of approved amounts; finalizing agreements with service providers and transfer-payment recipients; and amending these agreements to take into account the impact of the COVID-19 pandemic, where applicable. In addition, the Treasury Board Secretariat had fully implemented the recommendation that relates to developing a summary reporting template for standard status reporting on COVID-19 initiatives. Further, the Ministry for Seniors and Accessibility had fully implemented the recommendation to implement a process to identify and recover potential overpayments that may have arisen as a result of the initiative to provide eligible front-line workers with a temporary wage increase (pandemic pay).

Recommendations that are no longer applicable include developing and communicating criteria for time-limited COVID-19 initiatives that have concluded (Ministry of Health); separately tracking and reporting spending that resulted from the increased utilization of programs due to the COVID-19 pandemic, such as in-home oxygen therapy (Ministry of Health); and meeting announced COVID-19 commitments in a timely way (Ministry of Health, Ministry of Long-Term Care and Ministry for Seniors and Accessibility).

The status of actions taken on each of our recommendations is described in this report.

Background

This audit was one in a series of reports undertaken by our Office on the Province's response to the Coronavirus Disease 2019 (COVID-19), and looked at 26 health-related initiatives totalling over $4.4 billion that were authorized by the Treasury Board/Management Board of Cabinet (TB/MBC) between March 16, 2020, and June 30, 2020.

Our work was conducted to obtain an understanding of how expenditures were being handled in the early stages of the pandemic, and focused on whether appropriate processes were in place for authorizations, payment and oversight to manage announced COVID-19 expenditures. The responsibility for distributing and/or managing these funds was delegated to the following ministries: Health, Long-Term Care, Seniors and Accessibility, Solicitor General, and Government and Consumer Services (now the Ministry of Public and Business Service Delivery).

We found that, in most instances, the Province had sufficient authorizations and proper approvals in place for the initiatives we reviewed. We also found that in the majority of cases, internal controls were designed effectively to prevent payments to individuals and organizations that were ineligible under the terms of the initiative, or to prevent overpayments. However, we noted 17 initiatives that did not have strong processes in place to ensure and document the proper use of funds, and/or the timely distribution of those funds. For seven of these initiatives, the ministries did not report back to TB/MBC on their status as expected by the required date.

Some of our significant findings were:

- The Ministry of Health entered into a sole-sourced contract with a consulting firm to support expanded COVID-19 laboratory testing to a maximum of $3.99 million. While sole-sourced arrangements are permitted in situations of unforeseen urgency, this arrangement was established before receiving approval from TB/MBC. Further, the contract with this vendor was not signed until six weeks after the work commenced.
- The Ministry of Health entered into a sole-sourced arrangement to acquire 130 million N95 masks through a US-based company for $1.2 billion. This contract was later cancelled after the supplier missed the delivery deadlines.
- Public Health Ontario entered into a sole-sourced arrangement, making a $10-million deposit to acquire 945,000 COVID-19 test kits from Spartan Bioscience Inc. (Spartan), prior to receiving approval from TB/MBC. While the $10-million deposit was refundable if Health Canada approval was not obtained for the test, the Ministry of Health did not specify a time frame for obtaining this approval and the deposit was not returned to

the Province when Health Canada rescinded its approval of the kits. As of September 30, 2020, Public Health Ontario had also not returned over $14 million in additional funds for this initiative to the Ministry, as required by TB/MBC. Although Public Health Ontario informed the Ministry that it had reallocated these funds to pay for other COVID-19 expenses, the TB/MBC report-back did not indicate that the approximately $14 million had been reallocated. At the time of our audit, the Ministry was waiting to see whether Spartan could improve the test kits in order to receive Health Canada's approval before requesting the return of all funds. Subsequent to our audit fieldwork, on November 24, 2020, Public Health Ontario cancelled the agreement with Spartan, and was awaiting the return of the $10-million deposit.

- For in-home oxygen therapy, the Ministry of Health had not determined when it would reinstate the normal eligibility criteria (such as a test that measures the level of oxygen in a person's blood) and the verification process (including identifying and recovering overpayments made to vendors for deceased patients and verifying vendors' proof of services to patients), both of which had been waived in response to the COVID-19 pandemic. We also noted that the Ministry of Health was not able to track expenditures for in-home oxygen due to COVID-19 versus routine requests.
- The Ministry of Health had not determined when it would end temporarily waiving the standard Ontario Health Insurance Plan (OHIP) three-month waiting period for new OHIP recipients and for people returning to the province after an extended absence, who would normally be eligible for OHIP coverage.
- In April 2020, the Province announced that pandemic pay would begin to flow immediately; however, the ministries of Health, Long-Term Care, and for Seniors and Accessibility did not distribute funding for pandemic pay until June–July 2020. These ministries did not track when eligible front-line workers received pandemic pay, and did not have plans in place to verify that only those eligible received pandemic pay. In addition, the Ministry of Health did not report back to TB/MBC by the deadline on the pandemic pay initiative.

We made 12 recommendations, consisting of 18 action items, to address our audit findings. We received commitment from the Ministry of Health; Ministry of Long-Term Care; Ministry for Seniors and Accessibility; and the Treasury Board Secretariat that they would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between April 2023 and October 2023. We obtained written representation from the Ministry of Health; Ministry of Long-Term Care; Ministry for Seniors and Accessibility; and the Treasury Board Secretariat that effective November 17, 2023, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Funds for Almost All Initiatives Authorized and Approved Before Implementation

Recommendation 1

To reduce the risk of uncontrolled spending, we recommend that the Ministry of Health:

- *obtain TB/MBC approval prior to disbursing funds in excess of approved amounts;*
- *return to TB/MBC for retroactive approval when overspending has occurred; and*
- *finalize agreements with service providers on a timely basis.*

Status: Fully implemented.

Details

In our 2021 audit, we found that the Ministry of Health (Ministry) exceeded the approved limit for advances to eligible OHIP billers by $156.3 million without obtaining prior approval from TB/MBC. In addition, the Ministry had not returned to TB/MBC to seek retroactive approval for exceeding the approved limit. We also found that the Ministry did not receive TB/MBC approval for its plans to use the 2020/21 approved funding, intended to increase hospital capacity and open assessment centres, to cover expenses of the prior fiscal year. In addition, we found that the Ministry exercised its ability to contract or engage with a vendor prior to receiving the approval of TB/MBC, as permitted in situations of unforeseen urgency.

In our follow-up, we found that, in September 2022, the Ministry issued a communication to its senior leadership reinforcing the importance of obtaining appropriate TB/MBC approval prior to disbursing funds, and for obtaining retroactive approval promptly should spending exceed approved amounts. This communication also reiterated the expectation that agreements should be finalized and executed prior to implementing the initiative or activity and disbursing funds.

Further, the Ministry advised us that there had been no instances of spending in excess of approved amounts without prior TB/MBC approval since the date of our audit report.

Eligibility Controls Not Always Rigorous

Recommendation 2

For funds to be directed to those recipients most in need of it, we recommend that where program eligibility requirements were modified or waived temporarily due to the pandemic, that the Ministry of Health establish a suitable time or milestone to reinstate normal eligibility requirements.

Status: In-home oxygen therapy – Fully implemented.
OHIP waiting period – Little or no progress.

Details

In our 2021 audit, we looked at 26 health-related initiatives totalling $4.4 billion. Among these initiatives, we found two instances of eligibility requirements being modified or waived temporarily due to the COVID-19 pandemic.

In the first instance, we found that, during the pandemic, the Ministry of Health (Ministry) temporarily waived the normal eligibility criteria for in-home oxygen therapy (such as a test that measures the level of oxygen in a person's blood). While this decision made in-home oxygen therapy more accessible, it also increased the risk that the Province would be required to cover the costs for treatments, even if the treatments were not medically required. At the time of our audit, the Ministry had not established a time frame for reinstating the normal eligibility criteria.

In the second instance, we also found that, effective March 2020, the Ministry waived the three-month waiting period for new Ontario Health Insurance Plan (OHIP) recipients and for people returning to the province after an extended absence, who would normally be eligible for OHIP coverage. This initiative was intended as a temporary measure to help people access COVID-19 screening and treatment. Although the Ministry of Health stated its intention to reinstate the three-month waiting period, we found that it had not determined when it would be appropriate to end this waiver.

In our follow-up, we found that, in May 2021, the Ministry updated its policy with respect to the temporary waiver of eligibility requirements for in-home oxygen therapy. For in-home oxygen therapy initiated on or after September 1, 2021, first-time applicants are required to show that they meet the medical eligibility criteria.

However, the Ministry has not reinstated the three-month waiting period for new OHIP recipients and for people returning to the province after an extended absence, who would normally be eligible for OHIP coverage. The Ministry of Health is evaluating the impact of the permanent removal of the three-month waiting period. No decision has been made as of November 17, 2023.

Recommendation 3

For funds to be directed to those recipients most in need of it, we recommend that Ministry of Health develop and communicate criteria that clearly define the types of costs eligible for funding.

Status: No longer applicable.

Details

Our 2021 audit found that, in March 2020, the Province committed up to $100 million in funding to reimburse public health units and Public Health Ontario for one-time extraordinary costs for monitoring, detecting and containing COVID-19. We noted that the Ministry of Health (Ministry) did not communicate which incremental costs would be eligible for reimbursement to Public Health Ontario until July 2020, and to the 34 public health units until August 2020. At the time of our audit fieldwork, the Ministry was still determining the process for the review of reimbursement submissions for the disbursement of funds.

In our follow-up, we found that the Ministry provided additional guidance to public health units on the eligibility of COVID-19 extraordinary and incremental costs as the pandemic progressed, but did not clearly define all eligible and non-eligible costs. In an August 2020 communication to public health units, the Ministry provided five categories of eligible COVID-19 costs, at the same time indicating that other costs might also be eligible for reimbursement. In November 2021, the Ministry expanded its guidance to public health units to include examples of costs that are not eligible for reimbursement, such as lost revenues due to COVID-19 and costs reimbursable from other sources, but indicated that this list was not exhaustive.

The Minister of Health, in a memo dated September 29, 2022, announced the end of this initiative, effective December 31, 2023. As such, this recommendation is no longer applicable.

Our audit also found that the Province committed up to $341 million in March 2020 to cover incremental costs incurred by hospitals in assessing and treating COVID-19 patients. At the time of our audit, the Ministry of Health had received almost $743 million in claims for reimbursements from hospitals, but had not developed an evaluation process or criteria for determining how much each hospital should be reimbursed. In fact, two of the five health regions refused to sign an attestation that they had reviewed and approved the expenses for reimbursement, on the basis that the Ministry did not provide specific criteria to assess eligibility for reimbursement. The absence of eligibility criteria increased the risk that the Ministry would reimburse ineligible expenses or incorrect amounts.

The Ministry, in a June 2022 communication to public hospitals across Ontario, announced the discontinuation of the claims-based reimbursement process for incremental COVID-19 costs incurred by hospitals, effective July 1, 2022. As the claims-based reimbursement process is no longer in effect, there is no longer a need to define the related eligibility criteria.

Recommendation 4

For funds to be directed to recipients most in need, we recommend that the Ministry of Health, the Ministry of Long-Term Care, and the Ministry for Seniors and Accessibility put processes in place to provide funding for eligible purposes only, and to identify and recover overpayments.

Status: Ambulance and related dispatch services – In the process of being implemented by March 2024.

In-home oxygen therapy – Fully implemented.

Pandemic pay (Ministry of Health) – In the process of being implemented by December 2024.

Pandemic pay (Ministry of Long-Term Care) – In the process of being implemented by early 2024.

Pandemic pay (Ministry for Seniors and Accessibility) – Fully implemented.

Details

In our 2021 audit, we found that for five of the 26 initiatives we examined, the ministries of Health, Long-Term Care, and for Seniors and Accessibility did not have robust eligibility controls in place to prevent ineligible payments, or to detect and recover overpayments.

For one initiative, we found that, in March 2020, $77 million was approved by the Ministry of Health (Ministry) to fund extraordinary costs incurred for ambulances and related dispatch services, specifically

related to COVID-19 preparation and response activities. We found that eligible recipients submitted an estimated total of $90.6 million in eligible costs for March 2020 and estimated expenses for the 2020/21 fiscal year, exceeding the approved funding by $13.6 million. At the time of our audit fieldwork, the Ministry had determined that it would provide funding on a reimbursement basis, but had not yet developed a process for establishing how the approved funding would be allocated to eligible recipients or how overpayments would be identified and recovered.

In our follow-up, we found that the Ministry required that eligible recipients track and report eligible expenses, along with supporting documentation for expenses incurred. In January 2021, eligible costs were communicated to eligible recipients and included:

- salaries and wages for duties performed that were directly related to the COVID-19 pandemic;
- COVID-19-related training; and
- equipment, materials and supplies related to COVID-19, including personal protective equipment, powered air purifying respirators with hood barriers and other medical equipment, medication and other supplies, and specified modifications to ambulances and work spaces.

The claims-based reimbursement period for this initiative ended March 31, 2023. Any COVID-19-related expenses that arose after that date were considered as part of the Ministry of Health's ongoing operational expenditures (see **Recommendation 12**).

The Ministry is now in the process of identifying and recovering any related overpayments. To determine whether an overpayment occurred, the total funding provided is compared to the eligible expenses reported by recipients. If funding exceeds eligible costs, the Ministry will initiate a process to recover the excess amounts through the ongoing system of transfer payments. The Ministry expects to complete the process of identifying and recovering overpayments by March 31, 2024.

For a second initiative, we found that, in March 2020, the Ministry paused the normal post-payment verification processes for the in-home oxygen program. For example, the Ministry paused the process for identifying and recovering overpayments made to vendors for deceased patients and verifying vendors' proof of services to patients. At the time of our original audit fieldwork, the Ministry had not yet determined a date when it expected to resume post-payment verification activities.

In our follow-up, we found that, in October 2020, the Ministry resumed the process of identifying and recovering vendor overpayments.

The three remaining initiatives without robust eligibility controls related to pandemic pay. Our audit found that, in April and June 2020, the Province approved more than $1.2 billion (combined) for a temporary wage increase for eligible front-line workers due to COVID-19 ("pandemic pay"). Eligible front-line workers included those in hospitals, paramedic services, public health units, home and community care, social services congregate care settings, mental health and addictions services, correctional services, long-term-care homes and retirement homes. These workers received a $4-an-hour pay increase from April 24, 2020 to August 13, 2020.

In our audit, we found that the Ministry of Health advanced funds to hospitals, public health units and paramedics before determining how much pandemic pay was earned by eligible front-line workers. Similarly, the Ministry of Long-Term Care advanced funds to long-term-care homes before amounts earned by eligible employees were reported. Amounts advanced to these employers were based on preliminary estimates of pandemic pay that were determined using historical data. In comparison, the Ministry for Seniors and Accessibility used a reimbursement model, meaning that funds were only advanced to retirement homes after a summary of pandemic pay earned in the period was provided to the Ministry for Seniors and Accessibility. All three ministries required employers to prepare summaries of the pandemic pay earned using a pre-approved format. At the time of our audit fieldwork, the ministries had not determined the extent to which they would review pay records to verify that funding only went toward pandemic pay for eligible front-line workers, and had not identified and recovered overpayments, in accordance with the terms of this initiative.

In our follow-up, we found that the ministries of Health and Long-Term Care are in the process of

identifying and recovering overpayments. Eligible employers in the health-care sector and long-term-care homes are required to file a report with these ministries to demonstrate how pandemic pay expenditures were reconciled to pandemic pay funding and to identify potential overpayments. The ministries of Health and Long-Term Care are using existing funding relationships to recover overpayments. These ministries are expected to complete the process of identifying and recovering overpayments by December 2024 and early 2024, respectively.

The Ministry for Seniors and Accessibility reviewed all monthly pandemic pay submissions by retirement homes to determine whether there were any discrepancies, corrections or overpayments. Any overpayment identified during these reviews was recovered from a subsequent payment to the retirement home. The Ministry for Seniors and Accessibility confirmed that all related overpayments to retirement homes were recovered.

The Ministry for Seniors and Accessibility further identified 21 retirement homes that were at higher risk for inaccurate submissions. In these cases, the Ministry performed additional oversight procedures on the first submission by requesting that the retirement home provide documentation (for example, pay stubs) to demonstrate that eligible employees had received pandemic pay.

Pandemic Pay Not Received by Front-line Workers Months After It Was Announced

Recommendation 5

To be responsive to recipients of announced funding such as pandemic pay, we recommend that the ministries of Health, Long-Term Care, and Seniors and Accessibility implement processes to meet announced commitments in a timely way.

Status: No longer applicable.

Details

Our May 2021 audit found that, in April 2020, the Province announced that pandemic pay would flow to eligible front-line health-care workers "immediately." However, funding to employers of these workers did not begin to flow until June 15, 2020, and in some cases, not until July 9, 2020. While employers were responsible for providing pandemic pay to front-line workers, the delay of approximately two months between the date of the announcement and the dates that the ministries of Health, Long-Term Care, and for Seniors and Accessibility began to flow funds to employers had an impact on the timing of payments to eligible front-line workers.

In our follow-up, we found that the initiative to offer pandemic pay to eligible front-line health-care workers was not extended past the original end date of August 13, 2020, or subsequently renewed. As such, our recommendation is no longer applicable. Should there be similar payments in the future, we encourage the ministries of Health, Long-Term Care, and for Seniors and Accessibility to meet their commitments within the time frame announced.

Monitoring and Reporting Procedures on COVID-19 Expenditures Are Insufficient

Recommendation 6

We recommend that the Ministry of Health put mechanisms in place to track and report spending that resulted from the increased utilization of programs due to the COVID-19 pandemic.

Status: No longer applicable.

Details

In our May 2021 audit, we found that the Ministry of Health was not able to track in-home oxygen therapy expenditures that resulted from increased utilization of the program due to COVID-19, versus routine requests.

In our follow-up, we found that, effective September 1, 2021, the Ministry of Health (Ministry) eliminated the requirement to indicate a COVID-19 diagnosis on the application for in-home oxygen therapy. As a result, the Ministry is not able to identify and track in-home oxygen therapy expenditures

attributable to a COVID-19 diagnosis. However, given the progression of the pandemic since our 2021 audit report, utilization of in-home oxygen therapy due to COVID-19 may no longer be a significant cost consideration. According to statistics provided by the Ministry of Health, intensive care unit admissions in Ontario due to COVID-19 fell over 95% between May 2021 and August 2023, from 4.44 admissions per 100,000 people to 0.18 admissions per 100,000 people. This provides a strong indication that the severity of the COVID-19 virus has declined since the time of our audit report, which would signal a corresponding decrease in intensive medical treatments such as in-home oxygen therapy.

Recommendation 7

To support timely reports to Treasury Board/Management Board of Cabinet (TB/MBC) for decision-making and monitoring purposes, we recommend that:

- *TB/MBC develop a summary reporting template that can be used for standard status reporting on COVID-19 initiatives;*

  Status: Fully implemented.

Details

At the time of our audit fieldwork, the Ministry of Health did not have a standard summary template for reporting back to TB/MBC on COVID-19-related initiatives.

In our follow-up, we found that TB/MBC developed and implemented a summary template for standard status reporting on COVID-19 initiatives that includes key details, such as: amounts approved; amounts spent; funding recipient details; and controls and monitoring measures implemented to ensure that payments are being made appropriately and cost-effectively.

- *the Ministry of Health and Ministry of Long-Term Care report required information before reporting deadlines.*

  Status: Fully implemented.

Details

In our May 2021 audit, we found that in seven instances, the Ministry of Health and Ministry of Long-Term Care missed at least one deadline to report back to TB/MBC and no extension to the deadline had been granted. Timely and complete reporting to TB/MBC is important to provide good information for decision-making.

In our follow-up, we found that the Ministry of Health and Ministry of Long-Term Care implemented a process to identify potential delays in reporting prior to the deadline. As part of this process, if a potential delay is identified, the ministries would send a request to the Chair of TB/MBC asking for a deferral, along with a proposed revised deadline and a rationale for the delay.

Recommendation 8

To support monitoring and decision-making by Treasury Board/Management Board of Cabinet (TB/MBC) through transparent and timely information, we recommend that:

- *the Ministry of Health and Ministry of Long-Term Care track actual spending for each COVID-19 initiative using the province's Integrated Financial Information System (IFIS) and report this information to TB/MBC at least quarterly;*

- *TBS require that ministries report actual COVID-19 related spending and report those amounts separately from amounts committed to be spent.*

  Status: No longer applicable.

Details

At the time of our audit fieldwork, we found that the Ministry of Health and Ministry of Long-Term Care generally did not report actual spending as required by TB/MBC. The amounts reported to TB/MBC did not differentiate between what was spent and what was committed for future spending. Actual spending shows that an initiative with expected benefits to Ontarians is underway at a point in time, while a commitment to spend by itself may show little to no actual progress. As the pandemic unfolded, it was important to ensure that amounts spent were presented accurately to assist elected officials in interpreting information and making good decisions.

In our follow-up, we found that, as the COVID-19 pandemic evolved, ongoing COVID-19-related activities, such as testing and vaccination, were integrated into routine operational spending and no longer reported separately for budgeting purposes. At the time of our follow-up, the Province determined that there was no longer a need to track and report spending and commitments for COVID-19 initiatives separately. If the Province encounters another major outbreak or event that involves the dedication of significant financial resources, all ministries and TB/MBC should consider establishing processes to separately track and report amounts committed and spent.

Recommendation 9

In the interest of value for money, we recommend that the Ministry of Health:

- *recover from entities/agencies unspent funds related to COVID-19 initiatives that are significantly delayed or cancelled;*

  Status: No longer applicable.

Details

Our 2021 audit found that the Province transferred over $24 million to Public Health Ontario for the acquisition of COVID-19 test kits from Spartan Bioscience Inc. (Spartan). Of this amount, $10 million was paid to Spartan as a deposit in March 2020. The procurement was paused when Health Canada rescinded its approval of the test kits for clinical use in May 2020. Subsequent to our audit fieldwork, Public Health Ontario cancelled the agreement with Spartan in a letter dated November 24, 2020, and requested the return of the $10-million deposit.

In our follow-up, we found that Spartan did not refund the $10-million deposit. On April 5, 2021, Spartan declared insolvency and, subsequently, on June 20, 2021, made an application to continue proceedings under the federal *Companies' Creditors Arrangement Act* (CCAA). A court-supervised sale of Spartan's assets was approved on September 3, 2021. The bankruptcy of Spartan took place three months later, on December 1, 2021. A preliminary report by Spartan's trustees, dated December 17, 2021, shows that Spartan had no remaining assets or operations. While Public Health Ontario took legal action to recover the deposit by submitting a proof of claim for evaluation by the trustee in bankruptcy on March 1, 2022, there remains little chance of recovery.

- *require that the Ontario Agency for Health Protection and Promotion (Public Health Ontario) specify a time frame in the purchase agreement for regulatory approval when acquiring an unproven technology, such that the province can recover funds if regulatory approval is not obtained in a timely manner.*

  Status: Fully implemented.

Details

Our May 2021 audit found that while the Public Health Ontario agreement with Spartan stated that the $10-million deposit was refundable if Health Canada approval was not obtained, no time frame was specified in the purchase order for obtaining this approval, and Spartan continued to seek Health Canada approval. Public Health Ontario did not cancel the agreement until November 2020 and requested the return of the $10-million deposit.

In our follow-up, we found that, on April 1, 2021, the Ministry of Health amended the funding agreement with Public Health Ontario to require that Public Health Ontario specify a time frame in purchase agreements for obtaining regulatory approval, when acquiring an unproven technology.

Recommendation 10

We recommend that the Ministry of Health:

- *finalize transfer payment agreements with the entities working on the Health Data Platform, and monitor the progress and performance of these entities to proactively identify and correct problems in areas where the project may not meet requirements or may fall behind schedule;*

  Status: Fully implemented.

Details

Our 2021 audit found that there were delays in signing agreements with entities providing services related to the Health Data Platform, a data system designed to better understand COVID-19 disease transmission, infection, spread and prevention. The Health Data Platform links large sets of health data that are held by various entities to enable data analysis. At the time of our audit fieldwork, transfer-payment agreements had not been signed with the four external organizations involved in developing the Health Data Platform, even though some functions of the platform became operational as early as July 2020. Completing significant work prior to signing an agreement increases the risks of misunderstanding the scope of the work, untimely identification of issues and delays in taking corrective action.

In our follow-up, we found that the Ministry of Health signed transfer payment agreements with the four entities involved in developing the platform. Agreements with the University of Toronto, Queen's University, Ontario Health and ICES (formerly the Institute for Clinical Evaluative Sciences) were signed between September 2020 and March 2021. These four entities also delivered technical and financial reports to the Ministry of Health on the progress of the Health Data Platform.

- *amend existing agreements with the Telehealth Ontario service provider to include the impact of the increased capacity requirements due to the volume of COVID-19 related calls.*

  Status: Fully implemented.

Details

Our 2021 audit found that the Ministry of Health (Ministry) had not amended its agreement with the Telehealth Ontario service provider to include the impact of COVID-19 on the services provided.

In our follow-up, we found that the Ministry signed an amended agreement with the Telehealth Ontario service provider, effective March 31, 2021, that included provisions, specifically relating to capacity requirements due to the volume of COVID-19-related calls.

Three Initiatives Involved Sole-Sourced Contracts

Recommendation 11

As Ontario moves past the initial stages of the pandemic, so that the province receives the best price for quality goods and services, we recommend that the Ministry of Health return to the consistent use of open competitive procurements where more than one supplier can provide the required goods or services.

Status: Fully implemented.

Details

Our 2021 audit found three initiatives involving sole-sourced contracts, meaning that the Ministry of Health (Ministry) did not solicit requests for proposal from other companies to provide the desired product or service competitively. The total value under contract for these initiatives exceeded $1.2 billion.

Under the Ontario Public Service Procurement Directive, an open competitive procurement is generally required. An exception exists for unforeseen situations of urgency. Due to the unprecedented nature of the pandemic, and the urgency to act quickly to mitigate the impacts of COVID-19, the Ministry departed from the normal competitive procurement process.

In our follow-up, we found that the Ministry has returned to the consistent use of open competitive procurements. The Ministry confirmed there were no non-competitive emergency procurements during the fiscal year ended March 31, 2023.

Initiatives with Aggressive Expectations

Recommendation 12

We recommend that the Ministry of Health and the Ministry of Long-Term Care obtain sufficient information to estimate the impact of proposed COVID-19 initiatives in order to provide better information for decision-making in addressing the response to the pandemic.

Status: No longer applicable.

Details

In our 2021 audit, we found that the Ministry of Health and the Ministry of Long-Term Care set aggressive expectations for the uptake of certain COVID-19 initiatives. Accurate projection of the uptake of a COVID-19 initiative is instrumental for determining whether an initiative will address identified COVID-19 challenges, and estimating the funding required.

We noted that the Ministry of Health expected 2,400 primary care physicians would use the virtual health-care tools provided by the Ontario Telemedicine Network. At the time of our audit, only 246 physicians, including pre-existing and new physicians, were enrolled.

Likewise, the Ministry of Long-Term Care anticipated that 1,560 additional beds could be made available in existing long-term-care homes. At the time of our audit, only 97 beds in total were made available. The majority of the $129.7-million funding from the Ministry earmarked for funding additional beds was redirected toward pandemic pay and compensating long-term-care homes that had implemented a six-month deferral of the 1.9% increase to resident co-payments.

In our follow-up, we found that, starting with the 2023/24 fiscal year, the Province no longer specifically identifies COVID-19 time-limited initiatives. While certain programs that were identified as COVID-19 initiatives in the past, such as testing and vaccination, continue into the 2023/24 fiscal year, they are no longer identified separately as COVID-19 initiatives for budgeting and reporting purposes. Instead, these programs have become integrated into routine operational spending and do not undergo a separate impact assessment (see the second action item in **Recommendation 8**).

Chapter 2
Section
2.02

Ministry of Long-Term Care

Follow-Up on 2021 Value-for-Money Audit:

COVID-19 Preparedness and Management Special Report Chapter 5: Pandemic Readiness and Response in Long-Term Care

RECOMMENDATION STATUS OVERVIEW

		Status of Actions Recommended			
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	1	1				
Recommendation 2	3	2	1			
Recommendation 3	7		6	1		
Recommendation 4	4	1	2	1		
Recommendation 5	7	2	5			
Recommendation 6	4	4				
Recommendation 7	3	1	2			
Recommendation 8	1	1				
Recommendation 9	1				1	
Recommendation 10	3	2			1	
Recommendation 11	4	4				
Recommendation 12	2	2				
Recommendation 13	1		1			
Recommendation 14	4	2	1		1	
Recommendation 15	7	2	5			
Recommendation 16	3	3				
Total	**55**	**27**	**23**	**2**	**3**	**0**
%	**100**	**49**	**42**	**4**	**5**	**0**

Overall Conclusion

The Ministry of Long-Term Care (Ministry), as of October 30, 2023, has fully implemented 49% of actions we recommended in our *2021 Special Report*, such as reassessing its long-term-care home licensing process to require home operators to renovate their facilities within a realistic but shorter defined time frame to be in compliance with current standards;

reassessing whether its long-term plan to add approximately 45,000 new or renovated beds by 2028 will be sufficient to meet future demands; working with the Ministry of Colleges and Universities to evaluate the personal support worker (PSW) training programs and establishing a standard training curriculum; requiring all long-term-care homes to conduct annual exercises that simulate infectious disease outbreaks and response; requiring public health units to co-ordinate and participate with long-term-care homes within their jurisdictions in these annual exercises; requiring all long-term-care homes to develop and regularly review and update a pandemic plan as part of its emergency planning; updating regulations to include pandemics in the list of emergencies for which long-term-care homes must develop a response plan; establishing the criteria for when inspectors will be required to do their work on-site during an emergency such as a pandemic; and having available a reliable supply of personal protective equipment and providing it to inspectors, along with the safety training.

The Ministry has made progress in implementing an additional 42% of the recommendations, such as developing and implementing a provincial staffing strategy addressing the root causes of staffing shortages in long-term-care homes; incorporating into a staffing strategy specific short- and long-term objectives and targets related to staffing levels and staffing mix in long-term-care homes; regularly monitoring the effectiveness of its staffing strategy against the established objectives and targets; developing and providing guidelines to homes regarding the appropriate staffing level and mix depending on the level of care required by residents; working with Ontario Health, the Ministry of Health and the Ministry of Labour, Immigration, Training and Skills Development to establish a long-term plan for the demand and supply of PSWs; annually monitoring and updating the demand and supply information of PSWs; establishing mandatory Infection Prevention and Control (IPAC) training requirements for long-term-care staff at the home level; conducting annual comprehensive inspections of all homes including specific issues of care that are the subject of ongoing complaints, incidents and previous issues of non-compliance; and analyzing the nature and extent of the instances of non-compliance it has identified.

However, the Ministry has made little progress on 4% of the recommendations, including requiring its inspectors to annually assess whether homes have staffing plans in place and the reasonableness of those plans as well as confirming that homes are operating in accordance with those plans; and requiring inspectors to assess whether home operators are confirming that PSWs working in their homes are properly trained in current standards.

The remaining 5% of the recommendations will not be implemented, including revising the hiring criteria for future Assistant Deputy Ministers and Deputy Ministers of Long-Term Care to include knowledge and experience in the long-term-care sector; working with the Solicitor General to identify and establish agreements for alternative housing sites to facilitate proper cohorting; and developing an inspection protocol focused on directly inspecting residents' plans of care.

The status of actions taken on each of our recommendations is described in this report.

Background

This audit was one in a series undertaken by our Office on the Province's response to Coronavirus Disease 2019 (COVID-19). We looked at the preparedness and response of Ontario's long-term-care sector to COVID-19 between January 2020, when the first case was identified in Ontario, until December 31, 2020. During this period, 475 or 76% of long-term-care homes in Ontario reported cases of COVID-19 among their residents and staff.

Under section 1 of the *Fixing Long-Term Care Act, 2021* (Act), "a long-term care home is primarily the home of its residents and is to be operated so that it is a place where they may live with dignity and in security, safety and comfort and have their physical, psychological, social, spiritual and cultural needs adequately met." To satisfy this fundamental principle of the Act, the long-term-care sector has been given responsibilities in many areas that include providing appropriate

living settings, staffing levels, quality of care, access to family support and other community services, and oversight of homes by the Ministry of Long-Term Care (Ministry).

Long-standing systemic problems in the sector were quickly and starkly amplified at the onset and during the first and second waves of the pandemic, and were contributing factors to the outbreaks and spread of COVID-19 in long-term-care homes. Many other studies and reports, including some prior audit reports issued by our Office, have identified these long-standing systemic issues that have remained largely unresolved over the years. For example, as described in our 2019 value-for-money audit report, Food and Nutrition in Long-Term-Care Homes, the needs of residents in homes have become more complex over the last 10 years, with residents relying more on personal support workers. At the time of our audit, over 85% of residents needed extensive or 24/7 daily assistance; about one-third of residents had severely impaired cognitive abilities; and 64% had dementia.

Some of our significant findings were:

- Residents were living in rooms with three or four occupants. Our analysis of self-reported COVID-19 data from homes from March 19 to August 31, 2020—the initial wave of the pandemic—found that, of the long-term-care homes that experienced severe outbreaks (where more than 30% of residents became infected at the same time), almost two-thirds had bedroom designs that housed three or four residents in one room.
- The transfer of patients designated as alternate level of care (ALC) from hospitals to long-term-care homes contributed to crowding in homes. For example, in the month of March 2020, 761 transfers of patients designated as ALC were made from hospitals to long-term-care homes, 50% more than the average of 508 patients transferred per month throughout 2019. Given that homes were, on average, at 98% capacity prior to the pandemic according to the Ministry's occupancy data, these transfers added pressure to the homes, some of which were already struggling to contain the spread of COVID-19.
- Long-term-care homes had insufficient staff and staff training to provide appropriate care. Our analysis of the staffing shortages reported by homes to the Ministry from March 19 to June 30, 2020, found that the staffing shortage peaked in late April, when 36 homes—ranging from a small 56-bed home to a large 300-bed home—reported critical shortages to the Ministry on the same day. A total of 76 homes reported critical staffing shortages during this period.
- Infection prevention and control (IPAC) were not consistently practised in homes even prior to the COVID-19 pandemic. Our analysis of the results of Ministry inspections between January 2015 and December 2019 found that a total of 413, or about two-thirds of all homes, were cited for a total of 765 instances of non-compliance with IPAC requirements. During that period, 42% or 264 homes reported an annual average of two to 13 outbreaks in acute respiratory infections.
- A problematic enforcement practice culminated with the Ministry completely discontinuing, in fall 2018, its proactive comprehensive inspections of homes to focus on clearing a growing backlog of critical incidents and complaints. The number of compliance orders issued since our 2015 audit of the Ministry's inspection program increased from an average of 783 per year from 2012 to 2014 to 931 per year from 2015 to 2019. Despite this increase, the Ministry still had not implemented our 2015 recommendations aimed at addressing the issue of repeated non-compliance.
- Measures to contain COVID-19 were initially left up to home operators. The Chief Medical Officer of Health issued his first mandatory instruction to long-term-care homes on March 22, 2020, directing homes not to permit residents to leave the home for short-stay

absences and limit, *where possible* [emphasis added], the number of homes that employees were working at. When requirements were eventually issued to the long-term-care home operators, they were often unclear, ambiguous and open to interpretation. For example, contract staff—temporary staff who are hired through employment agencies to fill vacancies—were allowed to work in multiple homes. This appeared to be inconsistent with the intent of the order to restrict long-term-care home employees from working at multiple sites.

We made 16 recommendations, consisting of 55 action items, to address our audit findings. We received commitment from the Ministry of Long-Term Care, the Ministry of Health and the Secretary of the Cabinet that they would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between April 2023 and August 2023. We obtained written representation from the Ministry of Long-Term Care that effective October 30, 2023, it has provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Long-Term-Care Homes Ill-Equipped to Prevent or Minimize COVID-19 Outbreaks Because of Long-Standing Facility, Staffing and Infection Prevention and Control Issues

Recommendation 1

So that all long-term-care home facilities provide residents with accommodations that meet current Ministry of Long-Term Care standards and are places where residents live in security, safety and comfort, as envisioned in the Long-Term Care Homes Act, 2007*, with the intent of preventing future disease outbreaks (such as respiratory infections and gastrointestinal infections), we recommend that the Ministry reassess its long-term-care home licensing process to require home operators to renovate their facilities within a realistic, but shorter defined time frame to be in compliance with current standards, as well as when home design standards change.*

Status: Fully implemented.

Details

In our 2021 audit, we found that in order for home operators to obtain a licence for a new home or renew a licence for an existing one, they had to build the new home or renovate existing homes in accordance with current design standards. The Ministry released its latest residency standards in 1999 in its *Long-Term Care Design Manual*. However, home operators were not required to renovate an existing home until their licences expired, and licences are issued for terms of up to 30 years. As such, Ontario had many long-term-care homes that were operating under older design standards.

In our follow-up, we found that as part of the Ontario government's commitment to adding more than 30,000 new long-term-care beds in the province by December 31, 2028, the Ministry has reassessed its long-term-care home licensing process to require home operators to renovate their facilities in order to comply with the latest standards. In particular, the Ministry has been supporting homes with licences that are expiring in 2025 where only minor upgrades and renovations may be required to ensure that these homes can continue operations and provide a safe and comfortable home for residents.

As of August 2023, approximately 90% of homes with licences expiring in 2025 were scheduled to be redeveloped. The Ministry is working with the remaining homes, which have licences expiring in 2025 but have not submitted plans for redevelopment, to obtain a better understanding of their future plans of redeveloping or closing homes.

Recommendation 2

So that there will be sufficient beds available to meet the growing demand for long-term care (in conjunction with any future changes to home care, retirement home, and assisted living considerations), we recommend that the Ministry of Long-Term Care:

- *reassess whether its long-term plan to add approximately 45,000 new or renovated beds by 2028 (taking into account the number of expiring licences) will be sufficient to meet future demands, given the current wait-list backlogs and the projected growth in the number of individuals who will need long-term care in the next 25 years;*

  Status: Fully implemented.

Details

We found in our 2021 audit that over 37,000 people were waiting to be placed in a long-term-care home as of September 30, 2020, and that Statistics Canada projected an increase in the proportion of the population aged 65 and over in Ontario from 16.9% in 2018 to as high as 26.1% in 2043. Ontario's aging population would, therefore, likely increase the demand for long-term care in the next 25 years unless additional long-term-care or home-care strategies were put in place.

In our follow-up, we found that the Ministry has annually reassessed and updated its long-term plan to ensure that future demands for long-term-care beds will be met. Subsequent to our 2021 audit, to help address the increasing demand for long-term care, the government committed to building 31,705 new beds and redeveloping 28,648 beds, totalling 60,353 beds, which exceeded the approximately 45,000 new and renovated beds initially noted in the Ministry's long-term plan during our 2021 audit.

As of June 30, 2023, 3,694 beds were opened, 5,291 beds were under construction, 9,355 beds were tendered, and 42,013 beds were in planning. The Ministry has been assessing its progress and implementing innovative measures to help accelerate development and meet the government's commitment.

In conjunction with this, the Ministry has been working with other ministries, including the Ministry of Infrastructure, Ministry of Health, Ministry for Seniors and Accessibility, and Ministry of Municipal Affairs and Housing to continually assess the growing demand for long-term-care services. Another purpose of working with these ministries is to further explore innovative measures given that building long-term-care beds alone cannot keep pace with seniors' housing needs as the population ages.

- *assess how this plan will fit into an integrated plan with home care and alternative housing in retirement homes and assisted living facilities;*

  Status: Fully implemented.

Details

Our 2021 audit found that it was unclear whether the Ministry's long-term plan to add beds also took into account the use of alternative options such as increasing home-care services, and/or increasing the use of assisted living or retirement home accommodations in Ontario.

In our follow-up, we found that the Ministry has assessed its long-term plan to ensure that the plan can fit into an integrated plan with home care and alternative housing in retirement homes and assisted living facilities through various initiatives. For example:

- The Ministry has been promoting integration through the Campus of Care Model (Model), which generally envisions a single location with a range of housing options, from independent housing to assisted living (or supportive housing) and long-term care. The concept of this Model provides opportunities for people to remain living in the same environment and neighbourhood despite their changing functional and health status. The Model also provides residents with health-care personnel and cultural resources, as well as community educational and volunteer programs.
- The Ministry's 2021 Call for Applications for its long-term-care home development program includes objectives such as innovation, flexible care structures (for medically complex residents), support for diversity through culturally

specific programs and specialized services (including Indigenous and Francophone), as well as integration and partnerships with health, social, educational, cultural, and linguistic organizations.
- The Ministry has established an internal working group with the Ministry of Health and Ministry for Seniors and Accessibility to identify ways to improve seniors' service access and experience in terms of service transitions with home care and other services, and to improve palliative care services and approaches.

- *annually revisit its long-term plan and update as necessary, integrating other potential options and supports to providing care, such as home-based care where feasible.*

Status: In the process of being implemented by December 2028.

Details

Our 2021 audit found that the Province's ultimate long-term goal was to develop a total of 30,000 new beds and redevelop 15,000 beds by 2028. However, as of the March 2021 Budget, the Province committed to developing about 20,200 new beds and redeveloping 15,900 beds.

In our follow-up, we found that the Ministry has annually revisited and updated its long-term plan, as evidenced by various initiatives introduced subsequent to our 2021 audit. These initiatives are ongoing and expected to be completed by December 31, 2028. For example:

- The Ministry has been working with the Ministry of Infrastructure to model the projected growth in demand for long-term-care services. As noted in the first action item of **Recommendation 2**, to help address the increasing demand for long-term care, the government committed to building 31,705 new and 28,648 redeveloped beds, totalling 60,353 beds, which exceeded the approximately 45,000 new and renovated beds initially noted in the Ministry's long-term plan during our 2021 audit.
- In addition to its regular build program, the Ministry has also introduced innovative initiatives to build capacity in high-demand areas of the province, particularly large urban areas, through its Surplus Lands for Social Outcomes Project and Accelerated Build Pilot Program. Specifically:
  - The Surplus Lands for Social Outcomes Project looks to repurpose unused government land to advance key social outcomes. The Ministry has six surplus sites on the market.
  - The Accelerated Build Pilot Program has been implemented in partnership with Infrastructure Ontario and hospital partners to develop beds on hospital-owned land in Toronto, Mississauga and Ajax. Up to 1,272 beds will be built across four sites, the first of which was opened in Ajax in 2022 with 320 new beds. The Ministry expects to complete the remaining homes in this pilot program by the end of 2023.
  - The Ministry has also introduced a Loan Guarantee Program for Non-Municipal Not-For-Profit projects to help those projects secure lending from Infrastructure Ontario.

Recommendation 3

So that long-term-care homes can consistently have the necessary and appropriate overall staffing level and mix to provide a sufficient level and quality of care to residents, in compliance with the Long-Term Care Homes Act, 2007 *(Act), we recommend that the Ministry of Long-Term Care (Ministry):*

- *develop and implement a provincial staffing strategy addressing the root causes of staffing shortages in long-term-care homes as identified in the Ministry's July 2020 staffing study and as experienced during COVID-19 (including consideration of ways to further professionalize the role of PSWs, for example, by regulating the PSW profession);*

Status: In the process of being implemented by March 2025.

Details

We found in our 2021 audit some serious concerns that long-term-care staffing was not keeping pace with the increasing demand for long-term care and the increasing complexity of residents' care needs. According to the Ministry's July 2020 staffing study, a decreasing labour supply, challenging working conditions (including pay considerations), and a negative public image contributed to difficulties recruiting and retaining qualified staff.

In our follow-up, we found that the Ministry launched a multi-year (2021–2025) Long-Term Care Staffing Plan (Staffing Plan), called *A Better Place to Live, A Better Place to Work*. The Staffing Plan committed to increasing average direct-care time and improving the supply, recruitment and retention of staff through various initiatives. For example:

- The Ministry provided up to $1.2 billion in 2023/24 to long-term-care homes to support staffing increases and to increase direct-care time. As part of the Staffing Plan, the Ministry set targets of achieving a provincial average of four hours of direct care provided by registered nurses (RNs), registered practical nurses (RPNs), and personal support workers (PSWs) per resident, per day by March 31, 2025. The Ministry also set provincial direct care targets for allied health professionals (AHPs) of 36 minutes per resident, per day by March 31, 2023 and to sustain thereafter.
- In 2021/22, the Ministry invested $200 million to educate up to 16,200 PSWs at public colleges, private career colleges and district school boards.
- The Ministry introduced the Supervised Practice Experience Partnership Program and the Long-Term Care Staffing Pool to support internationally educated nurses in gaining experience and meeting requirements in long-term care.
- The Ministry invested $893 million in 2022/23 to make the temporary wage enhancement for PSWs introduced in 2020 permanent for applicable sectors. In long-term care, the PSW wage increase has been incorporated into a PSW base wage. Approximately 50,000 PSWs are receiving the permanent wage enhancement of $3 per hour.
- The Ministry invested $763 million for the Temporary Retention Incentive for nurses, including nurses working in long-term care, to provide a lump-sum retention incentive of up to $5,000 per eligible nurse.
- On October 5, 2022, the Ministry launched the Hiring More Nurse Practitioners for Long-Term Care program, which will provide up to $57.6 million over the following three years to recruit and retain up to 225 additional nurse practitioners in the sector.
- The Ministry collected three quarters of data from homes through the quarterly Long-Term Care Staffing Survey (Staffing Survey) for 2022/23. For the second quarter of 2022/23, the Ministry worked with the Treasury Board Secretariat (Secretariat) to enhance the Staffing Survey with a supplementary survey to collect workforce and compensation data. The Ministry will continue to partner with the Secretariat to collect this data annually.
- The Ministry is working toward publicly reporting its average direct-care targets annually, as well as toward data-sharing with stakeholders, such as Ontario Health.

Given that the Staffing Plan is a multi-year plan (2021–2025), the Ministry expects to fully implement this recommended action by March 2025.

- *after a period of time under the new standard of a provincial average of four hours of direct care from RNs, RPNs and PSWs per resident per day, revisit its operational sufficiency to confirm that residents are receiving the necessary care given the increasing complexity of residents' needs, which can vary between individuals and between homes;*

  Status: In the process of being implemented by March 2025.

Details

In our 2021 audit, we found that in November 2020, the Province committed to increasing the hours of direct care for each long-term-care resident to an average of four hours per day. The commitment was based on *worked* hours (when staff are present at the home and available for work) instead of *paid* hours (which include vacations, statutory holidays and benefits in addition to worked hours). Using worked hours, the 2018 average was 2.75 direct-care hours by registered nurses (RNs), registered practical nurses (RPNs), and personal support workers (PSWs) per resident.

In our follow-up, we found that the Ministry of Long-Term Care launched a multi-year (2021–2025) Long-Term Care Staffing Plan (Staffing Plan), called *A Better Place to Live, A Better Place to Work*. As mentioned in the first action item of **Recommendation 3**, the Staffing Plan committed to increasing average direct-care time through various initiatives.

Apart from monitoring its progress against the key commitments of the Staffing Plan, the Ministry of Long-Term Care is also working with Ministry of Health to review what is required to sustain the province-wide average direct care targets and keep pace with the projected demand in staffing and growth in long-term care beds, while maintaining resident safety and quality of care.

Given that the Staffing Plan is a multi-year plan (2021–2025), the Ministry plans to revisit its operational sufficiency by March 2024 and March 2025 to confirm that residents are receiving the necessary care given the increasing complexity of residents' needs.

- *incorporate into a staffing strategy specific short- and long-term objectives and targets related to staffing levels and staffing mix in long-term-care homes (considering the necessary training and experience of employees, including training and experience in treating dementia and providing geriatric and palliative care);*
- *regularly monitor the effectiveness of its strategy against the established objectives and targets, and take corrective action when objectives and targets may not be met;*

Status: In the process of being implemented by March 2025.

Details

In our 2021 audit, we found that staffing levels were insufficient to help residents with activities of daily living (such as bathing, toileting, dressing and feeding) to the extent needed for timely and fulsome care, even though the *Long-Term Care Homes Act, 2007* (Act) required homes to have a staffing plan in place that provided for a staffing mix that was consistent with residents' care and safety needs.

In our follow-up, we found that the Ministry's multi-year (2021–2025) Long-Term Care Staffing Plan (Staffing Plan), called *A Better Place to Live, A Better Place to Work* (as discussed in the second action item of **Recommendation 3**), committed to increasing average direct-care time. Several short- and long-term objectives and targets were also incorporated into the Staffing Plan. For example:

- The Ministry set targets of achieving a provincial average of four hours of direct care provided by registered nurses (RNs), registered practical nurses (RPNs), and personal support workers (PSWs) per resident, per day by March 31, 2025. The Ministry also set provincial direct care targets for allied health professionals (AHPs) of 36 minutes per resident, per day by March 31, 2023 and to sustain thereafter.
- The Ministry set objectives to expand enrolment in nurse practitioner programs by 38 additional students in September 2022, and to add up to 2,000 nurses to the long-term-care sector by 2024/25, through a $100 million investment to develop Hybrid Flexible nursing programs (that is, hybrid online and in-person programs that provide greater flexibility for attendance) in public colleges; provide tuition and other supports to students seeking to bridge from PSW to RPN and RPN to RN; and expand enrolment capacity in bridging programs.

- To support culturally responsive nursing (RN and RPN) and PSW programs, the Ministry set an objective to educate up to 400 nurses (RNs and RPNs) and 400 PSWs over four years by investing $34 million in six Indigenous institutes.

With respect to staffing models or staffing mix, the Ministry engaged key sector partners through the Long-Term-Care-Technical Advisory Table (LTC-TAT) Staffing Sub-Group to review the staffing flexibility provisions provided in Ontario Regulation 246/22 under the *Fixing Long-Term Care Act, 2021*. The Ministry plans to bring forward proposed amendments in late 2023, which, if approved, should provide appropriate flexibility for long-term-care homes to hire and retain staff to support overall resident quality of life. This work, which is expected to be completed by March 2025, will help the Ministry incorporate into the Staffing Plan specific short- and long-term objectives and targets related to staffing levels and staffing mix in long-term-care homes. The Ministry will then regularly monitor the effectiveness of its strategy against the established objectives and targets, and take corrective action when objectives and targets are not met.

- *develop and provide guidelines to homes regarding the appropriate staffing level and mix depending on the level of care required by residents as per the Case Mix Index;*

- *document the expected level of care required for a resident depending on their Case Mix Index in regulations that are reviewed and updated annually if needed, depending on the overall level of care of residents in long-term care homes;*

  Status: In the process of being implemented by March 2025.

Details

In our 2021 audit, we found that the optimal staffing mix, staff-to-resident ratio, or hours of direct care would vary depending on the specific needs of residents. (The complexity of residents' medical needs can be measured using the Case Mix Index, the relative measure of average resources required to provide for residents' needs.) Nonetheless, establishing and enforcing per resident standards (considering their specific level of care needs) would better ensure that residents received the minimum level of care and support they need. This was especially critical given that residents' needs had increased over the previous 10 years.

In our follow-up, we found that the Ministry has started using historical survey data and current quarterly staffing survey data to generate and analyze existing staffing mix ratios in long-term-care homes. The Ministry has also looked into the long-term-care sector in other provinces and internationally to better understand different approaches to staffing mix ratios.

Based on the Ministry's research and analysis, including stakeholder engagement, there is no one-size fits all approach and Ministry guidance and resources are geared toward providing long-term care homes with flexibility so they can adopt flexible staffing models that meet the needs of their residents and staff while maintaining safety and quality of care.

The Ministry brought forward a number of regulatory amendments, effective April 11, 2023, to staffing qualifications as part of the ongoing plan to fix long-term care. Overall, the amendments are intended to eliminate barriers that restrict qualified individuals from entering the sector, and provide appropriate flexibility for long-term care homes to hire and retain staff. As part of the recent regulatory amendments, the Ministry provided the sector with a best practice document in May 2023 for orienting food service workers and cooks with little or no long-term care experience. The Ministry plans to bring forward in the future proposed amendments for the remaining staffing qualification roles and to provide additional resources or guidance. It expects to complete this work by March 2025.

- *require its inspectors to annually assess whether homes have staffing plans in place, as required by the Act and the reasonableness of those plans; as well as confirming that homes are operating in accordance with those plans.*

  Status: Little or no progress.

Details

In our 2021 audit, we found that even though the *Long-Term Care Homes Act, 2007* (Act) required homes to have a staffing plan in place that provided for a staffing mix that was aligned with residents' care and safety needs, staffing shortages were a long-standing issue that was highlighted as far back as a 2008 Ministry staffing report. The COVID-19 pandemic exacerbated this problem to critical levels; our analysis of staffing shortages reported by homes to the Ministry from March 19 to June 30, 2020, showed a peak in late April, when 36 homes (ranging from a small 56-bed home to a large 300-bed home) reported critical shortages on the same day; over the entire period, a total of 76 homes reported critical staffing shortages.

In our follow-up, we found that the Ministry has not required its inspectors to annually assess whether homes have reasonable staffing plans in place, and are operating in accordance with those plans. The Ministry informed us that it has been working on establishing a Long-Term Care Quality Centre (Quality Centre) to support long-term-care homes in improving their residents' quality of life and quality of care. It plans to use this work to inform its inspection protocols, including having inspectors annually assess whether homes have staffing requirements and plans in place.

Recommendation 4

So that the supply of Personal Support Workers (PSWs) needed is available and that PSWs are sufficiently trained to provide the necessary level and quality of care to residents, in compliance with the Long-Term Care Homes Act, 2007*, we recommend that the Ministry of Long-Term Care:*

- *work with Ontario Health, the Ministry of Health and the Ministry of Labour, Training and Skills Development to establish a long-term plan for the demand and supply of PSWs in Ontario as part of a provincial long-term care staffing strategy recommended in* ***Recommendation 3****;*
- *annually monitor and revisit and update the demand and supply information of PSWs to track to the long-term plan;*

Status: In the process of being implemented by March 2025.

Details

We found in our 2021 audit that PSWs faced more challenging working conditions than what they were prepared for through their training. The primary reasons for the gap were the rising complexity of residents' needs and staffing shortages, which often resulted in PSWs being given responsibilities for which they did not receive training.

In our follow-up, we found that as part of its Long-Term Care Staffing Plan, called *A Better Place to Live, A Better Place to Work* (as discussed in the first action item of **Recommendation 3**), the Ministry is developing a multi-year approach to further invest in PSW education, and to help increase the supply, recruitment and retention of nurses and PSWs in long-term care. This work is expected to be completed by March 2025. For example:

- Approximately 50,000 PSWs are receiving the permanent wage enhancement of $3 per hour.
- In 2021/22, the Ministry invested $200 million to educate up to 16,200 PSWs at public colleges, private career colleges and district school boards.
- To support culturally responsive nursing (RN and RPN) and PSW programs, the Ministry announced a $34-million investment over four years at six Indigenous institutes to educate up to 400 nurses (RPNs and RNs) and 400 PSWs.
- The Ministry invested in a fully online, accelerated PSW education pilot with Humber College that enables existing staff to continue earning while they receive an education and advance their careers in long-term care. Fifty-seven students graduated from the Learn and Earn Accelerated Program for Personal Support Workers in Long-Term Care pilot program,

which was extended for three years in July 2023 through an investment of $16.5 million to train up to 600 new PSWs across the province.

- The Ministry invested $73 million in the Preceptor Resource and Education Program in Long-Term Care over three years to support clinical placements for PSW and nursing students by providing them with critical hands-on experience under the supervision of long-term-care staff.

The Ministry will continue to work with the Ministry of Health, the Ministry of Colleges and Universities, Ontario Health, educational partners and the long-term-care sector to explore innovative approaches to address staffing needs through the increased supply of health-care professionals. This includes the ongoing planning and data analysis of long-term-care staffing, which includes PSWs and all other care providers.

- *work with the Ministry of Colleges and Universities to evaluate the PSW training programs in Ontario and establish a standard training curriculum for use in the delivery of consistent training and practical experience requirements as part of its staffing strategy;*

  Status: Fully implemented.

Details

In our 2021 audit, we found differences in how PSW educational programs were delivered in Ontario. We reviewed the full-time PSW certificate programs in Ontario offered by all 24 community colleges and the 15 private career colleges that had the highest enrolment, and noted that all community colleges offered two-semester programs that ran for about 24 to 30 weeks and included 140 to 438 hours of practical experience, while programs offered at private career colleges ran for about 29 to 52 weeks, totalling between 700 and 800 hours of practical experience.

In our follow-up, we found that the Ministry of Colleges and Universities completed a review of the program standard for PSW programs in Ontario. The review included consultations with stakeholders from Ontario colleges, private career colleges, district school boards, other Ontario ministries, including the Ministry of Long-Term-Care, and external stakeholders involved in the field. The program standard outlines the vocational standards, essential employability skills, and minimum learning requirements of graduates of PSW programs in Ontario. All Ontario colleges, private career colleges and district school boards that offer a PSW program are required to follow the vocational standard.

- *require inspectors to assess, as part of annual long-term-care home inspections, whether home operators are confirming that PSWs working in their homes are properly trained on current standards.*

  Status: Little or no progress.

Details

We found in our 2021 audit that Regulation 79/10 under the *Long-Term Care Homes Act, 2007* required that PSWs hired by long-term-care homes must have successfully completed a personal support worker program that met the standards set out by the then Ministry of Training, Colleges and Universities and comprised at least 600 hours of in-class instruction and practical experience combined. Given that PSWs comprise more than half of long-term-care home staff, and are responsible for the direct day-to-day care of vulnerable individuals with complex needs, verifying that they are properly trained would help ensure that residents are receiving appropriate care that is up to current standards.

In our follow-up, we found that the Ministry has not required inspectors to assess, as part of annual long-term-care home inspections, whether home operators are confirming that PSWs working in their homes are properly trained on current standards. As discussed in the last action item of **Recommendation 3**, the Ministry has been working on establishing a Long-Term Care Quality Centre to support long-term-care homes in improving their residents' quality of life and quality of care. It plans to use this work to inform its inspection

protocols, including having inspectors annually assess whether homes have staffing requirements and plans in place.

Recommendation 5

So that the required infection prevention and control (IPAC) programs and practices are in place and are effective in preventing and controlling infectious disease incidences and outbreaks at long-term-care homes, we recommend:

- *the Ministry of Long-Term Care consult with local public health units to:*
  - *develop and clearly communicate IPAC directives that outline clear and detailed requirements that all long-term-care homes must incorporate in their IPAC programs, including, for example, the level of IPAC education and experience required of the home's designated IPAC lead as well as initial and ongoing IPAC training requirements;*
  - *develop supporting guidance documents that provide additional resources for long-term-care homes to help them meet the requirements in the* Long-Term Care Homes Act, 2007 *(Act) and its regulations; and*
  - *establish mandatory IPAC training requirements for long-term-care staff at the home level, especially those involved in providing direct care to residents, to determine and address gaps and to have them provide continual training to coincide with their staff turnover.*

Status: In the process of being implemented by March 2025.

Details

We found in our 2021 audit that Ontario Regulation 79/10 under the *Long-Term Care Homes Act, 2007* specified the IPAC program requirements homes must meet, including having a designated IPAC lead, a system to monitor and analyze symptoms of infection, an outbreak-management system, a hand-hygiene program, and an immunization program for various infectious diseases. However, the regulation did not specify the level of IPAC education and experience that was required of the designated IPAC lead, nor had the Ministry provided further guidance on this.

In our follow-up, we found that the Ministry has taken actions to improve IPAC practices in long-term-care homes, such as providing new IPAC funding to homes, introducing a new IPAC standard, providing targeted training and education activities, and working with local public health units, Public Health Ontario, hospitals, and other IPAC partners. Specifically:

- A new evidence-based Infection Prevention and Control Standard for Long-Term Care Homes (IPAC Standard) was issued in April 2022 and is referenced in the *Fixing Long-Term Care Act, 2021* (Act). The IPAC Standard includes detailed requirements for homes, including standards for staffing and related training and education.
- In addition to requiring homes to follow the IPAC Standard, the Act requires homes to have a dedicated IPAC lead with an appropriate IPAC certification. Among the IPAC lead's responsibilities is auditing IPAC practices in the home and conducting regular infectious-disease surveillance.
- The Ministry provided $20 million for IPAC personnel in long-term-care homes in 2022/23 to improve IPAC capacity, including retaining IPAC professionals. An additional $26.17 million was provided to the sector in November 2022 to train new and existing staff, certify staff, and to comply with the IPAC Standard.
- The Ministry's inspectors of long-term-care homes have reviewed the results of IPAC assessments and audits, and used this information to adapt training requirements and provide additional supports for homes.
- The Ministry developed a plan to enhance IPAC practices in long-term-care homes. The plan covers areas such as staffing; training and education; mandated standards for IPAC programs in homes; and roles and responsibilities among health system and other partners. The Ministry has engaged with key stakeholders, such

as local public health units and Public Health Ontario, to implement the plan, and discussed with them how to improve training and education (for example, by assisting IPAC leads in achieving certification, as well as training and education of other personnel in homes).
- The Ministry will continue to engage with licensees of long-term-care homes and other partners over the next few months to identify priority training and education needs.
- The Ministry will work with homes to help them develop their expertise, including in self-auditing and assessment as a component of evidence-based IPAC programs.

The Ministry expects the above activities to be fully implemented by March 2025.

- *the Ministry of Long-Term Care, in conjunction with the Ministry of Health:*
  - *require all long-term-care homes to conduct annual exercises, prior to the influenza season, that simulate infectious disease outbreaks and response;*
  - *require public health units to co-ordinate and participate with long-term-care homes within their jurisdictions in these annual exercises;*

  Status: Fully implemented.

Details

We found in our 2021 audit that Ontario Regulation 79/10 under the *Long-Term Care Homes Act, 2007* did not require long-term-care homes to conduct regular exercises to simulate infectious disease outbreaks and response. We also noted that the comparatively effective management of COVID-19 in long-term-care homes in Kingston illustrated the value of conducting such exercises. Prior to the COVID-19 pandemic, in August 2019, long-term-care homes in Kingston participated in an exercise with other health-care providers to walk through how to prepare for a severe influenza season. As of December 31, 2020, there had been a total of only seven cases of COVID-19 in the 11 long-term-care homes in Kingston.

In our follow-up, we found that the Ministry has been working with local public health units, Public Health Ontario, hospitals, and others to improve IPAC practices in long-term care homes (as mentioned in the first action item of **Recommendation 5**). As part of this work, new requirements for IPAC are included in the *Fixing Long-Term Care Act, 2021* (Act), including the new IPAC Standard, among other enhancements.

The Act includes new requirements for emergency planning and preparedness by licensees of long-term-care homes, including collaboration with local partners and public health units. The emergency plans must be evaluated and updated at least annually, and within 30 days of an emergency being declared. The emergency plans related to epidemics and pandemics (among others) must be tested on an annual basis. The Ministry has also provided guidance to licensees of long-term-care homes to help them meet these requirements. In addition, the Act introduced provisions that address preparations and responses to epidemics and pandemics.

- *require public health units to conduct at a minimum, annual IPAC assessments of all long-term-care homes within their jurisdictions, and provide such assessments to the Ministry of Long-Term Care; and*
- *the Ministry of Long-Term Care use the IPAC assessments conducted by public health units to inform its inspection process.*

  Status: In the process of being implemented by March 2024.

Details

We found in our 2021 audit that the rapid spread of COVID-19 in some homes suggested that many initial IPAC efforts were insufficient. This was corroborated by the IPAC assessments conducted by Public Health Ontario from March to December 2020 in 76 long-term-care homes. The IPAC assessments, performed at the request of the homes, found 222 deficiencies in IPAC practices, including improper use of personal protective equipment, lack of cleaning products, and failure to follow hand hygiene best practices.

In our follow-up, we found that the Ministry has been working with local public health units, Public

Health Ontario, hospitals, and others to improve IPAC practices in long-term-care homes (as detailed in the first action item of **Recommendation 5**). As part of this work, new requirements for IPAC—such as conducting quarterly IPAC audits, monthly hand hygiene audits and an annual evaluation of each long-term-care home's IPAC program—are included in the *Fixing Long-Term Care Act, 2021* (Act), along with the new IPAC Standard, among other enhancements.

With respect to IPAC assessments, the Ministry's partners, including local public health units, have continued to perform assessments and audits in homes. The Ministry's Long-Term Care Inspection Branch will continue to work to formalize an information-sharing relationship so that it can co-ordinate its regulatory oversight of long-term-care homes. The Ministry will work with homes to help them develop their expertise, including in self-auditing and assessment as a component of evidence-based IPAC programs.

The Ministry expects that these recommended actions will be fully implemented by March 2024 as part of ongoing work related to the implementation of new IPAC and emergency management requirements.

Long-Term-Care Sector Largely Disconnected from Rest of Health-Care System

Recommendation 6

So that long-term-care homes are better prepared to manage the impact of future infectious disease outbreaks including pandemics, we recommend that the Ministry of Long-Term Care work with the Ministry of Health, Ontario Health, and the Local Health Integration Networks to:

- *develop a pandemic plan for the entire long-term-care sector that clearly outlines roles and responsibilities, specific actions to be taken, and the timing of such actions in the event of a pandemic;*

Status: Fully implemented.

Details

We found in our 2021 audit that, at the outset of the pandemic, the Ministry of Long-Term Care (Ministry) did not have a plan in place to respond to emergencies related to human health and diseases, even though the Emergency Management Office's 2019 Provincial Emergency Response Plan had required the Ministry to develop such a plan specifically for the long-term-care sector. Meanwhile, the Ontario Health Plan for an Influenza Pandemic did not require long-term-care homes to have emergency response plans in place, but only required they report respiratory infection outbreaks and laboratory-confirmed cases of influenza to the Ministry of Health. Also, we noted that Regulation 79/10 of the *Long-Term Care Homes Act, 2007* set out a list of emergencies for which homes must develop a response plan, but the list did not include a pandemic.

In our follow-up, we found that the *Fixing Long-Term Care Act, 2021* (Act), which came into effect in April 2022, includes preparations and responses to epidemics and pandemics. The Ministry engaged with partners in other ministries to develop expanded emergency planning requirements in the Act. The partners included the Office of the Chief Medical Officer of Health at the Ministry of Health as well as the Office of the Fire Marshal and Emergency Management at the Ministry of the Solicitor General. All long-term-care homes are required to comply with these requirements. In particular, Section 90 of the Act states that all long-term-care homes are required to have emergency plans in place, including for epidemics and pandemics. Ontario Regulation 246/22 under the Act includes details as to what each home's pandemic plan must include, such as roles and responsibilities of staff members, actions to be taken, and timing of those actions.

The Ministry also developed and released a Long-Term Care Emergency Planning Manual on May 12, 2022. The manual is a supportive tool to aid homes in developing effective emergency and evacuation plans; help homes achieve, demonstrate, and maintain compliance with the legislation and regulation; promote quality improvement through sharing of best practices;

and connect homes with other resources. Emergency Management Ontario has also shared additional resources with the sector.

- *require all long-term-care homes to develop and regularly review and update a pandemic plan as part of its emergency planning;*

  Status: Fully implemented.

Details

We found in our 2021 audit that emergency planning at long-term-care homes did not include pandemic or significant infectious-disease planning. The *Long-Term Care Homes Act, 2007* required all long-term-care homes to have emergency plans outlining how they would respond to emergencies such as fires, community disasters, bomb threats, chemical spills, and the loss of one or more essential services, but not to pandemics. While eight out of 10 long-term-care homes we contacted had written plans for responding to infectious disease outbreaks (such as influenza or norovirus), as required under Ontario Regulation 79/10 (covering topics such as maintaining an adequate amount of personal protective equipment (PPE) and collaborating with health system partners like public health units), they were not integrated as part of the homes' emergency planning to provide a clearer and more systematic way of responding to events like the COVID-19 pandemic.

In our follow-up, we found that the *Fixing Long-Term Care Act, 2021* (Act), which came into effect in April 2022, requires long-term-care homes to comply with the following regulations with respect to emergency planning:

- Ontario Regulation 246/22 s. 268 (8) states that emergency plans must be evaluated and updated at least annually and within 30 days of the emergency being declared, after each instance that the emergency plan was activated.
- Ontario Regulation 246/22 s. 268 (10)(d) states that licensees must keep a written record of emergency plan tests, as well as any planned evacuations of the homes, and any changes made to improve the plans.

- *establish formal partnership agreements between long-term-care homes, local hospitals and public health units, with clear roles and provisions for sharing expertise and resources in specifically identified situations such as outbreaks of infectious disease and pandemics;*

  Status: Fully implemented.

Details

We found in our 2021 audit that most long-term-care homes did not have formal partnerships with local public health units and hospitals, even though their IPAC expertise would have benefitted the homes. Dr. Gary Garber, the former Medical Director of Infection Prevention and Control at Public Health Ontario, confirmed the disconnect between long-term-care homes and hospitals in his testimony at the Long-Term Care COVID-19 Commission, stating that, "until spring [2020], there was no real connection between hospitals and long-term-care regarding IPAC."

In our follow-up, we found that the *Fixing Long-Term Care Act, 2021* (Act), which came into effect in April 2022, requires long-term-care homes to comply with the following regulations with respect to sharing expertise and resources with partners, and clarifying the role of each party:

- Ontario Regulation 246/22 s. 268 2 (ii) requires licensees to identify a safe evacuation location for which the licensee has obtained agreement in advance that residents, staff, students, volunteers and others can be evacuated to.
- Ontario Regulation 246/22 s. 268 (3)(a) states that as part of the development and updating of the plan, there shall be consultation with entities that may be involved in or are providing emergency services, including but not limited to community agencies and health service providers, as defined in the *Community Care Act, 2019*.
- Ontario Regulation 246/22 s. 268 (5) states the plan must include identification of the roles and responsibilities of specific staff at long-term-care homes without being limited to community

agencies and health service providers, as defined in the *Connecting Care Act, 2019*.

In addition, as mentioned in the first action item of **Recommendation 6**, the Ministry developed and released a Long-Term Care Emergency Planning Manual on May 12, 2022. The manual provides best practice guidelines, one of which is for homes to develop memorandums of understanding or contracts with emergency service providers to ensure that a response is assured, day or night.

- *update Regulation 79/10 to include pandemics in the list of emergencies for which long-term-care homes must develop a response plan.*

  Status: Fully implemented.

Details

We found in our 2021 audit that under Ontario Regulation 79/10 of the *Long-Term Care Homes Act, 2007* long-term-care homes were required to have in place a written plan for responding to infectious disease outbreaks within the facility. However, we noted that the list of emergencies in Ontario Regulation 79/10 for which homes must develop a response plan did not include a pandemic.

In our follow-up, we found that on April 11, 2022, the *Long-Term Care Homes Act, 2007* and Ontario Regulation 79/10 were revoked and the *Fixing Long-Term Care Act, 2021* (Act) came into effect. The new Act requires homes to comply with Ontario Regulation 246/22 s. 268 (4), which specifies a list of emergencies for which long-term-care homes must have a plan. The list includes "outbreaks of a communicable disease, outbreaks of a disease of public health significance, epidemics and pandemics."

Recommendation 7

To improve oversight of infection prevention and control (IPAC) programs and practices at long-term-care homes, we recommend that the Ministry of Long-Term Care work with the Ministry of Health to review and revise the Ministry of Long-Term-Care's inspection program and the Ministry of Health's Inspection Prevention and Control Protocol so that, as suggested in ***Recommendation 5****:*

- *public health units are required to co-ordinate and participate with long-term-care homes within their jurisdictions in IPAC annual exercises;*

  Status: Fully implemented.

Details

In our 2021 audit, we surveyed the five public health units in the province with the largest population coverage—Peel, Toronto, York, Durham and Ottawa—and they reported varying levels of involvement in monitoring IPAC practices in long-term-care homes prior to the COVID-19 pandemic. For example, three public health units—Peel, York and Ottawa—stated that they had limited co-ordination with Ministry of Long-Term Care home inspectors. The other two public health units—Toronto and Durham—had not co-ordinated work with Ministry of Long-Term Care home inspectors prior to COVID-19.

In our follow-up, we found that the *Fixing Long-Term Care Act, 2021* (Act), which came into effect in April 2022, includes preparations and responses to epidemics and pandemics. The Ministry has engaged with partners in other ministries to develop expanded emergency planning requirements in the Act.

The Act includes new requirements for emergency planning and preparedness by long-term-care home licensees, including collaboration with local-level partners and public health units. The emergency plans must be evaluated and updated at least annually, and within 30 days of the emergency being declared. The emergency plans related to epidemics and pandemics (among others) must be tested on an annual basis. The public health units are also required to co-ordinate and participate with long-term-care homes within their jurisdictions in IPAC annual exercises. The Ministry has also provided guidance to long-term-care homes to help them meet these requirements. In addition, the Act introduced provisions that address preparations and responses to epidemics and pandemics.

- *public health units are required to conduct regular IPAC assessments of all long-term-care homes within their jurisdictions, and provide such assessments to the Ministry of Long-Term Care; and*
- *Ministry of Long-Term Care inspectors use the IPAC assessments conducted by public health units to inform their inspections.*

Status: In the process of being implemented by March 2024.

Details

We found in our 2021 audit that the Ministry of Health's Infection Prevention and Control Protocol (IPAC Protocol) required public health units to inspect all licensed child-care and personal-service settings at least once every 12 months for adherence to IPAC practices, but there was no such requirement for long-term-care homes. Inspectors from the Ministry of Long-Term Care told us that the *Long-Term Care Homes Act, 2007* and supporting regulation were not specific enough to allow inspectors to ensure that long-term-care homes had good IPAC programs in place. They also said that the inspection protocols needed to be improved to give inspectors a better understanding of what to look for when observing practices that should be included in a long-term-care home's IPAC program.

As mentioned in the first action item of **Recommendation 5**, we found that the Ministry of Long-Term Care (Ministry) has been working with local public health units, Public Health Ontario, hospitals, and others to increase the IPAC capacity in long-term-care homes. As part of this work, new requirements for IPAC are included in the *Fixing Long-Term Care Act, 2021* (Act), including the new IPAC Standard, among others.

With respect to IPAC assessments, the Ministry's partners, including the public health units, have continued to perform assessments and audits in long-term-care homes. The Ministry's inspectors have reviewed the results of IPAC assessments and audits, and used this information to adapt training requirements and provide additional supports for long-term-care homes. The Ministry will work with homes to help them develop their expertise, including in self-auditing and assessment as a component of evidence-based IPAC programs. The Ministry will also continue to engage with long-term-care homes and other partners over the next few months to identify and respond to priority training and education needs.

The Ministry expects that these recommended actions will be fully addressed by March 2024 as part of ongoing work related to the implementation of new IPAC and emergency management requirements.

Recommendation 8

To improve oversight of infection prevention and control (IPAC) programs and practices at long-term-care homes, we recommend that the Ministry of Health update the Health Protection and Promotion Act *to require local public health units to assist long-term-care homes in preparing and reviewing their outbreak response plans, which is currently in the Ministry of Health's Institutional/Facility Outbreak Management Protocol.*

Status: Fully implemented.

Details

We found in our 2021 audit that the Ministry of Health's Infection Prevention and Control Protocol (IPAC Protocol) required public health units to inspect all licensed child-care and personal-service settings at least once every 12 months for adherence to IPAC practices, but there was no such requirement for long-term-care homes. Inspectors from the Ministry of Long-Term Care told us that the *Long-Term Care Homes Act, 2007* and supporting regulation were not specific enough to allow inspectors to ensure that homes had good IPAC programs in place.

In our follow-up, we found that, while the Ministry of Health has not updated the *Health Protection and Promotion Act*, the newly proclaimed *Fixing Long-Term Care Act, 2021* (Act) does require public health units to assist long-term-care homes in preparing and reviewing their outbreak response plans.

The Ministry of Health clarified that the *Health Protection and Promotion Act* provides the structure, governance, authority, and functions for public health

units in Ontario, while the Institutional/Facility Outbreak Management Protocol (Protocol) requires that public health units assist institutions (including long-term-care homes) in establishing and reviewing their written outbreak response plans at a minimum of every two years. The Minister of Health has published the Ontario Public Health Standards, which have already incorporated the Protocol. The Ministry of Health, through its Accountability Agreement, requires public health units to annually attest to delivering programs and services in accordance with the Ontario Public Health Standards. The Ministry of Health has also established a network of Infection Prevention and Control Hubs that support long-term-care homes with IPAC expertise and are accessible to the homes to support them in building their IPAC programs and addressing IPAC gaps.

The Ministry of Long-Term Care indicated that the proclamation of the *Fixing Long-Term Care Act, 2021* (Act) in April 2022 and Ontario Regulation 246/22 have strengthened the oversight of IPAC at long-term-care homes. Specifically:

- The Act requires long-term-care homes to have emergency plans for outbreaks of communicable diseases, as well as diseases of public health significance. These plans must be evaluated and updated on an annual basis with the relevant entities involved in the emergency response. In the case of an outbreak of a communicable disease, or a disease of public health significance in a long-term-care home, the relevant entity would include the public health units. Therefore, the public health units would be involved in evaluating and updating the outbreak emergency response plan of the home on an annual basis.
- The Act requires the Medical Officer of Health at each public health unit or their designate to be invited to participate in developing, updating, testing, evaluating, and reviewing any emergency plan related to a matter of public health.

Recommendation 9

To better inform the Ministry of Long-Term Care's decision-making, we recommend that the Secretary of the Cabinet include in the hiring criteria for this ministry that future Assistant Deputy Ministers and Deputy Ministers have knowledge and experience in the long-term-care sector.

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

Details

We found in our 2021 audit that a new Deputy Minister of Long-Term Care was appointed by the Secretary of the Cabinet on March 9, 2020, replacing the previous Deputy Minister. In July 2020, the position of Assistant Deputy Minister (ADM), responsible for overseeing long-term-care home operations, was also filled by a new individual. The ADM who previously oversaw the inspection process and long-term-care home operations was reassigned to be the ADM responsible for long-term-care capital projects. While these individuals needed to possess the administrative competencies to hold Deputy and Assistant Deputy Minister positions, having experience in the long-term-care sector would have given them on-the-ground understanding of the long-standing critical issues and challenges they would have to address during the pandemic.

In our follow-up, we found that the Secretary of the Cabinet will not implement this recommendation for the following reasons:

- Sector-specific knowledge and experience will continue to be part of the criteria used to assess candidates for senior executive roles, but selection decisions will always be made in consideration of all the leadership competencies of a candidate. In this regard, senior executives are able to rely on their teams for in-depth knowledge from subject-matter experts.
- Hiring decisions for senior executives in the Ontario Public Service take into consideration a wide variety of leadership qualities and competencies. Sectoral knowledge and experience

are an important part of the selection criteria for senior executives, along with other important qualities, such as innovative, responsible and collaborative leadership behaviours, that are essential for building a skilled, diverse and effective public service.

COVID-19 Pandemic Response Actions Had Unintended Consequences on Long-Term-Care Residents and Staff

Recommendation 10

*To minimize the spread of infectious diseases when long-term-care homes are at capacity, we recommend that the Ministry of Long-Term Care, in developing its future pandemic plan (in **Recommendation 6**):*

- *develop a strategy that would be followed for capacity and placement considerations in both long-term-care homes and hospitals regarding patients designated as alternate level of care;*

  Status: Fully implemented.

Details

We found in our 2021 audit that transfers of patients designated as alternate level of care (ALC) from hospitals to long-term-care homes further contributed to crowding in homes that were already dealing with COVID-19 challenges. Given that homes were, on average, at 98% capacity prior to the pandemic, these transfers of patients designated as ALC added pressure to some homes already struggling to contain the spread of COVID-19.

In our follow-up, we found that actions have been taken to address this recommended action by developing a strategy or plan with respect to placement considerations in both long-term-care homes and hospitals for patients designated as alternate level of care.

As part of Ontario's Plan to Stay Open: Health System Stability and Recovery, the Ministry of Long-Term Care (Ministry), in collaboration with the Ministry of Health and Ontario Health, has led several initiatives to help address hospital capacity pressures and ensure people receive the right care in the right place. This includes implementing the *More Beds, Better Care Act, 2022* (formerly Bill 7), which amended the *Fixing Long-Term Care Act, 2021* to facilitate the transition of eligible hospital patients designated as ALC into a temporary long-term-care home while they wait for placement in a preferred home. The amendments authorize a placement co-ordinator to take certain actions in the long-term-care admission process (such as determining eligibility, selecting a home or authorizing admission) without consent of the ALC patient or their substitute decision-maker.

As part of the process, the placement co-ordinator will continually engage the patient, family, and caregivers, making every effort to seek the patient's consent at each stage of the process. However, if consent is not provided, the placement co-ordinator is authorized to move forward with assessing the ALC patient's eligibility for long-term-care home admission, selecting appropriate homes and applying to those homes for admission. If a long-term-care home licensee approves the patient's admission, the placement co-ordinator can authorize the admission.

The changes aim to support a conversation between the patient who is eligible for long-term-care home admission, the hospital and the long-term-care placement co-ordinator about how the patient's needs can best be met outside of hospital, in a long-term-care home.

In addition, the Ministry implemented other actions to support the objective of right care, right place, such as an increased investment in Behavioural Supports Ontario to better assist individuals with the transition into long-term care homes, and a new Local Priorities Fund (managed by Ontario Health) to support local solutions that can reduce avoidable hospital visits, and better support transfers from hospitals to long-term-care homes.

- *work with the Solicitor General to identify and establish agreements for alternative housing sites to facilitate proper cohorting;*

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

Details

In our 2021 audit, our research found that other jurisdictions identified alternative placements for patients designated as ALC. For example, in April 2020 in Saskatchewan, some rural hospitals were specifically dedicated to house patients designated as ALC. In Quebec, about 200 "transition" beds were created for seniors in the previously closed l'Hôtel-Dieu de Montréal hospital between April and August 2020. In Ontario, we found one example of an alternative placement for patients designated as ALC: St. Joseph's Continuing Care Centre in Sudbury transferred them to the Clarion Hotel beginning in April 2020.

In our follow-up, we noted that the Ministry will not implement this recommended action. The Ministry told us that the recommendation is not operationally appropriate. Instead, the Ministry has taken other actions to minimize the spread of infectious diseases. For example:

- Under the *Fixing Long-Term Care Act, 2021* (Act), long-term-care homes are required to prepare appropriately for emergencies by planning for evacuation and/or relocation of residents, identifying an area of the home to be used for isolating residents, and having a process to divide both staff and residents into cohorts to prevent the spread of infectious diseases.
- Long-term-care homes are required to work actively with local-level partners to plan for relocation and/or evacuation. This includes developing agreements with other homes and other community-based organizations.
- The Ministry is developing resources and tools for long-term-care homes to support future emergency planning related to the requirements under the new Act and its related regulations. It has consulted the Solicitor General while developing the regulations and will also engage with the Solicitor General when developing resources and tools in the future.
- The Ministry continues to support homes in developing appropriate approaches to relocating residents, as well as other emergency management activities, including through educational sessions.

However, given the role of the Solicitor General in overseeing and co-ordinating the province's emergency management through Emergency Management Ontario, we continue to support the recommendation to work with the Solicitor General to identify and establish agreements for alternative housing sites to facilitate proper cohorting.

- *develop emergency staffing plans to ensure that residents, whether in long-term-care homes or in alternative housing sites, receive proper care.*

  Status: Fully implemented.

Details

We found in our 2021 audit that while the *Long-Term Care Homes Act, 2007* (Act) required homes to have a staffing plan in place that provided for a staffing mix that was aligned with residents' care and safety needs, it did not specify any planning requirements for emergency situations, such as pandemics. As a result, at the outset of the pandemic, a series of reactionary steps were taken that ultimately put added pressure on long-term-care homes that were already struggling to contain the spread of COVID-19. For example, decision-makers, concerned about the risk of hospitals being overrun by an overwhelming influx of patients, took steps to transfer patients designated as alternate level of care (ALC) from hospitals to long-term-care homes. By the time the Ministry of Health, Ministry of Long-Term Care and Ontario Health ordered hospitals on April 15, 2020, to suspend transfers of patients designated as ALC to long-term-care homes, Public Health Ontario had reported that more than 933 residents and 530 staff had contracted COVID-19 in 104 different outbreaks.

In our follow-up, we found that the *Fixing Long-Term Care Act, 2021* (Act), which came into effect

in April 2022, includes, for the first time, preparations and responses to epidemics and pandemics. An accompanying regulation, Ontario Regulation 246/22, outlines additional emergency planning requirements.

Specifically, Ontario Regulation 246/22 s. 269 (1) states that long-term-care homes must have an emergency plan related to outbreaks of a communicable disease, outbreaks of a disease of public health significance, epidemics or pandemics. This plan should also include staffing contingency plans during an emergency for all programs required under the Act and Ontario Regulation 246/22.

The Ministry has also taken the following actions to address this recommendation:

- performed fall preparedness planning in collaboration with the Office of the Chief Medical Officer of Health;
- provided homes with additional guidance on home-level preparedness planning, including updates to the standard operating procedure in a COVID-19 outbreak and the need to have staffing contingency strategies in place;
- held webinars with homes to review the guidance; and
- performed targeted outreach with homes deemed higher-risk.

Recommendation 11

So that measures taken to control the spread of COVID-19 and future infectious disease outbreaks in long-term-care homes do not result in significant staffing shortages nor contribute to the deterioration of residents' mental and physical conditions, should the homes be impacted by future serious infectious disease outbreaks, we recommend that the Ministry of Long-Term Care, in developing its pandemic plan (under ***Recommendation 6****):*

- *identify and implement ways that residents' family caregivers and caregivers paid by residents' family members can continue to provide care to their loved ones while ensuring the health and safety of the home's residents;*

Status: Fully implemented.

Details

We found in our 2021 audit that the Chief Medical Officer of Health's directive limiting the number of people going into long-term-care homes had a negative impact on residents. Issued on March 30, 2020, the directive was intended to control COVID-19 outbreaks by limiting visitors to only those considered essential, such as food delivery, inspection, maintenance and health-care services; or those visiting a very ill or palliative resident. However, it also meant that residents' family members could not visit their loved ones for the months the directive was in effect (it was lifted on June 10, 2020). This lack of contact took an emotional toll on residents and their families, in many cases resulting in a deterioration in residents' physical condition.

In our follow-up, we found that the *Fixing Long-Term Care Act, 2021* (Act) and Ontario Regulation 246/22, which came into force on April 11, 2022, include new requirements to address the challenges experienced by long-term-care residents in maintaining access to their caregivers when visitor restrictions were implemented in response to the COVID-19 pandemic. Specifically:

- The Act has a section (Resident's Bill of Rights) that includes the right of all residents to have ongoing and safe support from their caregivers and assistance in contacting them. All long-term-care homes must respect and uphold this right.
- Ontario Regulation 246/22 includes a new definition for "caregiver" that specifically acknowledges and legitimizes the role played by caregivers (family members, friends and other persons of importance to a resident) in supporting the health and wellbeing of residents. All long-term-care homes must comply with the application of this definition to ensure consistency across all homes as to who may be designated as a resident's caregiver.
- Ontario Regulation 246/22 also requires all long-term-care homes to have a visitor policy that complies with the requirements set out in the regulation, including giving caregivers

continued access to homes during an outbreak, subject to any applicable laws.
- The new IPAC Standard issued under the Act includes requirements pertaining to the delivery of IPAC education and training to all staff, caregivers, volunteers, visitors, and residents.

The Ministry will also continue to monitor and support long-term-care homes, as they continue to implement the requirements set out under the Act and regulation.

- *based on lessons learned from the implementation of the single-site order in Ontario and other provinces, assess what approach can most effectively keep residents and staff safe while still allowing staff to work the hours they did prior to the single-site directive;*

- *develop backup staffing strategies that may be needed if staffing issues result from future outbreak and emergency situations;*

Status: Fully implemented.

Details

We found in our 2021 audit that there were concerns regarding the Province's single-site order, which restricted long-term-care staff from working in more than one home. The temporary order was issued on April 14, 2020, and was intended to control the spread of COVID-19. However, stakeholders expressed concerns that it further worsened the staffing shortage in the sector when home operators experienced difficulties hiring temporary staff to fill the vacant positions.

In our follow-up, we found that the single-site order was revoked on March 28, 2022, allowing employees to work at more than one long-term-care home. Also, under the *Fixing Long-Term Care Act, 2021* (Act) and Ontario Regulation 246/22, long-term-care homes are now required to define roles and responsibilities for staff during emergencies. All departments within each long-term-care home should understand the roles and responsibilities they will have, and what contingency plans they can use if there is a staff shortage.

In addition, we noted that Ontario Regulation 246/22 includes certain pandemic provisions related to backup staffing strategies. For example:

- Each home's staffing plan must comply with the following requirements:
  - Provide for a staffing mix that is consistent with residents' assessed care and safety needs that meets the requirements set out in the Act and this Regulation.
  - Include a backup plan for nursing and personal care staffing that addresses a situation when staff, including the staff who must provide nursing coverage required under subsection 11(3) of the Act, cannot come to work.
- With respect to the 24-hour nursing requirement, some flexibility is provided, so that if a pandemic prevents a registered nurse from getting to the home, other staff may be specified as a sufficient substitute for the registered nurse, subject to certain requirements and conditions.

As well, the COVID-19 Guidance Document for Long-Term Care Homes in Ontario, along with the Ministry of Health's Contact Case Management, provides guidance to homes regarding safe ways for staff to work in multiple homes in an outbreak, in addition to providing opportunities for caregivers to support more than one resident.

- *assess whether monies provided to long-term-care homes for staffing remedies was used for the purposes intended.*

Status: Fully implemented.

Details

We found in our 2021 audit that the Ministry did not have information on the proportion of eligible workers who had not yet received their pandemic pay, and the Ministry did not track when monies were paid to eligible workers. The Province announced in late April 2020 that frontline workers would receive a temporary pandemic payment of a $4-an-hour pay bump for 16 weeks, from April 24 to August 13, 2020, along with a monthly lump sum payment of $250 for those working more than 100 hours in that month. The Ministry distributed the pandemic pay to the home operators, who were then responsible for paying their

staff. By June 30, 2020, however, $105.7 million, or 30%, of the $346.6 million that was approved had still not been paid to the homes.

In our follow-up, we noted that the Ministry has an annual accounting and reconciliation process (called the Long-Term Care Home Annual Reconciliation Report) in place to assess whether monies provided to long-term-care homes for staffing remedies was used for the intended purpose of increasing direct-care time for residents.

Through this process, the Ministry will match the funding provided to homes each calendar year against the expenditure reported in the Annual Report. Unused funds are required to be returned to and recovered by the Ministry in accordance with the annual reconciliation process.

Licensees of homes must ensure that the Annual Report is audited by a public accountant licensed under the *Public Accounting Act, 2004*, or in certain exceptions under the *Fixing Long-Term Care Act, 2021* or the *Long-Term Care Homes Act, 2007*, the Annual Report may be audited by the municipal auditor who audits the books of account and ledgers of the home.

Delays, Unclear Communications and Lack of Enforcement by Long-Term Care Ministry Hampered Effectiveness of Measures to Contain COVID-19

Recommendation 12

So that long-term-care home operators can effectively implement the measures to control the spread of COVID-19 and other potential future infectious diseases in a timely manner, we recommend that the Health Coordination Table, the Chief Medical Officer of Health and the Ministry of Long-Term Care:

- *in an expedient manner, clarify to whom the requirements and restrictions apply, and the precautions that must be taken by home operators where requirements allow for exceptions;*

  Status: Fully implemented.

Details

In our 2021 audit, we heard from the stakeholder groups that the Chief Medical Officer of Health's first mandatory instruction (Directive #3, issued on March 22, 2020), which contained most of the mandatory instructions for long-term-care homes, included unclear language and guidance. This resulted in homes inconsistently interpreting the instructions (related to prohibiting residents from leaving homes for short-stay absences and limiting the number of homes that staff work at). For example, Directive #3's restriction on admissions to homes during the pandemic did not initially differentiate new admissions from readmissions. Therefore, in some cases, residents who left the home for an essential medical treatment were initially not able to return to it.

In our follow-up, we found that clarification has been provided to long-term-care homes in various ways with respect to whom the requirements and restrictions apply to, and the precautions that must be taken by home operators where requirements allow for exceptions. For example:

- The Ministry's Guidance Document for long-term-care homes in Ontario was released in May 2021 to help homes interpret and meet the government's requirements related to the pandemic. For example, the document sets out how homes can safely resume certain activities with precautions.
- Over the course of the pandemic, the Ministry updated guidance to the sector, based on advice from the Office of the Chief Medical Officer of Health.
- The Minister's Directive (COVID-19 Response Measures for Long-Term Care Homes) and the accompanying guidance documents (COVID-19 Guidance Document for Long-Term Care Homes in Ontario and COVID-19 Guidance: Long-Term Care Homes, Retirement Homes and Other Congregate Living Settings for Public Health Units) remain in effect and support homes in navigating the ongoing COVID-19 pandemic. The Directive outlines requirements outside of the *Fixing Long-Term Care Act, 2021* and the

regulations that homes must follow throughout the course of the pandemic to ensure the safety of residents and staff. These documents apply to all individuals entering long-term-care homes. Should there be an exception, applicable information follows throughout the document to ensure the safety of those living and working in long-term care. For example, homes are not permitted to prohibit visitors for palliative or end-of-life residents. If these individuals fail screening, they must be permitted entry, but homes must ensure that they wear a medical (surgical or procedural) mask and maintain physical distance from other residents and staff.

The Ministry and the Office of the Chief Medical Officer of Health will continue to work together to update the applicable documents to best reflect the changing status of the pandemic in the sector.

- *follow the precautionary principle when determining whether to make infectious disease containment measures voluntary versus mandatory.*

Status: Fully implemented.

Details

In our 2021 audit, we found that the delay in requiring long-term-care homes to implement containment measures was an example of the precautionary principle not being followed in as timely a manner as needed. (The precautionary principle dictates that, where there is reasonable evidence of an impending threat to public harm, reasonable efforts to reduce risk should be taken without waiting for scientific certainty.) For example, our report on Outbreak Planning and Decision-Making (see Chapter 2 of our Special Report on COVID-19 Preparedness and Management) noted that an Associate Medical Officer of Health at one of the public health units in Ontario emailed the Chief Medical Officer of Health on March 18, 2020, and stated that requiring long-term-care home workers to wear masks at all times while in the facility was an urgent priority. By the time the Chief Medical Officer of Health issued the directive to homes to require all staff and essential visitors to wear masks on April 8, three weeks later, Public Health Ontario had reported 498 resident and 347 staff cases of COVID-19, and 86 resident deaths, in long-term-care homes.

In our follow-up, we found that the precautionary principle has been followed when determining whether to make infectious disease containment measures voluntary versus mandatory. For example:

- Ontario Regulation 246/22, which came into force in April 2022, states that a home's IPAC program must be implemented in a manner consistent with the precautionary principle as set out in the standards and protocols issued by the Director and the most current medical evidence. The IPAC Standard issued under the regulation also includes additional requirements for the application of the precautionary principle.
- Ontario Regulation 246/22 also states that the licensee shall implement (a) any surveillance protocols issued by the Director for a particular communicable disease or disease of public health significance; and (b) any standard or protocol issued by the Director with respect to infection prevention and control.
- In collaboration with Public Health Ontario and IPAC Canada, the Ministry hosted a webinar for long-term-care homes November 23, 2022, on Infectious Disease surveillance approaches and tools.

Recommendation 13

To confirm that long-term-care homes are sufficiently implementing mandated measures to control the spread of COVID-19 in long-term-care homes, we recommend that the Ministry of Long-Term Care work with public health units to clarify roles and responsibilities and work in formal partnerships to conduct inspections of long-term-care homes for compliance with Directive #3, which is issued under the Health Protection and Promotion Act.

Status: In the process of being implemented by March 2024.

Details

We found in our 2021 audit that confusion around the roles and responsibilities for enforcing Directive #3

(which contained most of the government's mandatory instructions for long-term-care homes) had the potential to create a gap in promoting and enforcing IPAC principles in homes. Public health units consistently told us that more clarity was needed because they found that the oversight of long-term-care homes was unclear and fragmented. We were especially concerned about whether steps had been taken to ensure homes understood and stayed current with the various IPAC-related measures mandated in the many updates and iterations of Directive #3.

In our follow-up, we found that the Ministry's Long-Term Care Inspections Branch has collaborated with public health units at the District Office level (formerly Service Area Office) to clarify roles and responsibilities and work in formal partnerships with respect to inspections of long-term-care homes.

Specifically, the Ministry's Long-Term Care Inspections Branch has completed a new "ecosystem" document, in consultation with the Ministry of Health, Ministry of Labour, Immigration, Training and Skills Development, Ontario Health, and Public Health Ontario. This document provides an overview of the key government ministries, agencies, and other organizations (including public health units) that play a role in the long-term-care home "ecosystem" within Ontario, including those organizations that conduct inspections.

The Ministry's Long-Term Care Inspections Branch will continue to explore the potential for more formal partnerships and to distribute the "ecosystem" document. This work is expected to be completed by March 2024.

Ministry's Oversight of Homes Before and During COVID-19 Pandemic Ineffective in Addressing Repeat Non-Compliance

Recommendation 14

So that risks, systemic issues and instances of non-compliance at long-term-care homes are identified and addressed before they result in even more significant negative outcomes for residents, we recommend that the Ministry of Long-Term Care (Ministry):

- *determine the level of inspection staff needed to conduct proactive comprehensive inspections while also effectively addressing complaints and incident reports in the required timelines in accordance with legislation and Ministry policies;*

  Status: Fully implemented.

Details

In our 2021 audit, we reviewed documentation provided to us by the Ministry regarding its decision to discontinue comprehensive inspections. We found that the decision was made by Ministry management in order to address the growing backlog of complaints and critical incident reports that required inspection or inquiry by the same staff that would have been involved in the comprehensive inspections. The Ministry did not have the level of staff needed to continue conducting comprehensive inspections while simultaneously addressing the backlog.

In our follow-up, we found that, as of February 2023, the Ministry has hired 193 new long-term-care inspections staff, including 156 new inspectors. These new hires double the number of inspectors in the field to proactively visit long-term care homes in the province, while continuing reactive inspections to promptly address complaints and critical incidents.

To determine the level of inspection staff needed to conduct proactive inspections while also effectively addressing complaints and critical incidents in the required timelines, the Ministry's Long-Term Care Inspection Branch has developed a resource plan highlighting the number of additional inspectors required to sustain the total workload, while allocating those inspectors based on regional circumstances.

The total projected workload has been identified based on the following factors:

1. The average number of net new intakes per month.
2. The average number of backlogged intakes per month.
3. The number of new beds and homes that are expected to be onboarded by 2025/26.
4. The number of new proactive inspections to be completed.

- *conduct annual comprehensive inspections of all homes including specific issues of care that are the subject of ongoing complaints, incidents and previous issues of non-compliance with legislation and regulations;*

  Status: In the process of being implemented by December 2025.

Details

We found in our 2021 audit that proactive comprehensive inspections could yield more meaningful information and result in more profound improvements to a home's systemic operations than complaint and critical incident inspections. The latter are reactive and occur only after a potentially harmful incident has occurred involving a resident, whereas the former can help identify risks and problems before they result in more serious outcomes for residents. However, complaints and incident reports require timely follow-up to protect residents from immediate concerns that cannot always wait for a comprehensive inspection.

In our follow-up, we found that the Ministry developed a new Proactive Inspection Program (PIP), which was launched on November 22, 2021. Under the PIP, inspectors will conduct a resident-focused proactive inspection using a prescriptive approach, including specific inspection protocols to determine compliance with the *Fixing Long-Term Care Act, 2021*.

The purpose of the PIP is to improve oversight of the sector and to improve resident quality of life and safety. The PIP emphasizes resident-centred inspections, which are based on direct discussions with residents or families, and focus on resident care needs and the home's programs and services.

A total of 124 Proactive Compliance Inspections (PCIs) were completed as of August 15, 2023. Data collected from the first six months of conducting PCIs indicates that PCIs have helped identify issues in the sector that would not have otherwise been found through Complaints or Critical Incident System inspections.

The Ministry expects that every home will receive a PCI by end of 2025. The PIP will continue to evaluate the effectiveness of PCIs and all other types of inspection.

- *develop an inspection protocol focused on directly inspecting residents' plans of care;*

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

Details

We found in our 2021 audit that non-compliance related to residents' plans of care was identified as the number one issue through comprehensive inspections. However, we noted that the Ministry does not have a specific inspection protocol focused on reviewing a sample of plans of care to confirm that residents are receiving care in accordance with their plans of care.

In our follow-up, the Ministry informed us that this recommended action will not be implemented because questions related to plans of care have already been embedded into each of the 12 existing resident-centred inspection protocols, which include focused questions related to inspecting residents' plans of care around a specific issue (for example, continence care).

Therefore, for any inspections specifically related to the residents' plans of care, the existing Personal Care and Support Services Inspection Protocol can be used. This is a mandatory inspection protocol to be used in the new Proactive Compliance Inspections (PCIs), as discussed in the second action item of **Recommendation 14**.

Since the existing inspection protocol chosen by the inspector for the specific concern will already have questions related to the residents' plans of care embedded, a new inspection protocol is not required.

However, given that the Ministry's inspections have identified non-compliance related to residents' plans of care as the number one issue, we continue to support the implementation to develop an inspection protocol focused on this issue.

- *review and improve its triaging policy so that outbreaks reported by long-term-care homes are properly investigated.*

  Status: Fully implemented.

Details

We found in our 2021 audit that, from 2016 to 2019, there were an average of 1,150 acute respiratory infection outbreaks per year at homes across the province. The Ministry responded to only 10% of these outbreaks, while the remaining 90% of reported outbreaks were deemed to require no further action or inspection because they did not meet the definition of a "trend" under the Ministry's triaging policy. A trend was identified when there was a pattern or repetition of the same type of incident/issue that had occurred three times in a six-month period—for example, if a home reports three outbreaks within six months. So, under this triaging policy, a home that reported an outbreak in January and February and then again in November would not be inspected.

In our follow-up, we found that the Ministry has reviewed and improved its triaging policy so that outbreaks reported by long-term-care homes are properly investigated. The updated triage policy (called the Triage Policy and Disease Outbreak Assessment Guidance), which includes a new section related to triaging outbreaks, was approved and implemented by August 2023. The Disease Outbreak Assessment Guidance is a companion document to the triage policy, providing specific criteria and questions to be used to assess and triage an outbreak.

Recommendation 15

So that long-term-care home operators who repeatedly do not comply with legislative requirements to provide residents with a home where they may live with dignity and in security, safety and comfort, and have their needs met are appropriately held accountable, we recommend that the Ministry of Long-Term Care (Ministry):

- *analyze the nature and extent of the instances of non-compliance it has identified, including determining the root cause of the instances;*

  Status: In the process of being implemented by March 2026.

Details

We found in our 2021 audit that the Ministry still had not implemented the recommendations from our 2015 report aimed at addressing the issue of repeated non-compliance by long-term-care home operators. This is despite an increase in compliance orders since 2016 (from an average of 783 compliance orders per year from 2012 to 2014 to an average of 931 per year from 2015 to 2019).

In our follow-up, we found that the new Proactive Inspection Program (PIP), as discussed in the second action item of **Recommendation 14**, is part of the Ministry's plan to improve oversight of the long-term-care sector and to improve resident quality of life and safety. The results of the proactive inspections will assist the Ministry and long-term-care homes in determining areas of focus where the homes can benefit from additional tools such as guidance materials and best practices. This information can help guide the future Long-Term Care Quality Centre (Quality Centre) in determining priorities. The Ministry has consulted on the proposed Quality Centre's scope of services, governance structure, program design and cost structure. Pending government direction, the Ministry is targeting the launch of the Quality Centre in 2024/25.

The Ministry started conducting proactive inspections in November 2021. A total of 124 Proactive Compliance Inspections (PCIs) had been completed as of August 15, 2023. Every home will receive a PCI by end of 2025. The Ministry will continue to evaluate the effectiveness of PCIs and all other types of inspection.

Data collected from the first six months of conducting PCIs indicates that the PCIs have helped identify issues in the sector that would not have otherwise been found through Complaints or Critical Incident System inspections. The Ministry will continue to analyze the nature and extent of the instances of non-compliance it has identified, including determining the root causes of the instances. It expects to complete this work by March 2026.

- *determine, based on the results of this analysis, when a supportive approach can be taken, including*

the reasons why it would be better than taking firm enforcement action;

- *develop a strategy for providing the necessary supports where a supportive approach is necessary and appropriate;*

  Status: In the process of being implemented by March 2026.

Details

In our 2021 audit, we found that homes had continued to be non-compliant with legislative requirements since our 2015 audit of the Ministry's inspection program. During follow-up work for our 2015 audit, the Ministry told us that it had decided to not implement any fines or penalties for instances of non-compliance; instead, it would take a "supportive" approach to overseeing homes (for example, by providing more funding for increased staffing or training). We had significant concerns about this decision. First, the Ministry could not explain what its supportive approach entailed or how it intended to implement it. Second, in our view, the increasing levels of and trends in non-compliance suggested underlying issues that needed to be addressed.

In our follow-up, we found that the *Fixing Long-Term Care Act, 2021* (Act) and Ontario Regulation 246/22, which were brought into force on April 11, 2022, gave the Ministry some new tools to help it implement its preferred supportive approach to overseeing long-term-care homes. First, the Act enables the creation of the Long-Term Care Quality Centre (Quality Centre); second, it enables inspectors to order long-term-care homes to require their staff to undergo training.

The Ministry consulted with relevant stakeholders from January to March 2023, and plans to analyze this feedback to help it determine the proposed Quality Centre's mandate, governance structure, scope of services, program design and cost structure. Pending government direction, the Ministry is targeting the launch of the Quality Centre in 2024/25. Together with its work to analyze the nature and extent of the non-compliance instances it has identified, including determining their root causes (as discussed in the first action item of **Recommendation 15**), the Ministry expects to determine when a supportive approach can be taken to address instances of non-compliance in long-term-care homes, and to develop a strategy for providing the necessary supports to correct them. It expects to complete this work and implement these recommendations by March 2026.

- *monitor the extent to which better outcomes result from a supportive approach (in other words, establish using clear evidence whether or not a supportive approach demonstrably improves residents' quality of life and decreases the incidence of conditions and events that diminish quality of life);*

  Status: In the process of being implemented by June 2024.

Details

We found in our 2021 audit that, while some issues may be better addressed using a supportive approach that, for example, provides additional funding, staffing, training or guidance to long-term-care homes, other issues may require the firmer hand of enforcement to ensure that homes are places where residents live with dignity and in security, safety and comfort, and where residents' needs are met, as envisioned in the *Long-Term Care Homes Act, 2007*. For example, our 2015 audit of the Long-Term-Care Home Quality Inspection Program highlighted instances of sexual harassment and verbal and physical abuse of residents that were not resolved for four to eight months after the Ministry issued the initial compliance order, with the Ministry having to subsequently issue another compliance order.

In our follow-up, we found that the Ministry has started identifying and developing quality-of-care and quality-of-life indicators as part of the development of a Quality Framework for Long-Term Care (Quality Framework). The Quality Framework will offer a consistent definition of quality of life and quality of care, and will identify recommended performance metrics by which the government and sector partners can assess the performance of long-term-care homes. The Ministry completed a draft Quality Framework and identified potential indicators using a Delphi process, which is a process used to arrive at a group opinion or decision by consulting a panel of experts. The Ministry

is consulting experts in the long-term-care sector on the draft Quality Framework and the (more than 70) indicators identified with a view to focusing on key initial indicators. It expects to complete this work by June 2024.

- *take stronger enforcement actions where monitoring shows that a supportive approach has not led to better outcomes;*

  Status: In the process of being implemented by March 2026.

Details

We found in our 2021 audit that, despite the increase in compliance orders since 2016, the Ministry still had not implemented the recommendations from our 2015 report aimed at addressing the issue of repeated non-compliance by long-term-care home operators. One of those recommendations was that the Ministry strengthened its enforcement processes to promptly address repeated non-compliance, including determining when to escalate to stronger levels of enforcement actions. However, the Ministry told us during our 2020 continuous follow-up work that it would be taking a "supportive" rather than a punitive approach to overseeing homes.

In our follow-up, we found that the *Fixing Long-Term Care Act, 2021* (Act) and Ontario Regulation 246/22, which were brought into force on April 11, 2022, include enhanced enforcement options (for example, administrative monetary penalties, licence suspensions, increased fines for offences) available to the inspectors and Director if repeated non-compliance is found, as well as a new process where inspectors can note in their reports the incidents of non-compliance that were remedied before the end of the inspection.

As discussed in the second action item of **Recommendation 15**, the Act also enables the creation of the Long-Term Care Quality Centre (Quality Centre). The Ministry consulted on the proposed Quality Centre's scope of services, governance structure, program design and cost structure. Since the Quality Centre would be one part of a supportive approach, and would help the Ministry define when stronger enforcement actions should be used if a supportive approach has not led to better outcomes, this recommended action would require the Quality Centre to be established in order to fully implement. Pending government direction, the Ministry is targeting to launch the Quality Centre in 2024/25.

- *revisit proclaiming the 2018 amendments to the* Long-Term Care Homes Act, 2007 *that would allow the Ministry to issue penalties; and*
- *establish the criteria and circumstances when home operators must pay penalties with the proclamation of the outstanding 2018 legislative amendments.*

  Status: Fully implemented.

Details

We found in our 2021 audit that, despite the increase in compliance orders since 2016, the Ministry still had not implemented the recommendations from our 2015 report aimed at addressing the issue of repeated non-compliance by long-term-care home operators. One of those recommendations was that the Ministry evaluate the use of other enforcement measures, such as issuing fines or penalties to long-term-care homes. In 2018, the Province passed amendments to the *Long-Term Care Homes Act, 2007* and Ontario Regulation 79/10 to allow fines and penalties. However, at the time of our 2020 continuous follow-up, the amendments had not yet been proclaimed. The Ministry told us during our 2020 continuous follow-up work that it had decided against implementing fines or penalties in favour of using a supportive approach to fixing issues of non-compliance.

In our follow-up, we found that Section 158 of the *Fixing Long-Term Care Act, 2021* (Act) and Section 349 of Ontario Regulation 246/22 provide for a regime of administrative penalties that inspectors are required to issue where non-compliance has been found and the long-term-care home had also failed to comply with that same requirement at any time during the previous three years. Each time the home fails to comply with the same requirement, the amount of the penalty would increase. The regime also provides authority for the Director of Inspections to issue a penalty on the first compliance order.

Between April 11, 2022 and August 24, 2023, 104 administrative monetary penalties at a total dollar value of $428,100 have been served to non-compliant long-term-care homes, and 12 reinspection fees at a total dollar value of $6,000 have been served.

Recommendation 16

So that the Ministry of Long-Term Care (Ministry) can better utilize its inspection function in cases of infectious disease outbreaks and other types of emergencies, we recommend that the Ministry:

- *immediately establish the criteria for when inspectors will be required to do their work on-site during an emergency such as a pandemic and what type of work they will be required to do;*

  Status: Fully implemented.

Details

We found in our 2021 audit that the first on-site inspection began on May 8, 2020—51 days after the first case of COVID-19 involving a long-term-care home resident was recorded on March 18, 2020. We reviewed the reports for all 30 inspections conducted from May 8 to May 31, 2020 and noted that half were still conducted remotely from inspectors' homes and not on-site. In one-third of cases, inspectors performed a portion of their inspections on-site and others remotely or off-site. In summer 2020, the Ministry updated its inspection policy and guideline, which outlined the inspection approach, including when inspections could be conducted off-site, during the COVID-19 pandemic. The policy left the decision of when an inspection could be conducted off-site up to the inspectors and their managers and did not outline criteria to be considered.

In our follow-up, we found that the Ministry has developed two new policies with criteria on when long-term-care home inspectors will be required to conduct their inspections during an emergency or a pandemic:

1. Preparing On-site Inspections During an Emergency Policy.
2. Preparing On-site Inspections During a Pandemic Policy.

These documents will assist the Ministry's Long-Term Care Inspections Branch staff to prepare for a potential emergency or pandemic, and to determine whether all appropriate safety measures are in place before inspectors enter long-term-care homes for inspections during an emergency or pandemic. In particular, the Preparing On-site Inspections During a Pandemic Policy outlines specific requirements during different stages of a pandemic. For example:

- The Manager of the Policy and Specialized Services Unit will lead the review of the Ontario Public Service (OPS)-wide or Ministry pandemic plan, and have a team meeting every August to review for any updates.
- The Manager of the Training and Development Unit will ensure that new and existing staff are trained in the procedures of inspecting during a pandemic.

- *immediately prioritize and conduct required on-site inspections of long-term-care homes, such as those related to infection prevention and control and repeated non-compliance, based on assessed risks;*

  Status: Fully implemented.

Details

We found in our 2021 audit that inspectors could not adequately address complaints received from residents and family members because they were not able to conduct on-site inspections during the first months of the pandemic. Inspectors were instructed to call long-term-care homes to determine whether there were non-compliance issues related to the complaints, but they could not verify whether the information the homes gave them—including whether the issues were addressed—was complete and accurate.

In our follow-up, we found that the Ministry has made the following changes to inspection processes that help immediately prioritize high-risk complaints and critical incidents:

- A risk level is assigned once information about the homes is received. Such information will be monitored by each District Office (formerly Service Area Office) to ensure benchmark

timelines are met. Where serious harm or immediate risk is identified, an immediate on-site inspection is initiated.
- Where an inspection has resulted in a compliance order, a follow-up on-site inspection is prioritized within 30 business days of the compliance due date. These high-risk inspections are monitored by each District Office with additional oversight by the Senior Management Team.
- As of January 18, 2021, each newly initiated inspection for any reason must also include an on-site inspection of Infection Prevention and Control (IPAC) measures using an IPAC Observational Checklist depending on the home's status of being in a declared COVID-19 outbreak or other outbreak.

- *in cases of infectious disease outbreaks, have available a reliable supply of personal protective equipment and provide it to inspectors, along with the safety training required for them to conduct effective on-site home inspections.*

Status: Fully implemented.

Details

We found in our 2021 audit that inspectors were not fully trained and equipped with personal protective equipment (PPE) to safely conduct inspections until May 1, 2020. According to the Ministry, sending inspectors without appropriate preparation into homes that had COVID-19 outbreaks would have put inspectors, residents and staff at risk. This concern was also raised by the Ontario Public Service Employees Union in April 2020. As a result, there were no on-site inspections until May 8, 2020.

In our follow-up, we found that the Ministry's inspectors have been equipped with a supply of PPE since May 2020 and each inspector is responsible for monitoring and notifying the respective Administrative Assistant within their District Office (formerly Service Area Office) when the PPE supply is low. Each District Office is responsible for monitoring and reordering PPE to maintain an adequate inventory. On October 14, 2021, each District Office made a PPE inventory list, and they are expected to update this each year as part of the Preparing for On-site Inspections During a Pandemic Policy.

In addition, inspectors were required to complete IPAC training in April 2020 before doing an inspection. Since then, the Ministry provided staff with an updated IPAC Training Offering Checklist (including newly added resources) in April and May 2021. All new staff are required to complete the same training during onboarding.

Chapter 2
Section
2.03

Ministry of Public and Business Service Delivery

Follow-Up on *October 2019 Special Report*: Tarion Warranty Corporation

RECOMMENDATION STATUS OVERVIEW						
		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 5	1	1				
Recommendation 6	3		2	1		
Recommendation 7	2	2				
Recommendation 9	1			1		
Recommendation 14	1	1				
Recommendation 17	1	1				
Recommendation 18	2			2		
Recommendation 21	3	2	1			
Recommendation 22	1			1		
Recommendation 25	3	3				
Total	**18**	**10**	**3**	**5**	**0**	**0**
%	**100**	**55**	**17**	**28**	**0**	**0**

Note: This table includes only those recommended actions that were not documented as fully implemented in our 2021 follow-up report.

Overall Conclusion

In our *2019 Special Audit of the Tarion Warranty Corporation* (Tarion), we made 32 recommendations, consisting of 76 action items, to address our audit findings. In 2021, we conducted a follow-up on our recommendations. This follow-up report can be found in **Chapter 2, Section 2.01** of our *2021 Annual Report*. As of November 16, 2021, 86% of the recommended actions that were specifically directed to Tarion had been fully implemented, and 29% of the recommended actions directed to the Ministry of Public and Business Service Delivery (Ministry), formerly the Ministry of Government and Consumer Services, had been fully implemented. Combined, Tarion and the Ministry had fully implemented 76% of the actions we recommended in our 2019 Special Report. Tarion and the Ministry had made progress in implementing an additional 17% of the recommended actions, and had made little progress in implementing 7% of the recommended actions. At the time of our 2021 follow-up, 18 action items from 10 recommendations had not been fully implemented. In 2023, we conducted a second

follow-up on these 18 recommended actions. The status of actions taken on each of these recommendations is described in this report.

As of October 27, 2023, Tarion, the Ministry and the Home Construction Regulatory Authority (HCRA) have fully implemented 55% of the 18 recommended actions that were outstanding since our last follow-up in 2021. Progress has been made in implementing an additional 17% of the recommended actions.

For example, Tarion has developed a process whereby builders are expected to provide an extension of the warranty for items reported as unfinished or missing when a home has met the minimum occupancy standard and the homebuyer has taken possession. Tarion has also ensured that the one-year warranty coverage begins only after the items are finished. In addition, in February 2023, HCRA was given the regulatory authority to issue fines directly to any individuals and/or corporations found to have engaged in illegal home construction. Also, the Ministry has implemented a process to collect, track and analyze information from Tarion.

However, little progress has been made on 28% of the 18 recommended actions that were outstanding since our last follow-up in 2021. For Tarion, this includes reducing the amount of time provided to builders to resolve defects before stepping in to help homeowners. The Ministry and the HCRA have also made little progress on imposing restrictions on the owner-built exemption to reduce illegal building in Ontario, such as those in place in British Columbia. As of October 27, 2023, cumulatively, Tarion, HCRA, and the Ministry have fully implemented 68 of the 76 recommended actions (90%) from our 2019 Special Audit of the Tarion Warranty Corporation. This includes:

- 52 of 55 recommended actions (95%) fully implemented by Tarion;
- six of seven recommended actions (86%) fully implemented by HCRA; and
- 10 of 14 recommended actions (71%) fully implemented by the Ministry.

Background

In 1976, the Ontario government named Tarion Warranty Corporation (Tarion) as the not-for-profit body responsible for administering the *Ontario New Home Warranties Act* (Act). The Ministry of Public and Business Service Delivery (Ministry) oversees Tarion.

When it was created, Tarion was responsible for licensing homebuilders and promoting their compliance with the Act to ensure homebuilders honour their warranties on materials and workmanship in new homes. Beginning on February 1, 2021, the Ontario government designated the Home Construction Regulatory Authority (HCRA) as the body responsible for licensing homebuilders.

In 2022, about 73,400 (69,000 in 2020) new homes were enrolled with Tarion and 6,691 (5,795 in 2020) homebuilders were licensed by HCRA. Tarion promotes compliance by Ontario's licensed homebuilders with their statutory builders' warranty obligations on new homes (a total of about 392,600 at the end of 2022). Tarion does not offer warranties; however, it helps resolve warranty disputes and provides financial aid to homeowners or arranges for repairs when it determines that builders failed to honour a warranty or declared bankruptcy.

In 2022, Tarion received about 65,000 (68,000 in 2020) requests for help, most of which were resolved with no direct intervention by Tarion, and Tarion paid out $36.4 million ($23 million in 2020) to about 1,500 (800 in 2020) homeowners. Tarion receives its revenues from enrolment fees and investment income on its Guarantee Fund. With the creation of the HCRA, Tarion stopped collecting licensing fees, decreased its average enrolment fee by $55 and began collecting a $145 plus Harmonized Sales Tax (HST) regulatory oversight fee for every home enrolled on behalf of the HCRA. Historically, the regulatory oversight fee that Tarion collected was remitted back to HCRA on a weekly basis. However, Tarion stopped collecting that

fee on behalf of the HCRA beginning on May 1, 2023 (the HCRA now collects the fee). Tarion's annual expenditures for 2022 were about $91.6 million ($61 million in 2020), while HCRA's were about $11.3 million in fiscal year 2022/23. Tarion is overseen by a 12-member board of directors and employs about 350 people. HCRA is overseen by a nine-member board of directors and employs about 75 people.

In our 2019 audit, we found that some Tarion processes were difficult for homeowners to navigate, resulting in the denial of thousands of requests for help, and that the Ontario Home Builders' Association had disproportionate influence over Tarion. In addition, the 2019 audit found that laws meant to deter illegal homebuilding were largely ineffective. From 2009 to 2018, Tarion had paid homeowners about $19.8 million to cover the cost of warranty repairs on 869 illegally built homes.

Other 2019 significant audit findings include:

- In about 65% of the 6,485 requests that Tarion assessed from 2014 to 2018, Tarion found that the builder should have fixed the defects under warranty but did not.
- Between 2014 and 2018, Tarion refused assistance on about 9,700 requests because the homeowners had missed their 30-day deadlines, many by a single day. Homeowners may ask Tarion for help with defects in their homes covered by a one-year warranty by submitting a form only in the first 30 days or the last 30 days of the first year of occupancy, unless it is an emergency. By missing the first 30-day deadline the homeowner is still eligible for the builder's warranty coverage, but Tarion will not help the homeowner by holding the builder accountable.
- Builders who refused to honour some of their warranties, causing Tarion to pay out compensation to homeowners, were able to renew their licences. Until 2012, Tarion's policy was to renew builders' licences regardless of the fact that the builders had put up homes with major structural defects. Some builders whose licences were revoked returned legally to the industry by creating a new company or partnering with an existing one.
- Tarion's online Ontario Builder Directory was missing data about some builders' poor warranty records, Building Code violations and convictions for illegally building homes, and its own investigations into complaints.
- Tarion licensed builders after homeowners alleged that they acted dishonestly and broke the law. As of June 30, 2019, Tarion had a backlog of 41 complaints about builders' dishonest conduct that it had not investigated, all of which were outstanding for more than six months. Five of the allegations were flagged as very serious, but Tarion had yet to investigate or forward them to the appropriate bodies.
- Tarion's call centre fields about 90,000 calls a year. In a sample of 50 calls recorded between February 1, 2019, and March 31, 2019, we found that in 14% of cases, Tarion's response to caller questions was inaccurate and/or not helpful.
- Tarion based security deposits it collects from builders on outdated information (for example, home values that were lower than the homes' current values), while paying out claims based on current values. Over 10 years, it recovered only about 30% of the $127 million in claim payouts it made from its Guarantee Fund.
- The information Tarion communicates about its role could lead some to believe that it, rather than builders, provides the warranty. Thus, it is not always clear to homeowners that they can submit warranty claims to their builders.
- Tarion's senior management was rewarded for increasing profits and minimizing financial aid paid to homeowners.

Standing Committee on Public Accounts

On November 27, 2019, the Standing Committee on Public Accounts (Committee) held a public hearing on our 2019 audit of Tarion Warranty Corporation. In February 2021, the Committee tabled a report on this hearing in the Legislature. The Committee endorsed our findings and recommendations, and made 18 additional recommendations. The Ministry of Public and Business Service Delivery (Ministry) reported back to the Committee on June 22, 2021. In 2021, we conducted a follow-up on the Committee's recommendations. This follow-up report can be found in **Chapter 3, Section 3.06** of our *2021 Annual Report*. As of November 16, 2021, 67% of the Committee's recommended actions had been fully implemented, 18% of the recommended actions were in the process of being implemented and there was little or no progress on 11% of the recommended actions. In addition, 4% of the recommended actions were no longer applicable. In 2023, we conducted a second follow-up on the Committee's recommended actions that were not fully implemented as of November 16, 2021. Our follow-up on the Committee's recommended actions that were not fully implemented is found in **Chapter 3**, **Section 3.05** of our *2023 Annual Report*.

Status of Actions Taken on Recommendations

We conducted assurance work between March 2023 and October 2023. We obtained written representation from Tarion, HCRA and the Ministry that effective November 20, 2023, they had provided us with a complete update of the status of the recommended actions that were not documented as fully implemented in our 2021 follow-up report.

Importance of Homebuyers Understanding the Pre-Delivery Home Inspection Process

Recommendation 5

To better protect homeowners who take occupancy of an unfinished house so that they retain their full and reasonable warranty rights, we recommend that Tarion Warranty Corporation address the issue of warranty coverage beginning before a house is finished by:

- *developing a warranty that will protect homebuyers for unfinished items in their homes once the home has met the minimum occupancy standard, and ensuring that the one-year warranty coverage begins only after the items are finished.*

Status: Fully implemented.

Details

In our 2019 audit, we found that Tarion's use of the Ontario Building Code's definition of a finished house/condominium (home) effectively diminished homeowners' warranty rights by potentially shortening the warranty coverage period. During this period, builders have the right to initiate their warranty coverage as of the time a house meets the Ontario Building Code's minimum occupancy requirements, which only requires that limited plumbing fixtures be complete and operational. Once the minimum occupancy requirements are met, a builder can require a homebuyer to take possession of a house, and thus, some builders could shorten their warranty coverage period by the amount of time it takes them to complete any outstanding work after the day they require the homebuyer to take possession of the unfinished house. During our 2019 audit, Tarion told us that it had no official policy to ask builders to extend the warranty for uninstalled items.

In our follow-up, we found that beginning on March 1, 2023, Tarion required builders to provide a new one-year extension of the warranty for items reported as missing or not installed as of the date a homebuyer takes possession of their home. The

warranty for missing items starts on the date the builder installs the missing item. This extension of the warranty applies to items identified on warranty forms submitted by homebuyers after March 1, 2023. The builder is expected to provide the extension of the one-year warranty; however, it is not required by law. Tarion informed us that regulatory changes are expected by the end of 2024. In the interim, Tarion has developed a process to mediate complaints against builders that do not provide homebuyers with this new coverage.

Recommendation 6

To improve homeowners' ability to seek assistance from Tarion Warranty Corporation when they have a warranty dispute with their builder, we recommend that Tarion:

- *remove its two 30-day deadlines and allow homeowners to submit requests for assistance at any time during the first year of ownership;*
- *eliminate the 30-day deadline to request a home inspection;*

  Status: In the process of being implemented by May 2024.

Details

In our 2019 audit, we found that the restrictions Tarion placed on the times when homeowners could ask for its help in a warranty dispute with builders made it more difficult for homeowners to seek that help. Homeowners could only ask Tarion for help during the first 30 days and last 30 days of the first year they occupied their new home. In addition, homeowners had a 30-day window to request an inspection from Tarion.

In our follow-up, we found that Tarion completed public consultations in September 2022 on proposed regulatory changes under the *Ontario New Home Warranties Plan Act* to:

- allow homeowners to add items to a running list of potential defects at any time during the first-year warranty period;
- extend the two 30-day deadlines to add an additional 10 days to each deadline (now two 40-day deadlines);
- create a new mid-year submission deadline to allow homeowners to submit requests for assistance six months into the first year of occupancy; and
- remove the 30-day deadline to request a home inspection, and instead allow homeowners to request an inspection for each submission from the time it is submitted up until the next submission date.

These changes would allow homeowners to submit items at any time during the first year of occupancy, and no items submitted during the first year would be rejected for missing a deadline. These changes would also give homeowners more time to request a home inspection. At the time of our follow-up, these regulatory changes have been made and are in the process of being implemented. Tarion informed us that these regulatory changes come into effect in May 2024.

- *reduce the amount of time provided to builders to resolve defects before stepping in to help homeowners.*

  Status: Little or no progress.

Details

In our 2019 audit, we found that when Tarion received a request for help from a homeowner, Tarion gave the builder 120 days to resolve the issues directly with the homeowner. As a result, homeowners had to wait a minimum of four months before they could ask Tarion for an inspection to assess the unresolved defects. When Tarion accepted a homeowner's second request for assistance, it sent another email to the builder asking it to resolve the dispute within 30 days. If not resolved after 30 days, Tarion may inspect the disputed defects and decide within yet another 30 days whether the builder should have repaired the defects under warranty.

In our follow-up, we found that Tarion deferred consultation on possible changes to the builder repair period until 2024. Consultations were deferred because Tarion received feedback from the industry that COVID-19–related disruptions were impacting repair periods. Tarion could not provide us with an estimated date of implementation.

Recommendation 7

To resolve homeowners' disputes with their builders in a timely manner, we recommend that Tarion Warranty Corporation:

- *review its regulatory timelines for delivery of decisions to ensure they are reasonable;*

  Status: Fully implemented.

Details

In our 2019 audit, we found that a regulation under the *Ontario New Home Warranties Plan Act* requires Tarion to decide whether a disputed defect is covered by the builder's warranty within a 30-day period that begins the day after the homeowner has made a request for an inspection. We found that Tarion was late making this 30-day decision in about 45% of the warranty disputes it handled in the previous five years, where on average, it took Tarion about 50 days to issue its decision to homeowners in those cases where it had missed its deadline. This further extended the wait for homeowners for their builders to fulfill their warranty obligations.

In our follow-up, we found that regulatory changes made under the *Ontario New Home Warranties Plan Act* in June 2023 (effective July 1, 2023) require Tarion to schedule an inspection within 15 days of receiving a homeowner's request. In addition, Tarion is required to issue decisions on disputed defects within 30 days of the inspection being completed, except in exceptional circumstances that may be beyond Tarion's control, for example, if third-party experts need to be brought in to make a final assessment on a disputed defect.

- *establish a process to ensure its decisions regarding homeowners and builders are made within the required time.*

  Status: Fully implemented.

Details

In our 2019 audit, we found that Tarion was late making decisions as to whether a disputed defect was covered by a builder's warranty in about 45% of the warranty disputes it handled in the previous five years. A regulation under the *Ontario New Home Warranties Plan Act* requires Tarion to make this decision within 30 days of a homeowner making a request for an inspection. On average, it took Tarion about 50 days to issue its decision to homeowners in those cases where it had missed this regulatory deadline.

In our follow-up, we found that in July 2023, Tarion had put a process in place for its warranty services department to ensure decisions are made in accordance with the regulatory requirements.

Licensing and Regulating of Builders Needs Improvement

Recommendation 9

To ensure the licensing process of Tarion Warranty Corporation reflects the intent of the Ontario New Home Warranties Plan Act*, we recommend that individuals in homebuilding companies who supervise day-to-day construction, either directly or indirectly via their employer, demonstrate they have the proven technical competence necessary for building new homes or be required to take the appropriate educational courses before being granted a licence by Tarion.*

Status: Little or no progress.

Details

In our 2019 audit, we found that prior to September 2016, Tarion did not ask licence applicants to complete any courses to demonstrate technical competence in home construction. As such, builders who received their first licence before September 2016 were exempted from this new requirement. Therefore, of the 5,600 builders licensed in Ontario in 2018, only 300 were required to meet the new educational requirement. We also noted that only the directors or owners of construction companies were required to complete the educational requirement introduced in 2016, even though these individuals are not always involved in supervising day-to-day construction. Large builders often employ site supervisors to directly oversee day-to-day construction, but Tarion's educational requirement does not apply to them.

In our follow-up, we found that no steps had been taken since our 2021 follow-up to update the *New Home Construction Licensing Act, 2017* (Act) regulations to address competency requirements for individuals applying for new licences or renewing existing ones. As we reported in our 2021 follow-up, HCRA issues an advisory notice to licensed builders to remind them that they are accountable under the Act for the conduct and competency of their employees and contractors. HCRA informed us that it considered imposing conditions on licences, such as requiring licensees to pay for additional training for their employees or contractors if there is a complaint. HCRA and the Ministry have not considered requiring individuals in homebuilding companies who supervise day-to-day construction to demonstrate that they have the proven technical competence necessary for building new homes, or to require them to take the appropriate educational courses, before companies are granted a licence.

Recommendation 14

To better protect consumers from purchasing pre-construction homes that may later be cancelled and/or delayed by legal restrictions on construction land, we recommend that the Ministry of Government and Consumer Services explore, for potential implementation in Ontario, British Columbia's practice of not allowing builders to market or sell condominium units unless they have already deposited their plans with the land title office or have already obtained a municipal building permit.

Status: Fully implemented.

Details

In our 2019 audit, we found that there were no laws in Ontario requiring builders to have the necessary municipal approvals, such as site plan and zoning approvals, before they are licensed by Tarion. In comparison, builders in British Columbia are not allowed to market or sell condominium units unless they have already deposited certain plans with the land title office or obtained a municipal building permit.

In our follow-up, we found that the Ministry completed an assessment of British Columbia's rules for the marketing and sale of pre-construction condominium projects. This included consulting between November 2020 and April 2021 with stakeholders from British Columbia, such as the Office of the Superintendent of Real Estate, the Land Title and Survey Authority, the Ministry of Finance (Finance and Real Estate Data Analytics Branch), and the Ministry of the Attorney General (Housing Policy Branch). The Ministry also consulted with the Ontario Ministry of Municipal Affairs and Housing and Tarion. Based on this assessment, the Ministry determined that it would not implement measures similar to those in British Columbia. The Ministry's analysis found that implementing key features of British Columbia's practice in Ontario could negatively impact both housing supply and affordability because it would impose new requirements on builders and vendors, which may make it more difficult to build. The Ministry indicated that it will continue to monitor condominium cancellations to determine whether it should revisit this decision.

Recommendation 17

To help municipalities plan their inspections and improve builders' compliance with the Ontario Building Code, we recommend that Tarion Warranty Corporation report on a timely basis to municipalities all significant instances of builder non-compliance with the Code that it identifies.

Status: Fully implemented.

Details

In our 2019 audit, we found that Tarion does not share Ontario Building Code (Code) violations that are noted as a result of warranty-related home inspections with municipalities, even though this information could help municipalities better plan inspections and target specific builders. Municipal inspectors inspect new home construction and assess compliance with the Ontario Building Code.

In our follow-up, we found that in November 2021, Tarion implemented a process to share with municipal building officials quarterly summaries of claims that are deemed warranted and related to the Ontario Building Code. To receive quarterly summaries, municipal building officials must subscribe by completing a

form on Tarion's website. Once subscribed, the municipal building official receives an email from Tarion that details the warranted Ontario Building Code deficiencies found by Tarion in their municipality. At the time of our follow-up, 139 individuals were subscribed to receive Tarion's quarterly summaries. In addition, on a quarterly basis, Tarion publishes on its website a summary of all claims that are deemed warranted and related to the Ontario Building Code across all municipalities.

Recommendation 18

To improve builders' compliance with the Ontario Building Code, we recommend that the Ministry of Government and Consumer Services:

- *work with the Ministry of Municipal Affairs and Housing to recommend consistent inspection standards for use by all municipalities for assessing compliance with the Ontario Building Code; and*
- *work with the Ministry of Municipal Affairs and Housing to establish a process for municipalities to report on a timely basis to Tarion all significant instances of builder non-compliance with the Code that it identifies during its inspections.*

Status: Little or no progress.

Details

In our 2019 audit, we found that there were limitations in Ontario Building Code (Code) inspections conducted by municipal inspectors, whose role is to inspect new home construction and assess compliance with the Code. For example, some municipalities do not allow inspectors to carry ladders because of safety issues. As a result, certain home components, such as roof attachment or nuts on anchor bolts, may not get inspected as required.

In our follow-up, we found that that no significant steps had been taken to implement this recommendation since our last follow-up in 2021. The Ministry informed us that the Ministry of Municipal Affairs and Housing is working to identify best practices in inspection standards used by municipal building departments. This information could then be shared with all municipal building departments to promote more consistent inspections and compliance with the Code. The Ministry also told us that the Ministry of Municipal Affairs and Housing is working to identify alternative compliance tools that can be used in significant cases of builder non-compliance that have not been remedied through regular building inspection and compliance processes. Enforcement activities using these new compliance tools could provide a way of reporting significant instances of builder non-compliance to Tarion and HCRA. To further reduce incidents of non-compliance with the Code, the Ministry, working in partnership with associations representing Ontario's builders and building officials, will be developing training and guidance materials for transitioning to the next edition of Ontario's Building Code (anticipated to be released winter 2024) that will promote capacity building for Building Code compliance and the overall goal of maintaining public safety.

Recommendation 21

To discourage illegal home construction in Ontario, we recommend that the Ministry of Government and Consumer Services:

- *provide Tarion Warranty Corporation with the ability to directly fine any individuals and/or corporations found to have engaged in illegal home construction;*
- *establish an appeals process for individuals and/or corporations wishing to dispute the fines imposed by Tarion;*

Status: Fully implemented.

Details

In our 2019 audit, we found that in the past 10 years, Tarion has paid out $19.8 million to homeowners to cover the cost of warranty repairs on 869 illegally built homes that builders refused to cover. We also found that it is very difficult and time-consuming for Tarion to successfully prosecute an illegal builder through the courts because it is a challenge to gather sufficient evidence to convict them. Even when Tarion

does obtain a successful conviction, an illegal builder usually faces only a small fine, which does not act as a strong deterrent.

In our follow-up, we found that in February 2023, a new regulation under the *New Home Construction and Licensing Act* came into effect that allows HCRA to impose administrative penalties up to $50,000 per occurrence directly on any individuals and/or corporations that breach their legal and ethical obligations, which includes anyone found to have engaged in illegal home construction. Regulatory changes under the *New Home Construction and Licensing Act* were also made to establish an appeal process through the Licence Appeal Tribunal for any individual and/or corporation wishing to dispute a penalty imposed by HCRA.

- *establish a process by which Tarion can share information about illegal builders to governments for investigation of potential tax evasion.*

  Status: In the process of being implemented by the end of December 2023.

Details

In our 2019 audit, we found that there are significant financial incentives to build homes illegally. Builders avoid paying Tarion fees and, sometimes, a significant amount of tax, including Harmonized Sales Tax and, under the principal residence capital gains tax exemption, income tax. All of these costs apply to the sales of new homes built and sold by legal builders.

In our follow-up, we found that Tarion is entering into an agreement with the Ministry of Finance (to be in place by the end of December 2023) to share information about illegal builders for investigation of potential tax evasion.

Recommendation 22

To help reduce illegal building in Ontario, we recommend that Tarion Warranty Corporation work with the Ministry of Government and Consumer Services to impose restrictions on the owner-built exemption such as those in place in British Columbia.

Status: Little or no progress.

Details

In our 2019 audit, we found that individuals who build homes for their personal use, rather than for sale, are exempt from having to obtain a licence or to register their home with Tarion. Such properties, called owner-built homes, are not covered by warranty. Our audit found that laws currently in place in Ontario to deter illegal home building and selling, such as the abuse of this personal-use exemption, are largely ineffective. In contrast, British Columbia, which has an owner-built home exemption similar to Ontario, has specific laws designed to prevent individuals from abusing the exemption. For example, owner-builders in British Columbia must live in the personally built home for a minimum of 12 months before they can sell it. They must then wait 18 months from occupancy of their first owner-built home before applying to build a second; three years before applying to build a third; and five years for each subsequent owner-built exemption. Owner-built homes that are sold are not covered by a warranty, but the individual who built the home is personally liable for the warranty coverage for up to 10 years, and this information must be disclosed to the homebuyer.

In our follow-up, we found that that the Ministry consulted in 2022 on measures related to illegal building. At the time of our follow-up, the Ministry was assessing feedback from the consultation and determining next steps. However, a timeline for implementation of this recommendation could not be provided.

Lack of Government Oversight Led to Ongoing Issues Not Being Addressed

Recommendation 25

To ensure Tarion Warranty Corporation meets its mandated responsibilities to help homeowners who seek its help, we recommend that the Ministry of Government and Consumer Services:

- *establish a process to track and analyze information provided by Tarion;*

  Status: Fully implemented.

Details

In our 2019 audit, we found that the Ministry could not effectively evaluate whether Tarion was fulfilling its mandate and could not make informed decisions to seek improvements because it did not have effective systems and processes in place to ensure it collected the right information from Tarion.

In our follow-up, we found that the Ministry has implemented a process to collect, track and analyze information received from Tarion. The Ministry created a guide that includes procedures for Ministry staff related to their oversight activities. For example, the Ministry developed process maps that depict the types of analysis that Ministry staff should perform when they receive information from Tarion. The Ministry also created an oversight tracker toolkit to monitor Tarion's progress in meeting its key accountability obligations under both the Act and its administrative agreement with the Ministry. This binding agreement sets out the roles and responsibilities of Tarion and the Ministry and its accountability relationship.

- *establish performance indicators and targets to measure Tarion's performance; and*
- *assess Tarion's performance against these targets on a regular basis and take corrective actions where necessary.*

Status: Fully implemented.

Details

In our 2019 audit, we found that the Ministry did not have any performance indicators to measure the effectiveness of Tarion's efforts to help new homeowners.

In our follow-up, we found that the Ministry has developed performance indicators and targets to monitor Tarion's performance. Tarion reports on the outcomes of these performance indicators in its annual report. Indicators include measuring new homebuyer satisfaction with, and timeliness of, Tarion's services, including its call centre and inspections. In addition, twice a year Tarion issues a report to the Ministry on high- and medium-risk items identified through monitoring of its key performance and risk indicators. When items are identified as high-risk, mitigation efforts are detailed in the report.

Chapter 3

Follow-Up on Reports Issued by the Standing Committee on Public Accounts

Summary

The Standing Committee on Public Accounts (Committee) holds hearings throughout the year when the Legislature is in session on chapters in our Annual Reports or our special reports, and presents its observations and recommendations in its own reports that it tables in the Legislative Assembly. The ministries, agencies of the Crown and organizations in the broader public sector are responsible for implementing the recommendations made by the Committee; our role is to independently express a conclusion on the progress that the audited entity made in implementing the actions contained in those recommendations.

This year, we followed up on the status of the implementation of the Committee's recommendations from five Committee reports tabled between February 2021 and February 2023. For one of the reports (Tarion Warranty Corporation), we had already conducted and published a follow-up on the Committee's recommendations in November 2021. In 2023, we conducted a second follow-up on the Committee's recommended actions that were not fully implemented as of November 2021. Our objective is to provide the Committee with information on the actions being taken by audited entities to provide the requested information and address the recommendations that the Committee made in its reports to the Legislature.

We conduct our follow-up work and report on the results in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada. Our Office complies with the Canadian Standards on Quality Management. We comply with the independence and other ethical requirements of the Code of Professional Conduct issued by the Chartered Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our follow-up work consists primarily of inquiries and discussions with the government, the relevant ministries, agencies of the Crown or broader public sector entities, a review of their status reports, and a review of selected supporting documentation. The procedures performed in this work vary in nature and timing from an audit and do not extend as far. As this is not an audit, we cannot provide a high level of assurance that the corrective actions described have been implemented effectively. The actions taken or planned may be more fully examined and reported on in future audits. Status reports will factor into our decisions on whether future audits should be conducted in these same areas.

As noted in **Figure 1**, progress has been made toward implementing approximately 69.9% of the Committee's 123 recommended actions (85% in our 2022 Annual Report), including 55.3% or 68 of recommended actions that were fully implemented. The Ministry of Health and the Ministry of Public and

Figure 1: Overall Status of Implementation of Recommendations from the Standing Committee on Public Accounts

Prepared by the Office of the Auditor General of Ontario

			Status of Actions Recommended				
Report Section	# of Recs	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
3.01 Condominium Oversight in Ontario Tabled February 2023	21	44	17	7	20	0	0
3.02 COVID-19 Economic Response and Supports for Businesses Tabled February 2023	12	18	12	2	2	1	1
3.03 COVID-19 Personal Protective Equipment Supply Tabled February 2023	7	15	11	3	0	1	0
3.04 Ontario Motor Vehicle Industry Council Tabled February 2023	12	33	19	3	11	0	0
3.05 Tarion Warranty Corporation* Tabled February 2021	7	13	9	3	1	0	0
Total	**59**	**123**	**68.00**	**18.00**	**34.00**	**2.00**	**1.00**
%	**–**	**100**	**55.3**	**14.6**	**27.6**	**1.6**	**0.8**

* The number of recommendations and actions in the figure include only those recommended actions that were not documented as fully implemented in our 2021 follow-up report as in November 2021 we conducted a follow-up on the Standing Committee's recommendations.

Business Service Delivery fully implemented 73% of the recommended actions in the Committee's report on COVID-19 Personal Protective Equipment Supply, and the Ministry of Finance, the Ministry of Economic Development, Job Creation and Trade, the Ministry of Energy, the Ministry of Public and Business Service Delivery, and the Treasury Board Secretariat fully implemented 67% of the recommended actions in the Committee's report on Ontario's COVID-19 Economic Response and Supports for Businesses.

However, there was little or no progress on 27.6% of the Committee's recommended actions. In particular, we found that the Ministry of Public and Business Service Delivery (Ministry) made little or no progress on implementing 20 of the 44 (or 45%) of recommended actions in the Committee's report on Condominium Oversight in Ontario. For instance, the Ministry had not taken any steps toward preventing ineligible individuals from acting as directors of their condo boards. Likewise, the Ministry was unable to provide timelines for when proposals would be brought forward for the government's consideration to collect more comprehensive information about condo board directors and to publish this information on its public registry. The Ministry had also not yet begun any work on determining the feasibility of combining the Condominium Authority of Ontario and the Condominium Management Regulatory Authority of Ontario, which the Committee recommended in its report.

We also found that the Ontario Motor Vehicle Industry Council (OMVIC) and the Ministry of Public and Business Service Delivery made little or no progress on implementing 11 of the 33 (or 33%) of recommended actions in the Committee's report on OMVIC. For example, although OMVIC collaborated with the Ministry of Transportation to obtain sample datasets of motor vehicle registration records (as recommended by the Committee), OMVIC informed us that it could

not use the Ministry of Transportation's sample datasets in an efficient way to verify motor vehicle dealers' self-reported transaction volumes. Additionally, the Ministry and OMVIC had not established new performance metrics that would more closely monitor OMVIC's operations in areas such as inspection, registration and consumer-complaint handling, which the Committee also recommended.

A further 1.6% or two of the Committee's recommended actions will not be implemented, and one (or just under 1%) is no longer applicable.

Chapter 3
Section
3.01

Condominium Oversight in Ontario

Standing Committee on Public Accounts Follow-Up on Value-for-Money Audit, *2020 Annual Report*

On October 27, 2021, the Standing Committee on Public Accounts (Committee) held a public hearing on our 2020 audit of Condominium Oversight in Ontario. The Committee tabled a report on this hearing in the Legislature in February 2023. A link to the full report can be found at **www.auditor.on.ca/en/content/standingcommittee/standingcommittee.html**.

The Committee made 21 recommendations and asked the Ministry of Public and Business Service Delivery (Ministry, formerly Ministry of Government and Consumer Services), the Condominium Management Regulatory Authority of Ontario (Management Regulatory Authority) and the Condominium Authority of Ontario (Condo Authority) to report back by June 2023. The Ministry, the Management Regulatory Authority, and the Condo Authority formally responded to the Committee on June 21, 2023. A number of the issues raised by the Committee were similar to the audit observations of our 2020 audit, which we followed up on in 2022. The status of each of the Committee's recommended actions is shown in **Figure 1.**

Figure 1: Summary Status of Actions Recommended in February 2023 Committee Report

Prepared by the Office of the Auditor General of Ontario

RECOMMENDATION STATUS OVERVIEW						
		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	3		1	2		
Recommendation 2	3			3		
Recommendation 3	3			3		
Recommendation 4	1			1		
Recommendation 5	1	1				
Recommendation 6	3	3				
Recommendation 7	1	1				
Recommendation 8	4	2	2			
Recommendation 9	2			2		
Recommendation 10	3	3				
Recommendation 11	4	2		2		
Recommendation 12	3			3		

RECOMMENDATION STATUS OVERVIEW						
		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 13	1		1			
Recommendation 14	1			1		
Recommendation 15	1		1			
Recommendation 16	2	1		1		
Recommendation 17	1			1		
Recommendation 18	1		1			
Recommendation 19	2		1	1		
Recommendation 20	3	3				
Recommendation 21	1	1				
Total	**44**	**17**	**7**	**20**	**0**	**0**
%	**100**	**39**	**16**	**45**	**0**	**0**

Note: **Recommendations 1–4**, **9** and **12–19** were made to the Ministry of Public and Business Service Delivery. The Ministry also took responsibility for taking the lead on **Recommendation 14** and two actions under **Recommendation 11**, even though they were made to the Condominium Authority of Ontario, because they may require legislative or regulatory amendments. **Recommendations 5–8**, **20** and **21** were made to the Condominium Management Regulatory Authority of Ontario. **Recommendation 10** and the other two actions under **Recommendation 11** were made to the Condominium Authority of Ontario.

We conducted assurance work between June 2023 and September 2023, and obtained written representation from the Ministry, Management Regulatory Authority, and the Condo Authority, that effective October 31, 2023, they have provided us with a complete update of the status of the recommendations made by the Committee.

Overall Conclusion

Overall, as of September 2023, 39% of the Committee's recommended actions had been fully implemented, and 16% of the recommended actions were in the process of being implemented. There has been little progress on the remaining 45% of the recommended actions.

The Condo Authority had fully implemented all of the recommendations that were directed toward it.

The Management Regulatory Authority had fully implemented 85%, and was in the process of implementing the remaining 15% of the recommended actions that were directed toward it.

The Ministry had only fully implemented 4%, was in the process of implementing an additional 19% of the recommended actions and made little progress on the remaining 77% of the recommended actions that were directed toward it.

Detailed Status of Recommendations

Figure 2 shows the recommendations and status details that are based on responses from the Ministry, the Management Regulatory Authority, and the Condo Authority, and our review of the information provided.

Figure 2: Committee Recommendations and Detailed Status of Actions Taken

Prepared by the Office of the Auditor General of Ontario

Committee Recommendation	Status Details
Recommendation 1	
The Standing Committee on Public Accounts recommends that the Ministry of Public and Business Service Delivery should improve protections for buyers of new condominium units by: • implementing standard terms and forms for documents relating to the purchase of new condo units, such as the agreement for purchase and sale, declaration, and disclosure agreement; • requiring developers to adopt standard terms and forms and clearly identify if documents differ from the standard; **Status: Little or no progress.**	The Ministry stated that implementing this recommendation may require legislative and/or regulatory amendments. The Ministry indicated that it will need to hold extensive consultation with the public and stakeholders to develop a proposal for the government's consideration. Subject to government direction, the Ministry expects that by December 2024 it will develop and bring forward a policy proposal for the government's consideration. Implementation of this recommendation is dependent primarily on the government's policy decision about whether to proceed with developing regulatory and/or statutory changes. If the government decides to proceed with proposing changes, the Ministry would be directed to prepare a bill for introduction in the Legislative Assembly, in the case of statutory amendments, or draft regulatory amendments for government approval.
• proclaiming the amendments as outlined in the *Protecting Condominium Owners Act, 2015.* **Status: In the process of being implemented in phases, including by bringing forward a proposal for the government's consideration by March 2024.**	The Ministry indicated that implementing this recommendation may require developing regulatory amendments to support the proclamation of provisions under the *Protecting Condominium Owners Act, 2015* (Act). In January 2021, Condo Guide-related provisions of the Act came into force, as a result of a proposal brought forward by the Ministry in late 2020. This proposal did not involve proposing new regulations. In September 2021, the Ministry sought government approval for a proposal to proclaim into force certain provisions of the Act that would amend sections 116 and 117 of the *Condominium Act, 1998*. As part of this initiative, the Ministry also sought approval to amend two regulations under the *Condominium Act, 1998* to expand the jurisdiction of the Condominium Authority Tribunal (Tribunal) to include certain disputes related to nuisances such as unreasonable smoke, odour and noise; and to prescribe nuisances, annoyances and disruptions that are to be prohibited under the *Condominium Act, 1998*. The changes came into force January 1, 2022. Subject to government direction, the Ministry intends to bring forward a new policy proposal, for the government's consideration by the end of March 2024 and in phases thereafter. Implementation of this recommendation is dependent primarily on the government's policy decision about whether to proceed with developing regulatory changes. If the government decides to proceed with proposing changes, the Ministry would be directed to prepare draft regulatory amendments for government approval.

Committee Recommendation	Status Details
Recommendation 2 The Standing Committee on Public Accounts recommends that the Ministry of Public and Business Service Delivery should improve protections for new condominium purchasers by: • requiring developers to disclose current and projected common area expenses for up to 45 to 60 years; • increasing the length of time a condo board has to make a claim against developers to recover the increased amounts spent on common area expenses compared to a developer's budget statement; • implementing best practices to improve developer accountability (e.g., making funds available to condo corporations if developers understate condo fees by a set percentage and administering penalties if developers deliberately and systematically understate actual condo fees). **Status: Little or no progress.**	Similar to the response to **Recommendation 1**, the Ministry stated that implementing this recommendation may require legislative and/or regulatory amendments. The Ministry indicated that it will need to hold extensive consultation with the public and stakeholders to develop a proposal for the government's consideration. Implementation of this recommendation is dependent primarily on the government's policy decision about whether to proceed with developing regulatory and/or statutory changes. If the government decides to proceed with proposing changes, the Ministry would be directed to prepare a bill for introduction in the Legislative Assembly, in the case of statutory amendments, or draft regulatory amendments for government approval. The Ministry initially planned to implement this recommendation by December 2023 by bringing forward a policy proposal for the government's consideration. However, the Ministry later indicated that it needed more time to assess the potential impacts of this recommendation in light of competing priorities on housing construction. At the time of this follow-up, the Ministry was still determining a timeline to bring forward a proposal for the government's consideration. The proposal will help to address **Recommendations 2**, **3** and **4** together.
Recommendation 3 The Standing Committee on Public Accounts recommends that the Ministry of Public and Business Service Delivery, in order to ensure the safety and adequate maintenance of condominiums, should require condominium corporations to set aside adequate resources by: • extending reserve fund studies of condo buildings to include the cost of repairs and replacements for 45 to 60 years; • setting new and sufficient minimums for and defining adequacy of reserve funds; • working with the Condominium Authority of Ontario to improve public communication about the importance of reserve funds. **Status: Little or no progress.**	Similar to the response to **Recommendation 2**, the Ministry has made little progress on this recommendation and indicated that implementing this recommendation may require legislative and/or regulatory amendments. At the time of this follow-up, the Ministry was still determining a timeline to bring forward a proposal for the government's consideration, citing the need for more time to assess the potential impacts of this recommendation in light of competing priorities on housing construction.

Committee Recommendation	Status Details
Recommendation 4 The Standing Committee on Public Accounts recommends that the Ministry of Public and Business Service Delivery, in order to ensure sufficient funding of condominium reserve funds, should amend current provisions, which allow developers to set reserve fund contributions, by requiring those contributions to be supported by a third-party reserve fund study. **Status: Little or no progress.**	Similar to the response to **Recommendation 2**, the Ministry has made little progress on this recommendation and indicated that implementing this recommendation may require legislative and/or regulatory amendments. At the time of this follow-up, the Ministry was still determining a timeline to bring forward a proposal for the government's consideration, citing the need for more time to assess the potential impacts of this recommendation in light of competing priorities on housing construction.
Recommendation 5 The Standing Committee on Public Accounts recommends that the Condominium Management Regulatory Authority of Ontario should work with the Condominium Authority of Ontario to implement a process to ensure that only valid licence holders perform condo management services. **Status: Fully implemented.**	In January 2021, the Management Regulatory Authority and the Condo Authority signed a data-sharing implementation agreement. Since then, both entities developed an automated daily reconciliation process to verify licensing information added to the Condo Authority database, at time of filing of return or notice of change, against the Management Regulatory Authority public registry data to confirm the completeness and accuracy of licensee data in each database. Both entities now use this data to automatically identify whenever an unlicensed manager or management firm is listed at a condominium corporation. Between April 2021 and March 2023, the Management Regulatory Authority had identified a total of 101 potential unlicensed managers or management companies and 160 cases of expired licences listed as "active" in the Condo Authority's database. The Management Regulatory Authority resolved 95 and 149 of the cases, respectively. The remaining 17 cases were under review as of September 2023.
Recommendation 6 The Standing Committee on Public Accounts recommends that the Condominium Management Regulatory Authority of Ontario should support the appropriate and timely resolution of issues raised by condo owners by: • monitoring the types of actions taken and outcomes of all complaints; • producing complaint process summaries for management of the Condominium Management Regulatory Authority of Ontario periodically; • establishing a formal protocol for an action-oriented response based on the complaints and/or issues raised. **Status: Fully implemented.**	In February 2021, the Management Regulatory Authority made enhancements to its information technology system to track complaints based on standardized classifications and outcomes. The Management Regulatory Authority now tracks all complaints received and records all interactions with complainants, respective condominium managers, and management provider businesses. On a quarterly basis since then, the Management Regulatory Authority management team reviews a summary report titled Update on Complaints Resolutions and Type on the number and types of complaints received and resolution of complaints based on preset categories. The Management Regulatory Authority in September 2021 developed new formal policies, in consultation with its Advisory Committee, that identify the types of actions that should be taken for specific types of complaints. All files now follow a standard complaint-handling process, which involves initially assessing the file including outreach to the complainant, gathering information from the licensee, and reviewing the file before issuing a decision. The Management Regulatory Authority also substantially revamped the complaints section of its website in alignment with its complaints-handling policies and procedures along with providing training to its staff.

Committee Recommendation	Status Details
Recommendation 7 The Standing Committee on Public Accounts recommends that the Condominium Management Regulatory Authority of Ontario should have the authority to remove unlicensed property managers, properly investigate and resolve complaints, and investigate property managers. **Status: Fully implemented.**	The *Condominium Management Services Act, 2015* already provides the Management Regulatory Authority with a framework and certain powers to regulate property managers and their related activities through licensing, handling complaints, inspections and investigations. In particular, the Management Regulatory Authority has the power to do the following: • address a complaint, including attempt to mediate or resolve the complaint, require the licensee to take further educational courses, issue a written warning to the licensee, refuse to licence or renew a licence, suspend or revoke a licence and refer the complaint for inspection/investigation; • refer the matter in the complaint, in whole or in part, to a discipline committee. The committee can assess a licensee's wrongdoing and has the power to impose fines on a licensee for up to $25,000; and • appoint a statutory director to inspect and investigate complaints against licensed condominium managers and management companies. For example, during an inspection of a condominium manager or management company, a designated inspector is entitled to free access to all money, valuables, documents and records of the person being inspected that are relevant to the inspection. In cases where an unlicensed individual has been identified in providing condominium management services contravening the act, the statutory director can press charges on the individual. A person that is convicted of an offence under this act is liable to a fine up to $50,000 or imprisonment not more than two years less a day.
Recommendation 8 The Standing Committee on Public Accounts recommends that the Condominium Management Regulatory Authority of Ontario, in order to ensure that condominium property managers and companies comply with the *Condominium Management Services Act, 2015*, should: • finalize standardized checklists for inspections of property managers and companies; **Status: Fully implemented.**	Based on the Management Regulatory Authority's review of the risk-based compliance approaches used by other regulatory bodies, such as the Technical Standards and Safety Authority and the Alcohol and Gaming Commission of Ontario, as well as other key areas under the *Condominium Management Services Act, 2015*, it had developed three checklists in the following areas: • document management for condominium management providers; • administering owners' meetings, and voting processes; and • declaring conflicts of interest by licensees. In addition, every inspection requires examination of existing contracts to ensure licensees have proper contracts, including all required disclosures, with the condominiums where they provide condominium management services.
• implement a risk-based proactive inspection program based on inspection results, areas of non-compliance, statistical trends, and other risk factors; **Status: In the process of being implemented by March 2024.**	In 2022, the Management Regulatory Authority started a pilot project in performing proactive inspections, and completed a total of 12 inspections during 2022/23. The Authority selected the companies based on a mix of geographic areas and different sizes of management providers characterized by the number of managers employed. In some cases, the management provider's previous record of compliance was factored into the selection process. The Authority indicated that the lessons learned from this pilot project will inform future regular proactive inspections planned for fiscal year 2023/24 and beyond.

Committee Recommendation	Status Details
	In September 2023, the Authority created a new Proactive Inspection Policy (Policy) that identifies a systemic approach to prioritize its inspection activities based on various risk factors. These risk factors include previous regulatory actions, complaint volumes and trends, the ratio of licensees that a management provider employs versus the number of clients they serve, the ratio of general licensees that a provider employs versus the number of limited licensees that they employ, geographic locations and the size of the management provider businesses. The Policy also categorizes the risks based on legislative requirements, industry trends and their impact on consumers. It also includes a heat map to help determine the severity of different compliance areas. The Authority plans to review the Policy annually based on the lessons learned from the previous year and the evolution of the condominium management sector and its relation to the policies of the provincial government. The first review will be performed in March 2024.
• conduct regular proactive inspections and take appropriate disciplinary actions if required; **Status: In the process of being implemented by March 2024.**	As mentioned in the second action item under **Recommendation 8**, the Management Regulatory Authority completed a total of 12 proactive inspections, as a pilot project, during 2022/23. Some of the key observations from the inspections are as follows: • Large providers were more likely to have established and up-to-date policies, standard operating procedures, and training programs for their managers. • Small and mid-sized providers relied more on expertise of staff, less on standard operating procedures, training, and documentation. • Records-management practices varied across providers, with one provider moving all its clients toward a fully digital environment. • Some providers could not produce copies of signed contracts with clients. The Management Regulatory Authority made written recommendations to these providers to implement signed contracts and retain records appropriately. • A number of providers were advised to implement processes to remind condominium directors of director training requirements. • A number of providers were advised to develop standard operating procedures and training materials that align with requirements with the legislation with regards to declarations of conflicts of interest, and solicitation of proxy forms. At the end of each inspection, the Management Regulatory Authority provided a report with findings and recommendations to each licensee. The recommendations are meant to help providers ensure that their business processes align with statutory requirements and enhance provision of management services to their clients. The Authority received useful feedback and support from the providers to continue expansion of the pilot project. Starting on April 1, 2023, the Management Regulatory Authority began proactive inspections on a regular basis. The Authority plans to use the inspection results and the information gained from the providers' operations to enhance the regular proactive inspections by March 2024 and going forward.

Committee Recommendation	Status Details
• maintain an accurate public registry of property managers. **Status: In the process of being implemented by March 2025.**	Since it was established, the Management Regulatory Authority has maintained and published a public registry of condominium managers on its website. The public registry contains information on managers and businesses licensed to provide condominium management services in Ontario. The public can search the registry by licensee name or licence number. The data from the public registry is linked with the Management Regulatory Authority's Customer Relationship Management system. This data is refreshed daily, and any changes that are made on the back end to the licence record would appear on the public registry soon afterwards. The Deputy Registrar updates the registry with any information related to actions taken against a licensee, such as when a licence is revoked or if there is a condition on the licence. The Senior Licensing Officer updates the registry with additional registry notes when a licensee voluntarily suspends their licence for leave of absence for medical reasons or parental leave. Furthermore, licensees are required to provide up-to-date information to the Management Regulatory Authority on their annual application for renewal or reinstatement. The Authority would also send notices to licensees to remind them of renewals and the information that is required for their application. These reminders are sent within two months prior to the renewal deadline to licensees who have yet to submit their renewal applications. As of March 31, 2023, there were 2,533 general licensees, 1,611 limited licensees, and 411 Condominium Management Provider Licensees listed on the public registry.
Recommendation 9 The Standing Committee on Public Accounts recommends that the Ministry of Public and Business Service Delivery should strengthen director training provided by the Condominium Authority of Ontario by: • expanding the type of information the Condominium Authority can collect and publish relating to directors who have not completed the mandatory training within time requirements; **Status: Little or no progress.**	The Ministry reported that implementing this recommendation may require legislative and/or regulatory amendments. Subject to government direction, the Ministry initially planned to implement this recommendation by December 2023 by bringing forward a policy proposal for the government's consideration. However, the Ministry is evaluating its approach to this recommendation in the wake of the condominium shooting tragedy that occurred in December 2022 in Vaughan, Ontario, taking privacy and safety concerns into consideration. The Ministry is also aware that certain key stakeholders are actively looking into measures to support safety in condominium communities, including developing potential recommendations for government. The Ministry's engagement with stakeholders on this matter may impact the approach and timing of its work with respect to this recommendation. At the time of this follow-up, the Ministry was unable to provide a timeline to bring forward a proposal for the government's consideration.

Committee Recommendation	Status Details
• enabling the Condominium Authority to require ineligible individuals to stop acting as directors of their condo boards. **Status: Little or no progress.**	As mentioned in the first action item under **Recommendation 9**, the Ministry is evaluating its approach to this recommendation in the wake of the condominium shooting tragedy that occurred in December 2022. At the time of the follow-up, the Ministry was unable to provide a timeline to bring forward a proposal for the government's consideration. However, in supporting the implementation of this recommended action, the Condo Authority had developed an automated reminder system to help condominium corporations ensure accurate information is on file with the Condo Authority. The automated system, among other functions, reminds board directors of their obligation to complete the mandatory training on time, and advises of the possible consequences where the majority of directors for the corporation appear to have missed the mandatory director training deadline.
Recommendation 10 The Standing Committee on Public Accounts recommends that the Condominium Authority of Ontario should improve education for condominium board directors by: • gathering and incorporating feedback from condo directors and owners on an annual basis regarding improvements to training materials; • reviewing training materials for effectiveness on an annual basis; • including an emergency planning and preparedness component to training materials as well as case studies for key topics of condo operations. **Status: Fully implemented.**	The Condo Authority created a Framework for Annual Review and Improvement of Director Training Materials in 2021 to improve the director training materials. Under the Framework, the Condo Authority has administered two new surveys that are being conducted each year. The goal of the surveys is to improve the director training materials, identify which topics require more in-depth training and solicit input on whether directors have recently taken the training. The Condo Authority issued the two annual surveys in September 2022, and reviewed the feedback in October 2022. The feedback from these surveys confirmed that the Condo Authority's improvements to the director training responded to the needs identified by condominium directors and owners. In 2023, the Condo Authority published two new guides for the condominium community: "Self-Managed Condos Guide" and "Condo Owners' Guide." The Condo Authority indicated that it will continue to use the Framework to review and improve director training materials on an ongoing basis. The Condo Authority retained the services of external subject matter experts and partnered with an external adult learning specialist vendor to develop new training materials, which it launched in 2022. The new Advanced Optional Director Training program consists of best practice guides and online training modules on the following topics: • emergency planning and preparedness; • procurement; • finance; • overseeing condominium managers; • issues management; and • board governance. As part of the development process, the Condo Authority established advisory panels from the condominium sector and solicited and integrated feedback from these advisory panels on the guides through survey and virtual hosted sessions.

Committee Recommendation	Status Details
Recommendation 11	
The Standing Committee on Public Accounts recommends that the Condominium Authority of Ontario should work with the Ministry of Public and Business Service Delivery to provide accurate and useful information on the public registry by:	The Condo Authority enhanced its public registry to allow users to search by director name and municipal address. Users can now search the public registry using the first and last name of an active director. Upon providing the name of a director, the public registry will then list all condominium corporations where an active director with the exact same name is listed. Searches can also be conducted using the city and postal code to find the municipal address for the applicable condominium corporation.
• implementing a search functionality to enable public searches for relevant information by entering municipal addresses of condominiums and the names of directors; **Status: Fully implemented.**	
• collecting more comprehensive information about condo board directors (e.g., elected or appointed, owner or occupant) and their responsibilities; **Status: Little or no progress.**	The Ministry is the lead for implementing this recommendation as it may require legislative and/or regulatory amendments. As mentioned in the first action item under **Recommendation 9**, the Ministry is evaluating its approach to this recommendation in the wake of the condominium shooting tragedy that occurred in December 2022. At the time of the follow-up, the Ministry was unable to provide a timeline to bring forward a proposal for the government's consideration. However, in supporting the implementation of this recommended action, the Condo Authority indicated that it has enhanced its information system to collect and verify the additional information needed should the government approve the required legislation and/regulatory amendments.
• regularly reviewing and verifying condo corporations' self-reported information in annual returns, including the names of licensed condo managers and management companies; **Status: Fully implemented.**	The Condo Authority developed 40 validations in late 2021 to ensure self-reported information it receives is accurate and current. The main new validations include verification of: • licensed condominium management service providers filed with the Condo Authority; • director training data; and • director term start date data.
• publishing verified information on the registry. **Status: Little or no progress.**	The Ministry is the lead for implementing this recommendation as it may require legislative and/or regulatory amendments. As mentioned in the first action item under **Recommendation 9**, the Ministry is evaluating its approach to this recommendation in the wake of the condominium shooting tragedy that occurred in December 2022. At the time of the follow-up, the Ministry was unable to provide a timeline to bring forward a proposal for the government's consideration.

Committee Recommendation	Status Details
Recommendation 12	
The Standing Committee on Public Accounts recommends that the Ministry of Public and Business Service Delivery, in order to promote transparency and inform condo purchasers and owners, should: • enable the Condominium Authority of Ontario to collect and publish relevant information to identify condo corporations where non-resident directors or directors with commercial interests form the majority on condo boards; • analyze this information and determine if increased protections are required for condo owners who reside in their units; **Status: Little or no progress.**	As mentioned in the first action item under **Recommendation 9**, the Ministry is evaluating its approach to this recommendation in the wake of the condominium shooting tragedy that occurred in December 2022. At the time of the follow-up, the Ministry was unable to provide a timeline to bring forward a proposal for the government's consideration.
• require members of the board of directors to either own a unit or live in a unit. **Status: Little or no progress.**	The Ministry indicated that this recommended action would require extensive consultation with the public and stakeholders to develop a proposal for legislative and/or regulatory amendments for the government's consideration. Subject to direction, the Ministry plans to implement this action item by December 2026 by bringing forward a proposal for the government's consideration. Implementation of this recommendation is dependent primarily on the government's policy decision about whether to proceed with developing regulatory and/or statutory changes.

Committee Recommendation	Status Details
Recommendation 13 The Standing Committee on Public Accounts recommends that the Ministry of Public and Business Service Delivery should work with the Condominium Authority of Ontario to include key areas (including, but not limited to, condo fees, repairs to common areas, board misconduct, fraudulent board elections, short-term rentals, property management, and reserve funds) within the Condominium Authority Tribunal's jurisdiction. **Status: In the process of being implemented in phases, including by bringing forward a proposal for the government's consideration by March 2024.**	The Ministry indicated that this recommendation would require regulatory amendments. The Ministry, in June 2021, consulted with key stakeholders on further expanding the Tribunal's jurisdiction to include disputes related to nuisances such as unreasonable smoke, odour, light, vibration and noise. In September 2021, the Ministry received government approval of the required regulatory amendments. Effective January 1, 2022, the Tribunal's expanded jurisdiction related to nuisances came into force via Ontario Regulation 654/21, which amended O. Reg. 48/01 (General) under the *Condominium Act, 1998*. In August 2021, the Minister requested that the Condo Authority host public consultations in the fall of 2021 on the following topics: • further expanding the Tribunal's jurisdiction to encompass additional types of disputes; • the effectiveness and efficiency of the Tribunal processes; • best practices the Tribunal could consider; and • the Tribunal as part of the Condo Authority. The Condo Authority conducted the consultations in October 2021 utilizing a variety of methods to collect feedback on expansion of the Tribunal's jurisdiction from the condominium sector, including: • issuing a mass email blast to the more than 41,000 contacts in the Condo Authority's database; • posting information regarding the consultations on the Condo Authority's social media channels and website; • promoting a survey that was made available on the Condo Authority's website; and • hosting three public virtual roundtables in October 2021. The Condo Authority submitted a final report on the analysis of the public consultations to the Minister in February 2022. Based on the analysis, some stakeholders suggested that the government should give the condominium sector time to adjust and proclaim the yet-to-be-proclaimed sections gradually or sequentially. Others suggested that the government proclaim all outstanding sections of the act as soon as possible but in a phased manner and provide advanced notice to reduce impact or disruption to the sector. Subject to government direction, the Ministry intends to bring forward a new policy proposal for the government's consideration by the end of March 2024, and in phases thereafter. Implementation of this recommendation is dependent primarily on the government's policy decision about whether to proceed with developing regulatory changes. If the government decides to proceed with proposing changes, the Ministry would be directed to prepare draft regulatory amendments for government approval.

Committee Recommendation	Status Details
Recommendation 14 The Standing Committee on Public Accounts recommends that the Condominium Authority of Ontario, in order to provide access to information and transparency, should work with the Ministry of Public and Business Service Delivery to expand and enable the right of condo owners to access information about their condominium corporation and the names of members of the board of directors. **Status: Little or no progress.**	The Ministry is the lead for implementing this recommendation as it may require legislative and/or regulatory amendments. The Ministry indicated that extensive consultation with the public and stakeholders will need to be conducted. Subject to government direction, the Ministry plans to implement this recommendation by the end of June 2024 by bringing forward a policy proposal for the government's consideration. Implementation of this recommendation is dependent primarily on the government's policy decision about whether to proceed with developing regulatory and/or statutory changes. If the government decides to proceed with proposing changes, the Ministry would be directed to prepare a bill for introduction in the Legislative Assembly, in the case of statutory amendments, or draft regulatory amendments for government approval.
Recommendation 15 The Standing Committee on Public Accounts recommends that the Ministry of Public and Business Service Delivery should work with the Condominium Authority of Ontario (including the Condominium Authority Tribunal) and the Ministry of the Attorney General to implement best practices around equal legal representation. **Status: In the process of being implemented by March 2024.**	The Ministry reported that implementing this recommendation may require legislative and/or regulatory amendments. In August 2021, the Minister requested the Condo Authority host public consultations in the fall of 2021 on matters relating to the Condominium Authority Tribunal, including tribunal best practices. The Condo Authority conducted the public consultations in October 2021 and submitted a consultation summary to the Ministry in February 2022. The Condo Authority is working with the Ministry on its plan to implement best practices. From these public consultations, the Ministry determined that there was generally no consensus among participating stakeholders on the proposal of equal legal representation. There were also concerns expressed with respect to who would bear associated legal fees. The Ministry indicated that it has undertaken a preliminary review of British Columbia's Civil Resolution Tribunal model and that further work would be required with Ontario's justice sector. The Ministry stated that it intends to implement this recommendation by the end of March 2024 to bring forward a policy proposal for the government's consideration. Implementation of this recommendation is dependent primarily on the government's policy decision about whether to proceed with developing regulatory and/or statutory changes. If the government decides to proceed with proposing changes, the Ministry would be directed to prepare a bill for introduction in the Legislative Assembly, in the case of statutory amendments, or draft regulatory amendments for government approval.

Committee Recommendation	Status Details
Recommendation 16 The Standing Committee on Public Accounts recommends that the Ministry of Public and Business Service Delivery should provide protection for condominium owners and buyers by: • providing the Condominium Authority of Ontario with inspection, investigation, and enforcement powers to ensure compliance with the law; **Status: Little or no progress.**	The Ministry indicated that this recommendation is complex and any changes to address this recommendation may require legislative and/or regulatory amendments. To proceed with the recommendation, the Ministry would need to undertake extensive consultation with the public and stakeholders. Subject to government direction, the Ministry plans to implement this recommendation by December 2024 by bringing forward a policy proposal for the government's consideration. Implementation of this recommendation is dependent primarily on the government's policy decision about whether to proceed with developing regulatory and/or statutory changes. If the government decides to proceed with proposing changes, the Ministry would be directed to prepare a bill for introduction in the Legislative Assembly, in the case of statutory amendments, or draft regulatory amendments for government approval.
• working with the Condominium Authority of Ontario to determine performance measures regarding fulfilling its mandate. **Status: Fully implemented.**	On February 21, 2023, the Minister issued a letter and advised the Board Chair of the Condo Authority that the performance measures proposed by the Condo Authority were approved. The performance measures and targets are as follows: • 80% of survey respondents are "satisfied" or "very satisfied" with the Condo Authority's information services; • 95% of Ontario condominium corporations have filed their current condominium returns; • 85% of board directors are "satisfied" or "very satisfied" with the directors' training; and • 90% of the Tribunal decisions are released within 30 days of completion of a Stage 3 hearing.
Recommendation 17 The Standing Committee on Public Accounts recommends that the Ministry of Public and Business Service Delivery should strengthen the powers and penalties for regulating the condo sector. **Status: Little or no progress.**	The Ministry indicated that implementing this recommendation may require legislative and/or regulatory amendments. The Ministry reported that, although it was committed to conducting by December 2024 a cost/benefit analysis of strengthening the powers and penalties for regulating the condo sector, similar to those used by other jurisdictions, it will take until December 2026 to bring forward a policy proposal for the government's consideration. Again, implementation of this recommendation is dependent primarily on the government's policy decision about whether to proceed with developing regulatory and/or statutory changes.
Recommendation 18 The Standing Committee on Public Accounts recommends that the Ministry of Public and Business Service Delivery should protect condominium owners and purchasers by seeking proclamation of the provisions of the *Condominium Act, 1998* not yet in force. **Status: In the process of being implemented in phases, including by bringing forward a proposal for the government's consideration by March 2024.**	The Ministry indicated that implementing this recommendation may require developing regulatory amendments to support the proclamation of provisions under the *Protecting Condominium Owners Act, 2015* (Act). Refer to the third action item in **Recommendation 1** about the Ministry progress on the policy-related work in this area. As indicated, subject to government direction, the Ministry intends to bring forward a new policy proposal for the government's consideration by the end of March 2024 and in phases thereafter. Implementation of this recommendation is dependent primarily on the government's policy decision about whether to proceed with developing regulatory changes. If the government decides to proceed with proposing changes, the Ministry would be directed to prepare draft regulatory amendments for government approval.

Committee Recommendation	Status Details
Recommendation 19	
The Standing Committee on Public Accounts recommends that the Ministry of Public and Business Service Delivery should determine the feasibility of combining the Condominium Authority of Ontario and the Condominium Management Regulatory Authority of Ontario by: • assessing the costs and benefits of a single point of contact for condo owners and purchasers; **Status: Little or no progress.**	The Ministry has not yet begun any work on this recommendation. Subject to the Minister's direction, the Ministry intends to, by December 2024, conduct jurisdictional research, policy analysis, risk analysis, and targeted internal consultations, as appropriate; and conduct external targeted and broader stakeholder/public consultations as necessary.
• positioning the Condominium Authority Tribunal outside of the new Authority. **Status: In the process of being implemented by December 2024.**	In August 2021, the Minister requested that the Condo Authority host consultations in the fall of 2021 on matters relating to the Tribunal, including the positioning of the Tribunal as part of the Condo Authority. The Condo Authority conducted the consultations in October 2021 and submitted a consultation summary to the Ministry in February 2022. Based on comments from these consultations, the Ministry found that most participating stakeholders supported the Tribunal remaining part of the Condo Authority. They noted that having the Tribunal as part of the Condo Authority: • is cost-efficient; • prevents an additional layer of bureaucracy; • creates synergies in terms of education by enabling the Condo Authority to integrate training/lessons learned from the Tribunal; and • provides a single point of contact for the public/users. However, some respondents expressed concerns regarding potential conflicts of interest and the independence of the Tribunal. Subject to the Minister's direction, the Ministry intends to, by December 2024, conduct jurisdictional research, policy analysis, risk analysis, and targeted internal consultations, as appropriate; and conduct external targeted and broader stakeholder/public consultations as necessary.

Committee Recommendation	Status Details
Recommendation 20	
The Standing Committee on Public Accounts recommends that the Condominium Management Regulatory Authority of Ontario should measure its performance and increase public awareness of its effectiveness by:	The Management Regulatory Authority, in consultation with the Ministry, established performance measures and targets for key service areas for licensing, education and complaints. These performance measures were published in its annual business plan. For example, the latest business plan (2023/24) states the following performance measures and targets:
• establishing targets for key performance indicators; **Status: Fully implemented.**	• conduct 30 proactive inspections of condominium managers and management service provider businesses by March 31, 2024; • implement a continuing professional education program for new and existing general licence holders by July 1, 2023; • 80% of licensees are satisfied with the service levels; • 80% of consumers are satisfied with the Authority's complaint-handling process; • 95% of complete applications for a licence processed within service standards (with five, 10 and 30 business days for limited licences, general licences and management provider licences, respectively); and • 80% of complaints are assessed within published service standards of 60 business days, with 95% receiving an initial response within five business days.
• reviewing its performance and publishing results in an annual report; **Status: Fully implemented.**	The Management Regulatory Authority has been reviewing its performance and publishing results in its annual report. For example, the latest annual report (2022/23) reported the following results: • conducted 12 proactive inspections by March 31, 2023, (on target); • announced a continuing education framework by November 2022, on target; • 96% (vs. target 80%) of licensees reporting satisfaction with service levels; • 76% (vs. target 80%) of consumers satisfied with the Management Regulatory Authority's complaints-handling process; • between 98% and 100% (vs. target 95%) of complete applications for a licence processed within service standards of five, 10 and 30 business days for limited licences, general licences and management-provider licences, respectively; and • 81% of complaints assessed within published service standards of 60 business days (target 80%), with 96% of complaints provided with an initial response within five business days (target 95%).
• taking corrective action when results do not reach targets. **Status: Fully implemented.**	Since our last audit, the Management Regulatory Authority, in response to underperforming with regard to its initial five-day response to complainants' service standard, adjusted its business process such that the initial response to complainants would be performed at the point of intake. Previously, this function was performed by complaint co-ordinators after they were assigned the file. This process change was implemented in January 2022 and has resulted in improved performance against the standard to 97%, compared to a standard of 80%, as of March 2022. For the remaining complaint service standards, the Management Regulatory Authority upgraded its customer relationship management system in September 2022 by implementing a new dashboard that its complaint staff can use to monitor the status of complaints. This allows staff to better track and organize their files, and take any corrective action as needed. For the licensing service standards, the Management Regulatory Authority analyzed cases that had missed the service standards and used the information to establish a standardized list of reasons in October 2022 that will be used to track why the processing of licence applications fail to meet the standards. This information now informs the Management Regulatory Authority to determine the course of actions needed.

Committee Recommendation	Status Details
Recommendation 21 The Standing Committee on Public Accounts recommends that the Ministry of Public and Business Service Delivery should reach an agreement with the Condominium Management Regulatory Authority of Ontario on appropriate performance measures regarding fulfilling its mandate. **Status: Fully implemented.**	On February 21, 2023, the Minister issued a letter and advised the Board Chair of the Management Regulatory Authority that the performance measures proposed by the Authority were approved. The performance measures and targets are as follows: • conduct 30 proactive inspections of condominium managers and management service provider businesses by March 31, 2024; • implement a continuing professional education program for new and existing general licence holders by July 1, 2023; • 80% of licensees reporting satisfaction with the service levels; • 80% consumer satisfaction rate with the Management Regulatory Authority's complaint-handling process; • 95% of complete applications for a licence processed within service standards (with five, 10 and 30 business days for limited licences, general licences and management provider licences, respectively); • 80% of complaints assessed within the published service standards of 60 business days; and • 95% of complaints receiving an initial response within five business days.

Chapter 3
Section
3.02

COVID-19 Economic Response and Supports for Businesses

Standing Committee on Public Accounts Follow-Up on Value-for-Money Audit, *2021 Annual Report*

On March 23, 2022, the Standing Committee on Public Accounts (Committee) held a public hearing on our 2021 audit of COVID-19 Economic Response and Supports for Businesses. The Committee tabled a report on this hearing in the Legislature in February 2023. A link to the full report can be found at **www.auditor.on.ca/en/content/standingcommittee/standingcommittee.html**.

The Committee made 12 recommendations and asked the Ministry of Finance; the Ministry of Economic Development, Job Creation and Trade; the Ministry of Energy; the Ministry of Public and Business Service Delivery (formerly the Ministry of Government and Consumer Services); and the Treasury Board Secretariat to report back by June 2023. The Ministries formally responded to the Committee on June 20, 2023 (Ministry of Economic Development, Job Creation and Trade), June 21, 2023 (Ministry of Finance and Treasury Board Secretariat) and July 5, 2023 (Ministry of Public and Business Service Delivery). A number of the issues raised by the Committee were similar to the audit observations of our 2021 audit, which we are

Figure 1: Summary Status of Actions Recommended in February 2023 Committee Report

Prepared by the Office of the Auditor General of Ontario

RECOMMENDATION STATUS OVERVIEW						
		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	1	1				
Recommendation 2	1			1		
Recommendation 3	4	4				
Recommendation 4	1		1			
Recommendation 5	1				1	
Recommendation 6	1	1				
Recommendation 7	1		1			
Recommendation 8	2	2				
Recommendation 9	1	1				
Recommendation 10	1	1				
Recommendation 11	1					1
Recommendation 12	3	2		1		
Total	**18**	**12**	**2**	**2**	**1**	**1**
%	**100**	**66**	**11**	**11**	**6**	**6**

following up on in 2023. The status of each of the Committee's recommended actions is shown in **Figure 1.**

We conducted assurance work between June 2023 and July 2023, and obtained written representation from the Ministry of Finance; the Ministry of Economic Development, Job Creation and Trade; the Ministry of Energy; the Ministry of Public and Business Service Delivery (formerly the Ministry of Government and Consumer Services); and the Treasury Board Secretariat that effective November 20, 2023, they have provided us with a complete update of the status of the recommendations made by the Committee.

Overall Conclusion

As of July 31, 2023, 66% of the Committee's recommended actions had been fully implemented. There has been little or no progress on 11% of the recommended actions. Two recommended actions are in the process of being implemented and the Ministries are not planning to implement one of the recommended action items.

Detailed Status of Recommendations

Figure 2 shows the recommendations and status details that are based on responses from the Ministry of Finance; the Ministry of Economic Development, Job Creation and Trade; the Ministry of Energy; the Ministry of Public and Business Service Delivery (formerly the Ministry of Government and Consumer Services); and the Treasury Board Secretariat, and our review of the information provided.

Figure 2: Committee Recommendations and Detailed Status of Actions Taken

Prepared by the Office of the Auditor General of Ontario

Committee Recommendation	Status Details
Recommendation 1 The Standing Committee on Public Accounts recommends that the Ministry of Economic Development, Job Creation and Trade, in collaboration with the Ministry of Finance, and the Ministry of Public and Business Service Delivery, review lessons learned from the delivery of the Ontario Small Business Support Grant and provide this information to the Ontario Jobs and Recovery Committee to inform the design and delivery of future economic support programs for businesses. **Status: Fully implemented.**	The Ministry of Economic Development, Job Creation and Trade (Ministry) submitted a lessons-learned document from the delivery of the Ontario Small Business Support Grant to Treasury Board/Management Board of Cabinet in January 2023. The document was submitted to Treasury Board instead of the Ontario Jobs and Recovery Committee because the committee was no longer operational. The document outlined recommendations for future small business grants based on recommendations in our 2021 audit. One of the key recommendations in the lessons-learned document was to eliminate the auto-approval approach for all incoming applications for future small business support grants to significantly reduce the number of ineligible businesses receiving payments. The Ontario Small Business Relief Grant program, which was launched in January 2022 to provide financial support to small businesses that were required to close indoor operations, required all applications to be reviewed by Ministry staff. Another recommendation in the lessons-learned document was for the creation and delivery of mandatory training for all staff on program requirement/eligibility criteria and Transfer Payment Ontario (the system used for application processing). According to the Ministry, training material was delivered to staff for both the Ontario Travel and Tourism Small Business Support Grant and the Ontario Small Business Relief Grant, launched subsequent to our 2021 audit.

Committee Recommendation	Status Details
	Another recommendation noted in the lessons-learned document was for a mandatory requirement for the submission of documents at the time of application to assess authenticity and eligibility. According to the application guides, both the Ontario Travel and Tourism Small Business Support Grant and the Ontario Small Business Relief Grant require applicants to provide business documentation (such as void cheques, business bank statements, and identification of all businesses owned or controlled by the applicant, including the businesses' names and business numbers at the time of application). For the Ontario Small Business Relief Grant, the business number and legal name was to be confirmed in real time against the Canada Revenue Agency database via Service Ontario's Business Directory. According to the Ministry, the lessons learned will inform the design and delivery of future economic support programs for businesses.
Recommendation 2 The Standing Committee on Public Accounts recommends that the Ministry of Economic Development, Job Creation and Trade, in collaboration with the Ministry of Finance and the Ministry of Public and Business Service Delivery, conduct a thorough evaluation of the Ontario Small Business Support Grant's efficacy, including the analysis of the number of business closures and insolvencies leading up to, during, and after the delivery of the grant, as well as the reasons behind the awarding of funds to ineligible recipients and the denial of funds to eligible recipients, and furthermore that said reasons be made public while not disclosing the identities of individual businesses. **Status: Little or no progress.**	The Ministry of Economic Development, Job Creation and Trade (Ministry) co-ordinated with the Ministry of Finance and noted that, according to data provided by the Ministry of Finance, during the pandemic there was a low rate of bankruptcies and insolvencies, despite drastic declines in revenue. **Business insolvencies and bankruptcies:** According to the Ministry of Economic Development, Job Creation and Trade, using data provided by the Ministry of Finance, before the pandemic (between February 2019 and February 2020), the number of insolvencies in Ontario averaged 75.2 businesses per month, while bankruptcies averaged 53.3 businesses per month. After the onset of the pandemic (between March 2020 and December 2020), insolvencies and bankruptcies decreased. The number of insolvencies in Ontario averaged 60 businesses per month, while bankruptcies averaged 43.5 businesses per month. According to the Ministry, during the delivery period of the Ontario Small Business Support Grant program (between January 2021 and April 2021), the number of insolvencies in Ontario reached a low of 45 businesses on average per month, while bankruptcies averaged 32 businesses per month. After the program concluded (between May 2021 and May 2022), the number of insolvencies in Ontario averaged 59.9 businesses per month, while bankruptcies averaged 42.4 businesses per month. **Business closures:** According to the Ministry, prior to the pandemic (between February 2019 to January 2020), monthly closures ranged between a low of 15,500 in October 2019, and a high of 16,700 in June 2019. Ontario business closures reached a high in the month of April 2020, at 49,900. From May 2020 to December 2020, the number of business closures decreased gradually, but remained higher than the pre-pandemic levels. During the delivery period of the grant program, there was a slight increase from pre-pandemic levels in the number of closures between January and April 2021. In January 2021, there were 16,000 closures, which increased to 18,200 closures in April 2021. A month after the program closed, business closures started decreasing, from 18,200 in April 2021 to 13,800 in July 2021. However, closures have increased since August 2021.

Committee Recommendation	Status Details
	Awarding of funds to ineligible recipients: The Ontario Small Business Support Grant provided support to eligible businesses that were required to close or significantly restrict services due to provincial public health measures. As the program was implemented quickly, the Ministries of Economic Development, Job Creation and Trade; Public and Business Service Delivery; and Finance had very little time to implement sufficient controls, which resulted in some ineligible businesses receiving the grant. In addition, some ineligible applicants received the grant due to the submission of fraudulent documents, identity theft, potential involvement of organized crime, limits on sharing business information across programs/entities and misleading attestations. As a result, additional controls were put in place to perform extra checks on applications. All applications received after March 14, 2021, were required to have a secondary review, and documentation was requested from all applicants to support the information in the attested application form. **Denial of funds to eligible recipients:** Businesses that provided the required documentation to confirm their eligibility, during the intake period, received the grant. If businesses appealed the decision, mechanisms were in place to allow for additional documentation and review to ensure that eligible businesses were not denied. **Reasons for ineligibility:** Since the program was attestation-based, the assessment of the application was based on the applicant declaring that what they had submitted was true. The initial decision to have the program as an attestation-based program allowed for applications to be processed quickly. Ineligible applicants were provided with a rationale for the denial of their application. The application guide also stated that "the grant is a discretionary and non-entitlement program. As such, notwithstanding that an applicant has submitted a complete application and met all program criteria, there is no guarantee that the applicant will be approved for funding." Reasons that some businesses were not awarded the grant include: • The business did not experience a revenue decline of at least 20% during the applicable comparator months. • The business was not one of the business types that was required by the provincial lockdown to close on December 26, 2020, or the business had more than 99 employees. While the Ministry of Economic Development, Job Creation and Trade has done an evaluation of the efficacy of the Ontario Small Business Support Grant, it has not made the results of the evaluation public, including the reasons behind the awarding of funds to ineligible recipients and the denial of funds to eligible recipients. This was a key element of the Committee's recommendation.

Committee Recommendation	Status Details
Recommendation 3	
The Standing Committee on Public Accounts recommends that the Ministry of Finance and the Ministry of Economic Development, Job Creation and Trade include the following elements in future business support programs:	According to the Ministry of Economic Development, Job Creation and Trade (Ministry), while the program did not have an appeal mechanism, applicants could reach out via the contact centre and the program email address. Some applicants contacted the program via their local MPP or business associations. These appeals were reviewed by senior program staff with the involvement of supervisors/management. Where possible, future business support programs will introduce an open and transparent appeal mechanism.
• introduce an open and transparent appeal mechanism; **Status: Fully implemented.**	
• adapt the funding amounts to better reflect individual businesses' needs; **Status: Fully implemented.**	The Ministry calculated the grant amount based on comparing revenue loss of April 2019 to April 2020 to ensure a consistent approach for all applicants. As per the Ministry, this period would show the impact of the public health measures implemented in spring 2020 on the revenue of small businesses. The government provided different criteria for businesses that were not in operation during the months of April 2019 to April 2020. For example, winter seasonal businesses, such as ski hills, would have their revenue decline calculated by comparing the month of higher revenue, selected from December 2019 or January 2020, compared to December 2020. The Ministry noted that, where possible, future programs would be designed to better consider different sectors, different business sizes, and individual businesses' needs.
• engage in more outreach to the business community before finalizing the program's eligibility criteria; **Status: Fully implemented.**	According to the Ministry, due to the urgent need to respond quickly to the pandemic, there was limited time to engage businesses in the design of COVID-19 pandemic support programs. As part of Ministry program design or redesign, stakeholder needs/input is typically gathered through a consultation process. According to the Ministry, for future programs, outreach to the business community will be conducted when appropriate and reasonable within allocated time frames.
• consider the unique needs of owners/sole proprietors of separate and distinct businesses/locations and investigate the possibility of their separate consideration in future programs. **Status: Fully implemented.**	The Ministry noted that future programs will be designed to clarify whether the grant is focused on individually owned small businesses/sole proprietors with one location, as opposed to business owners with multiple businesses and/or multiple locations.
Recommendation 4	
The Standing Committee on Public Accounts recommends that the Ministry of Public and Business Service Delivery ensure that third-party vendor personnel that are hired to assist with program delivery are accountable, professional, and appropriately trained to perform their duties. **Status: In the process of being implemented by March 2024.**	The Ministry reviews call recordings with the vendor to deliver feedback, coaching and training (where required). In March 2023, the Ministry started using an advanced learning-management system that will support the tracking, training, and testing to address customer complaints, and improve communication between the vendor and Ministry staff. In order to reduce wait times, the Ministry is planning to increase real-time access to live agents and introduce call-back features during high-volume times by March 2024.

Committee Recommendation	Status Details
Recommendation 5 The Standing Committee on Public Accounts recommends that the Ministry of Finance and the Ministry of Energy continue to recover funds paid to ineligible recipients under the Property Tax and Energy Cost Rebates Program. **Status: Will not be implemented.**	The Ministry of Finance and the Ministry of Energy have recovered approximately $930,000 of ineligible payments (comprised of $420,000 by the Ministry of Finance and $510,000 by the Ministry of Energy). However, the total recovery of approximately $930,000 is only about 5.8% of the total ineligible payments of over $16 million. The Ministries of Finance and Energy told us that "the government will not pursue further recovery of the property tax and energy costs rebate made to ineligible recipients" due to the "significant challenges and global economic uncertainty businesses have faced over the past three years." In June 2023, the Ministries of Finance and Energy received approval from the Lieutenant Governor for the write-off of ineligible payments.
Recommendation 6 The Standing Committee on Public Accounts recommends that Ministry of Finance conduct an analysis of the low uptake of the Property Tax and Energy Cost Rebates, including the impact of federal business relief programs. **Status: Fully implemented.**	According to the Ministry of Finance (Ministry), it has completed an analysis, in co-ordination with the Ministry of Energy, of the lower-than-expected uptake of the Property Tax and Energy Cost Rebates program, including the impact of federal business relief programs. The analysis identified the following as potential contributors to the lower-than-expected program uptake: • The Ministry stated that it relied on the best available data to prepare estimates for funding needs; however, the dataset did not fully reflect the potential pool of eligible business applicants. As a result, it used a higher estimate of potential program uptake in order to ensure sufficient funding was available to meet the potential demands for the program. • The availability of other federal supports for the same expenses, particularly the Canada Emergency Rent Subsidy program. • There was a perception that the application process and documentation requirements of the rebates program were onerous. The Ministry of Finance and the Ministry of Energy are planning to incorporate the findings of this analysis in any future business support programs implemented by the Ministries. According to the Ministry, program feedback has already informed design of the subsequent COVID-19 business support programs, including the Ontario Business Costs Rebate Program and the Ontario Small Business Support Grant.
Recommendation 7 The Standing Committee on Public Accounts recommends that the Ministry of Economic Development, Job Creation and Trade validate information reported by funding recipients in interim reports to ensure that the information is complete and accurate. **Status: In the process of being implemented by January 2024.**	The Ministry of Economic Development, Job Creation and Trade (Ministry) noted that staff now review the interim reports for completeness and validate them through conducting and documenting either onsite or virtual site visits. According to the Ministry, for the ongoing projects, the Ministry will review financial statements, conduct site visits (in person where safe to do so), and conduct media scans as part of the interim report review process. The Ministry told us that the new practice will be implemented starting January 2024.

Committee Recommendation	Status Details
Recommendation 8 The Standing Committee on Public Accounts recommends that the Ministry of Economic Development, Job Creation and Trade:	The Ministry of Economic Development, Job Creation and Trade (Ministry) states that, in order to ensure that businesses participating in the Ontario Together Fund have the capacity to undertake projects, the Ministry requested additional financial information for projects that are assessed as high financial risk. The requirement of project financing was incorporated into the contracts with the applicants. For two recipients, the Ministry was able to obtain guarantees from the respective parent companies confirming that they would meet financing commitments in case of any cash shortfall from the applicants.
• review and improve the Ontario Together Fund assessment criteria to require additional financial information or guarantees from applicants that are assessed as high financial risk; **Status: Fully implemented.**	
• monitor and mitigate changes to each project's overall risks during its lifecycle. **Status: Fully implemented.**	Ministry of Economic Development, Job Creation and Trade (Ministry) staff monitor projects and project risk by conducting and documenting virtual site visits, including having the company provide a virtual tour of its facility when possible. According to the Ministry, the project monitoring guide provides guidance on assigning risk and follow up, as required. For four projects that were behind schedule, the Ministry increased its monitoring level based on interim site visits, and amending agreements with extensions were signed.
Recommendation 9 The Standing Committee on Public Accounts recommends that the Ministry of Economic Development, Job Creation and Trade prevent further delays in Ontario Together Fund projects by using provisions in contracts, including clawback measures, to recover funds from recipients that are unlikely to complete projects. **Status: Fully implemented.**	The Ministry of Economic Development, Job Creation and Trade (Ministry) had noted 19 projects that were eligible for clawbacks and holdbacks due to a shortfall in eligible project investment since the inception of the program. According to the Ministry, it had exercised clawbacks on all 19 projects. In addition, the Ministry demanded funds back from a company that was unlikely to complete a project.
Recommendation 10 The Standing Committee on Public Accounts recommends that the Ministry of Economic Development, Job Creation and Trade review the rebate amount determination process that occurred during the Personal Protective Equipment Rebates program design, and apply lessons learned to similar programs in the future. **Status: Fully implemented.**	According to the Ministry of Economic Development, Job Creation and Trade (Ministry), the grant was not designed to provide economic relief to businesses, but to encourage them to invest in personal protective equipment to protect their employees. Eligible expenses included gloves, masks, hand sanitizer, or other items for front-facing businesses with two to 19 employees. In our 2021 audit, we noted that the Ministry did not have a basis for setting the maximum grant amount at $1,000. At the time of our audit, the Ministry did not provide a rationale for the amount other than to state that it "was an estimate made at the time to provide a reasonable level of urgent assistance to small businesses to offset unexpected PPE costs." According to the Ministry, the funding amount aligned with measures called for by stakeholders, including the Canadian Federation of Independent Business and the Ontario Chamber of Commerce, as well as with amounts provided by other jurisdictions. The Ministry indicated that the lessons learned from the delivery of the grant will inform the design and delivery of any future similar support programs for businesses.

Committee Recommendation	Status Details
Recommendation 11 The Standing Committee on Public Accounts recommends that the Treasury Board Secretariat facilitate proper oversight of the Province's COVID-19 spending by compiling COVID-19 program expenditure data from provincial ministries and report amounts spent against amounts authorized. **Status: No longer applicable.**	According to the Secretariat, as time-limited COVID-19 funding winds down, there is no need to present COVID-19 funding against actual spending.
Recommendation 12 The Standing Committee on Public Accounts recommends that the Treasury Board Secretariat: • require ministries responsible for the economic support and recovery initiatives for Ontario's businesses to develop clear, measurable short and long-term objectives for the initiatives; **Status: Fully implemented.**	The Treasury Board Secretariat (Secretariat) noted that it was implementing the first phase of the Transfer Payment Performance Measurement Framework. According to the Secretariat, the Transfer Payment Performance Measurement Framework will require ministries to use a common central platform (Transfer Payment Ontario system) to report on program outcomes for all new time-limited and discretionary transfer payment programs (including economic support and recovery initiatives). All ministries were responsible for identifying existing performance measures that align with the framework and their plans to transition to Transfer Payment Ontario by June 2022. According to the Secretariat, all ministries have submitted their Transfer Payment Performance Measurement Framework implementation plans. In addition, in May 2022, the Secretariat revised/updated the business case template for in-year Treasury Board/Management Board of Cabinet requests that contained an updated "Ongoing Performance Monitoring and Evaluation" section for ministries to include performance measurement plans to demonstrate progress toward key objectives and outcomes. According to the Secretariat, full implementation of the Transfer Payment Performance Measurement Framework is an ongoing process during which all new programs are required to be compliant from program launch; and all existing programs are to be transitioned as transfer payment agreements are renewed. The Secretariat plans to continue to monitor the implementation of requirements for existing programs through implementation plans, which are submitted annually.
• establish outcome-based performance measures based on the objectives; **Status: Fully implemented.**	According to the Secretariat, in alignment with 2022/23 reporting, ministries were directed to provide information in their 2022/23 annual reports regarding their performance/outcomes, including for programs in response to the COVID-19 pandemic.
• publicly report on the results. **Status: Little or no progress.**	Although the Secretariat has recommended that ministries publicly report on performance measures, we saw no evidence of any public reporting of relevant performance measures by the Ministries of Economic Development, Job Creation and Trade, Finance or Energy in their annual reports as recommended by the Secretariat.

Chapter 3
Section
3.03

COVID-19 Personal Protective Equipment Supply

Standing Committee on Public Accounts Follow-Up on Value-for-Money Audit, *2021 Annual Report*

On March 30, 2022, the Standing Committee on Public Accounts (Committee) held a public hearing on our 2021 audit of COVID-19 Personal Protective Equipment Supply. The Committee tabled a report on this hearing in the Legislature in February 2023. A link to the full report can be found at **www.auditor.on.ca/en/content/standingcommittee/standingcommittee.html**.

The Committee made seven recommendations and asked the Ministry of Health and the Ministry of Public and Business Service Delivery (MPBSD) to report back by June 2023. The Ministries formally responded to the Committee on June 21, 2023. A number of the issues raised by the Committee were similar to the audit observations of our 2021 audit, which we also followed up on in 2023. The status of each of the Committee's recommended actions is shown in **Figure 1.**

We conducted assurance work between June 2023 and August 2023, and obtained written representation from the Ministry of Health and the Ministry of Public and Business Service Delivery that effective November 17, 2023, they have provided us with a complete update of the status of the recommendations made by the Committee.

Figure 1: Summary Status of Actions Recommended in February 2023 Committee Report

Prepared by the Office of the Auditor General of Ontario

RECOMMENDATION STATUS OVERVIEW						
		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	1				1	
Recommendation 2	1	1				
Recommendation 3	1		1			
Recommendation 4	4	4				
Recommendation 5	3	2	1			
Recommendation 6	3	3				
Recommendation 7	2	1	1			
Total	**15**	**11**	**3**	**0**	**1**	**0**
%	**100**	**73**	**20**	**0**	**7**	**0**

Overall Conclusion

As of November 17, 2023, 73% of the Committee's recommended actions had been fully implemented, and 20% of the recommended actions were in the process of being implemented. The Ministry of Health will not be implementing one (7%) recommendation to change the stockpiling practice in the Ontario Health Plan for an Influenza Pandemic (Health Pandemic Plan) to require that health-care employers maintain a four-week, eight-week or 32-week supply of personal protective equipment (PPE) as appropriate to their health-care setting requirements, and report regularly to the Ministry of Health on their supply levels.

Detailed Status of Recommendations

Figure 2 shows the recommendations and status details that are based on responses from the Ministry of Health and the Ministry of Public and Business Service Delivery, and our review of the information provided.

Figure 2: Committee Recommendations and Detailed Status of Actions Taken

Prepared by the Office of the Auditor General of Ontario

Committee Recommendation	Status Details
Recommendation 1 The Ministry of Health include a requirement in the Health Pandemic Plan that health-care employers must maintain a four-week, eight-week or 32-week supply of PPE as appropriate to their health-care setting requirements, and report regularly to the Ministry of Health on their supply levels. **Status: Will not be implemented.**	The Ministry of Health will not be changing the Health Pandemic Plan stockpiling practice to require that health-care employers maintain a four-week, eight-week or 32-week supply of PPE as appropriate to their health-care setting requirements and report regularly to the Ministry of Health on their supply levels. The Ministry of Health worked closely with the Ministry of Public and Business Service Delivery (MPBSD) to finalize the transfer of the health-care stockpile of PPE to Supply Ontario, which was completed as of July 31, 2023. PPE and critical supply equipment in the provincial stockpile will be available through the Supply Ontario PPE Supply Portal to health-care workers and their employers. Health-care providers are expected to be able to leverage the provincial stockpile to meet their stockpile requirements. The provincial stockpile is to be maintained to the levels identified through demand planning, surge planning for emergencies and to meet supply chain risk.
Recommendation 2 The Ministry of Public and Business Service Delivery update the framework of PPE distribution to schools to include distribution to students, and make the framework public. **Status: Fully implemented.**	MPBSD consulted with the Ministry of Education and the Office of the Chief Medical Officer of Health to determine the requirements for PPE distribution to schools. Schools are included in the distribution framework of PPE since schools reopened during the pandemic. This was stated on May 4, 2021, when the Ministry of Education publicly announced the Ontario government provided up to $450 million in PPE and critical supplies and equipment to protect schools.

Committee Recommendation	Status Details
Recommendation 3 The Ministry of Public and Business Service Delivery work with Supply Ontario to put in place the systems that will enable Supply Ontario to collect the information it needs about Ontario's PPE supply and regularly report this information to the Ministry. **Status: In the process of being implemented by April 2024.**	On July 31, 2023, the transition of staff and business operations from the Supply Chain Ontario (SCO) division in the Ministry of Public and Business Service Delivery (MPBSD) to Supply Ontario took place, including the transfer of responsibilities for the management, oversight and operations of the provincial stockpile of PPE and critical supplies and equipment (CSE). Also, effective July 31, 2023, Supply Ontario continued to utilize the government's Integrated Financial Information System (IFIS). IFIS is the Ontario government's financial system used in every ministry for financial management, transactions and reporting purposes; and SCO allocation will continue to be captured under MPBSD. Using IFIS will help to address the limitations of Supply Ontario's existing financial recordkeeping solution, with Supply Ontario temporarily leveraging IFIS as a tool to record operational spending until Supply Ontario has an adequate Enterprise Resource Planning (ERP) system in place that will manage day-to-day business activities such as financial, human resources and procurement. The Treasury Board Secretariat, MPBSD and the Ministry of Health will report on the progress of the transition of the PPE/CSE program and inventory as part of their 2024–25 Strategic Planning Process and further report on the progress of Supply Ontario toward implementation of Supply Ontario's ERP system will be provided. SCO currently manages and provides oversight and tracking of all purchases/procurement, storage/warehousing, disposal, and shipment of PPE/CSE. This includes the management of all related contracts, including funding, which currently resides with SCO within MPBSD. Presently, SCO tracks and monitors provincial stockpile inventory from several different third-party logistics providers, systems, and combines those reports using Microsoft Excel. Also, inventory is accounted for by two different ministries, requiring further manual effort to track transfers, receipts from the federal government and other data required for inventory accounting using manual manipulation. Effective July 31, 2023, inventory ownership will continue to be recorded on the Ministry of Health and MPBSD books, but Supply Ontario now manages the entire program. It is acknowledged that a more sophisticated software will be required that is more efficient and provides real-time reporting. This is being considered by Supply Ontario as part of Supply Ontario's procurement of an ERP system. Transfer of ownership of inventory is expected to occur on April 1, 2024, as part of Supply Ontario's Strategic Planning Process or when Supply Ontario has acquired and implemented its ERP system.

Committee Recommendation	Status Details
Recommendation 4	
The Ministry of Health and the Ministry of Public and Business Service Delivery: • continue to collect information on inventory and consumption (or "burn") rates of PPE for both the health-care sector and non-health-care sector during the COVID-19 pandemic and after it has ended; **Status: Fully implemented.**	MPBSD has implemented a virtual inventory tool survey for data collection to capture information about consumption, inventory and deliveries and help to accurately assess and address the province's inventory needs and inform future demand. This survey was used to identify the current status and anticipated demand for PPE and critical supplies equipment across multiple sectors within the province, such as the health-care and non-health-care sectors. Although there was a previous Minister's Order that directed health-care entities to complete and submit the survey, it has elapsed. There is no current policy document that directs participants to complete and submit the survey because Supply Ontario uses multiple inputs for demand modelling, including: • input from ministries and the sectors they support; • input from the Office of the Chief Medical Officer of Health and the Ministry of Labour; • Immigration, Training and Skills Development; • input directly from customers; and • input from order history and trends. MPBSD uses submission statistics included in the dashboard view of the survey to keep track of the health-care and non-health-care sectors that have filled in the survey. For 2023 to date, only 10.42% of the health-care sector regularly reports its PPE inventory levels to MPBSD, while the rate of survey completion is even lower for non-health-care sectors, at 9.17%. Supply Ontario is in the process of changing the rate of reporting to encourage completion, but on a less frequent basis in order to reduce reporting burden.
• obtain pre-pandemic burn rates for both sectors to help inform Supply Ontario on its post-pandemic procurement needs; **Status: Fully implemented.**	MPBSD had determined that there were no material pre-pandemic burn rates for PPE for the non-health-care sectors. In addition, the Ministry of Health stated that the pre-pandemic burn-rate data was no longer relevant because COVID-19 was expected to continue for the long-term and that Ontario's PPE health-care sector stockpile strategy must continue to prepare for COVID-19 surges and increased demand beyond pre-pandemic rates. Alternatively, MPBSD established the Integrated Demand and Supply Planning (IDSP) tool, which is a detailed forecasting model to project PPE consumption. This model can be adjusted based on the conditions of a particular scenario, such as the number of workers, or the consumption rate. For example, demand and historical shipments are reviewed by sector to monitor trends, and a supply plan (based on contracts or other procurements) is calendarized to forecast incoming supply to the stockpile and to determine when staffing levels will impact demand (such as in schools over the summer) when supply-level adjustments will need to be made to reflect demand. This tool can be used to identify when PPE supplies will drop into unsafe stock levels or will be completely depleted, allowing the supply team time to plan purchases or deliveries from contracts to meet demand. The team met on a regular basis to review the tool and make supply plans, as well as to review the forecast for 18 months to determine whether additional procurement approvals or contracts were required.
• reassess the 2006/07 recommended quantities of PPE that should be kept in the provincial emergency stockpile; **Status: Fully implemented.**	MPBSD established the Integrated Demand and Supply Planning (IDSP) tool used to maintain the recommended quantities of PPE to be kept in the stockpile. This amount is generally three months of forward coverage and is not a static quantity because the stockpile is continuously reassessed through the ongoing IDSP process. The IDSP tool estimates remaining inventory over time, so that when a product inventory level is forecasted to be lower than three months of forward coverage, the planning team is alerted that action is required. This allows the supply team to plan for competitive procurement, if required, and ensures that safety stock levels are adjusted with demand.

Committee Recommendation	Status Details
• develop clear guidelines on how health-care and non-health-care providers can request needed PPE and distribute these guidelines to all health-care and non-health-care providers who may request PPE from the provincial emergency stockpile in the future. **Status: Fully implemented.**	On August 4, 2022, MPBSD implemented the PPE Supply Portal for all orders from the emergency stockpile, from where all in-scope organizations (vetted by Supply Ontario) will order PPE from the government's stockpile through an integrated order management system. This new model will streamline the PPE request process and capitalize on the stabilization of the supply chain to co-ordinate distribution of PPE. On August 24, 2022, the Ministry of Health released Addendum: Guidelines for Pandemic Stockpile Use, which includes the Ethical Allocation Framework, identifying criteria to help determine priority for available PPE supply in the event of scarcity during a COVID-19 response. The guidance also includes information and guidelines for health-care providers on stockpiling, inventory management practices and accessing needed PPE from the emergency stockpile. These guidelines were distributed through regular communication channels, such as emails, public posts on the Ministry's website, memos to the sector, and notifications on organization websites.
Recommendation 5 The Ministry of Health and the Ministry of Public and Business Service Delivery: • collaborate to develop lessons learned in the creation of new procurement processes and warehouse and distribution centres; • help transfer this knowledge and incorporate lessons learned and best practices into Supply Ontario's operations; **Status: Fully implemented.**	The government approved the transfer of the functions and staff from MPBSD to Supply Ontario (see **Recommendation 3**). With that decision in place, the collaboration to develop lessons learned and the transfer of knowledge and best practices was complete. Memos were distributed to all ministers and deputy ministers announcing the transfer, including the management, oversight, and operations of the provincial stockpile of PPE and CSE currently managed by the Supply Chain Ontario division as of July 31, 2023. In addition, early lessons learned from COVID-19 include the need to improve on the management of future pandemics by using a flexible seasonal plan that will be kept current and relevant. Going forward, the flexible seasonal plan will undergo an annual planning cycle.
• revise the Ontario Health Plan for an Influenza Pandemic to incorporate lessons learned. **Status: In the process of being implemented by September 2024.**	At the time of the Committee's follow-up, the Ministry of Health has held debriefs and interviews to gather COVID-19 lessons learned to inform future pandemic planning. For example, at the time of our follow-up, the Ministry of Health had conducted a debrief with the co-chairs of the Respiratory Season Touchpoint and the associated Pediatric Surge Table. These two tables were key COVID-19 response structures for the Ministry of Health, Ontario Health and Public Health Ontario leadership. This debrief resulted in the development of the Seasonal Respiratory Pathogens Readiness and Response Planning Guide (Planning Guide), which was publicly released in July 2023 to help the provincial health-care system prepare for and respond to seasonal respiratory pathogens. In addition, the Ministry told us that an early lesson from the debriefs was that it was preferable to manage pandemics by using a flexible seasonal plan that is kept current and relevant, and that will undergo an annual planning cycle. The Ontario Health Plan for an Influenza Pandemic will therefore be replaced by a flexible seasonal plan that will include inventory management and control guidelines in September 2024. The Planning Guide can be escalated to respond to public health emergencies or pandemics and is intended for regular use by health-system agencies, organizations, employers and health-care service providers.

Committee Recommendation	Status Details
Recommendation 6	
The Ministry of Health, the Ministry of Public and Business Service Delivery, and Supply Ontario: • analyze both qualitatively and quantitatively what the optimal balance is between manufacturing PPE domestically and procuring PPE internationally, and use this information in future decision-making; • put in place long-term formal agreements with domestic companies that can be triggered when emergencies arise, where these companies can scale up the production of PPE to meet peak demand brought on by health events such as pandemics; **Status: Fully implemented.**	MPBSD has implemented a category management approach that prioritized domestically produced PPE where possible and where security of the supply chain was a key consideration. Category management considered and analyzed the data to determine the optimal procurement strategy by using marketplace research to determine what products were available domestically or internationally, along with the supply chain risks and other factors considered in procurement strategies for decision-makers. In addition, the government introduced the Building Ontario Businesses Initiative (BOBI) that requires action (expanding on the typical technical requirements to incorporate the evaluation of criteria such as social and economic considerations in procurement) to level the playing field for Ontario businesses. This initiative was piloted in the PPE/CSE program and resulted in changes in the factors used in decision-making for procurement approvals by the Treasury Board/Management Board of Cabinet. As a result, the OPS Procurement Directive that ensures that goods and services are acquired through a process that is fair, open, transparent, geographically neutral and accessible to qualified vendors was updated, effective September 1, 2023, to include the BOBI that applies to all ministries, all provincial agencies and other organizations. In addition, MPBSD has put in place long-term agreements for critical PPE, including domestic arrangements for surgical masks, N95 respirators, nitrile gloves, hand sanitizers and disinfectant cleaners. These agreements have the ability to scale up the production of PPE to meet demands brought on by an extraordinary event. As well, all contracts are transferrable to Supply Ontario when required.
• ensure appropriate levels of PPE in the emergency stockpile, as well as the efficient rotation of PPE in warehouses to avoid expiration. **Status: Fully implemented.**	MPBSD established the Integrated Demand and Supply Planning (IDSP) tool used to maintain the recommended quantities of PPE to be kept in the stockpile. This amount is generally three months of forward coverage, but was not a static quantity because the stockpile is now continuously reassessed through the ongoing IDSP process. The IDSP tool estimates remaining inventory over time, so that when a product inventory level is forecasted to be lower than three months of forward coverage, the planning team is alerted that action is required. This allows the supply team to plan for competitive procurement, if required, and ensures that safety stock levels are adjusted with demand. In addition, in January 2022, the Ministry of Health developed and distributed an expiration guidance document that provides instructions to its warehouse on when to ship PPE and other supplies to health-care providers so that they were shipped before they expired. This was being accomplished using an inventory control method called First Expiring, First Out (FEFO), such that items that expired first were the first items to be shipped out. This attempts to prevent obsolescence or expiry at the source of picking. As part of the October 1, 2022, contractual agreement with its warehouse vendor, Metro Supply Chain Inc. (Metro), orders with products that are closest to their expiry are shipped out first. The Ministry of Health informed us that it meets weekly with Metro and Supply Chain Ontario (formerly MPBSD) to reinforce the FEFO guidelines. Since the October 1, 2022, contractual agreement with Metro was signed, by June 2023, about $53 million of PPE had expired. The majority of the expired stock is due to the high volume of new products acquired early in the pandemic when there was a shortage of respirators, masks and sanitizer to meet demand. Once the supply chain stabilized, some products became more appropriate than others and demand for other products declined resulting in additional inventory of expired and obsolete products.

Committee Recommendation	Status Details
Recommendation 7	
The Ministry of Health and the Ministry of Public and Business Service Delivery: • publicly communicate the Ethical Allocation Framework for PPE and post it on their websites; **Status: Fully implemented.**	On August 24, 2022, the Ministry of Health publicly released Addendum: Guidelines for Pandemic Stockpile Use, that includes the Ethical Allocation Framework. These guidelines were distributed through regular communication channels, such as emails, public posts on the Ministry's website, memos to the sector and notifications on organization websites.
• incorporate the Ethical Allocation Framework for PPE into the updated Ontario Health Plan for an Influenza Pandemic. **Status: In the process of being implemented by September 2024.**	The Ministry of Health has held debriefs and interviews to gather COVID-19 lessons learned to inform future pandemic planning. For example, at the time of the follow-up, the Ministry had conducted a debrief with the co-chairs of the Respiratory Season Touchpoint and associated Pediatric Surge Table. This debrief resulted in the development of the Seasonal Respiratory Pathogens Readiness and Response Planning Guide (Planning Guide) which was publicly released in July 2023 to help the provincial health-care system prepare for and respond to seasonal respiratory pathogens. The Planning Guide can be escalated to respond to public health emergencies or pandemics and is intended for regular use by health-system agencies, organizations, employers and health-care service providers. The Ontario Health Plan for an Influenza Pandemic will therefore be replaced with a flexible seasonal plan that will include the Ethical Allocation Framework for PPE in September 2024.

Chapter 3
Section
3.04

Ontario Motor Vehicle Industry Council

Standing Committee on Public Accounts Follow-Up on Value-for-Money Audit, *2021 Annual Report*

On April 6, 2022, the Standing Committee on Public Accounts (Committee) held a public hearing on our 2021 audit of the Ontario Motor Vehicle Industry Council (OMVIC). The Committee tabled a report on this hearing in the Legislature in February 2023. A link to the full report can be found at **www.auditor.on.ca/en/content/standingcommittee/standingcommittee.html**.

The Committee made 12 recommendations and asked the Ministry of Public and Business Service Delivery (Ministry) to report back by June 2023. The Ministry formally responded to the Committee on June 22, 2023 and OMVIC responded to the Committee on June 21, 2023. A number of the issues raised by the Committee were similar to the audit observations of our 2021 audit, which we followed up on in 2023. The status of each of the Committee's recommended actions is shown in **Figure 1.**

We conducted assurance work between April 2023 and September 2023, and obtained written representation from OMVIC and the Ministry that effective November 20, 2023, it has provided us with a complete update of the status of the recommendations made by the Committee.

Figure 1: Summary Status of Actions Recommended in February 2023 Committee Report

Prepared by the Office of the Auditor General of Ontario

RECOMMENDATION STATUS OVERVIEW						
		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	2	1	1			
Recommendation 2	1			1		
Recommendation 3	7	5	2			
Recommendation 4	3	3				
Recommendation 5	2			2		
Recommendation 6	4	3		1		
Recommendation 7	3	2		1		
Recommendation 8	3			3		
Recommendation 9	3	3				
Recommendation 10	2	2				
Recommendation 11	2			2		
Recommendation 12	1			1		
Total	**33**	**19**	**3**	**11**	**0**	**0**
%	**100**	**58**	**9**	**33**	**0**	**0**

Overall Conclusion

As of October 20, 2023, OMVIC had fully implemented 81% of the recommended actions that were directed solely to it. Combined, OMVIC and the Ministry had fully implemented 58% of the Committee's recommended actions, and 9% of the recommended actions were in the process of being implemented. There also has been little or no progress on 33% of the recommended actions. Most of these relate to recommendations that were directed to or include the Ministry.

Detailed Status of Recommendations

Figure 2 shows the recommendations and status details that are based on responses from OMVIC and the Ministry, and our review of the information provided.

Figure 2: Committee Recommendations and Detailed Status of Actions Taken

Prepared by the Office of the Auditor General of Ontario

Committee Recommendation	Status Details
Recommendation 1 The Standing Committee on Public Accounts recommends that the Ontario Motor Vehicle Industry Council should:	
• require a letter of credit from each motor vehicle dealer at the time of registration; upon the request of the Council a dealer must provide an updated letter of credit; these letters of credit must be held by the Council past the closure of the dealerships; **Status: In the process of being implemented by December 2023.**	OMVIC reviewed the processes of the Vehicle Sales Authority of British Columbia and the Alberta Motor Vehicle Industry Council concerning letters of credit. Based on its research, OMVIC indicated that it was in the process of updating its relevant policy and processes. OMVIC plans to implement its revised letter of credit policy and procedures by December 2023. Once complete, OMVIC plans to communicate changes to applicants, registrants and stakeholders as needed.
• ensure staffing levels are sufficient to manage an increased workload. **Status: Fully implemented.**	OMVIC conducted a workload study of its registration department, which concluded OMVIC should add 10 positions in its registration department. These additional positions, included: a new registration manager to oversee OMVIC's senior registration officers; a working team lead to focus on updating applications, templates, policies and procedures, as well as team training; and additional registration officers to process and approve applications. At the time of our follow-up, due to budgetary constraints, eight of the 10 positions had been filled.

Committee Recommendation	Status Details
Recommendation 2	
The Standing Committee on Public Accounts recommends that the Ministry of Public and Business Service Delivery should work with the Ontario Motor Vehicle Industry Council to implement mandatory continuing education requirements for motor vehicle dealers and salespersons to ensure that they are up to date on relevant legislative and regulatory changes. **Status: Little or no progress.**	The Ministry has made little progress toward implementing this recommendation. We noted that in October 2022, OMVIC provided a proposal to the Ministry recommending that it implement a requirement for continuing professional development as a condition for renewing registrations for motor vehicle dealers and salespersons. We found that the Ministry was in the process of conducting jurisdictional research, and consulting with other provinces that regulate motor vehicle sales and have continuing education as part of their renewal requirements. The Ministry also collected information on the continuing education programs at other delegated administrative authorities in Ontario, including the Bereavement Authority of Ontario and the Real Estate Council of Ontario. The Ministry told us that once it completed its research, and sought advice from OMVIC, it would finalize policy options for public consultation, and develop proposals for legislative and/or regulatory amendments for the government's consideration.
Recommendation 3	
The Standing Committee on Public Accounts recommends that the Ontario Motor Vehicle Industry Council should:	
• develop a risk framework and assign an inspection frequency to each level of risk; **Status: Fully implemented.**	OMVIC developed a risk framework in February 2022 and assigned a specific inspection frequency to each level of risk. OMVIC assesses the risk level of a motor vehicle dealer based on a number of factors including past complaints, the outcome of the last inspection and code of ethics violations. Based on its assessment, OMVIC assigns dealers a risk level of high, medium or low. High-risk dealers are to be inspected annually, and medium- and low-risk dealers are to be inspected once every three and five years, respectively.
• determine and assign a risk level and inspection frequency to each motor vehicle dealer; • put in place systems to ensure that each dealer is scheduled for and receives an inspection based on its assigned risk level; **Status: In the process of being implemented by December 2023.**	OMVIC set up a new IT system in May 2023. At the time of our follow-up, it was in the process of developing functionalities for the IT system to determine an appropriate inspection frequency for each motor vehicle dealer, schedule inspections, and reassess the risk level for each dealer on an ongoing basis. OMVIC expects to implement these enhancements to its IT system by December 2023.
• assess the workload of inspectors and ensure that it has sufficient staff to carry out and complete annually assigned inspections on a timely basis; **Status: Fully implemented.**	OMVIC conducted a study to assess the workload of its inspectors, which recommended it should add seven new positions to its Inspections Department. OMVIC told us it had filled five of those positions as of August 2023, and it plans to consider hiring additional staff for the Inspections Department in the future.
• implement a process to regularly review inspections completed by its inspectors to ensure they are performed consistently; **Status: Fully implemented.**	OMVIC has implemented an inspection oversight process and hired an additional inspection manager. The manager of inspections conducts monthly meetings with each inspector to review a sample of closed and active inspections to identify and address inconsistencies as appropriate.

Committee Recommendation	Status Details
• ensure that motor vehicle dealers disclose infractions regarding the condition of motor vehicles that could pose a significant safety concern; **Status: Fully implemented.**	We found that OMVIC revised its policies in September 2023 to require vehicle purchasers to be notified if during the course of their work, OMVIC staff find that a registrant failed to comply with their disclosure obligations which may or may not pose a safety concern.
• use an in-house "mystery shopping" program to monitor compliance with all-in-price advertising and disclosure requirements set out in legislation; and ensure consistent responses to compliance issue discoveries. **Status: Fully implemented.**	OMVIC stopped using consumer associations to conduct mystery shopping to help uncover all-in-pricing advertising violations. This decision was made because OMVIC could not take enforcement action for violations found since the mystery shopping was not being conducted by its own investigators. Instead, OMVIC expanded its internal mystery shopping program by hiring a dedicated manager of investigation for mystery shopping. As a result, OMVIC has increased the number of in-house mystery shopping visits and enforcement actions against non-compliant dealers. For example, OMVIC conducted 193 mystery shopping visits at dealers in 2022 and found violations at 68 dealers. OMVIC issued a caution letter to 41 of these dealers, while the other 27 were referred for further disciplinary action.
Recommendation 4 The Standing Committee on Public Accounts recommends that the Ontario Motor Vehicle Industry Council should:	
• establish benchmarks or guidelines for enforcement action and the timely completion of investigations; • implement a process for monitoring whether investigators complete investigations on a timely basis and take appropriate action based on the results of their investigations; **Status: Fully implemented.**	OMVIC developed and implemented benchmarks for the timely completion of investigations. OMVIC now expects low-, medium- and high-complexity investigations to be completed in four, nine and 18 months, respectively. To ensure appropriate enforcement actions are taken, the investigator is required to consult with the manager of investigation to obtain approval on the status of the investigation prior to closing the file. In instances where the benchmarks are not met, or likely not to be met, the manager of investigations is required to conduct a review of the circumstances and take appropriate action where needed.
• develop guidelines for when OMVIC investigators should refer cases to the OMVIC Discipline Committee. **Status: Fully implemented.**	In May 2023, OMVIC developed and implemented guidelines for the Investigations team to assist investigators in making recommendations to the Registrar about regulatory enforcement action, including recommendations for discipline action. These guidelines include factors for investigators to consider when determining whether a recommendation for discipline action is appropriate, such as Code of Ethics violations, history of non-compliance or complaints, and level of consumer harm.

Committee Recommendation	Status Details
Recommendation 5 The Standing Committee on Public Accounts recommends that the Ministry of Public and Business Service Delivery should work with the Ontario Motor Vehicle Industry Council to:	
• reassess the current limitations of legislation that prevents OMVIC from compelling motor vehicle dealers to provide restitution to consumers when they have breached the law; and identify what regulatory and legislative changes are necessary to address these limitations; **Status: Little or no progress.**	We found that little progress was made toward implementing this recommendation. OMVIC had sent a proposal to the Ministry recommending it expand the eligibility criteria of the Compensation Fund, rather than enable OMVIC to compel a motor vehicle dealer to provide restitution to consumers during the complaint handling process. OMVIC expects that expanding eligibility to the Fund will encourage motor vehicle dealers to resolve and pay restitution to consumers in the case of a valid complaint, as consumers will otherwise be eligible to make a claim to the Fund. We also found that the Ministry was in the process of conducting jurisdictional research, including consulting with other provinces about their rules on compelling motor vehicle dealers to provide restitution to consumers. The Ministry also conducted research on complaints and dispute resolution processes at other delegated administrative authorities, including Tarion and the Home Construction and Regulatory Authority, which regulates new home builders and vendors. The Ministry told us that once it had completed this research and consulted with OMVIC, it would then finalize policy options for public consultation, and develop proposals for legislative and/or regulatory amendments for the government's consideration.
• allow consumers who make purchases from motor vehicle dealers acting illegally to be indemnified for a claim to the Compensation Fund where OMVIC's own investigation confirms that such consumers were intentionally misled by a motor vehicle dealer; and that the Council utilize its resources and authority to recover sums from such motor vehicle dealers paid out to consumers from the Compensation Fund. **Status: Little or no progress.**	We found little progress was made toward implementing this recommendation. At the time of our follow-up, OMVIC had conducted jurisdictional research in other provinces—including Alberta, British Columbia, Saskatchewan, and Quebec—that regulate motor vehicle dealers and have a Compensation Fund or any other similar support services. In addition, OMVIC consulted with consumer and industry stakeholders and OMVIC's Board of Trustees on the changes proposed by this recommendation. Consumer and industry stakeholders responded that they were opposed to allowing consumers to make claims to the Compensation Fund following a purchase from an illegal dealer, stating that by doing so, consumers would be encouraged to buy a vehicle from anyone, including illegal dealers which would undermine the purpose of the Compensation Fund. OMVIC also engaged a third-party consultant to conduct a review of the financial implications of implementing this recommendation. That review concluded that increased claims following the purchase from an illegal dealer could range from $3,900 to $291,000 per year to the Compensation Fund. Based on its research and consultations, OMVIC reported to the Ministry that it did not support expanding access to the Compensation Fund to consumers who purchase vehicles from an illegal dealer. We found that the Ministry had reviewed OMVIC's findings and were in the process of conducting their own jurisdictional research with Nova Scotia, Alberta, British Columbia, Saskatchewan and Quebec to consider proposals for amendments to the *Motor Vehicle Dealers Act, 2002* relating to this recommendation. The Ministry told us that once it had completed that research and sought additional advice from OMVIC, it would then prepare advice and seek internal approval regarding next steps, based on research findings and reports, data, and advice received from OMVIC. If a decision is made to move forward, the Ministry estimated that any potential changes would come into effect by July 2025.

Committee Recommendation	Status Details
Recommendation 6 The Standing Committee on Public Accounts recommends that the Ministry of Public and Business Service Delivery should work with the Ontario Motor Vehicle Industry Council to:	
• establish a clear framework with criteria to be used in determining when a complaint against a motor vehicle dealer should be referred for enforcement action; **Status: Fully implemented.**	In November 2022, OMVIC implemented a formal framework and set out criteria for its complaint handlers to follow when determining whether to refer a complaint for enforcement action. The framework outlines specific instances when a complaint should be referred for enforcement action, including for specific breaches of the *Motor Vehicle Dealers Act, 2002*. These include instances when a motor vehicle dealer misrepresents, or fails to make the required disclosures to a consumer about a vehicle, or when a vehicle is sold by a dealer with a safety standards certificate and is subsequently found by a Ministry of Transportation officer to be unsafe to drive. The framework also includes guidelines that complaint handlers must follow when determining whether to refer a complaint for enforcement action. These guidelines indicate the complaint handler should consider certain factors prior to making a referral for enforcement action, such as the seriousness of the breach in terms of risks to consumers and/or other registrants, the number of times the registrant had been previously warned about this type of breach, how long the dealer had been registered without significant administrative concerns, and how cooperative the registrant had been during the complaint handling process. OMVIC also has updated its complaint handling policies and procedures to reflect this framework.
• ensure that all complaint-handling staff apply the framework and criteria consistently to all complaints received and mediated by OMVIC and that staff are resourced to fulfil and execute all their responsibilities and effectively resolve complaints; **Status: Fully implemented.**	We found that OMVIC had formally trained its complaint handling staff on its new framework and guidelines for referring complaints for further enforcement action. This included explaining to its staff the purpose of the new framework and guidelines, and training them on how to use it appropriately to handle incoming complaints. OMVIC also hired two managers for its complaints handling department—a consumer support manager and a quality assurance manager—to review complaints handled by staff, and to help ensure staff are applying the framework consistently and accurately. As well, OMVIC conducted a workload study of its complaints handling department. The workload study recommended that the complaints department should hire nine additional positions. At the time of our follow-up, six of the nine positions had been filled. OMVIC told us it planned to continue to reassess staff demands to help ensure that the complaints department's needs are met.

Committee Recommendation	Status Details
• review consumer complaints that were not eligible for a claim against the Compensation Fund in order to develop additional eligibility criteria for accessing the Compensation Fund and thereby increase consumer protection; **Status: Fully implemented.**	OMVIC completed an internal review of consumer complaints that were not eligible for a claim against the Compensation Fund dating from 2017 to 2021. The types of complaints it identified as not eligible for a claim included non-disclosure of a vehicle having had substantial accidents, non-disclosure of significant repairs made to the vehicle prior to sale, and all-in-price advertising violations. Based on OMVIC's review of the complaints, as well as consultations with stakeholder groups and the Compensation Fund's Board of Trustees, OMVIC identified 10 ways to expand the eligibility criteria for the Compensation Fund, and provided a proposal to the Ministry for its consideration. The proposed additional criteria included: · **Failing to Discharge Lien Registered Against Traded-In Vehicle:** The Fund would allow a claim when a trade-in vehicle still has an outstanding lien, and the lien is not removed by the dealer prior to sale of the vehicle to a consumer. · **Serious Safety Issues Resulting in Impoundment of Vehicle/Seizure of License Plates:** The Fund would allow a claim from a consumer who purchased or leased an unsafe vehicle that was then impounded when found to be dangerous/unsafe by the Ministry of Transportation or the police. · **All-in-Price Advertising Violations:** The Fund would allow a claim if there are damages due to a dealer's false representations about pricing or if promised benefits were not delivered to the customer.
• propose to the Ministry of Public and Business Service Delivery to include in legislation additional criteria for eligibility for compensation, and to also allow the Compensation Fund's Board of Trustees to use their discretion to compensate consumers for claims involving the violation of applicable legislation that do not fit into a specific eligibility criterion. **Status: Little or no progress.**	As noted, OMVIC identified 10 ways to expand the eligibility criteria for the Compensation Fund, and provided a proposal on its findings to the Ministry. OMVIC expected that its proposal to the Ministry would also increase the Board's ability to use discretion for circumstances and violations that were not previously covered. The Ministry indicated it had reviewed OMVIC's proposal to expand the eligibility criteria, and asked OMVIC for additional information, including with respect to the sufficiency of the Compensation Fund, whether registrants were making adequate contributions to the Fund, and how OMVIC decided on the proposed eligibility criteria. In addition, the Ministry indicated that it was in the process of conducting jurisdictional research and consulting with other provinces that regulate motor vehicle sales—including Nova Scotia, Quebec, Saskatchewan, Alberta and British Columbia—about their Compensation Fund eligibility rules to inform potential proposals for amendments to the Act. Once its jurisdictional research and discussions with OMVIC are complete, the Ministry plans to finalize policy options for public consultation, and develop proposals for legislative and/or regulatory amendments for the government's consideration. If a decision is made to move forward, the Ministry estimated that any potential changes would come into effect by July 2025.

Committee Recommendation	Status Details
Recommendation 7 The Standing Committee on Public Accounts recommends that the Ontario Motor Vehicle Industry Council should:	
• takes steps to increase public awareness of its role as well as the rules regarding all-in-price advertising; • take progressive enforcement action against motor vehicle dealers that charge consumers more than the price advertised; **Status: Fully implemented.**	OMVIC developed and implemented a marketing plan in January 2022 to increase consumer awareness of OMVIC and car-buyers' rights. The plan outlined specific paid media channels such as social media advertising, sponsored content, and email marketing that are to be used. The plan identifies key consumer issues that are to be targeted each month, such as raising awareness that there is no cooling off period for vehicle purchases and leases, and OMVIC's Compensation Fund. Also, included in the marketing plan is a greater emphasis on educating consumers about the all-in-price advertising requirement in Ontario. In 2022, OMVIC increased the number of months its marketing campaign focused on all-in-price advertising messaging during the year from four months to seven months. OMVIC also expanded its mystery shopper program by increasing the number of anonymous visits it made to dealers from 95 in 2021 to 193 in 2022. Of the 193 mystery shopping visits, 68 were found to be not in compliance with the all-in-price advertising laws. As a result, OMVIC issued 41 caution letters to dealers, and referred 27 dealers for disciplinary action. We also found that OMVIC included a greater emphasis in its marketing plan on educating consumers about the all-in-price advertising requirement in Ontario. In 2022, OMVIC increased the number of months its marketing campaign focused on all-in-price advertising messaging during the year from four months to seven months.
• propose regulatory changes to the Ministry of Public and Business Service Delivery that would require motor vehicle dealers to disclose to consumers all the financing options the dealer has received in response to a consumer's credit application. **Status: Little or no progress.**	We found that OMVIC proposed regulatory changes to the Ministry that would require motor vehicle dealers to disclose to consumers all financing options that the dealer has received in response to the consumer's credit application. The Ministry reviewed OMVIC's proposal for regulatory changes and plans to finalize policy options for public consultation and develop proposals for legislative and/or regulatory amendments for the government's consideration. If a decision is made to move forward, the Ministry estimated that any potential changes would come into effect by July 2025.
Recommendation 8 The Standing Committee on Public Accounts recommends that the Ontario Motor Vehicle Industry Council should:	
• in coordination with the Compensation Fund's Board of Trustees, work with the Ministry of Public and Business Service Delivery to propose legislative changes to allow the Ontario Motor Vehicle Industry Council to transfer surplus funds to its Compensation Fund; **Status: Little or no progress.**	OMVIC submitted a proposal to the Ministry to allow it to transfer funds from its general surplus to the Compensation Fund. At the time of our follow-up, the Ministry was preparing advice and seeking internal approval regarding next steps, based on research findings, and reports, data, and advice received from OMVIC. If a decision is made to move forward, the Ministry estimated that any potential policy changes would come into effect by July 2025.

Committee Recommendation	Status Details
• collaborate with the Ministry of Transportation to ensure that the number of vehicle transactions reported by motor vehicle dealers is accurate; **Status: Little or no progress.**	OMVIC worked with the Ministry of Transportation (MTO) to obtain sample datasets of motor vehicle registration records. OMVIC reviewed the datasets and informed us that it could not rely upon the MTO data on its own to verify motor vehicle dealers' self-reported transaction volumes. At the time of our follow-up, OMVIC was exploring alternative ways to verify vehicle transaction volumes.
• together with the Ministry of Public and Business Service Delivery work with their counterparts in the federal government to introduce a requirement for motor vehicle dealers to report large cash transactions to the Financial Transactions and Reports Analysis Centre of Canada. **Status: Little or no progress.**	We found that the Ministry met with OMVIC, the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) and other provinces to discuss money laundering and requiring motor vehicle dealers to report cash transactions over a certain threshold to FINTRAC. However, at the time of our follow-up, the Ministry had not yet finalized its research on potential options for implementation. The Ministry plans to finalize and present policy options to the Minister's office based on its research and liaise with the federal government as appropriate pending direction by July 2025.
Recommendation 9 The Standing Committee on Public Accounts recommends that the Ontario Motor Vehicle Industry Council should annually report on: • the full results of its consumer surveys (highlighting areas where the surveys indicate improvements are needed); • completed inspections and site visits (separately); and • time spent reviewing registration applications (including staff time to follow up on missing information). **Status: Fully implemented.**	OMVIC published on its website the complete results of its consumer surveys conducted for 2022, and highlighted areas of improvement by including their targets for each survey question. OMVIC also reported on the number of completed inspections and site visits for 2022 separately rather than as a combined figure, as well as registration-application processing times including staff time to follow up and collect missing information.
Recommendation 10 The Standing Committee on Public Accounts recommends that the Ontario Motor Vehicle Industry Council should work with the Ministry of Public and Business Service Delivery to: • take steps to diversify the composition of its Board and/or increase representation for individuals with experience in consumer protection; and • implement fixed term limits for its Board members in keeping with best practices for similar organizations. **Status: Fully implemented.**	In April 2023, the Minister of Public and Business Service Delivery issued Minister's Orders that required OMVIC to reduce the number of board members from 12 to nine, and to limit the term of office for elected directors to three years. The Minister's Orders also stated that Board members cannot be re-elected or reappointed if they have served an aggregate of nine or more years. In addition, the Minister's Orders prevent OMVIC from drawing more than 34% of its Board members from the motor vehicle dealership industry. In June 2023, in response to the Minister's Orders, OMVIC updated its bylaws to address the Minister's Orders.

Committee Recommendation	Status Details
Recommendation 11 The Standing Committee on Public Accounts recommends that the Ministry of Public and Business Service Delivery should strengthen the independence of the Compensation Fund Board by • amending the regulation to disallow the Ontario Motor Vehicle Industry Board from appointing its own Board members to the Compensation Fund's Board of Trustees; and • clarifying the roles and responsibilities for the Compensation Fund's Board of Trustees in the administrative agreement with OMVIC to reflect the Compensation Fund's independent authority. **Status: Little or no progress.**	The Ministry had not made progress toward implementing these recommended actions. The Ministry informed us that it was still reviewing the recommendations and planned to take steps to implement them by July 2025, if a decision is made to move forward.
Recommendation 12 The Standing Committee on Public Accounts recommends that the Ministry of Public and Business Service Delivery should revise the performance indicators it uses to monitor the Ontario Motor Vehicle Industry Council's performance to include indicators that more closely monitor OMVIC's operations, including in the areas of inspection, registration, consumer complaint handling, the Compensation Fund, and educating and informing consumers about their rights and protections in purchasing a car. **Status: Little or no progress.**	The Ministry and OMVIC held preliminary discussions on implementing new performance metrics. Following these discussions, OMVIC began reporting on new performance metrics that are pending Ministry approval in the areas of inspections, registration, consumer complaint handling, the Compensation Fund and educating and informing consumers.

Chapter 3
Section
3.05

Tarion Warranty Corporation

Standing Committee on Public Accounts Follow-Up on October 2019 Special Report

On November 27, 2019, the Standing Committee on Public Accounts (Committee) held a public hearing on our 2019 audit of Tarion Warranty Corporation (Tarion). The Committee tabled a report on this hearing in the Legislature in February 2021. A link to the full report can be found at **www.auditor.on.ca/en/content/standingcommittee/standingcommittee_archives.html#2021**.

The Committee made 18 recommendations and asked the Ministry of Public and Business Service Delivery (Ministry), formerly the Ministry of Government and Consumer Services, to report back by June 2021. The Ministry formally responded to the Committee on June 22, 2021. In 2021, we conducted a follow-up on the Committee's recommendations. This follow-up report can be found in Chapter 3, **Section 3.06** of our *2021 Annual Report*. As of November 16, 2021, 67% of the Committee's recommended actions had been fully implemented, 18% of the recommended actions were in the process of being implemented and there had been little or no progress on 11% of the recommended actions. In addition, 4% of the recommendations were no longer applicable. In 2023, we conducted a second follow-up on the Committee's recommended actions that were not fully implemented as of November 16, 2021. The status of each of the Committee's recommended actions that were outstanding as of November 16, 2021, is shown in **Figure 1.**

We obtained written representation from Tarion, the Home Construction and Regulatory Authority (HCRA), and the Ministry that effective November 20, 2023, they have provided us with a complete update of the status of the recommended actions that were not documented as fully implemented in our 2021 follow-up report.

Figure 1: Summary Status of Actions Recommended in February 2021 Committee Report

Prepared by the Office of the Auditor General of Ontario

RECOMMENDATION STATUS OVERVIEW						
		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 2	3		2	1		
Recommendation 4	1	1				
Recommendation 5	1	1				
Recommendation 11	1	1				
Recommendation 12	3	2	1			
Recommendation 14	3	3				
Recommendation 17	1	1				
Total	**13**	**9**	**3**	**1**	**0**	**0**
%	**100**	**69**	**23**	**8**	**0**	**0**

Note: This table includes only those recommended actions that were not documented as fully implemented in our 2021 follow-up report.

Overall Conclusion

As of October 27, 2023, 69% of the Committee's recommended actions that were outstanding since our last follow-up in 2021 had been fully implemented and 23% of the recommended actions were in the process of being implemented. There has been little or no progress on one recommended action.

Detailed Status of Recommendations

Figure 2 shows the recommendations and status details that are based on responses from Tarion, HCRA and the Ministry, as well as our review of the information provided.

Figure 2: Committee Recommendations and Detailed Status of Actions Taken

Prepared by the Office of the Auditor General of Ontario

Committee Recommendation	Status Details
Recommendation 2 The Standing Committee on Public Accounts recommends that Tarion Warranty Corporation:	
• remove its two 30-day deadlines and allow homeowners to submit requests for assistance at any time during the first year of ownership; **Status: In the process of being implemented by May 2024.**	In our follow-up, we found that Tarion completed public consultations in September 2022 on proposed regulatory changes under the *Ontario New Home Warranties Plan Act* to: • allow homeowners to add items to a running list of potential defects at any time during the first-year warranty period; • extend the two 30-day deadlines to add an additional 10 days to each deadline (now two 40-day deadlines); • create a new mid-year submission deadline to allow homeowners to submit requests for assistance six months into the first year of occupancy; and • remove the 30-day deadline to request a home inspection, and instead allow homeowners to request an inspection for each submission from the time it is submitted up until the next submission date. These changes will allow homeowners to submit items at any time during the first year of occupancy, and no items submitted during the first year would be rejected for missing a deadline. These changes will also give homeowners more time to request a home inspection. These regulatory changes were made in June 2023 but, at the time of our follow-up, had not yet been implemented. Tarion informed us that it expects these regulatory changes to come into effect by May 2024.
• eliminate the 30-day deadline to request a home inspection; **Status: In the process of being implemented by May 2024.**	
• significantly reduce the amount of time provided to builders to resolve defects before stepping in to help homeowners, and establish prescribed, transparent, and appropriate timeframes for fixing defects. **Status: Little or no progress.**	In our follow-up, we found that Tarion deferred consultation on possible changes to the builder repair period until 2024. Consultations were deferred because Tarion received feedback from the industry that COVID-19–related disruptions were impacting repair periods. Tarion could not provide us with an estimated date of implementation.

Committee Recommendation	Status Details
Recommendation 4 The Standing Committee on Public Accounts recommends that Tarion Warranty Corporation address the issue of warranty coverage that starts before a house is truly finished by: • developing a warranty that will protect homebuyers for unfinished items in their homes once the home has met the minimum occupancy standard, and ensuring that the one-year warranty coverage begins only after the items are finished. **Status: Fully implemented.**	In our follow-up, we found that beginning on March 1, 2023, Tarion required builders to provide a new one-year extension of the warranty for items reported as missing or not installed as of the date a homebuyer takes possession of their home. The warranty for missing items starts on the date the builder installs the missing item. This extension of the warranty applies to items identified on warranty forms submitted by homebuyers after March 1, 2023. The builder is expected to provide the extension of the one-year warranty; however, it is not required by law. Tarion informed us that regulatory changes under the *Ontario New Home Warranties Plan Act* are expected by the end of 2024. In the interim, Tarion has developed a process to mediate complaints against builders that do not provide homebuyers with this new coverage.
Recommendation 5 The Standing Committee on Public Accounts recommends that Tarion Warranty Corporation increase the maximum limit of $300,000 paid to homeowners when builders do not honour their warranty, to better reflect the costs of home construction in Ontario. **Status: Fully implemented.**	In our follow-up, we found that as of July 1, 2023, Tarion increased the maximum limit—from $300,000 to $400,000—paid to homeowners when builders do not honour their warranty for new freehold homes. Tarion informed us that the warranty compensation limit for condominium units was not increased because there is additional coverage under the builder's common elements warranty.
Recommendation 11 The Standing Committee on Public Accounts recommends that Tarion Warranty Corporation add the following information about each licensed builder, in clear and easy-to-understand language, to the Ontario Builder Directory: • cancellation of projects and reasons for the cancellation. **Status: Fully implemented.**	In our follow-up, we found that in January 2023, HCRA started to publish information on the cancellation of construction projects, including the reasons for cancellation, in the Ontario Builder Directory.

Committee Recommendation	Status Details
Recommendation 12 The Standing Committee on Public Accounts recommends that the Ministry of Government and Consumer Services:	
• provide Tarion Warranty Corporation with the ability to directly fine any individuals and/or corporations found to have engaged in illegal home construction; **Status: Fully implemented.**	In our follow-up, we found that in February 2023, a new regulation under the *New Home Construction Licensing Act, 2017* came into effect that allows HCRA to impose administrative penalties up to $50,000 per occurrence directly to any individuals and/or corporations that breach their legal and ethical obligations, which includes anyone found to have engaged in illegal home construction. Regulatory changes were also made to establish an appeal process through the Licence Appeal Tribunal for any individual and/or corporation wishing to dispute a penalty imposed by HCRA. (Since the Standing Committee on Public Accounts tabled its report in February 2021, responsibility for licensing builders has been transferred from Tarion to HCRA.)
• establish an appeal process for individuals and/or corporations wishing to dispute the fines imposed by Tarion Warranty Corporation; **Status: Fully implemented.**	
• establish a process by which Tarion Warranty Corporation can share information about illegal builders to governments (municipal, provincial, and federal) for investigation of potential tax evasion. **Status: In the process of being implemented by the end of December 2023.**	In our follow-up, we found that Tarion is entering into an agreement with the Ministry of Finance (to be in place by the end of December 2023) to share information about illegal builders for investigation of potential tax evasion.
Recommendation 14 The Standing Committee on Public Accounts recommends that the Ministry of Government and Consumer Services:	
• establish a process to track and analyze information provided by Tarion Warranty Corporation; **Status: Fully implemented.**	In our follow-up, we found that the Ministry implemented a process to collect, track and analyze information received from Tarion. The Ministry created a guide that includes procedures for Ministry staff related to their oversight activities. For example, the Ministry developed process maps that depict the types of analysis that Ministry staff should do when they receive information from Tarion. The Ministry also created an oversight tracker toolkit to monitor Tarion's progress in meeting its key accountability obligations under both the *Ontario New Home Warranties Plan Act* and the administrative agreement with the Ministry.
• establish performance indicators and targets to measure Tarion Warranty Corporation's performance; **Status: Fully implemented.**	In our follow-up, we found that the Ministry had developed performance indicators and targets to monitor Tarion's performance. Tarion reports on the outcomes of these performance indicators in its annual report. Indicators include measuring new homebuyer satisfaction with, and timeliness of, Tarion's services, including its call centre and inspections. In addition, twice a year, Tarion issues a report to the Ministry on high- and medium-risk items that are identified through monitoring of its key performance and risk indicators. When items are identified as high-risk, mitigation efforts are detailed in the report.
• assess Tarion Warranty Corporation's performance against these targets on a regular basis and take corrective actions where necessary. **Status: Fully implemented**	

Committee Recommendation	Status Details
Recommendation 17 The Standing Committee on Public Accounts recommends that Tarion incorporate their financial statements in their public annual report, including an extensive quantitative and qualitative analysis that should include, but not be limited to, operations, compensation, legal expenses including and delineating those incurred with respect to homebuyer appeals, discussion of the reserve fund and claims, rationale and a trend analysis on this information. **Status: Fully implemented.**	In our follow-up, we found that beginning in 2020, full audited financial statements and more qualitative analysis on its operations were included in Tarion's public annual report. Beginning in 2021, Tarion included both legal costs associated with the Licence Appeal Tribunal and costs associated with collections in its financial disclosure. Information about Tarion's reserve fund continued to be reported and audited on an annual basis.

Chapter 4

Status of Audit Recommendations from 2016 to 2022

1.0 Summary

All of our value-for-money audit reports include recommendations that are composed of specific actions, which we refer to as "recommended actions." These recommended actions aim to promote accountability, transparency, increased efficiency, cost-effectiveness, and better service delivery for Ontarians. An important part of our Office's work is to assess the progress made by ministries, Crown agencies, broader-public-sector organizations, and delegated administrative authorities (collectively referred to as organizations) in implementing these recommended actions.

Two years after we table our audit reports, we assess the status of the recommended actions that organizations agreed to implement when the initial audit was completed (**Chapter 1** of this volume contains the status of recommended actions from our *2021 Annual Report*). After the two-year assessment is completed, we continue to track the status of our recommended actions for an additional five years, presented here in **Section 3.0**. In **Section 4.0**, we report on the implementation status of recommended actions made by the Standing Committee on Public Accounts (Committee).

From 2016 to 2020, our Office audited a total of 89 ministries, Crown agencies, broader-public-sector organizations, and delegated administrative authorities and issued 77 value-for-money audit reports with 2,415 (2,035 from 2015 to 2019) recommended actions.

From this year's follow-up work, we noted the following:

- **Organizations are getting better at assessing their implementation statuses for recommended actions, but improvement is still needed.** We found that of the 545 value-for-money and Committee-recommended actions that organizations self-assessed as "fully implemented" this year, we accepted only 302 (or 55%) as fully implemented. Last year, of a total of 446 actions that organizations self-assessed as "fully implemented," we accepted 191 (or 43%) as, in fact, fully implemented. Although organizations made some progress in 2023 to more appropriately self-assess the status of their recommended actions, more work in this area is still required.
- **Overall, the implementation rate increased from the time of our two-year follow-up to our 2023 follow-up, as shown in Figure 1**. The implementation rate increased from 34% to 64% for recommended actions issued in 2016; from 31% to 60% for recommended actions issued in 2017; from 42% to 59% for recommended actions issued in 2018; from 26% to 42% for recommended actions issued in 2019; and from 42% to 49% for recommended actions issued in 2020.
- **Implementation continues to be slow for short-term recommended actions.** We consider recommended actions as short-term if they could reasonably be implemented within two years. We found, again this year, a lower-than-expected implementation rate for these

Figure 1: Overview of Follow-Up of Our *2016* to *2020 Annual Reports* Recommended Actions

Prepared by the Office of the Auditor General of Ontario

Continuous Follow-Up Year	% Fully Implemented	# of Recommended Actions Still Outstanding
2016 Recommended Actions		
At two-year follow-up (2018)	34	259
2019	41	229
2020	45	211
2021	50	192
2022*	57	164
2023*	64	138
2017 Recommended Actions		
At two-year follow-up (2019)	31	245
2020	34	235
2021	39	216
2022	47	188
2023*	60	140
2018 Recommended Actions		
At two-year follow-up (2020)	42	240
2021	48	214
2022	53	190
2023	59	166
2019 Recommended Actions		
At two-year follow-up (2021)	26	418
2022	33	382
2023	42	327
2020 Recommended Actions		
At two-year follow-up (2022)	42	376
2023	49	329

* The statuses of implementation were based on organizations' self-assessed statuses.

recommended actions. The following short-term recommended actions remain outstanding: 86 (31%) from 2016 (seven years ago); 93 (38%) from 2017 (six years ago); 120 (36%) from 2018 (five years ago); 272 (54%) from 2019 (four years ago); and 253 (46%) from 2020 (three years ago).

- **The lowest implementation rates were for recommended actions that addressed effectiveness, public reporting and access to care or services.** The following are some examples in these categories of recommended actions issued from 2016 to 2020 that are still outstanding:
  - In our 2020 report on the Alcohol and Gaming Commission of Ontario (Commission) we recommended that the Commission allocate compliance resources, including the Ontario Provincial Police, to casinos assessed to be at high risk for money laundering.
  - In our 2019 report on Food Safety Inspection Programs, we recommended that the

Ministry of Agriculture, Food and Rural Affairs publicly disclose the results of its food-safety inspections and sample testing, to improve transparency about food safety.

- In our 2018 report on MRI and CT Scanning Services, we recommended that the Ministry of Health work with Ontario Health and hospitals to take necessary actions to reduce wait-time inequities across the province for these services, to help ensure patients have equitable access to the services province-wide.

- **Some organizations are better at implementing our recommended actions.** Thirty-three organizations—the majority being Crown agencies, broader-public-sector organizations, and delegated administrative authorities—had fully implemented 75% or more of our recommended actions from our *2016* to *2020 Annual Reports*. These organizations include the Bereavement Authority of Ontario, the Electrical Safety Authority, Metrolinx, the Technical Standards and Safety Authority, and some community hospitals, psychiatric hospitals and children and youth mental health centres.
- **Some organizations continue to be slow to implement our recommended actions.** The following organizations had low implementation rates and a high number of outstanding recommended actions:
  - The Ministry of Health had 418 recommended actions from 21 different audits conducted between 2016 and 2020. At the time of our follow-up, 227 (or 54%) of these recommended actions remain outstanding. For example, in our 2016 report on Housing and Supportive Services for People with Mental Health Issues (Community-Based), we recommended that the Ministry, in conjunction with mental health service agencies and Ontario Health, identify outcome indicators, establish performance targets, collect required information, and publicly report on the effectiveness of the Province's mental health supportive housing to assess whether the objective of the mental health supportive housing program is being met.
  - The Ministry of Children, Community and Social Services had 116 recommended actions from three different audits conducted between 2018 and 2020. At the time of our follow-up, 80 (or 69%) of these actions were still outstanding. For example, in our 2018 report on Ontario Works, we recommended that the Ministry assess the suitability of the program, which is intended to provide temporary assistance, and take any necessary steps to improve its effectiveness in meeting the needs of recipients who have significant employment barriers and require extensive assistance to become employed, or who received assistance for lengthy periods of time without successfully obtaining employment.
  - The Ministry of the Attorney General had 116 recommended actions from six different audits conducted between 2018 and 2020. At the time of our follow-up, 72 (or 62%) remain outstanding. For example, in our 2019 report on Court Operations, we recommended that the Ministry address its shortcomings identified in areas such as case tracking, data entry and system navigation to improve the reliability and usability of the FRANK system to better support the efficiency of the court system.
  - The Treasury Board Secretariat (Secretariat) had 146 recommended actions from seven different audits conducted between 2016 and 2020. At the time of our follow-up, 70 (or 48%) recommended actions remain outstanding. For example, in our 2017 report on Emergency Management in Ontario, we recommended that the Secretariat, through the Provincial Emergency Management Office, work with ministries to implement a multi-year testing strategy,

based on high-risk and high-consequence events, that periodically tests emergency response plans using a variety of testing methods, to ensure that the Province and its ministries are appropriately prepared to respond to an emergency.

- The Ministry of the Environment, Conservation and Parks had 92 recommended actions from six different audits conducted between 2016 and 2020, of which 49 (or 53%) remain outstanding. For example, in our 2016 report on Environmental Approvals, we recommended that the Ministry establish guidelines and targets for the timely review and update of existing Environmental Compliance Approvals to ensure that all emitters that have Environmental Compliance Approvals are operating with conditions that are consistent with current environmental standards and their current operations.
- The Ministry of Labour, Immigration, Training and Skills Development had 95 recommended actions from three different audits conducted between 2016 and 2019. At the time of our follow-up, 48 (or 51%) of these recommended actions remain outstanding. For example, in our 2016 report on Employment Ontario, we recommended that the Ministry incorporate longer-term outcomes of clients' employment or training status into the measure of service-provider performance and effectiveness to determine whether programming is resulting in sustainable employment.
- Ontario Health had 109 recommended actions from eight different audits conducted between 2016 and 2020, of which 53 (or 49%) remain outstanding. For example, in our 2018 report on Health Quality Ontario, we recommended that Ontario Health, in consultation with the Ministry of Health, ensure all organizations are setting targets toward improvement in health quality and that the targets are for better than current performance (not retrograde targets) in order to support continuous quality improvement and reduce variation in care across the province.
- **Some organizations were also slow to implement the recommended actions issued by the Standing Committee on Public Accounts (Committee).** We noted that the following organizations made slow progress toward implementing the Committee's recommended actions issued between April 2017 and April 2022:
  - The Ministry of Health is responsible for implementing a total of 217 recommended actions from 10 Committee reports, of which 60% remain outstanding.
  - The Ministry of Children, Community and Social Services is responsible for implementing a total of 80 recommended actions from three Committee reports, of which 69% remain outstanding.
  - The Ministry of Labour, Immigration, Training, and Skills Development is responsible for implementing a total of 60 recommended actions from two Committee reports, of which 47% remain outstanding.
  - The Retirement Homes Regulatory Authority is responsible for implementing a total of 49 recommended actions, of which 57% remain outstanding.

2.0 How We Evaluated Implementation

Our Office recommended a total of 2,415 (2,035 from 2015 to 2019) actions in our *2016* to *2020 Annual Reports*. Based on our review this year, we agreed with organizations that 55 of these recommended actions were no longer applicable. Usually this was the case because of changes in legislation or policies that resulted in the organizations no longer having to implement the recommended actions, as the issues no longer

existed, due to the changes. This left a total of 2,360 recommended actions that remained applicable.

We asked organizations to self-assess their progress in implementing their outstanding recommended actions, as of March 31, 2023, and to provide appropriate documentation to support their assessments. Organizations determine the most appropriate implementation status from one of five statuses:

- fully implemented;
- in the process of being implemented;
- little or no progress;
- will not be implemented; or
- no longer applicable.

Our review work consisted of inquiries and reviews of the supporting documentation for those recommended actions reported to be fully implemented to determine whether the recommended actions were, in fact, fully implemented. Where necessary, we also conducted sample testing to help determine the status.

We also reviewed information and documentation for recommended actions assessed as "no longer applicable" and "will not be implemented" to determine the reasonableness of the rationale for not completing them.

We conducted our work between April 1, 2023, and October 27, 2023, and obtained written representation from the organizations by November 17, 2023, that they provided us with a complete update of the status of the recommended actions we made in the original audits. **Figure 2** provides a timeline of our continuing follow-up work on recommended actions that were issued in past reports.

At the time of the original audit, the Office assigned each recommended action into one of 17 categories such as access to care or services, public reporting, governance and effectiveness. In our follow-up work, we determine the progress of implementation by type of category.

Following the June 2022 provincial election, a few ministries were renamed. Since our work evaluated the implementation of recommended actions as of March 31, 2023, our report includes the new names of these ministries.

Figure 2: Annual Timeline for Continuous Follow-Up Work

Prepared by the Office of the Auditor General of Ontario

Time Period	Follow-Up Work
Jan to middle of Feb	• Send commencement letters to Deputy Ministers, Assistant Deputy Ministers, Chief Executive Officers/ Presidents and Vice Presidents • Send listing of outstanding recommended actions to ministries, Crown agencies, broader-public-sector organizations, and delegated administrative authorities (collectively referred to as organizations)
Middle of Feb to end of Mar	• Obtain implementation statuses and supporting documentation from organizations for outstanding recommended actions by March 31 of each year
Apr to Oct	• Work with organizations to obtain sufficient appropriate evidence to support implementation statuses • Review supporting documentation for each recommended action. In certain cases, also conduct further sample testing to determine the appropriate statuses of recommended actions • Upon completion of continuous follow-up work and discussions with management, where necessary, issue final summaries of implementation statuses for each report • Obtain confirmations of the final summaries of implementation statuses from organizations • Obtain signed Management Representation Letters from organizations
Nov to Dec	• Prepare consolidated continuous follow-up report • Consolidated continuous follow-up report is included into the Office of the Auditor General of Ontario's Annual Report which is tabled in the Legislature

As this follow-up work is not an audit, we cannot provide complete assurance that the recommended actions have been implemented effectively.

3.0 Detailed Observations on the Status of Value-for-Money Audit Recommendations

3.1 More Action Needed to Fully Implement Recommendations

Of the total 2,360 recommended actions that we expected to be implemented from our *2016* to *2020 Annual Reports*, we found that 83% were either fully implemented or in the process of being implemented (83%—2022 for *2015* to *2019 Annual Reports*); as shown in **Figure 3**, 53% had been fully implemented; 30% were still in the process of being implemented; a further 8% had little or no progress made on them; and for 9%, the organizations determined that the recommended actions would no longer be implemented (as discussed in **Section 3.7**).

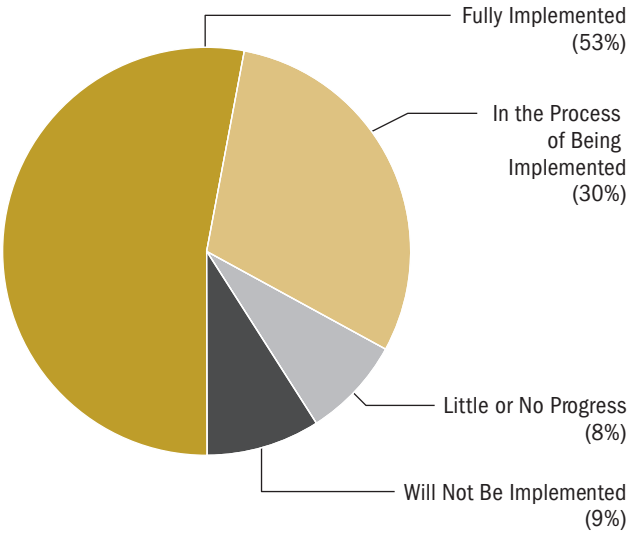
For the first time this year, 656 recommended actions from our *2020 Annual Report* were added to our continuing follow-up work. At the time of our follow-up, 49% of these recommended actions have been fully implemented, an increase from the 42% that we reported in our *2022 Annual Report* when we followed up on these recommended actions two years after issuing them.

Figure 4 provides a detailed breakdown by year of the status of recommended actions issued in our *2016*, *2017*, *2018*, *2019*, and *2020 Annual Reports*.

The progress in implementing the recommended actions in each of the *2016*, *2017*, *2018*, *2019*, and *2020 Annual Reports* can be seen in **Figure 5**, beginning at the initial two-year follow-up and in 2019, 2020, 2021, 2022, and 2023. The full implementation rate of ministries, Crown agencies, broader-public-sector organizations, and delegated administrative authorities from the time of our two-year follow-up has trended upwards: from 34% to 64% for recommended actions issued in 2016; from 31% to 60% for recommended actions issued in 2017; from 42% to 59% for actions issued in 2018; from 26% to 42% for actions issued in 2019; and from 42% to 49% for actions issued in 2020.

Figure 3: Implementation Status of Recommended Actions Issued in our *2016* to *2020 Annual Reports*, as of March 31, 2023

Prepared by the Office of the Auditor General of Ontario



3.2 Many Recommendations Issued Five or More Years Ago Have Not Been Implemented

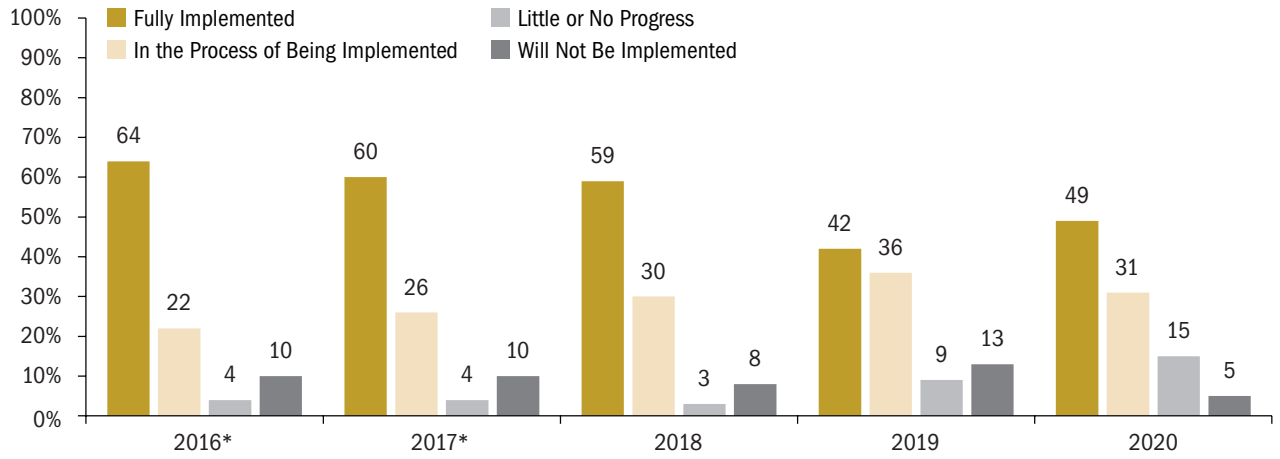
We remain concerned about the recommended actions issued five or more years ago that have still not been implemented. Specifically, 36% of the 408 recommended actions issued in 2016 (seven years ago); 40% of the 360 recommended actions issued in 2017 (six years ago); and 41% of the 418 recommended actions issued in 2018 (five years ago) still remain outstanding, as shown in **Figure 5**.

Many of the recommended actions not yet implemented from our *2016* to *2018 Annual Reports* address areas important to Ontarians such as child and youth mental health, public health, housing, legal aid and transportation services. A few examples are:

- In our 2016 report on Child and Youth Mental Health, we recommended that the Ministry of Heath work with child and youth mental health agencies across Ontario to further define

Figure 4: Implementation Status of Recommended Actions Issued in Our *2016* to *2020 Annual Reports*, as of March 31, 2023

Prepared by the Office of the Auditor General of Ontario



* Statuses of implementation were based on organizations' self-assessed statuses.

Figure 5: Progress Toward Full Implementation of Recommended Actions Issued in Our *2016* to *2020 Annual Reports*

Prepared by the Office of the Auditor General of Ontario

		Implementation Rate (%)						Outstanding Rate (%)
Annual Report Year	# Issued	At Two-Year Follow-Up	2019 Continuous Follow-Up	2020 Continuous Follow-Up	2021 Continuous Follow-Up	2022 Continuous Follow-Up	2023 Continuous Follow-Up	2023 Continuous Follow-Up
2016	408	34	41	45	50	57[1]	64[1]	36[1]
2017	360	31	n/a[2]	34	39	47	60[1]	40[1]
2018	418	42	n/a[2]	n/a[2]	48	53	59	41
2019	573	26	n/a[2]	n/a[2]	n/a[2]	33	42	58
2020	656	42	n/a[2]	n/a[2]	n/a[2]	n/a[2]	49	51

1. The statuses of implementation were based on organizations' self-assessed statuses.
2. The recommended actions issued in our *2016* to *2020 Annual Reports* were not subject to the continuous follow-up work for the noted year(s).

program requirements and oversight so that consistent and appropriate programs are provided.

- In our 2017 report on Public Health: Chronic Disease Prevention, we recommended that the Ministry of Health develop comprehensive policies to focus on the key risk factors of chronic diseases—physical inactivity, unhealthy eating and alcohol consumption—in addition to tobacco control, to better address the risk factors that contribute to chronic diseases.
- In our 2017 report on Social and Affordable Housing, we recommended that the Ministry of Municipal Affairs and Housing refine and design housing programs based on the needs identified, in order for housing programs to be designed and delivered based on actual needs in communities.
- In our 2018 report on Legal Aid Ontario, we recommended that Legal Aid Ontario work with clinics to monitor actual outcomes and address areas of underperformance in a timely manner,

to help keep funding to community legal clinics to be used for the intended services and to achieve the intended outcomes.

- In our 2018 report on Metrolinx—LRT Construction and Infrastructure Planning, we recommended that Metrolinx prepare an action plan with execution timelines correlated with the funding strategy and publicly report on its status in meeting its action plan, to have transit projects planned and built with the greatest benefit to the Greater Toronto and Hamilton Area as a whole.

3.3 Implementation of Short-Term Recommendations Taking Longer Than Expected

Our Office classifies recommended actions into time frames for ministries, Crown agencies, broader-public-sector organizations, and delegated administrative authorities to reasonably implement those recommended actions: either two years (short-term) or five years (long-term), starting from when the recommended actions were issued.

Of the total recommended actions from our *2016* to *2020 Annual Reports*, 81% were short-term actions. **Figure 6** shows the short-term recommended actions from our *2016* to *2020 Annual Reports* and the percentages that were still outstanding in each of the follow-up years 2019, 2020, 2021, 2022, and 2023. While the percentage of outstanding short-term recommended actions decreased for each *Annual Report* year, 86 (31%) in 2016, 93 (38%) in 2017, 120 (36%) in 2018, 272 (54%) in 2019 and 253 (46%) in 2020 were still outstanding when we completed our 2023 review.

3.4 Some Organizations Continue to Be Slow to Implement Our Recommended Actions

Figure 7 shows the implementation rates for the 89 ministries, Crown agencies, broader-public-sector organizations, and delegated administrative authorities that we audited and included in the *Annual Reports* from 2016 to 2020. Of these organizations, 33 had fully implemented 75% or more of our recommended actions, 32 had fully implemented 50% to 74% of our recommended actions, 17 had implemented 25% to 49% of our recommended actions and seven had implemented fewer than 25% of our recommended actions. Some of the organizations that had fully implemented 75% or more of our recommended actions were AdvantAge Ontario, the Bereavement Authority of Ontario, the Condominium Management Regulatory Authority of Ontario, the Electrical Safety Authority, the Independent Electricity System Operator, Metrolinx, the Technical Standards and Safety Authority, and some community hospitals, psychiatric hospitals, and children and youth mental health centres.

Figure 6: Short-Term[1] Recommended Actions Outstanding

Prepared by the Office of the Auditor General of Ontario

Annual Report Year	# Issued	% Outstanding in 2019	% Outstanding in 2020	% Outstanding in 2021	% Outstanding in 2022	% Outstanding in 2023
2016	303	52	48	43	36[2]	31[2]
2017	252	n/a[3]	64	56	51	38[2]
2018	344	n/a[3]	n/a[3]	48	43	36
2019	507	n/a[3]	n/a[3]	n/a[3]	64	54
2020	561	n/a[3]	n/a[3]	n/a[3]	n/a[3]	46

1. Short-term recommended actions are those that can be reasonably implemented within two years.
2. The statuses of implementation were based on organizations' self-assessed statuses.
3. The recommended actions issued in our *2017*, *2018*, *2019* and *2020 Annual Reports* were not subject to the continuous follow-up work for the noted year(s).

Figure 7: Percentage of Recommended Actions Issued in Our *2016* to *2020 Annual Reports* Fully Implemented and In the Process of Being Implemented, as of March 2023

Prepared by the Office of the Auditor General of Ontario

Figure 7a: Organizations with More than 30 Recommended Actions

Organization	Full Implementation Rate (%)	In the Process of Being Implemented Rate (%)	Combined Rate (%)
Psychiatric Hospitals (4)[1]	100	0	100
Technical Standards and Safety Authority	87	10	97
Electrical Safety Authority	87	13	100
Bereavement Authority of Ontario	82	13	95
Hospitals (19)[2]	78	9	87
Metrolinx	77	13	90
Ministry of the Solicitor General	66	25	91
Ministry of Public and Business Service Delivery	63	18	81
Municipalities (4)[3]	61	39	100
Ministry of Agriculture, Food and Rural Affairs	58	14	72
School Boards (11)[4]	57	28	85
Alcohol and Gaming Commission of Ontario	55	22	77
Ministry of Transportation	54	27	81
Ontario Lottery and Gaming Corporation (OLG)	52	21	73
Treasury Board Secretariat	52	24	76
Ontario Health[5]	51	35	86
Retirement Homes Regulatory Authority	51	42	93
Ministry of Labour, Immigration, Training and Skills Development	49	41	90
Ministry of the Environment, Conservation and Parks	47	26	73
Ministry of Health	46	41	87
Royal Ontario Museum	45	55	100
McMichael Canadian Art Collection	44	29	73
Ministry of Education	44	28	72
Ministry of the Attorney General	38	40	78
Ministry of Children, Community and Social Services	31	39	70
Ministry of Indigenous Affairs	25	42	67
Art Gallery of Ontario	16	36	52

Implementation rate of 75% or more
Implementation rate between 50% and 74%
Implementation rate between 25% and 49%
Implementation rate less than 25%

1. In 2021, psychiatric hospitals have fully implemented all of their recommended actions. These hospitals are: Centre for Addiction and Mental Health, Ontario Shores Centre for Mental Health Sciences, The Royal Ottawa Health Group, and Waypoint Centre for Mental Health Care.
2. Hospitals by report:
   - Large Community Hospital Operations: Rouge Valley Health System, 100%; Windsor Regional Hospital, 95%; Trillium Health Partners, 90%.
   - MRI and CT Scanning Services: Mackenzie Health, 100%; St. Joseph's Healthcare Hamilton, 100%; Health Sciences North, 67%; The Ottawa Hospital, 33%.
   - Acute-Care Hospital Patient Safety and Drug Administration: Women's College Hospital, 91%; Humber River Hospital, 88%; Pembroke Regional Hospital, 88%; The Ottawa Hospital, 87%; St. Thomas Elgin General Hospital, 86%; Grand River Hospital, 80%; Chatham-Kent Health Alliance, 71%; Northumberland Hills Hospital, 71%; Stratford General Hospital, 64%; Hamilton Health Sciences, 63%; Halton Healthcare, 60%; Thunder Bay Regional Health Sciences Centre, 57%; Nipigon District Memorial Hospital, 50%; Trillium Health Partners, 0%.
3. Municipalities: City of Windsor, 100%; Regional Municipality of Peel, 67%; District of Thunder Bay Social Services, 55%; City of Toronto, 27%.

4. School Boards by report:
   - School Boards' Management of Financial and Human Resources: Hastings and Prince Edward, 78%; Hamilton-Wentworth, 57%; Toronto Catholic, 52%; Halton Catholic, 48%.
   - School Boards — IT Systems and Technology in the Classroom: Algoma, 73%; Waterloo Catholic, 60%; Peel, 53%; Toronto, 53%.
   - Curriculum Development, Implementation and Delivery: Ontario North East, 50%; Toronto, 50%; Catholic District School Board of Eastern Ontario, 0%; Near North, 0%.
5. The implementation rate for Ontario Health includes report recommendations that originated with Cancer Care Ontario, eHealth Ontario, Health Quality Ontario, Local Health Integration Networks (LHINs) and Ontario Renal Network and Trillium Gift of Life Network, all of which are now part of Ontario Health.
   - Cancer Care Ontario: Cancer Treatment Services, 77%.
   - eHealth Ontario: Electronic Health Records' Implementation Status, 50%.
   - Health Quality Ontario: Health Quality Ontario, 38%.
   - Local Heath Integration Networks: Community Health Centres, 50%; MRI and CT Scanning Services, 0%.
   - Ontario Health: Specialty Psychiatric Hospital Services, 14%; Virtual Care — Use of Communication Technologies for Patient Care, 67%.
   - Ontario Renal Network and Trillium Gift of Life Network: Chronic Kidney Disease Management, 59%.

Figure 7b: Organizations with 11–30 Recommended Actions

Organization	Full Implementation Rate (%)	In the Process of Being Implemented Rate (%)	Combined Rate (%)
Waterfront Toronto	100	0	100
Child and Youth Mental Health Centres (4)[1]	93	7	100
Condominium Management Regulatory Authority of Ontario	86	14	100
Infrastructure Ontario	77	23	100
Independent Electricity System Operator	76	18	94
Ontario Land Tribunal	69	8	77
Tribunals Ontario	67	0	67
Ministry of Tourism, Culture and Sport	53	47	100
Ministry of Municipal Affairs and Housing	52	15	67
Ministry of Colleges and Universities	48	16	64
Legal Aid Ontario	48	38	86
Ministry for Seniors and Accessibility	47	53	100
Ministry of Finance	28	44	72
Ministry of Long-Term Care	27	18	45
Ontario Power Generation[2]	11	89	100

Implementation rate of 75% or more
Implementation rate between 50% and 74%
Implementation rate between 25% and 49%
Implementation rate of less than 25%

1. Child and Youth Mental Health Centres: Children's Centre Thunder Bay, 100%; Kinark Child and Family Services, 100%; Youthdale Treatment Centres, 100%; Vanier Children's Services, 71%.
2. Ontario Power Generation includes the 2018 Darlington Nuclear Generation Station Refurbishment Project report. The remaining outstanding actions will remain relevant throughout the project up to the planned project end date.

The following organizations had low implementation rates and a high number of outstanding recommended actions.

Ministry of Health

The Ministry of Health had 418 recommended actions from 21 audit reports between 2016 and 2020. At the time of our follow-up, 227 (or 54%) of these recommended actions remained outstanding, including, for example:

- **Housing and Supportive Services for People with Mental Health Issues (Community-Based)**—Of the 33 recommended actions we issued in 2016, 24 (or 73%) were outstanding. Many of these recommended actions relate to effectiveness and efficiency. For example, we recommended that the Ministry, in conjunction

Figure 7c: Organizations with 1–10 Recommended Actions

Organization	Full Implementation Rate (%)	In the Process of Being Implemented Rate (%)	Combined Rate (%)
AdvantAge Ontario[1]	100	0	100
Condominium Authority of Ontario[2]	100	0	100
Ontario Energy Board[3]	100	0	100
Secretary of the Cabinet[4]	100	0	100
Agricorp	75	0	75
Ministry of Infrastructure	70	30	100
Ministry of Economic Development, Job Creation and Trade	38	62	100
Ontario Financing Authority	22	44	66
The Ontario Long Term Care Association	11	89	100
Ministry of Energy	0	100	100

Implementation rate of 75% or more
Implementation rate between 50% and 74%
Implementation rate between 25% and 49%
Implementation rate of less than 25%

1. In 2023, AdvantAge Ontario fully implemented all of their recommended actions.
2. In 2023, Condominium Authority of Ontario fully implemented all of their recommended actions.
3. In 2021, the Ontario Energy Board fully implemented all of their recommended actions.
4. In 2023, Secretary of the Cabinet fully implemented all of their recommended actions.

with mental health service agencies and Ontario Health, identify outcome indicators, establish performance targets, collect required information, and publicly report on the effectiveness of the Province's mental health supportive housing to assess whether the objective of the mental health supportive housing program is being met.

- **MRI and CT Scanning Services**—Of the 26 recommended actions we issued in 2018, 22 (or 85%) were outstanding. Many of these recommended actions relate to the quality of care or services, the need for better monitoring and/or oversight, and effectiveness. For example, we recommended that the Ministry work with hospitals to establish provincial guidelines to help hospitals consistently plan for replacing or upgrading MRI and CT machines that are approaching the end of, or are past, their expected service life to help ensure that MRI and CT machines are safe for producing images of the required quality.
- **Addictions Treatment Programs**—Of the 37 recommended actions we issued in 2019, 29 (or 78%), were outstanding. Many of these recommended actions relate to access to care and services, the need for better monitoring and/or oversight and to collect and analyze data. For example, we recommended that the Ministry develop and implement a centralized access centre model for addictions services that minimizes variations in accessibility across the province to allow people to easily identify addictions treatment services that will meet their needs.
- **Blood Management and Safety**—Of the 30 recommended actions we issued in 2020, 24 (or 80%), were outstanding. Many of these recommended actions relate to the need to collect and analyze data, compliance and the need for better monitoring and/or oversight. For example, we recommended that the Ministry establish a mechanism to discuss and receive information from Health Canada about which Ontario hospital blood banks and Canadian Blood Services blood donor centres in Ontario will be inspected by Health Canada, and to obtain and share the

results of the hospital inspections with Ontario Health. This information will allow for better monitoring for compliance with federal regulations regarding the risk of unsafe blood storage and handling practices in Ontario hospitals and further reduce the potential risk of negative health impacts on patients.

Ministry of Children, Community and Social Services

The Ministry of Children, Community and Social Services had 116 recommended actions from three audit reports between 2018 and 2020. At the time of our follow-up, 80 (or 69%) of these recommended actions remained outstanding, including, for example:

- **Ontario Works**—Of the 34 recommended actions we issued in 2018, 27 (or 79%) were outstanding. Many of these recommended actions relate to effectiveness, the need for better monitoring and/or oversight, compliance and economy. For example, we recommended that the Ministry assess the suitability of the program, which is intended to provide temporary assistance, and take any necessary steps to improve its effectiveness in meeting the needs of recipients who have significant employment barriers and require extensive assistance to become employed, or who received assistance for lengthy periods of time without successfully obtaining employment.
- **Ontario Disability Support Program**—Of the 50 recommended actions we issued in 2019, 31 (or 62%) were outstanding. Many of these recommended actions relate to the need for better monitoring and/or oversight, effectiveness, and the need to collect and analyze data and enforcement. For example, we recommended that the Ministry establish a risk-based time frame for Ontario Disability Support Program (ODSP) caseworkers to periodically review the eligibility of all ODSP recipients so that only eligible recipients continue to receive ODSP benefits.

Ministry of the Attorney General

The Ministry of the Attorney General had 116 recommended actions from six audit reports between 2018 and 2020, of which 72 (or 62%) remain outstanding, including, for example:

- **Court Operations**—Of the 27 recommended actions we issued in 2019, 19 (or 70%) were outstanding. Many of these actions addressed areas such as the need for better monitoring and/or oversight, compliance and information technology. For example, we recommended that the Ministry address its shortcomings identified in areas such as case tracking, data entry and system navigation to improve the reliability and usability of the FRANK system to better support the efficiency of the court system.
- **Family Court Services**—Of the 26 recommended actions we issued in 2019, 24 (or 92%) were outstanding. Many of these actions addressed areas such as internal controls, the need for better monitoring and/or oversight, and effectiveness. For example, we recommended that the Ministry, in conjunction with the judiciary, establish reasonable timelines or best practices for key court events for resolving family law cases received by the Ontario Court of Justice to provide timely access to justice specifically for family law cases other than child protection cases.

Treasury Board Secretariat

The Treasury Board Secretariat had 146 recommended actions from seven audit reports between 2016 and 2020, of which 70 (or 48%) remain outstanding. The majority of the outstanding recommended actions relate to the following two audit reports:

- **Emergency Management in Ontario**—Of the 36 recommended actions we issued in 2017, 21 (or 58%) were outstanding. Many of these actions addressed areas such as effectiveness and economy. For example, we recommended that the Secretariat, through the Provincial

Emergency Management Office, work with ministries to implement a multi-year testing strategy based on high-risk and high-consequence events that periodically tests emergency response plans using a variety of testing methods to ensure that the Province and its ministries are appropriately prepared to respond to an emergency.

- **Business Case Development in the Ontario Public Service**—Of the 52 recommended actions we issued in 2020, 39 (or 75%), were outstanding. Many of these actions addressed areas such as education and promotion, compliance and efficiency. For example, we recommended that the Secretariat provide training, coaching and mentorship opportunities to preparers of business cases, and proactively work with ministries to ensure that business cases present at least three options and the status quo using a consistent set of metrics that evaluate the benefits and drawbacks of each option to provide decision-makers with sufficient and comprehensive information for decision-making in business cases.

Ministry of the Environment, Conservation and Parks

The Ministry of the Environment, Conservation and Parks had 92 recommended actions from six audit reports between 2016 and 2020, of which 49 (or 53%) remain outstanding. The majority of the outstanding recommended actions relate to the following two audit reports:

- **Environmental Approvals**—Of the 30 recommended actions we issued in 2016, 17 (or 57%) were outstanding. Many of these actions addressed areas such as effectiveness, economy and the need for better monitoring and/or oversight. For example, we recommended that the Ministry establish guidelines and targets for the timely review and update of existing Environmental Compliance Approvals so that all emitters that have Environmental Compliance Approvals are operating with conditions that are consistent with current environmental standards.
- **Environmental Assessments**—Of the 21 recommended actions we issued in 2016, 13 (or 62%) were outstanding. Many of these actions addressed areas such as governance and effectiveness. For example, we recommended that the Ministry review and update the requirements in the *Environmental Assessment Act* to ensure that projects with the potential for significant negative impact are assessed, regardless of whether the project is initiated by the public or private sector.

Ministry of Labour, Immigration, Training and Skills Development

The Ministry of Labour, Immigration, Training and Skills Development had 95 recommended actions from three audit reports between 2016 and 2019, of which 48 (or 51%) remain outstanding. The majority of the outstanding recommended actions relate to the following two audit reports:

- **Employment Ontario**—Of the 36 recommended actions we issued in 2016, 17 (or 47%) were outstanding. The majority of these recommended actions addressed effectiveness. For example, we recommended that the Ministry incorporate longer-term outcomes of clients' employment or training status into the measure of service-provider performance to provide a better indicator of whether the programming is resulting in sustainable employment.
- **Health and Safety in the Workplace**—Of the 27 recommended actions we issued in 2019, 19 (or 70%) were outstanding. The majority of these recommended actions addressed compliance, and the need for better monitoring and/or oversight. For example, we recommended that the Ministry develop and implement metrics to use when assessing whether an inspection has covered applicable hazards and legislative requirements to improve the quality-assurance process for inspections.

Ontario Health

Ontario Health had 109 recommended actions from eight audit reports between 2016 and 2020, of which 53 (or 49%) remain outstanding. The majority of the outstanding actions relate to the following two audit reports:

- **Health Quality Ontario**—Of the 24 recommended actions we issued in 2018, 15 (or 63%) were outstanding. Many of these actions addressed areas such as the need for better monitoring and/or oversight, and effectiveness. For example, we recommended that Ontario Health, in consultation with the Ministry of Health, ensure all organizations are setting targets toward improvement in health quality and that the targets are for better than current performance (not retrograde targets) in order to support continuous quality improvement and reduce variation in care across the province.
- **Chronic Kidney Disease Management**—Of the 27 recommended actions we issued in 2019, 11 (or 41%) are still outstanding. Many of these actions addressed areas such as collecting and analyzing data and access to care or services. For example, we recommended that Ontario Health collect information on the composition and staffing level of the multidisciplinary team at each Multi-Care Kidney Clinic on an annual basis. This information will assist Ontario Health to identify teams that do not meet best practices, and make changes accordingly, so that patients with advanced stages of chronic kidney disease obtain access to equitable and consistent services across the province.

3.5 Positive Impacts of Implemented Recommendations on Ontarians

Many of the recommended actions in our value-for-money audit reports from 2016 to 2020 that were fully implemented addressed areas where services could be delivered more effectively to those who used them, or where taxpayer dollars could be spent more economically and efficiently.

A few examples of recommended actions recently implemented that positively impact Ontarians include:

- The Ministry of Health worked with addictions-treatment service providers, police and paramedic services to develop protocols for taking individuals directly to service providers versus emergency departments, in appropriate circumstances, to provide Ontarians with more effective addictions treatment.
- The Technical Standards and Safety Authority (TSSA) formalized its inspection standards, including those with respect to the type and amount of inspections that should be performed to improve public safety by ensuring that the TSSA's periodic inspections are conducted with greater thoroughness and consistency.
- The Office of the Chief Coroner and Ontario Forensic Pathology Service assessed the reasonableness of coroners' caseloads periodically by analyzing caseload and total workload using Ontario Health Insurance Plan claims data to improve the quality of coroners' death investigations and quality of care to their living patients.
- The Treasury Board Secretariat showed time-limited discretionary grants separately from government funding for ongoing programs in the Estimates of the Province and the Public Accounts of Ontario to improve transparency in government reporting and allow the members of the Legislative Assembly to have better information with which to make informed funding-allocation decisions.
- The Ministry of Long-Term Care instructed its inspectors to regularly verify that long-term-care-home menus meet Canada's Food Guide and Dietary Reference Intakes requirements as part of their inspection protocol, as well as to review the homes' menus, to increase positive health outcomes, and assist residents in receiving food and fluid with adequate nutrients, fibre and energy.

- The Ministry of Children, Community and Social Services reviewed and updated its process for referrals to Ontario Works employment assistance to ensure that all referrals are identified and acted upon on a timely basis to improve the employment outcomes of non-disabled adults who participate in the Ontario Disability Support Program.

3.6 Low Implementation Rates for Recommendations Relating to Effectiveness, Public Reporting and Access to Care or Services

Our Office categorized the recommended actions we issued between 2016 and 2020 by the areas they addressed, as shown in **Figure 8**.

The categories with the lowest implementation rates address effectiveness, public reporting and access to care or services. The following are some examples of recommended actions in these categories with the lowest implementation rates:

- In our 2020 report on the Alcohol and Gaming Commission of Ontario, we recommended that the Commission allocate compliance resources, including the Ontario Provincial Police, to casinos assessed to be at high risk for money laundering.
- In our 2019 report on Food Safety Inspection Programs, we recommended that the Ministry of Agriculture, Food and Rural Affairs publicly disclose the results of its food-safety inspections and sample testing, to improve transparency about food safety.

Figure 8: Implementation Rate by Category[1] of Actions Recommended in Our *2016* to *2020 Annual Reports*, as of March 31, 2023

Prepared by the Office of the Auditor General of Ontario

Category[1]	# of Recommended Actions (A)	# of Recommended Actions Fully Implemented (B)[2]	Full Implementation Rate (B/A) (%)
IT	102	70	**69**
Governance	152	103	**68**
Internal Controls	98	63	**64**
Education/Promotion	88	55	**63**
Efficiency	109	67	**61**
Compliance	171	101	**59**
Quality of Care or Services	72	41	**57**
Monitoring and/or Oversight	436	242	**56**
Human Resources (HR)	83	46	**55**
Economy	149	80	**54**
Collect/Analyze Data	239	117	**49**
Enforcement	69	33	**48**
Funding	71	33	**46**
Effectiveness	306	126	**41**
Public Reporting	90	35	**39**
Access to Care/Services	104	40	**38**
Other[3]	21	7	**33**

1. Recommended actions have been assigned to a primary category, but more than one category may apply.
2. The 2016 and 2017 statuses of implementation were based on each organization's self-assessed statuses.
3. "Other" category is comprised of nine recommended actions related to communications; eight related to developing policies and strategies; and four related to establishing goals, roles and responsibilities.

- In our 2018 report on MRI and CT Scanning Services, we recommended that the Ministry of Health work with Ontario Health and hospitals to take necessary actions to reduce the wait-time inequities across the province for MRI services and CT services, to help ensure patients have equitable access to MRI and CT services across the province.

As seen in **Figure 8**, the categories with the highest implementation rates are those dealing with information technology, governance and internal controls.

3.7 Some Recommendations Will Not Be Implemented

Of the 2,360 recommended actions that we issued between 2016 and 2020 and expected to be implemented by now, 209 (including 161 actions that were noted last year) will not be implemented by the relevant organizations.

This year, the additional 47 recommended actions that organizations noted will not be implemented are listed in **Appendix 1,** along with the organizations' rationales for not implementing them, and the impact on Ontarians of not implementing these recommended actions. We continue to believe that these recommended actions should be implemented. Forty-seven percent of these actions were recommended to address the effectiveness of programs or services, the need for better monitoring and/or oversight, or the need for improvements in the collection or analysis of data.

3.8 Recommended Actions from *2015 Annual Report* Will Inform Future Audit Selection

At the completion of our continuous follow-up work in 2022, 24 ministries, Crown agencies and broader-public-sector organizations still had 95 (35%) of our recommended actions from our *2015 Annual Report* outstanding—more than seven years after they were issued.

We are no longer following up on the 2015 recommended actions. Instead, we will factor the risks remaining from the related outstanding issues into our risk-based approach in selecting future audits.

The 2015 recommended actions that were not implemented addressed areas such as effectiveness, economy, funding, compliance and governance**.** Some examples include:

- **Home Care Program**—We recommended that the Home and Community Care Support Services develop performance indicators and targets and collect relevant data that measure client outcomes to help ensure that service providers provide the best-quality home-care services to clients**.**
- **Electricity Power System Planning**—We recommended that the Ministry of Energy work with the Independent Electricity System Operator, Hydro One and other local distribution companies to investigate the root causes of the increasing volume of generator constraints and thereby minimize any unnecessary cost to electricity consumers to ensure that Ontario's transmission system has sufficient capacity to reliably transfer electricity from the province's generators to where power is needed**.**
- **Child Protection Services Program**—We recommended that the Ministry of Children, Community and Social Services assess the impact that its current funding model has on the delivery of protection services and make the necessary changes if service is being adversely affected, so that funding is commensurate with each Children's Aid Society's specific needs**.**
- **Long-term-care Home Quality Inspection Program**—We recommended that the Ministry of Long-Term Care help homes achieve compliance with the *Long-Term Care Homes Act, 2007* by providing additional information and support on how to rectify issues, and by sharing best practices between long-term-care homes, to ensure that long-term-care homes are not repeatedly in non-compliance with the Act**.**
- **University Intellectual Property**—We recommended that the Ministry of Economic Development, Job Creation and Trade and the

Ministry of Colleges and Universities address barriers to commercialization of intellectual property. This should include consulting with stakeholders to review current barriers, develop a strategy and action plan with a timeline for implementation, and monitor the plan's progress.

4.0 Detailed Observations for the Follow-Up on Recommendations Issued by the Standing Committee on Public Accounts (Committee) from April 2017 to April 2022

4.1 More Action Needed to Fully Implement Committee Recommendations

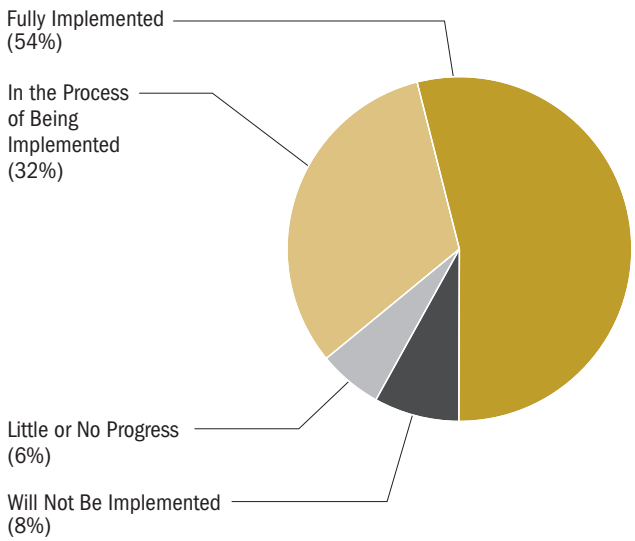
Starting in 2015, our Office began assisting the Standing Committee on Public Accounts (Committee) in following up on the status of its recommended actions to organizations. The Committee issued 747 recommended actions from April 2017 to April 2022, which we initially followed up on in our *2018* to *2022 Annual Reports*. These recommended actions involved 45 ministries, Crown agencies, broader-public-sector organizations, and delegated administrative authorities, which were the subject of the 32 Committee reports listed in **Appendix 2**.

Based on our review, we agreed with the organizations that nine of the actions were no longer applicable, mainly due to changes in legislation or policies resulting in the organizations no longer having responsibility for the recommended actions. This left a total of 738 recommended actions that we followed up on.

Figure 9 provides the overall status of the recommended actions issued by the Committee from April 2017 to April 2022. The organizations have fully implemented 54% of these 738 recommended actions. In addition to the 54% full implementation rate of the Committee's recommended actions from April 2017 to April 2022, 32% of the recommended actions are in the process of being implemented, a further 6% had little or no progress made on them, and for 8%, the organizations determined that the recommendations would not be implemented (as discussed in **Section 4.4**).

Figure 9: Implementation Status of Recommended Actions Issued by the Standing Committee on Public Accounts between April 2017 and April 2022, as of March 31, 2023

Prepared by the Office of the Auditor General of Ontario



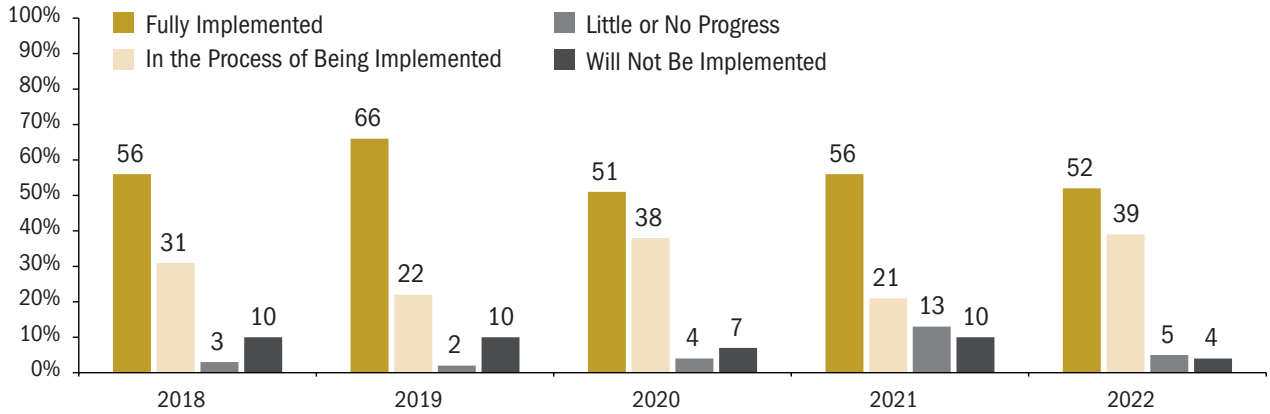
Overall, in 2023, 86% of all recommended actions issued by the Committee from April 2017 to April 2022 that we followed up on were either fully implemented or in the process of being implemented.

Figure 10 provides a breakdown of the status of the recommended actions issued from April 2017 to April 2022, by the year we initially followed up on the actions. We noted the following full implementation rates by *Annual Report* year: 56% for 2018; 66% for 2019; 51% for 2020; 56% for 2021; and 52% for 2022.

For the first time this year, 224 relevant recommended actions issued by the Committee from April 2021 to April 2022 were included in our continuous follow-up work. At the time of our follow-up, as noted above, 52% of these recommended actions have been fully implemented.

Figure 10: Implementation Status of Recommended Actions Issued by the Standing Committee on Public Accounts, by Annual Report Year

Prepared by the Office of the Auditor General of Ontario



4.2 Some Organizations Better at Implementing Committee Recommendations

Figure 11 shows that of the 45 organizations that we followed up on this year that were the subject of the Committee's reports tabled between April 2017 and April 2022, 21 had fully implemented 75% or more of the Committee's recommended actions.

The following eight of these organizations had fully implemented all of the Committee's recommended actions: the Independent Electricity System Operator, the Ontario Energy Board, the Secretary of the Cabinet, Waterfront Toronto, the Rouge Valley Health System, McMaster University, the University of Toronto, and the University of Waterloo.

4.3 Some Organizations Reported Low Implementation Rates

Some organizations have been slow to implement the recommended actions from the Committee's applicable reports. **Figure 11** shows that 18 organizations had implemented fewer than 75% of the Committee's recommended actions, including six organizations that implemented fewer than 25%. The following organizations had low implementation rates and a high number of outstanding recommended actions:

- The Ministry of Health is responsible for implementing a total of 217 recommended actions from 10 Committee reports. At the time of our follow-up, 60% of the recommended actions remain outstanding. For example, the Blood Management and Safety report issued by the Committee had a total of 31 recommended actions, of which 77% of the recommended actions remain outstanding.
- The Ministry of Children, Community and Social Services is responsible for implementing a total of 80 recommended actions from three Committee reports. At the time of our follow-up, 69% of the recommended actions remain outstanding. For example, the Ontario Disability Support Program report issued by the Committee has a total of 44 recommended actions, of which 61% of the recommended actions remain outstanding.
- The Ministry of Labour, Immigration, Training and Skills Development is responsible for implementing a total of 60 recommended actions from two Committee reports on our audits of Employment Ontario and Settlement and Integration Services for Newcomers. At the time of our follow-up, 47% of the 60 recommended actions remain outstanding.

Figure 11: Percentage of Full Implementation of Recommended Actions Issued by the Standing Committee on Public Accounts between April 2017 and April 2022, as of March 31, 2023

Prepared by the Office of the Auditor General of Ontario

Organization	# of Recommended Actions (A)	# of Recommended Actions Fully Implemented (B)	Full Implementation Rate (B/A) (%)
Independent Electricity System Operator	7	7	**100**
Ontario Energy Board	1	1	**100**
Secretary of the Cabinet	1	1	**100**
Universities (3)*	12	12	**100**
Waterfront Toronto	6	6	**100**
Ministry of Transportation	22	21	**95**
Metrolinx	54	46	**85**
Electrical Safety Authority	23	19	**83**
Ministry of the Solicitor General	16	13	**81**
Hospitals (16)*	254	199	**78**
Infrastructure Ontario	31	23	**74**
Ontario Health	26	19	**73**
Ministry of Public and Business Service Delivery	9	6	**67**
Ministry of Long-Term Care	25	16	**64**
Treasury Board Secretariat	18	11	**61**
Ministry of Agriculture, Food and Rural Affairs	13	7	**54**
Ministry of Labour, Immigration, Training and Skills Development	60	32	**53**
Ministry of the Environment, Conservation and Parks	35	18	**51**
Retirement Homes Regulatory Authority	49	21	**43**
Ministry of Health	217	87	**40**
Ministry of Children, Community and Social Services	80	25	**31**
Ministry of Infrastructure	10	3	**30**
Ministry for Seniors and Accessibility	17	4	**24**
Ministry of Economic Development, Job Creation and Trade	9	2	**22**
Ministry of Colleges and Universities	4	0	**0**
Ministry of Energy	2	0	**0**
Ministry of Finance	2	0	**0**
Ontario Power Generation	6	0	**0**

Implementation rate of 75% or more
Implementation rate between 50% and 74%
Implementation rate between 25% and 49%
Implementation rate of less than 25%

* Implementation rates of individual broader-public-sector organizations:
- Hospitals: Rouge Valley Health Systems, 100%; Windsor Regional Hospital, 95%; Women's College Hospital, 91%; Humber River Hospital, 88%; Pembroke Regional Hospital, 88%; The Ottawa Hospital, 87%; Trillium Health Partners, 83%; Grand River Hospital, 80%; Chatham-Kent Health Alliance, 79%; St. Thomas Elgin General Hospital, 79%; Halton Healthcare, 67%; Northumberland Hills Hospital, 67%; Stratford General Hospital, 67%; Hamilton Health Sciences, 59%; Thunder Bay Regional Health Sciences Centre, 57%; Nipigon District Memorial Hospital, 50%.
- Universities: McMaster University, 100%; University of Toronto, 100%; University of Waterloo, 100%.

- The Retirement Homes Regulatory Authority is responsible for implementing a total of 49 recommended actions. At the time of our follow-up, 57% of the recommended actions remain outstanding.

4.4 Some Committee Recommendations Will Not Be Implemented

Of the 738 recommended actions that the Committee issued, 56 (including 43 noted last year) will not be implemented. The additional 13 recommended actions that organizations noted will not be implemented this year are listed in **Appendix 3**, along with the organizations' rationales for not implementing them.

The recommended actions require the organizations to address human resources, improve compliance and economy, as well as to assess or enhance effectiveness.

4.5 Standing Committee on Public Accounts Recommended Actions from *2017 Annual Report* Will Inform Future Audit Selection

At the completion of our continuous follow-up work in 2022, six ministries, Crown agencies and broader-public-sector organizations still had outstanding 29, or 39% of the Committee's recommended actions. These actions were from five reports issued from June 2016 to March 2017 that we initially followed up and reported on in our *2017 Annual Report*. The Committee's recommended actions that were not implemented addressed areas such as the need to improve access to care or services, education, and enforcement. Examples include:

- **CCACs—Community Care Access Centres—Home Care Program**—The Standing Committee on Public Accounts recommended that the Home and Community Care Support Services develop centralized wait-list information for all community-based support services in order to provide current information on the availability of such services to all health-service providers and clients.
- **Healthy Schools Strategy**—The Standing Committee on Public Accounts recommended that the Ministry of Education work with school boards to ensure that school administrators and teachers receive sufficient training to implement the School Food and Beverage Policy, and develop consistent and effective strategies for monitoring the policy, to promote healthy eating.

It is now more than six years after the recommended actions were issued. We are no longer following up on these recommended actions that were issued from June 2016 to March 2017. Instead, we will factor the risks remaining from the related outstanding recommended actions into our risk-based approach in selecting future audits.

5.0 Organizations Need to Continue to Make Progress in Appropriately Assessing the Status of Recommended Actions

Our continuous follow-up work begins with the organizations' self-assessment of their progress in implementing the recommended actions from value-for-money reports and the Standing Committee on Public Accounts' (Committee) reports.

In 2023, organizations self-assessed a total of 545 value-for-money and Committee-recommended actions as "fully implemented." However, based on our review of the relevant documentation and, in certain cases, by completing sample testing, we evaluated that only 302 (or 55%) of these actions were, in fact, fully implemented. In our 2022 follow-up, organizations self-assessed 446 recommended actions as "fully implemented" whereas our evaluation determined that 191 (or 43%) of those actions were indeed fully implemented.

We found that even when all of the recommended actions' requirements were not met, some organizations reported those actions as "fully implemented." In some of these cases, the rationale provided was that they had done as much work as could be done, or that no further work would be conducted on the recommended actions. For these cases, the recommended actions were only partially implemented. We therefore assessed these recommended actions as not being fully implemented, contrary to the organizations' self-assessed statuses of fully implemented.

Our extensive review of supporting documentation and sample testing, where appropriate, is required to discern whether recommended actions can be assessed as "fully implemented." This work takes a significant amount of our Office's time and resources, as is the case for the organizations we follow up on, highlighting the need for all organizations to correctly determine their appropriate statuses of implementation.

Appendix 1: Recommendations from 2016 to 2020 Assessed as "Will Not Be Implemented" in 2023 That the Auditor General Believes Should Be Implemented

Prepared by the Office of the Auditor General of Ontario

Report Section	Organization	Recommendations	Rationale	Impact
2016				
3.07: Housing and Supportive Services for People with Mental Health Issues (Community-Based)	Ministry of Health[1]	**Recommendation 9 – Action 4** To ensure that housing agencies receive appropriate resources to operate the mental health supportive housing program, the Ministry of Health and Long-Term Care should perform routine site inspection visits to mental health supportive housing properties to assess if agencies are complying with the terms of their agreements; specifically, if agencies maintain properties in a good state of repair and cleanliness fit for occupancy.	In the current year, the Ministry of Health stated that it will not be implementing this recommended action because it does not have the inspection or regulatory role with respect to the Building Condition Audits (BCA).	The Ministry of Health will not perform routine site inspection visits to mental health supportive housing properties. Without inspections, housing agencies may not be maintaining properties according to the agreement, so that the properties are maintained in a good state of repair and cleanliness fit for occupancy.
2017				
3.04: Emergency Management in Ontario	Treasury Board Secretariat—Emergency Management Ontario[2]	**Recommendation 6 – Action 2** To ensure that Ontario is making reasonable efforts to prevent potential hazards or mitigate their impacts, and that these efforts are co-ordinated with emergency management programs, we recommend that the Ministry of Community Safety and Correctional Services through the Provincial Emergency Management Office work with ministries and municipalities to assess the costs and benefits of other prevention and mitigation opportunities to determine which ones to implement and incorporate into their emergency management programs.	Emergency Management Ontario (EMO) will not be implementing this recommended action. EMO stated that an Ontario-wide cost/benefit analysis to identify prevention and mitigation opportunities to implement would not be an appropriate strategy. EMO informed us that prevention and mitigation decisions are most appropriately determined at the local level and are already supported through the Hazard Identification and Risk Assessment process. EMO is aware of the status and gaps in current ministry and municipal emergency management programs as programs are assessed for compliance on an annual basis as required by the *Emergency Management and Civil Protection Act* (EMCPA). EMO also stated that, in addition to meeting legislative requirements, emergency management programs are also assessed in accordance with recommended best practices.	Emergency Management Ontario's decision to not work with ministries and municipalities to assess the costs and benefits of other prevention and mitigation opportunities and not incorporate them into emergency management programs may lead to selecting an option that is financially unviable and has the potential to result in higher costs in the long run.

Report Section	Organization	Recommendations	Rationale	Impact
3.04: Emergency Management in Ontario	Treasury Board Secretariat—Emergency Management Ontario[2]		In the absence of implementing this recommended action, EMO stated that the proclamation of amendments to section 5.1(2) of the *Emergency Management and Civil Protection Act* as of July 1, 2023, related to enhancing planning requirements for emerging risks and hazards, will help to strengthen prevention and mitigation priorities for ministries. In addition, EMO informed us that it will continue to conduct research on resources, tools, case studies and funding options for municipalities to take into consideration for implementation in emergency management programs, including prevention and mitigation opportunities.	
3.09: Ontario Public Drug Programs	Ministry of Health[1]	**Recommendation 7 – Action 1** To improve the use of inspectors' resources with the focus on enforcing that only valid claims are paid, we recommend that the Ministry of Health and Long-Term Care assess whether the required forms relating to prescriptions could be accessed differently.	The Ministry will not be implementing this recommended action. The Ministry explored the possibility of utilizing an existing Health Network System (HNS) Managed Service portal to facilitate the submission of documents from pharmacies as part of the claim-adjudication process. The Ministry determined that implementing the proposed solutions would be a huge task and incur a significant cost to the Pharmacy Software Vendors. In addition, there would be a significant amount of training needed to be provided to all the pharmacy staff to enable them to use the new system, thereby increasing their business processes/workload. Additionally, the Ministry noted that it would require significant qualified staff resources to validate the submitted claims manually and is therefore not operationally feasible.	The Ministry will not assess whether the required forms relating to prescriptions could be accessed differently. Not assessing alternative methods for accessing prescription forms to verify the validity of claims may lead to improper payments and misuse of public funds and inspectors' resources.
3.12: School Boards' Management of Financial and Human Resources	Hastings and Prince Edward District School Board	**Recommendation 7 – Action 2** To ensure that special-education students are provided with support that best meets their needs, we recommend that school boards hire and train staff to ensure they are best equipped to provide support for the types of student exceptionalities to which they are assigned.	Hastings and Prince Edward District School Board (Board) will not be implementing this recommended action because the Ministry of Education requires that teachers of special education classes are qualified with Special Education Part 1. The Board does not have the authority to require additional qualifications such as Part 2 and Part 3, given the collective agreement provisions.	The Hastings and Prince Edward School Board will not hire and train staff beyond the Special Education Part 1, to support students with exceptionalities. As a result, these students may not receive the support that best meets their needs.

Report Section	Organization	Recommendations	Rationale	Impact
3.13: Settlement and Integration Services for Newcomers	Ministry of Labour, Immigration, Training and Skills Development[3]	**Recommendation 10 – Action 1** We recommend that the Ministry of Citizenship and Immigration collect relevant information to further inform its discussions with the federal government, which is responsible for immigration in Canada, with respect to the federal government's allocation of funding to the Province.	The Ministry of Labour, Immigration, Training and Skills Development will not implement this recommended action. As per the Ministry, there is no federal government allocation of funding to Ontario specifically related to provincial programs used by immigrants. The Ministry stated that the federal government informs the Province on the amount of funding it provides to settlement agencies to deliver federal government programs within Ontario. According to the Ministry, due to the absence of federal government funding allocated to Ontario for provincial programs used by immigrants, there have not been discussions with the federal government on the cost of provincial programs for immigrants. Therefore, the Ministry stated that implementing a formal process to collect relevant information from other provincial ministries will not inform any funding allocation discussions with the federal government because there is no federal funding allocation to the Province for Ontario's settlement programs.	The Ministry will not collect relevant information to further inform its discussions with the federal government, which is responsible for immigration in Canada, with respect to the federal government's allocation of funding to the Province for Ontario's settlement programs. Not collecting relevant information on immigrant provincial programs from other ministries may limit the Ministry's ability to have informed discussions with the federal government with respect to the federal government's allocation of funding to the Province of Ontario.
3.14: Social and Affordable Housing	Ministry of Municipal Affairs and Housing[4]	**Recommendation 11 – Action 2** To better ensure that social housing subsidies are provided only to eligible tenants, we recommend that the Ministry of Housing require that municipal service managers develop and implement policies and procedures that are consistent across the province for requesting ineligible tenants who misrepresent eligibility information to vacate.	The Ministry of Municipal Affairs and Housing will not be implementing this recommended action. The Ministry informed us that, in 2019, a change was made to use a tax-based system to verify household income that requires relevant household members to file their taxes every year as a condition of continued eligibility. The Ministry stated that, as of July 2021, this process for social housing is used consistently across the province to assess continued eligibility of tenants.	Th Ministry will not develop and implement policies and procedures that are consistent across the province for addressing ineligible tenants. This may lead to continued misrepresentation of eligibility and could result in subsidies being given to individuals who do not qualify.

Report Section	Organization	Recommendations	Rationale	Impact
2018				
3.03: Health Quality Ontario	Ontario Health (Health Quality Ontario)[5]	**Recommendation 4 – Action 3.1** To maximize the likelihood that organizations and physicians receive individualized performance reports focused on targeted quality improvement and can readily act on the information provided, we recommend that Health Quality Ontario in collaboration with the Ministry of Health and Long-Term Care provide improvement ideas on all applicable provincial priority improvement areas in reports to physicians and hospital CEOs.	Ontario Health and the Ministry of Health (Organizations) informed us that they will not provide improvement ideas on all applicable provincial priority improvement areas in reports to physicians and hospital CEOs. The Organizations stated that individualized performance reports provided to physicians are practice-level reports that are used by individual practitioners and are distinct from Quality Improvement Plans (QIPs) targeted at an organizational level. The Organizations also stated that, although individualized performance reports to physicians, as well as QIPs, are complimentary and intended to drive improvement in health-care quality, they each include different indicators. Therefore, the Organizations concluded that individualized performance reports will not mirror priority improvement indicators noted in QIPs. The Organizations also informed us that they currently do not provide individualized performance reports to home and community care practitioners or hospital CEOs.	Ontario Health and the Ministry of Health will not implement this recommendation. Not providing improvement ideas in performance reports to health-care organizations and physicians may hinder their ability to make targeted quality improvements aligned with provincial priorities. This could have a negative impact on the effectiveness of health-care quality initiatives.

Report Section	Organization	Recommendations	Rationale	Impact
3.03: Health Quality Ontario	Ministry of Health[1]	**Recommendation 4 – Action 3.2** To maximize the likelihood that organizations and physicians receive individualized performance reports focused on targeted quality improvement and can readily act on the information provided, we recommend that Health Quality Ontario in collaboration with the Ministry of Health and Long-Term Care provide improvement ideas on all applicable provincial priority improvement areas in reports to physicians and hospital CEOs.	Ontario Health and the Ministry of Health (Organizations) informed us that they will not provide improvement ideas on all applicable provincial priority improvement areas in reports to physicians and hospital CEOs. The Organizations stated that individualized performance reports provided to physicians are practice-level reports that are used by individual practitioners and are distinct from Quality Improvement Plans (QIPs) targeted at an organizational level. The Organizations also stated that, although individualized performance reports to physicians, as well as QIPs, are complimentary and intended to drive improvement in health-care quality, they each include different indicators. Therefore, the Organizations concluded that individualized performance reports will not mirror priority improvement indicators noted in QIP. The Organizations also informed us that they currently do not provide individualized performance reports to home and community care practitioners or hospital CEOs.	Ontario Health and the Ministry of Health will not implement this recommendation. Not providing improvement ideas in performance reports to health-care organizations and physicians may hinder their ability to make targeted quality improvements aligned with provincial priorities. This could have a negative impact on the effectiveness of health-care quality initiatives.

Report Section	Organization	Recommendations	Rationale	Impact
3.05: Legal Aid Ontario	Legal Aid Ontario	**Recommendation 5 – Action 1** To help keep payments of the Guaranteed Daily Rate in accordance with applicable rules, we recommend that Legal Aid Ontario finalize its review to determine the extent of inappropriate billings in a timely manner.	Legal Aid Ontario (LAO) stated that it will not be implementing this recommended action to finalize its review to determine the extent of inappropriate Guaranteed Daily Rate billings in a timely manner. LAO had started a review in January 2018 to identify double billings and prepared a high-level draft summary during the early stages of review. However, LAO informed us that many elements of the summary are no longer relevant as the business environment has changed significantly due to the COVID-19 pandemic, as well as the implementation of a new regulatory regime based on the *Legal Aid Services Act, 2020*. As a result, LAO determined that the finalization of the review would require it to proceed with a brand-new exercise that would require considerable planning and reallocation of limited resources, and would not provide value to LAO.	Legal Aid Ontario will not be finalizing the review to identify inappropriate billings in a timely manner. This could lead to ongoing payment discrepancies and potential non-compliance with applicable rules.
	Legal Aid Ontario	**Recommendation 9 – Action 1** To better understand how resources are being used by community legal clinics (clinics) on Ontario Disability Support Program cases, we recommend Legal Aid Ontario work with clinics to formally record how much of clinics' resources are used to assist with applications versus appeals.	Legal Aid Ontario (LAO) stated that it will not be implementing this recommended action to work with community legal clinics to formally record how much of clinics' resources are used to assist with applications versus appeals for Ontario Disability Support Program (ODSP) cases. LAO stated that it considered requiring mandatory reporting of how much of the clinics' resources are used to assist with applications versus appeals in new service agreements between LAO and the clinics. However, an internal analysis showed that ODSP applications accounted for less than 1% of the clinics' ODSP-related cases. As a result, it was determined that making this reporting mandatory was not practical, created unnecessary administrative burden for clinics, and provided little or no value to LAO.	Legal Aid Ontario will not work with community legal clinics as recommended to formally record how resources are utilized for Ontario Disability Support Program (ODSP) cases. Without this data, it's difficult to assess the efficiency and effectiveness of assistance for ODSP applications versus appeals and could lead to inefficient resource allocation.

Report Section	Organization	Recommendations	Rationale	Impact
3.05: Legal Aid Ontario	Legal Aid Ontario	**Recommendation 15 – Action 3** In order to collect reliable data on duty counsel assists, we recommend that Legal Aid Ontario track reasons why financial eligibility was not assessed, such as because a financial eligibility test was not required and in what circumstances.	Legal Aid Ontario (LAO) stated that it will not be implementing this recommended action to track reasons why financial eligibility was not assessed, such as the reason why a financial eligibility test was not required and in what circumstances. LAO stated that it already has the ability to track these reasons by reviewing client files that include information recorded in the notes section.	Legal Aid Ontario will not track reasons why financial eligibility was not assessed for duty counsel assists. The absence of this information makes it difficult to assess the accuracy of duty counsel data and service effectiveness and can lead to inappropriate decision-making by Legal Aid Ontario.
3.08: MRI and CT Scanning Services	The Ottawa Hospital	**Recommendation 9 – Action 1** To help improve efficiency of booking and scheduling of MRI and CT scanning appointments and minimize patient no-shows, we recommend that hospitals formally track the reasons for patient no-shows and develop strategies to reduce their prevalence.	The Ottawa Hospital (TOH) stated that it will not be implementing this recommended action because patients who do not show up for their appointments do not impact the downtime or volume of MRI and CT scanning. TOH informed us that it is able to fill the spots with inpatient or emergency patient cases. In addition, the no-shows rate for MRI is 2.1% and for CT is 1%, which TOH considers low, in comparison to its internal target rate of 5% for no-shows. In addition, TOH noted that the reasons for no-shows are captured in a comment field in its Electronic Medical Records (Epic) system. However, it noted that extracting this data from the system will be costly and is not warranted at this time, due to the low rate of no-shows.	The Ottawa Hospital will not be implementing the recommendation to track patient no-shows and develop strategies to reduce their prevalence. This could lead to ongoing inefficiencies in MRI and CT scanning-appointment scheduling and may result in increased patient no-shows, potentially causing delays in those services.

Report Section	Organization	Recommendations	Rationale	Impact
3.10: Ontario Student Assistance Program	Ministry of Colleges and Universities[6]	**Recommendation 6 – Action 2** In order to ensure corrective action is taken by institutions on deficiencies noted in inspections of Financial Aid Offices, we recommend that the Ministry of Training, Colleges and Universities perform timely follow-up inspections with public institutions to ensure corrective action has been taken, in the same way it does for private institutions.	The Ministry informed us that it will not implement this recommended action. According to the Ministry, it will continue to use its current inspection follow-up process for public institutions. The Ministry informed us that it has taken a risk-based approach when conducting follow-up inspections for public institutions due to the differences between private and public institutions. The main difference is that public institutions do not have the continuous enrolment cycle that the private institutions have and therefore, it is not possible to follow up with public institutions within the same academic year as the inspection was completed. As a result, the Ministry will not perform timely follow-up inspections with public institutions to ensure corrective action has been taken, in the same way it does for private institutions.	The Ministry will not perform timely follow-up inspections with public institutions to ensure corrective actions are taken, in the same way it does for private institutions. This may result in corrective actions not being taken, or not being taken on a timely basis, to address deficiencies noted with respect to financial aid.
3.11: Ontario Works	Ministry of Children, Community and Social Services	**Recommendation 2 – Action 1** To hold service managers accountable for delivering the Ontario Works program in compliance with the program's requirements, and to improve program outcomes, we recommend that the Ministry of Children, Community and Social Services (Ministry) update its contracts with service managers to include requirements to comply with Ontario Works legislation, Ministry directives and policies.	The Ministry will not be updating its contracts with service managers to include requirements to comply with Ontario Works legislation, Ministry directives and policies. The Ministry stated that its Transfer Payment Agreement uses general wording to require service managers to carry out their services in accordance with policies, guidelines and provincial requirements as communicated to them. The Ministry stated that this allows the Ministry the flexibility to add new directives and policies that would be enforceable on to the service manager. The Ministry stated it has determined that it does not need to add any further language into the contracts with service managers.	The Ministry will not be updating its contracts with service managers to include requirements to comply with Ontario Works legislation, Ministry directives and polices. This may lead to the continued lack of mechanisms to hold service managers accountable, and may negatively impact program outcomes.

Report Section	Organization	Recommendations	Rationale	Impact
3.11: Ontario Works	Ministry of Children, Community and Social Services	**Recommendation 3 – Action 1** To improve the effectiveness of the Ontario Works program in helping people to obtain employment and become self-sufficient, and to assess the effectiveness of the service managers it funds, we recommend that the Ministry of Children, Community and Social Services (Ministry) establish performance indicators and targets for recipients' length of time on assistance.	The Ministry will not implement this recommended action which requires it to establish performance indicators and targets for recipients' length of time on assistance. The Ministry stated that it has implemented an outcome-based model and therefore, will not set indicators and targets for its service managers. According to the Ministry, it will monitor the recipients' length of time on assistance at the provincial and municipal levels through quarterly reports.	The Ministry will not establish performance indicators and targets for recipients' length of time on assistance. This may lead to a continued increase in recipients' length of time on assistance and also hinder the Ministry's efforts in improving the effectiveness of the Ontario Works program.
	Ministry of Children, Community and Social Services	**Recommendation 5 – Action 1** To ensure that service managers deliver the Ontario Works program efficiently and effectively, we recommend that the Ministry of Children, Community and Social Services (Ministry) collect, analyze and compare service manager staffing and recipient caseloads both among service managers and with Ministry guidelines, and then to follow up on significant differences to identify promising practices and instances that require corrective action to improve outcomes.	The Ministry will not implement this recommended action, which requires it to collect, analyze and compare service manager staffing and recipient caseloads both among service managers and with Ministry guidelines, and follow up on significant differences to identify practices and instances that require corrective action to improve outcomes. The Ministry stated that it has implemented an outcome-based model to monitor service managers in meeting performance outcomes. According to the Ministry, under this outcome-based model, the Ministry will not be prescriptive in its approach. This model provides service managers with the flexibility to administer the program, based on the unique local situation, as long as outcomes are met. According to the Ministry, it will analyze and follow up with service managers who do not achieve performance outcomes.	The Ministry will not be collecting, analyzing, comparing and following up on significant differences with respect to service manager staffing and recipient caseloads, both among service managers and with Ministry guidelines. Thus, the Ministry may not be able to ensure that service managers are delivering the Ontario Works program efficiently and effectively.

Report Section	Organization	Recommendations	Rationale	Impact
3.11: Ontario Works	Ministry of Children, Community and Social Services	**Recommendation 5 – Action 2** To ensure that service managers deliver the Ontario Works program efficiently and effectively, we recommend that the Ministry of Children, Community and Social Services (Ministry) compare the costs of service managers to deliver the Ontario Works program to understand and identify the reasons for such differences and to take corrective action where necessary.	The Ministry will not implement this recommended action, which requires it to compare the cost of service managers to deliver the Ontario Works program to understand and identify the reasons for such differences and to take corrective action where necessary. The Ministry stated that it has implemented an outcome-based model to monitor service managers in meeting performance outcomes. According to the Ministry, under this outcome-based model, the Ministry will not be prescriptive in its actions. This model provides service managers with the flexibility to administer the program, based on the unique local situation, as long as outcomes are met. According to the Ministry, it will analyze and follow up with service managers who do not achieve performance outcomes.	The Ministry will not be comparing service managers' costs to deliver the Ontario Works program, to understand and identify reasons for differences and to take corrective actions where necessary. Thus, the Ministry may not be able to ensure that service managers are delivering the Ontario Works program efficiently and effectively.
	Ministry of Children, Community and Social Services	**Recommendation 5 – Action 3** To ensure that service managers deliver the Ontario Works program efficiently and effectively, we recommend that the Ministry of Children, Community and Social Services (Ministry) evaluate whether the proportion of service managers' program delivery costs that it funds is effective in improving outcomes for Ontario Works recipients.	The Ministry will not implement this recommended action, which requires it to evaluate whether the proportion of service managers' program delivery costs that it funds is effective in improving outcomes for Ontario Works recipients. The Ministry stated that it has implemented an outcome-based model to monitor service managers in meeting performance outcomes that contribute to improving outcomes for Ontario Works recipients. The Ministry stated that its outcome-based model provides service managers with the flexibility to administer the program based on the unique needs of their local situation. According to the Ministry, under this outcome-based model, it will not take corrective action for differences in delivery costs. The Ministry also stated that it will analyze and follow up with service managers who do not achieve performance outcomes.	The Ministry will not be evaluating the proportion of service managers' program delivery costs that the Ministry funds. This may result in the Ministry not being able to ensure that service managers are delivering the Ontario Works Program efficiently and that they are effective in improving outcomes for Ontario Works recipients.

Report Section	Organization	Recommendations	Rationale	Impact
3.11: Ontario Works	Ministry of Children, Community and Social Services	**Recommendation 6 – Action 2** To reduce the number and size of overpayments to recipients, we recommend that the Ministry of Children, Community and Social Services (Ministry) enhance its systems and processes to determine and record the cause of overpayments to enable service managers to analyze and take action to minimize their occurrence.	The Ministry will not be implementing this recommended action. The Ministry stated that it completed a high-level internal assessment of possible changes to its IT system to record the cause of overpayments. According to the Ministry, this assessment identified a potential risk that users could experience a reduction in performance of its IT system in daily operations, which could negatively impact other work. Therefore, the Ministry, based on its internal assessment, decided that it will not implement changes to its IT system to enhance its systems and processes to determine and record the cause of overpayments to enable service managers to analyze and potentially, take the actions needed to minimize their occurrence. The Ministry stated that, although it has not made changes to its IT system, it has implemented several initiatives to allow staff to better manage and understand overpayments.	The Ministry will not be enhancing its systems and processes to determine and record the cause of overpayments. This could limit the service managers' ability to analyze reasons for overpayments and take corrective actions to reduce the number and size of overpayments.
	Ministry of Children, Community and Social Services	**Recommendation 7 – Action 3** To increase the rate at which service managers recover overpayments, and to have the necessary information to assess service manager efforts to recover overpayments, we recommend that the Ministry of Children, Community and Social Services (Ministry) implement the necessary changes to its systems to separate overpayments to, and recoveries from recipients recorded in error.	The Ministry will not be implementing this recommended action. The Ministry stated that it completed a high-level internal assessment of possible changes to its IT system to separate overpayments to, and recoveries from recipients recorded in error. According to the Ministry, this assessment identified a potential risk that users could experience a reduction in performance of its IT system in daily operations, which could negatively impact other work. Therefore, the Ministry, based on its internal assessment, has decided that it will not implement the necessary changes to its IT system to separate overpayments to, and recoveries from recipients recorded in error. The Ministry stated that, although it has not made changes to its IT system, it has implemented several initiatives to allow staff to better manage and understand overpayments.	The Ministry will not implement the necessary changes to its systems to separate overpayments to, and recoveries from recipients recorded in error. This may adversely impact the rate at which service managers recover overpayments and the Ministry may lack the necessary information to assess service managers' efforts to recover overpayments.

Report Section	Organization	Recommendations	Rationale	Impact
3.12: School Boards—IT Systems and Technology in the Classroom	Algoma District School Board	**Recommendation 5 – Action 2** To safeguard students' personal information, we recommend that the school boards in collaboration with their schools perform risk assessments and take necessary actions associated with using non-approved websites or software.	The Algoma District School Board does not plan to conduct risk assessments, either by itself or through a third party, on its key IT systems that process and store students' personal information, to protect students' data. The Board stated that this is due to lack of staffing and its assessment that the costs/benefits are unreasonable.	The Algoma District School Board will not be conducting risk assessments on its key IT systems that process and store students' personal information and will not take necessary actions associated with using non-approved websites or software. This may lead to a heightened risk of data breaches, and other privacy violations.
	Toronto District School Board	**Recommendation 6 – Action 2** In order to mitigate the risks of cyberattacks, we recommend that school boards provide formal information security including cybersecurity awareness training to teachers and staff who have access to information technology.	The Toronto District School Board (Board) does not plan to implement a formal information security awareness training program (including cybersecurity awareness training) due to the costs associated with implementing such a program. The Board has estimated the cost of implementing the recommendation to be between $2.2 million and $4.4 million annually, depending on the duration of the training provided. The costs are mainly for occasional teachers to cover for teaching staff to allow them to attend the training, and for occasional teachers and hourly staff to attend the training. The Board will continue to promote cybersecurity awareness through simulation and information-sharing means as well as making training material available through the Learning Management system. The Board also stated that it is willing to work with the Ministry of Education on a province-wide approach and to advocate for dedicated funding to address this recommendation.	The Toronto District School Board will not be providing formal information security training (including cybersecurity awareness training) to teachers and staff who have access to information technology. As a result, both the teachers and students may lack awareness on how to safeguard themselves against cyberattacks.

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2019				
3.01: Acute-Care Hospital Patient Safety and Drug Administration	Ministry of Health	**Recommendation 10 – Action 1** So that hospitals can make optimally informed hiring and staffing decisions, we recommend that the Ministry of Health require all hospitals in Ontario to perform criminal record checks before hiring nurses and other health-care employees.	The Ministry will not be implementing this recommended action since its review of the regulatory health professions under the *Regulated Health Professions Act, 1991* (RHPA) and the rules and regulations of corresponding regulatory health colleges identified that there are appropriate safeguards already in place that protect the public from harm. The Ministry also indicated that the regulatory health colleges under the RHPA have been granted the authority to impose their own requirements and penalties to protect the public from harm, which is their fundamental role. Therefore, the Ministry stated that it has determined that the hospitals will not be required to perform the criminal record checks before hiring nurses and other health-care employees.	The Ministry will not require hospitals to perform criminal record checks before hiring nurses and other health-care employees. This may affect patient safety and harm the reputation of hospitals, as there is a risk that an individual is hired and has a criminal background.
	Ministry of Health	**Recommendation 10 – Action 2** So that hospitals can make optimally informed hiring and staffing decisions, we recommend that the Ministry of Health require all hospitals in Ontario to periodically update checks for existing staff.	The Ministry will not be implementing this recommended action. The Ministry stated that its review of the *Regulated Health Professions Act, 1991* (RHPA) and the rules and regulations of regulatory health colleges identified that there are appropriate safeguards currently in place that reasonably protect the public from harm, mitigating the need to entrench the frequency of criminal background checks for hospital employees within regulation or legislation. The Ministry also stated that requiring the hospitals to periodically update criminal reference checks for existing staff would increase the financial and administrative burden on the hospitals. As per the Ministry, Provincial offences are reported to the regulatory colleges, which negates the need to conduct periodic checks. Therefore, the Ministry has determined that the hospitals will not be required to perform periodic criminal record checks for existing hospital employees.	The Ministry will not require hospitals to periodically update criminal record checks for existing hospital staff. This may lead to ongoing risks to patient safety and hospital operations, if employees subsequent to hiring are charged with a criminal offence.

Report Section	Organization	Recommendations	Rationale	Impact
3.02: Addictions Treatment Programs	Ministry of Health	**Recommendation 11 – Action 2** To achieve savings and assess the effectiveness of its naloxone distribution through pharmacies as part of the Opioid Strategy, we recommend that the Ministry of Health collect detailed information from all participating pharmacies about their naloxone distribution, such as how many people are trained to use naloxone kits to assess the effectiveness of this initiative in order to identify whether any changes are needed.	The Ministry will not collect detailed information from all participating pharmacies about their naloxone distribution in order to achieve savings and assess the effectiveness of its naloxone distribution through pharmacies as part of the Opioid Strategy. According to the Ministry, based on the feedback received from participating pharmacies, it was found that the information requested, including naloxone distribution, number of people trained to use naloxone kits, and the number of times paramedic services were called, was not accurately obtained. As a result, the Ministry found that the data collected was not robust enough to assess the effectiveness of the program and has ended report-back requirements.	The Ministry will not collect detailed information from participating pharmacies about their naloxone distribution. This could hinder the Ministry's ability to assess the effectiveness of its program and to make any necessary improvements to the program.
3.03: Chronic Kidney Disease Management	Ontario Health (Ontario Renal Network & Trillium Gift of Life Network)	**Recommendation 1 – Action 1** To help patients receive timely referrals to a nephrologist and slow down the progression of their chronic kidney disease, we recommend that the Ontario Renal Network work with the Ministry of Health to share lab data from the Ontario Laboratory Information System with the Regional Renal Programs to help them identify and follow up on patients who are eligible for referral to a nephrologist.	Ontario Health will not be implementing this recommended action. Ontario Health stated that it will not share the lab data from the Ontario Laboratory Information System (OLIS) with the Regional Renal Programs to help them identify and follow up on patients who are eligible for referral to a nephrologist. Ontario Health noted that it undertook a feasibility study in collaboration with the Kidney, Dialysis and Transplantation Research Program at the Institute for Clinical Evaluative Sciences. The study determined that the evidence does not support the clinical efficacy of sharing individualized lab data from OLIS with the Regional Renal Programs in order to identify patients with mild to moderate stages of chronic kidney disease. Ontario Health stated that it identified legal, technological and operational barriers to sharing individualized lab data with Regional Renal Programs. Ontario Health does not believe that an investment of resources to address the barriers is justified given the limited clinical benefit expected.	Ontario Health will not be sharing lab data with the Regional Renal Programs. This may lead to delayed referrals to a nephrologist for chronic kidney disease patients, potentially allowing the disease to negatively impact patient outcomes.

Report Section	Organization	Recommendations	Rationale	Impact
3.03: Chronic Kidney Disease Management	Ontario Health (Ontario Renal Network & Trillium Gift of Life Network)	**Recommendation 1 – Action 2** To help patients receive timely referrals to a nephrologist and slow down the progression of their chronic kidney disease, we recommend that the Ontario Renal Network work with the Regional Renal Programs to investigate cases where patients are not being referred to see nephrologists on a timely basis to ensure these patients are referred for assessment.	Ontario Health stated that it will not be implementing this recommended action. As noted in **Recommendation 1, Action 1,** Ontario Health undertook a feasibility study in collaboration with the Kidney, Dialysis and Transplantation Research Program at the Institute for Clinical Evaluative Sciences. The study determined that the evidence does not support the clinical efficacy of identifying and following up on patients with mild to moderate chronic kidney disease who are eligible for referral to a nephrologist. Ontario Health stated that it identified legal, technological and operational barriers to sharing individualized lab data that would take a high level of resources to overcome. Therefore, individualized lab information will not be shared to allow investigation of cases where patients are not being referred to see nephrologists on a timely basis.	Ontario Health will not be investigating cases where patients are not being referred to see nephrologists on a timely basis. This may result in delayed referrals to nephrologists and delays in assessing chronic kidney disease patients. This could negatively impact patient outcomes.
Chapter 3: Climate Change—Ontario's Plan to Reduce Greenhouse Gas Emissions	Ministry of the Environment, Conservation and Parks	**Recommendation 2 – Action 1** So that Ontario's climate change planning can benefit from external expert advice, we recommend that members be appointed to the Climate Change Advisory Panel to review and provide advice on climate change planning and further refine the Ministry's Plan as needed.	The Ministry will not be implementing this recommended action. The Ministry informed us that a 10-member Climate Change Advisory Panel was appointed in November 2019. Under the panel's Terms of Reference, its mandate is to provide advice to the Minister on implementing the climate change resilience commitments of the Plan. The Ministry does not have plans to amend the Terms of Reference of the Climate Change Advisory Panel (or strike an additional panel) to provide advice to the Minister on plans to reduce greenhouse gas emissions, which was the subject of our audit and intent of our Office's recommendation.	The Ministry will not be appointing members to a Climate Change Advisory Panel to review and provide advice on plans to reduce Ontario's greenhouse gas emissions. This may result in Ontario not benefiting from external expert advice when planning to reduce greenhouse gas emissions.

Report Section	Organization	Recommendations	Rationale	Impact
Chapter 3: Climate Change—Ontario's Plan to Reduce Greenhouse Gas Emissions	Ministry of the Environment, Conservation and Parks	**Recommendation 8 – Action 1** To better assess the contribution that the Emission Reduction Fund would make toward Ontario's emission-reduction target, we recommend that the Ministry of the Environment, Conservation and Parks use best practices, such as integrated modelling, that account for the interactions and overlap with other initiatives.	The Ministry will not be implementing this recommended action. The Ministry does not have plans to implement an Emission Reduction Fund. Now that Ontario facilities have transitioned from the federal Output-Based Pricing System to Ontario's Emissions Performance Standard program, the Ministry is developing an approach for the use of proceeds collected under the program.	The Ministry will not be using integrated modelling to assess the contribution that an Emission Reduction Fund would have toward meeting Ontario's 2030 emission-reduction target. This is because the Ministry does not have plans to implement an Emission Reduction Fund, which was one of several proposed initiatives in the Ministry's draft climate change plan. Not implementing such a fund, intended to provide loans to help pay the upfront capital costs of energy-efficiency projects for buildings, may affect Ontario's ability to achieve its emission-reduction target.
	Ministry of the Environment, Conservation and Parks	**Recommendation 9 – Action 1** To help achieve a reverse auction that contributes toward reaching Ontario's 2030 emission reduction target, we recommend that the Ministry of the Environment, Conservation and Parks design its reverse auction to achieve additional emissions reductions that would not have happened without government funding.	The Ministry will not be implementing this recommended action. The Ministry does not have plans to implement a reverse auction. Now that Ontario facilities have transitioned from the federal Output-Based Pricing System to Ontario's Emissions Performance Standard program, the Ministry is developing an approach for the use of proceeds collected under the program.	Not designing and implementing a reverse auction, which was one of several proposed initiatives in the Ministry's draft climate change plan, to fund projects with the lowest-cost emission reductions may hinder the Province's efforts to achieve its 2030 emission-reduction target.
3.04: Commercial Vehicle Safety and Enforcement	Ministry of Transportation	**Recommendation 13 – Action 2** So that only drivers who demonstrate the required skills and knowledge to operate commercial vehicles are able to obtain a commercial vehicle driver's licence, we recommend that the Ministry of Transportation review whether allowing carriers to administer driver's licence testing through the Driver Certification Program constitutes a conflict of interest.	The Ministry informed us that its Research and Evaluation Office analyzed the difference in pass rates between the Driver Certification Program (DCP) and DriveTest. The evaluation found that the high road test pass rates for DCP drivers is either related to the quality of the training they receive, or to the carriers' rigorous student-selection processes. The Ministry informed us, that based on the research analysis, it concluded that the Driver Certification Program does not constitute a safety risk. The Ministry stated that, therefore, it does not need to review whether allowing carriers to administer driver's licence testing through the Driver Certification Program constitutes a conflict of interest.	The Ministry will not be reviewing whether allowing carriers to administer driver's licence testing through the Driver Certification Program constitutes a conflict of interest. This may lead to the potential conflict of interest in the Driver Certification Program, where carriers conduct driver's licence testing, which could lead to unqualified individuals obtaining commercial vehicle licences, and potentially increase safety risks.

Report Section	Organization	Recommendations	Rationale	Impact
3.05: Food and Nutrition in Long-Term-Care Homes	Ministry of Long-Term Care	**Recommendation 15 – Action 1** To achieve further cost savings in purchasing food for the long-term-care-home sector, we recommend that Ministry of Long-Term Care, in conjunction with the Ministry of Health identify the organization(s) responsible for co-ordinating group purchasing for long-term-care homes.	This recommendation will not be implemented. In the current year, the Ministry of Long-Term Care (the Ministry) stated that Supply Ontario is supporting supply chain management and procurement activities. In its discussions with Supply Ontario, and as noted within Supply Ontario's March 2023 Business Plan, Supply Ontario will initially focus on low-complexity procurement opportunities in the 2023/24 fiscal year. We were informed that group purchasing in long-term care is a complex undertaking that requires co-ordination across over 600 licensees under varying types of home ownership (i.e., for-profit, not-for-profit and municipal) and that many of the homes already have group purchasing agreements in place. Therefore, this recommendation will not be conducted at this time. The Ministry stated that it will continue to engage with Supply Ontario to keep informed of future opportunities for co-ordination.	The Ministry will not be identifying organizations responsible for co-ordinating group food purchasing for long-term-care homes. This may lead to missed cost-saving opportunities, to purchase food at lower costs for the long-term-care home sector. This may create inefficiencies and result in higher costs, thereby affecting the budgets and limiting the resources available to provide quality care to long-term-care home residents.
	Ministry of Long-Term Care	**Recommendation 15 – Action 2** To achieve further cost savings in purchasing food for the long-term-care-home sector, we recommend that Ministry of Long-Term Care, in conjunction with the Ministry of Health determine how best to group the long-term-care homes, such as by region or by ownership type, in future food-buying arrangements, until the organization(s) responsible for co-ordinating group purchasing is identified.	This recommendation will not be implemented. In the current year, the Ministry of Long-Term Care (the Ministry) stated that Supply Ontario is supporting supply chain management and procurement activities. In its discussions with Supply Ontario, and as noted within Supply Ontario's March 2023 Business Plan, Supply Ontario will initially focus on low-complexity procurement opportunities in the 2023/24 fiscal year. We were informed that group purchasing in long-term care is a complex undertaking that requires co-ordination across over 600 licensees under varying types of ownership (i.e., for-profit, not-for-profit and municipal) and that many of the homes already have group purchasing agreements in place. Therefore, this recommendation will not be conducted at this time. The Ministry stated that it will continue to engage with Supply Ontario to keep informed of future opportunities for co-ordination.	The Ministry will not be determining how best to group the long-term-care homes in future food buying arrangements. This may lead to missed cost-saving opportunities, such as the benefits of bulk purchasing, to reduce food costs. This may impact the budgets and resources available to provide quality care to long-term-care home residents.

Report Section	Organization	Recommendations	Rationale	Impact
3.05: Food and Nutrition in Long-Term-Care Homes	Ministry of Long-Term Care	**Recommendation 15 – Action 3** To achieve further cost savings in purchasing food for the long-term-care-home sector, we recommend that Ministry of Long-Term Care, in conjunction with the Ministry of Health assist in the establishment of group-buying contracts where needed, until the organization(s) responsible for co-ordinating group purchasing is identified.	This recommendation will not be implemented. In the current year, the Ministry of Long-Term Care (the Ministry) stated that Supply Ontario is supporting supply chain management and procurement activities. In its discussions with Supply Ontario, and as noted within Supply Ontario's March 2023 Business Plan, Supply Ontario will initially focus on low-complexity procurement opportunities in the 2023/24 fiscal year. We were informed that group purchasing in long-term care is a complex undertaking that requires co-ordination across over 600 licensees under varying types of ownership (i.e., for-profit, not-for-profit and municipal) and that many of the homes already have group purchasing agreements in place. Therefore, this will not be conducted at this time. The Ministry stated that it will continue to engage with Supply Ontario to keep informed of future opportunities for co-ordination.	The Ministry will not assist in the establishment of group-buying contracts for long-term-care homes. This may result in missed cost-saving opportunities, which would result in higher food costs, and may impact the budgets and resources available to provide quality care to long-term-care home residents.
3.07: Health and Safety in the Workplace	Ministry of Labour, Immigration, Training and Skills Development	**Recommendation 8 – Action 1** To assist inspectors in efficiently assessing and documenting all health and safety hazards in a workplace, we recommend the Ministry of Labour, Training and Skills Development develop checklists specific to each sector and require that inspectors use and include the checklists in their inspection reports.	The Ministry stated that it has developed some checklists but it will not develop checklists specific to every sector and require its inspectors to use and include the checklists in their inspection reports. According to the Ministry, it does not find it to be feasible or practical to have a checklist for every sector. The Ministry informed us that checklists may cause inspectors to be blind to hazards since they may only focus on checking for the items noted on the checklists. This may result in key hazards and other risks being missed if the inspectors rely heavily on the checklists. The Ministry informed us that it has provided comprehensive training focused on risk and hazard assessment as a key skill so that inspectors can deal with situations they may not have encountered before, and which may not be on any checklist. The Ministry believes that the checklists they do have, and the training provided, is appropriate and sufficient to guide inspectors in making their assessments.	The Ministry will not be developing checklists specific to each sector and requiring inspectors to use and include the checklists in their inspection reports. This may lead to different documentation processes among inspectors and inconsistent information collected from inspections.

Report Section	Organization	Recommendations	Rationale	Impact
3.09: Ontario Disability Support Program	Ministry of Children, Community and Social Services	**Recommendation 1 – Action 1** We recommend that the Ministry of Children, Community and Social Services investigate and identify the extent that either its policies and procedures to administer and deliver the Ontario Disability Support Program and/or its non-compliance with these policies and procedures have contributed to caseload growth, and take corrective action so that only individuals who are eligible for ODSP receive benefits from the program.	The Ministry of Children, Community and Social Services (MCCSS) stated that it will not be implementing this recommended action to investigate and identify the extent that either its policies and procedures to administer and deliver the Ontario Disability Support Program (ODSP) and/or its non-compliance with these policies and procedures have contributed to caseload growth, and take corrective action so that only individuals who are eligible for ODSP receive benefits from the program. The Ministry informed us that it had proposed conducting further analysis on the 10-year period (2008–9 to 2018–19) to analyze operational factors that may have led to caseload growth. However, the Ministry informed us that, due to data limitations, it is not able to evaluate data from this period for third-party data checks and medical reviews. As a result, MCCSS determined that it would not proceed with determining the factors that led to caseload growth and, subsequently, take corrective actions.	The Ministry will not investigate and identify factors that have contributed to caseload growth and take corrective actions to address these factors. This may result in ineligible individuals receiving benefits from the ODSP program.
	Ministry of Children, Community and Social Services	**Recommendation 14 – Action 1** To reduce the number and size of overpayments to recipients, we recommend that the Ministry of Children, Community and Social Services enhance its systems and processes to determine and record the cause of overpayments, to analyze the root causes and take action to reduce the length of time to identify them, and minimize their occurrence.	The Ministry of Children, Community and Social Services (MCCSS) stated that it will not be implementing this recommended action to enhance its systems and processes to determine and record the cause of overpayments, analyze the root causes and take action to reduce the length of time to identify them, and minimize their occurrence. MCCSS stated that it completed a high-level internal assessment of possible changes to its Social Assistance Management System (SAMS) to record the cause of overpayments. However, MCCSS informed us that this assessment identified a potential risk that users could experience a reduction in SAMS' performance, which could negatively impact other work. As a result, MCCSS determined that it would not proceed with the system and process enhancements.	The Ministry will not enhance its systems and processes for overpayments. This could limit the Ministry's ability to determine, record and analyze the reasons for overpayments and take actions to reduce the number and size of overpayments to recipients.

Report Section	Organization	Recommendations	Rationale	Impact
3.10: Ontario Financing Authority	The Ontario Financing Authority	**Recommendation 7 – Action 1** To reduce the costs of holding more liquid reserve than needed while still staying within a reasonable risk tolerance level, and enable the savings to go to paying debt and interest costs, we recommend that the Ontario Financing Authority analyze the province's cash-flow requirements and establish an optimal liquid reserve target, considering the costs and benefits (such as the risk of being unable to meet immediate cash needs and the risk of impacting the province's credit rating) of holding different levels of its liquid reserve.	The Ontario Financing Authority (Authority) will not be implementing this recommendation. The Authority stated that it analyzes the province's cash-flow requirements and establishes an optimal liquid reserve target, and considers the costs and benefits of holding different levels of its liquid reserve at year-end. However, it does not do this throughout the year. The Authority stated that the actual in-year level of liquid reserve is dependent on the actual magnitude and timing of operational cash flows, actual Credit Support Annexes collateral requirements and the actual pace of the long-term borrowing program, which in turn are dependent on evolving economic and financial market conditions throughout the year. Therefore, the actual level of in-year liquid reserve is constantly evolving. According to the Authority, a year-end target for liquid reserve is considered the most appropriate approach for planning purposes. It noted that this year-end target for liquid reserve is also what creditors use when assessing Ontario's credit rating score. The Authority informed us that it will continue to provide year-end target levels of its liquid reserve but it will not provide in-year target levels of liquid reserve.	The Authority will not analyze the province's cash-flow requirements and establish an optimal in-year target level of liquid reserve. This may lead the Authority to hold higher levels of liquid reserve than needed which means less can be applied toward paying debt and interest costs.
		Recommendation 7 – Action 2 To reduce the costs of holding more liquid reserve than needed while still staying within a reasonable risk tolerance level, and enable the savings to go to paying debt and interest costs, we recommend that the Ontario Financing Authority regularly monitor and report on the amount of the reserve and the costs and benefits of effectively managing it.	The Ontario Financing Authority (Authority) will not be implementing this recommendation. According to the Authority, it is monitoring and reporting the amount of cash requirement estimates and liquid reserve projections on a daily basis. However, the Authority informed us that it is not developing daily/monthly target liquidity ranges because year-end targets for liquid reserve are considered the most appropriate approach for planning purposes. The Authority also noted that it will not be determining the costs and benefits of effectively managing the liquid reserve on a daily/monthly basis.	The Authority will not regularly (i.e., on a daily/monthly basis) monitor and report on the amount of the reserve and the costs and benefits of effectively managing it. This may lead the Authority to hold higher levels of liquid reserve than needed, which means less can be applied toward paying debt and interest costs.

Report Section	Organization	Recommendations	Rationale	Impact
3.11: Oversight of Time-Limited Discretionary Grants	Treasury Board Secretariat	**Recommendation 3 – Action 1** To increase transparency and greater accountability for government funding, we recommend that the Treasury Board Secretariat, in conjunction with granting ministries, publicly disclose on one platform all recipients of government funding received directly through a ministry or indirectly through a flow-through organization, by granting program.	In the current year, the Secretariat stated that it will not be implementing this recommended action. The Secretariat informed us that through its jurisdictional scan of other Canadian provinces, territories, and the federal government, it was noted that these other jurisdictions do not disclose this level of detail on one platform. The Secretariat also informed us that there is a significant cost associated to disclosing this level of detail on one platform, which outweighs the benefits of providing this level of detail.	The Secretariat will not publicly disclose on one platform all recipients who receive government funding. This could lead to reduced transparency and accountability in government funding and may lead to loss of public confidence in funding practices.
	Ministry of Indigenous Affairs	**Recommendation 10 – Action 5** To help ensure grant recipients spend funds for the purposes intended, we recommend that the granting ministries improve the effectiveness of their monitoring processes by verifying performance results reported for reasonability.	The Ministry stated that it will not be implementing this recommended action because verifying performance results reported for reasonability would pose significant relationship risk with recipients in the Indigenous communities and would also cause an undue administrative burden on the Indigenous communities. In addition, the Ministry noted that Treasury Board Secretariat did not give direction to compel the Ministry to seek supporting documentation for attested performance measures. The Ministry informed us that it will continue to rely on the collection of performance measures submitted through activity and financial reports provided by the grant recipients; however, it will not conduct any testing to verify the accuracy of the performance measures provided.	The Ministry will not be verifying grant recipients' performance results reported for reasonability. Thus, the Ministry may not be able to ensure that the grant recipients spent the funds for the purposes intended, which may lead to misuse or misallocation of public funds.

Report Section	Organization	Recommendations	Rationale	Impact
3.12: Provincial Support to Sustain the Horse Racing Industry	Ontario Lottery and Gaming Corporation (OLG)	**Recommendation 2 – Action 2** In order to effectively monitor funding agreements with the horse racing industry, we recommend that the Ontario Lottery and Gaming Corporation investigate significant differences or unusual items.	In the current year, Ontario Lottery and Gaming Corporation (OLG) stated that it will not be implementing further actions beyond what has already been put in place to investigate significant differences or unusual items for all 15 racetracks that receive operational funding from OLG. OLG informed us that investigations of financial statement comparisons for some racetracks are incredibly difficult to be mapped out accurately due to a number of differences in the items being reported, including separate financial statements not being available for horse racing operations only and the timing of the fiscal years. OLG stated that it has implemented additional processes to monitor and investigate unusual items of all 15 tracks; however, it does not see value in going into further details on investigating differences or unusual items for racetracks that do not receive operational funding from OLG.	The Ontario Lottery and Gaming Corporation (OLG) will not be investigating significant differences or unusual items per funding agreements with the horse racing industry. This could lead to ineffective monitoring by the OLG and it may result in financial mismanagement, potential losses, oversight and accountability issues.
2020				
Alcohol and Gaming Commission of Ontario	Alcohol and Gaming Commission of Ontario	**Recommendation 8 – Action 2** In order to create greater awareness of risks of unregulated online gaming, we recommend that the Alcohol and Gaming Commission of Ontario (AGCO), along with the Ministry of the Attorney General work with credit card companies and financial institutions to block transactions with internet gaming sites not regulated by Ontario.	The Alcohol and Gaming Commission of Ontario (AGCO) will not be implementing this recommended action. The AGCO stated that there are limits to its regulatory mandate with respect to federally regulated financial institutions and credit card companies as the jurisdictional authority over banking in Canada falls to the federal government under s. 91 of the *Constitution Act*. The AGCO informed us that the key objective of the launch of the iGaming market was to move Ontario players from playing on unregulated sites to the regulated market, so that they would benefit from high standards of operator and game integrity, fairness and player protections including responsible gambling safeguards. The AGCO stated that the success of channelization from unregulated to regulated play in just one year is the result of multiple factors in the design	The Alcohol and Gaming Commission of Ontario (AGCO) will not work toward blocking transactions with internet gaming sites not regulated by Ontario. This could hinder AGCO's efforts to create greater awareness of the risks of unregulated online gaming in Ontario.

Report Section	Organization	Recommendations	Rationale	Impact
Alcohol and Gaming Commission of Ontario			and implementation of the regulatory framework that created the conditions for operators to seek registration and helps ensure Ontarians who choose to use iGaming sites can benefit from regulatory protections. According to the AGCO, working collaboratively to further minimize the residual unregulated market remains a priority. The AGCO stated that it will continue to identify opportunities to engage with a range of partners including law enforcement, regulators in other jurisdictions, and other regulatory partners such as the Office of the Superintendent of Financial Institutions (OSFI) and the Financial Services Regulatory Authority (FSRA) to identify opportunities for mutually reinforcing activities to address this common goal. However, according to the AGCO, given the limits of its regulatory mandate with respect to federally regulated financial institutions and credit card companies and the lack of progress in discussing these matters with government entities with relevant oversight, it is not planning any further engagement in this regard.	
	Alcohol and Gaming Commission of Ontario	**Recommendation 21 – Action 1** In order to accurately assess the risk of unnecessary use of therapeutics and drugs that negatively impact animal welfare, we recommend that the Alcohol and Gaming Commission of Ontario update its memorandum of understanding with the Canadian Pari-Mutuel Agency to receive detailed drug test results of all race horses tested in Ontario, whether results were positive or negative, and whether they were for horses that were competing in a race or out of competition.	The Alcohol and Gaming Commission of Ontario (AGCO) informed us that it will not implement this recommendation. AGCO stated that it has agreed to an information-sharing agreement with the Canadian Pari-Mutuel Agency (CPMA) for out-of-competition testing (on horses that did not run a race). However, AGCO noted that the results shared by CPMA do not indicate which horse or trainer had tested positive or negative for the presence of drugs. AGCO stated that CPMA will not enter into an updated memorandum of understanding; and AGCO does not have the ability to require the CPMA to provide detailed drug test results of all race horses tested in Ontario, whether results were positive or negative, and whether they were for horses that were competing in a race or out of competition.	The Alcohol and Gaming Commission of Ontario (AGCO) will not update its memorandum of understanding with the Canadian Pari-Mutuel Agency to receive detailed drug test results of all race horses tested in Ontario. This may lead to an inaccurate assessment of the risks of unnecessary use of therapeutics and drugs that negatively impact animal welfare.

Report Section	Organization	Recommendations	Rationale	Impact
Alcohol and Gaming Commission of Ontario	Alcohol and Gaming Commission of Ontario	**Recommendation 21 – Action 2** In order to accurately assess the risk of unnecessary use of therapeutics and drugs that negatively impact animal welfare, we recommend that the Alcohol and Gaming Commission of Ontario use these test results to better focus its out of competition testing on animal welfare.	The Alcohol and Gaming Commission of Ontario (AGCO) informed us that it will not implement this recommendation. AGCO stated that it has agreed to an information-sharing agreement with the Canadian Pari-Mutuel Agency (CPMA) for out-of-competition testing (on horses that did not run a race). However, AGCO noted that the results shared by CPMA do not indicate which horse or trainer had tested positive or negative for the presence of drugs. AGCO stated that it does not have the ability to require the CPMA to provide detailed drug test results so that AGCO can use these test results to better focus its out-of-competition testing on animal welfare.	Since the Alcohol and Gaming Commission of Ontario (AGCO) cannot obtain the test results, this means that AGCO will not be able to use the test results to better focus its out-of-competition testing on animal welfare.
Curriculum Development, Implementation and Delivery	Catholic District School Board of Eastern Ontario	**Recommendation 8 – Action 1** In order to determine which textbooks, if any, are most widely used and preferred by teachers, we recommend school boards track the utilization of textbooks in their schools and use this information to make bulk purchase orders, potentially lowering overall cost.	The Catholic District School Board of Eastern Ontario (CDSBEO) will not implement this recommended action. The School Board indicated that it has fully considered the option of bulk purchasing for textbooks and the potential benefits it may bring to reduce overall costs. However, after consulting with textbook suppliers, it determined that no additional publisher discounts would be offered beyond the existing discount. As a result, the potential savings from bulk purchases were outweighed by the costs and logistical complexities of centralized ordering and redistribution to schools. Therefore, the School Board has decided not to implement this recommended action.	Since the School Board will not implement the recommendation to track textbook usage and make bulk purchase orders, this may lead to increased costs for school boards, missed opportunities for cost savings, and potentially less efficient allocation of resources.

Report Section	Organization	Recommendations	Rationale	Impact
Indigenous Affairs in Ontario	Ministry of Indigenous Affairs	**Recommendation 8 – Action 1** We recommend that the Ministry of Indigenous Affairs guide ministries on developing Indigenous program funding agreements with a long-term view, where appropriate.	This recommendation will not be implemented. In the current year, the Ministry of Indigenous Affairs (IAO) stated that it will not be guiding other ministries to develop Indigenous program-funding agreements with a long-term view, where appropriate, because the Ministry does not have the authority to guide other ministries. The IAO itself has entered into some multi-year funding agreements that are long term in nature. However, the IAO stated that it does not have the authority to guide or direct other ministries to change their funding agreements.	The Ministry will not be guiding ministries to develop Indigenous program-funding agreements with a long-term perspective. This may lead to short-term agreements that may not address the evolving Indigenous community needs and may impact the well-being of Indigenous people.
	Ministry of Indigenous Affairs	**Recommendation 8 – Action 2** We recommend that the Ministry of Indigenous Affairs guide ministries on approving and transferring funds under agreements prior to the beginning of the funding year.	The Ministry of Indigenous Affairs (IAO) will not be implementing this recommended action. The IAO stated that it cannot flow funds until the new agreement is executed by both parties. Further, the IAO informed us that it cannot execute agreements until funding is confirmed for the new fiscal year. The IAO stated that its process must be aligned and limited to the annual funding envelope approval process set by the Cabinet Office, Premier's Office, the Ministry of Finance and the Treasury Board of Secretariat Office.	The Ministry will not be guiding ministries to approve and transfer funds for Indigenous programs before the funding year starts. This may lead to delays in service delivery and in meeting community needs.
Supportive Services for Adults with Developmental Disabilities	Ministry of Children, Community and Social Services	**Recommendation 12 – Action 1** So that it has the necessary information to understand the impact on the developmental supportive services it funds, and maintains accountability for the transfer payments it provides, we recommend that the Ministry of Children, Community and Social Services (Ministry) require Service Agencies to report to the Ministry any changes on the availability of their supportive services during the COVID-19 pandemic, including whether their physical locations are open.	In the current year, the Ministry stated that it will not be implementing this recommended action because the province is transitioning to its endemic response and is aiming to transition back to regular business. The Ministry informed us that it will not create additional reporting mechanisms to determine if physical locations remained open during the COVID-19 pandemic, how many agencies had closed, how long they were closed for, the degree of services and individuals affected. The Ministry stated that its focus was on providing service continuity during the COVID-19 pandemic by continuing to process applications through video conferencing and confirmed that the majority of its Service Agencies had a plan to support service continuity going forward.	The Ministry will not require Service Agencies to report changes in the availability of developmental supportive services during the COVID-19 pandemic. This may hinder the Ministry's ability to assess funding effectiveness, monitor service availability, and ensure accountability for transfer payments.

Report Section	Organization	Recommendations	Rationale	Impact
Supportive Services for Adults with Developmental Disabilities	Ministry of Children, Community and Social Services	**Recommendation 12 – Action 2** So that it has the necessary information to understand the impact on the developmental supportive services it funds, and maintains accountability for the transfer payments it provides, we recommend that the Ministry of Children, Community and Social Services (Ministry) use this information to assess the reasonability of expenditures reported by Service Agencies.	In the current year, the Ministry stated that it will not be implementing this recommended action because the province is transitioning to its endemic response and is aiming to transition back to regular business. The Ministry stated that it will not create additional reporting mechanisms to determine if physical locations remained open during the COVID-19 pandemic, how many agencies had closed, how long they were closed for, the degree of services and individuals affected. According to the Ministry, its focus was on providing service continuity during the COVID-19 pandemic by continuing to process applications through video conferencing and it confirmed that the majority of its Service Agencies had a plan to support service continuity going forward. The Ministry stated that its Program Supervisors reviewed agencies' final reports to determine whether the agencies were complying with service contract terms and conditions. The Ministry also stated that its Operational Finance Branch uses the Transfer Payment Ontario data-quality function to conduct analysis on the agencies' final reports that are missing explanations for variances greater or less than 10%, performed spot checks of variances for clarity and reasonableness and followed up with regions for further action. The Ministry informed us that it continues to review and assess the reasonableness of expenditures reported by Service Agencies, but it will not be conducting additional data collection needed to determine if physical locations remained open during the COVID 19 pandemic, how many agencies had closed, how long they were closed for, the degree of services and individuals affected, in order to fully implement this recommendation.	The Ministry's lack of available information to assess the reasonability of expenditures reported by Service Agencies for developmental supportive services may lead to a lack of understanding of the impact funding has on developmental supportive services, as well as difficulties in maintaining accountability for the transfer payments provided.

Report Section	Organization	Recommendations	Rationale	Impact
Business Case Development in the Ontario Public Service	Treasury Board Secretariat	**Recommendation 4 – Action 1** To provide decision-makers with concise business cases, we recommend that the Treasury Board Secretariat enforce the page limit for executive summaries for business cases.	The Treasury Board Secretariat (Secretariat) will not be implementing this recommendation. The Secretariat stated that the Business Case User-Guide guides ministries to limit their executive summary to one page. The Secretariat stated that it would not return a business case if it was too lengthy. The Secretariat informed us that the template was designed for flexibility to support ministries and to accommodate both straight-forward technical requests as well as potentially large, or multi-ministry submissions or decisions. In addition, the Secretariat noted that ministries are responsible for the submissions they make to Treasury Board /Management Board of Cabinet. Therefore, the Secretariat stated that it will not be enforcing the page limit for executive summaries for business cases.	The Secretariat will not enforce page limits for executive summaries in business cases. This may lead to decision-makers receiving less concise business cases which could result in information overload, delays in decision-making, reduced efficiency, and a less effective decision-making process.
	Treasury Board Secretariat	**Recommendation 9 – Action 2** To provide decision-makers with a clear and concise analysis of requests, we recommend that the Treasury Board Secretariat require compliance with assessment note length and content requirements.	The Treasury Board Secretariat (Secretariat) will not be implementing this recommendation. The Secretariat stated that it has an assessment note guide and template that Board analysts must use when preparing an assessment note. The guide states that the assessment note should provide an appropriate level of detail, given the decisions involved and also be concise and written in plain language. The Secretariat stated that this approach to the assessment note length is optimal. Therefore, it stated that no changes are proposed to enforce an assessment note length or content requirements.	The Secretariat will not implement this recommendation to require compliance with assessment note length and content requirements. This may result in decision-makers receiving unclear and lengthy analysis of requests, which could result in delays and a reduced ability to effectively assess requests.

Report Section	Organization	Recommendations	Rationale	Impact
Business Case Development in the Ontario Public Service	Treasury Board Secretariat	**Recommendation 13 – Action 4** To provide the Treasury Board /Management Board of Cabinet with impartial evidence-based recommendations and promote transparency, we recommend that the Treasury Board Secretariat require and encourage Secretariat staff to provide recommendations based on their analysis that are fiscally sustainable and that support prudent financial management and the effective and efficient delivery of public services.	The Treasury Board Secretariat (Secretariat) will not be implementing this recommended action. The Secretariat stated that it already has Business Case Templates and a User-Guide in place and therefore, it will not take any further action on these templates and guide regarding this recommended action. According to the Secretariat, while its recommendations consider fiscal sustainability, prudent management of financial resources, and effective and efficient delivery of public services, a variety of other factors are also considered, including considerations gleaned through the briefing process.	The Secretariat will not require its staff to provide recommendations that are fiscally sustainable and support prudent financial management. This may result in the Treasury Board/Management Board of Cabinet receiving recommendations that lack fiscal sustainability and prudent financial management, which could impact the effective and efficient delivery of public services.

Note: Actions directed at a group of entities are divided by the number of entities involved, and are counted in fractions. Therefore, the number of actions in this appendix will be higher than the 47 noted in **Section 3.7.**

1. Formerly the Ministry of Health and Long-Term Care.
2. Formerly the Ministry of Community Safety and Correctional Services—Provincial Emergency Management Office.
3. Formerly the Ministry of Citizenship and Immigration.
4. Formerly the Ministry of Housing.
5. Formerly Health Quality Ontario.
6. Formerly the Ministry of Training, Colleges and Universities.

Appendix 2: Reports Issued by the Standing Committee on Public Accounts from April 2017* to April 2022

Prepared by the Office of the Auditor General of Ontario

Report Name	Date Issued
University Intellectual Property	Apr 2017
Long-Term-Care Home Quality Inspection Program	May 2017
Public Accounts of the Province	May 2017
Child and Youth Mental Health	Dec 2017
Employment Ontario	Dec 2017
Ministry of Transportation—Road Infrastructure Construction Contract Awarding and Oversight	Dec 2017
Large Community Hospital Operations	Feb 2018
Physician Billing	Feb 2018
Immunization	Apr 2018
Metrolinx—Public Transit Construction Contract Awarding and Oversight	May 2018
Independent Electricity System Operator—Market Oversight and Cybersecurity	May 2018
Public Accounts of the Province	May 2018
Settlement and Integration Services for Newcomers	Feb 2019
Cancer Treatment Services	Oct 2019
Real Estate Services	Oct 2019
Public Health: Chronic Disease Prevention	Nov 2019
Darlington Nuclear Generating Station Refurbishment Project	Dec 2019
Ontario Works	Dec 2019
Metrolinx—LRT Construction and Infrastructure Planning	Feb 2020
Public Accounts of the Province	Feb 2020
Climate Change: Ontario's Plan to Reduce Greenhouse Gas Emissions	Dec 2020
Food Safety Inspection Programs	Feb 2021
Metrolinx—GO Station Selection	Mar 2021
Ontario Disability Support Program	Apr 2021
Waterfront Toronto	Apr 2021
Office of the Chief Coroner and Ontario Forensic Pathology Service	Jun 2021
Virtual Care: Use of Communication Technologies for Patient Care	Dec 2021
Acute-Care Hospital Patient Safety and Drug Administration	Feb 2022
Blood Management and Safety	Feb 2022
Retirement Homes Regulatory Authority	Feb 2022
The Public Accounts of the Province of Ontario	Feb 2022
Electrical Safety Authority	Apr 2022

* Standing Committee on Public Accounts reports issued prior to April 2017 were not followed up on in 2023.

Appendix 3: Recommendations from 2017 to 2022[1] by the Standing Committee on Public Accounts Assessed as "Will Not Be Implemented" in 2023 That the Auditor General Believes Should Be Implemented

Prepared by the Office of the Auditor General of Ontario

Report Section	Organization	Recommendations	Rationale
2017			
May: Long-Term-Care Home Quality Inspection Program	Ministry of Long-Term Care[2]	**Recommendation 8—Action 5** The Standing Committee on Public Accounts recommends that the Ministry of Health and Long-Term Care summarize and report the number of instances identified of non-compliance for individual homes and on a provincial basis, and when these were rectified.	The Ministry will not be implementing this recommended action. The Ministry's public website currently publishes all individual inspection reports and orders for long-term-care homes (LTCH). However, the Ministry does not publicly report the summarized information on the number of identified instances of non-compliance on a provincial basis, or the compliance orders that are outstanding for each individual LTCH, and when these were rectified. The Ministry stated that it takes a risk-based approach to following up on non-compliances and therefore does not follow up on the findings of non-compliance with lower levels of impact or risk to the residents' health, safety, or quality of life, that the individual homes can rectify on their own, without being ordered to take specific steps or action. As a result, the Ministry does not have the information on how many instances of these low-risk non-compliances were later rectified. The Ministry noted that, for each home, it will publish only the follow-up inspection reports of high-risk non-compliances, including the information on when these were rectified. It will not report this information for the low-risk non-compliances for which no follow-up inspections were conducted.
2019			
December: Ontario Works	Ministry of Children, Community and Social Services	**Recommendation 2—Action 1** The Standing Committee on Public Accounts recommends that the Ministry of Children, Community and Social Services should incorporate in its contracts with service managers some specific program requirements, service delivery targets, and accountability measures, including requirements to comply with Ontario Works contracts, legislation, Ministry directives and policies.	The Ministry will not be updating its contracts with service managers to include requirements to comply with Ontario Works contracts, legislation, Ministry directives and policies. The Ministry stated that its Transfer Payment Agreement uses general wording to require service managers to carry out their services in accordance with policies, guidelines and provincial requirements as communicated to them. According to the Ministry, this wording gives it the flexibility to add new directives and policies that they can enforce on the service manager. As a result, the Ministry has determined that it does not need to add any further language into the contracts with service managers.

Report Section	Organization	Recommendations	Rationale
December: Ontario Works	Ministry of Children, Community and Social Services	**Recommendation 4—Action 4** The Standing Committee on Public Accounts recommends that the Ministry of Children, Community and Social Services should implement a process to effectively evaluate the Ontario Works program by developing targets to reduce the increasing amounts of time recipients are receiving social assistance.	The Ministry will not implement this recommended action, which requires it to establish performance indicators and targets for recipients' length of time on assistance. The Ministry stated that it has implemented an outcome-based model and therefore, will not set performance indicators and targets for its service managers. According to the Ministry, it will monitor the recipients' length of time on assistance at the provincial and municipal levels through quarterly reports.
		Recommendation 5—Action 1 The Standing Committee on Public Accounts recommends that the Ministry of Children, Community and Social Services should obtain data on service manager staffing levels and caseloads to determine whether service managers are staffed according to Ministry guidelines and follow up on significant differences to determine and take corrective action where needed.	The Ministry will not implement this recommended action, which requires it to collect, analyze and compare service manager staffing and recipient caseloads to determine whether service managers are staffed according to Ministry guidelines, and follow up on significant differences to identify practices and instances that require corrective action to improve outcomes. The Ministry stated that it has implemented an outcome-based model to monitor service managers in meeting performance outcomes. According to the Ministry, under this outcome-based model, the Ministry will not be prescriptive in its approach. This model provides service managers with the flexibility to administer the program, based on the unique local situation, as long as outcomes are met. The Ministry stated that it will analyze and follow up with service managers who do not achieve performance outcomes.
		Recommendation 5—Action 2 The Standing Committee on Public Accounts recommends that the Ministry of Children, Community and Social Services should compare differences in service manager administration costs to determine if they are reasonable and to take corrective action where they are not.	The Ministry will not implement this recommended action, which requires it to compare the differences in administrative costs of service managers in delivering the Ontario Works program, to understand and identify the reasons for such differences, and to take corrective action where necessary. The Ministry stated that it has implemented an outcome-based model to monitor service managers in meeting performance outcomes. According to the Ministry, under this outcome-based model, the Ministry will not be prescriptive in its actions. This model provides service managers with the flexibility to administer the program, based on the unique local situation, as long as outcomes are met. The Ministry stated that it will analyze and follow up with service managers who do not achieve performance outcomes.

Report Section	Organization	Recommendations	Rationale
December: Ontario Works	Ministry of Children, Community and Social Services	**Recommendation 6—Action 2** The Standing Committee on Public Accounts recommends that the Ministry of Children, Community and Social Services should enhance its systems and processes so that service managers are able to record the causes of overpayments, analyze the reasons, and take action to minimize their occurrence.	The Ministry will not be implementing this recommended action. The Ministry stated that it completed a high-level internal assessment of possible changes to its IT system to enable service managers to record the causes of overpayments, analyze the reasons and take action to minimize their occurrence. According to the Ministry, this assessment identified a potential risk that users could experience a reduction in performance of its IT system in daily operations, which could negatively impact other work. Therefore, the Ministry, based on its internal assessment, stated that it will not implement changes to its IT system to address the recommended action. The Ministry informed us that, although it has not made changes to its IT system, it has implemented several initiatives
2020			
December: Climate Change: Ontario's Plan to Reduce Greenhouse Gas Emissions	Ministry of the Environment, Conservation and Parks	**Recommendation 8—Action 2** The Standing Committee on Public Accounts recommends that the Ministry of the Environment, Conservation and Parks should finalize the framework for the Emission Reduction Fund.	The Ministry does not have plans to implement an Emission Reduction Fund. Now that Ontario facilities have transitioned from the federal Output-Based Pricing System to Ontario's Emissions Performance Standard program, the Ministry is developing an approach for the use of proceeds collected under the program.
2021			
April: Ontario Disability Support Program	Ministry of Children, Community and Social Services	**Recommendation 1—Action 1** The Standing Committee on Public Accounts recommends that the Ministry of Children, Community and Social Services should determine and evaluate which ODSP policies and procedures and economic and social factors have led to ODSP caseload growth in Ontario.	The Ministry stated that it will not be implementing this recommended action to determine and evaluate the extent that either its policies and procedures to administer and deliver the Ontario Disability Support Program, and/or its non-compliance with these policies and procedures, have contributed to caseload growth, and take corrective action so that only individuals who are eligible for ODSP receive benefits from the program. According to the Ministry, it had proposed conducting further review on the 10-year period (2008–9 to 2018–19) to analyze operational factors that may have led to caseload growth. However, the Ministry informed us that due to data limitations, it was not able to evaluate data from this period that relate to third-party data checks and medical reviews. As a result, the Ministry determined that it would not proceed with determining the factors that led to caseload growth and take corrective actions.

Report Section	Organization	Recommendations	Rationale
April: Ontario Disability Support Program	Ministry of Children, Community and Social Services	**Recommendation 1—Action 2** The Standing Committee on Public Accounts recommends that the Ministry of Children, Community and Social Services should explore measures to reduce and/or eliminate the ODSP practices and procedures which have led to increased ODSP caseload growth (non-compliant with legislation and regulation) so that only individuals who are eligible for ODSP receive benefits from the program.	The Ministry stated that it will not be implementing this recommended action to investigate and identify the extent that either its policies and procedures to administer and deliver the Ontario Disability Support Program, and/or its non-compliance with these policies and procedures, have contributed to caseload growth, and take corrective action so that only individuals who are eligible for ODSP receive benefits from the program. According to the Ministry, it had proposed conducting further analysis on the 10-year period period (2008–9 to 2018–19) to analyze operational factors that may have led to caseload growth. However, the Ministry informed us that due to data limitations, it was not able to evaluate data from this period that relate to third-party data checks and medical reviews. As a result, the Ministry determined that it would not proceed with determining the factors that led to caseload growth and take corrective actions.
		Recommendation 11—Action 1 The Standing Committee on Public Accounts recommends that the Ministry of Children, Community and Social Services, in order to reduce unintentional overpayments to ineligible recipients and intentional fraud by ineligible recipients, should enhance its systems and processes to determine and record the cause of overpayments and take action to reduce the total number.	The Ministry stated that it will not be implementing this recommended action to enhance its systems and processes to determine and record the cause of overpayments, analyze the root causes, take action to reduce the length of time to identify them, and minimize their occurrence. The Ministry stated that it completed a high-level internal assessment of possible changes to its Social Assistance Management System (SAMS) to record the cause of overpayments. However, the Ministry informed us that this assessment identified a potential risk that users could experience a reduction in SAMS' performance, which could negatively impact other work. As a result, the Ministry determined that it would not proceed with the system and process enhancements.
2022			
February: Acute-Care Hospital Patient Safety and Drug Administration	Ministry of Health	**Recommendation 10—Action 1** The Standing Committee on Public Accounts recommends that in order for hospitals to make optimally informed hiring and staffing decisions, the Ministry of Health should require all hospitals in Ontario to continue to perform criminal record checks before hiring nurses and other healthcare employees.	The Ministry will not be implementing this recommended action as the Ministry stated that its review of the regulatory health professions under the *Regulated Health Professions Act, 1991* (RHPA), and the rules and regulations of corresponding regulatory health colleges, identified that there are appropriate safeguards already in place to protect the public from harm. The Ministry also indicated that the regulatory health colleges, under the RHPA, have been granted the authority to impose their own requirements and penalties to protect the public from harm, which is their fundamental role. Therefore, the Ministry stated that it has determined that the hospitals will not be required to perform criminal record checks before hiring nurses and other health-care employees.

Report Section	Organization	Recommendations	Rationale
February: Acute-Care Hospital Patient Safety and Drug Administration	Ministry of Health	**Recommendation 10—Action 2** The Standing Committee on Public Accounts recommends that in order for hospitals to make optimally informed hiring and staffing decisions, the Ministry of Health should require all hospitals in Ontario to consider periodically updating checks for existing staff.	The Ministry will not be implementing this recommended action. The Ministry stated that its review of the *Regulated Health Professions Act* (RHPA), and the rules and regulations of regulatory health colleges, identified that there are appropriate safeguards currently in place which reasonably protect the public from harm, mitigating the need to entrench the frequency of criminal background checks for hospital employees within regulation or legislation. The Ministry also stated that requiring the hospitals to periodically update criminal reference checks for existing staff would increase the financial and administrative burden to the hospitals. As per the Ministry, Provincial offences are reported to the regulatory colleges, which negates the need to conduct periodic checks. Therefore, the Ministry has determined that the hospitals will not be required to perform periodic criminal record checks for existing hospital employees.
		Recommendation 11—Action 1 The Standing Committee on Public Accounts recommends that to enable hospitals to take timely action to improve patient safety, the Ministry of Health should ensure that it is easier and less costly for hospitals and ultimately the taxpayer to address physician human resources issues, especially in cases when doctors may have harmed.	The Ministry will not be implementing this recommended action. The Ministry stated that its review of the physician appointment and appeal processes for hospitals and physicians under the *Public Hospitals Act* (PHA) and *Regulated Health Professions Act, 1991* (RHPA) identified that appropriate provisions are in place to monitor physician behaviours and minimize the risk posed to patient safety, such as the requirement to report incompetence, negligence or misconduct offences to the College of Physicians and Surgeons of Ontario. Therefore, the Ministry will not take any additional measures to ensure that the process is easier and less costly for hospitals, and ultimately the taxpayer, to address physician human resources issues.

Note: Actions directed at a group of entities are divided by the number of entities involved, and are counted in fractions. Therefore, the number of actions in this appendix will be higher than the 13 noted in **Section 4.4.**

1. We reviewed outstanding recommendations from 2017 to 2022 but did not assess any recommendations from 2018 as "Will Not Be Implemented" in 2023.
2. Formerly the Ministry of Health and Long-Term Care.



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