

Operations Report

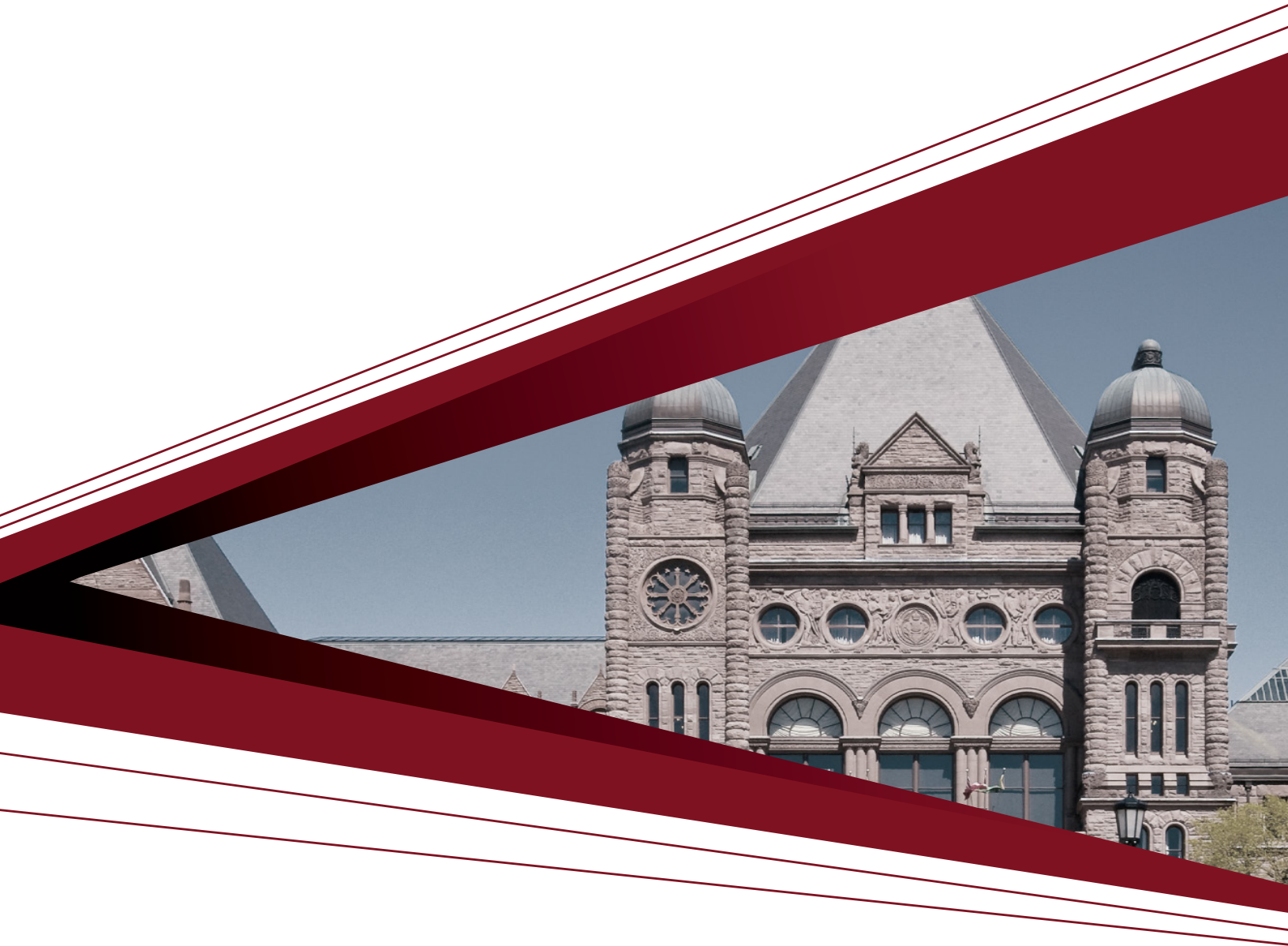


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Operations Report

General Overview

The Auditor General is an independent Officer of the Legislature and plays an important role in holding provincial public-sector and broader-public-sector organizations accountable for financial responsibility, well-managed programs and transparency in public reporting. The Office of the Auditor General of Ontario (Office) serves the Legislative Assembly and the people of Ontario by conducting independent financial statement and performance audits, and special reports. These include audits and reviews of government services and programs in ministries, Crown agencies, Crown Corporations, broader-public-sector organizations and grant recipients under the authority of the *Auditor General Act* (Act) and various other statutes. In conducting this work, the Office assists the Legislative Assembly in holding the government accountable for its stewardship of public funds and performance outcomes.

The Office assists the Assembly in holding the government accountable for their stewardship of public funds and performance outcomes.

The work of the Office is performed under the authority of the 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. We are also required 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 our Office. 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 performance audits and special audits and has additional reporting responsibilities with respect to the operation of the *Environmental Bill of Rights*. 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 e-laws.gov.on.ca.

Performance Audits

About 69% of the Office's work relates to performance and special audits and our work under the *Environmental Bill of Rights, 1993*. Performance and special audits assess how well a given "auditee" (the entity that we audit) manages and administers its programs, services and activities. Performance and special audits delve into the auditee's underlying operations to assess the level of service being delivered to the public and the relative efficiency and effectiveness of that service. The Office has the authority to conduct performance and special audits of the following entities:

- | | |
|--|--|
| » Ontario government ministries; | » organizations that receive government grants (including broader-public-sector organizations, such as agencies that provide mental-health services, children's aid societies, community colleges, hospitals, long-term care homes, school boards and universities). |
| » Crown agencies; | |
| » Crown-controlled corporations; | |
| » designated administrative authorities; and | |

The Act—in subclauses 12(2) (f)(iv) and (v)—identifies three criteria to be considered in a performance audit:

- | | |
|---|---|
| » money should be spent with due regard for economy; | » appropriate procedures should be in place to measure and report on the effectiveness of programs. |
| » money should be spent with due regard for efficiency; and | |

The Act requires that the Auditor General report on any instances she may have observed where these three performance 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 performance and special 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 performance and special audits and financial statement audits (discussed in the **Financial Statement Audits** section). Other compliance work that is also typically included in performance and special audits includes determining whether the auditee adheres to key provisions in legislation and other applicable 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 performance and special audits focus on how well management is administering and executing government policy decisions, uses best practices and is aware of practices in other jurisdictions. We also assess whether decision-makers are given complete and accurate analysis to inform decision-making and whether decisions, once made, have been implemented efficiently, effectively and with due regard for economy. It is important to note that in doing so we do not comment on the merits of government policy.

It is the Legislative Assembly that holds the government accountable for policy matters by continually monitoring and challenging government policies by asking questions during legislative sessions and conducting reviews of legislation and expenditure estimates.

In planning, performing and reporting on our 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 and integrity 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.

In selecting what program, activity, service or organization to audit each year, we assess how great the risk is that an auditee is not meeting the three performance 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:

- » impact of the program, activity or organization on the public, including vulnerable populations;
- » total revenues or expenditures involved;
- » complexity and diversity of the auditee's operations;
- » coverage and results of previous audits and related follow-ups;
- » recent significant changes in the auditee's operations; and
- » impact of the program, activity or organization on the environment or opportunities for sustainability.

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 a performance 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 conducting 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 and agreed to by 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 on 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 reasonable assurance. Reasonable 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 use professional judgment throughout 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 performance or special 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 standards issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada, 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 she believes it conflicts with other duties.

Financial Statement Audits

Financial statement audits are performed to obtain reasonable assurance about whether historical financial information is free from material misstatements in accordance with the applicable financial reporting framework. In such audits, the auditor expresses an opinion on whether the financial statements present fairly the financial position of the entity and the results of its operations for the applicable period.

Compliance audit work is also often incorporated into financial statement audit work. Specifically, we assess the controls for managing risks relating to improperly kept accounts; unaccounted-for public money; lack of recordkeeping; 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 report on the Public Accounts of the Province of Ontario included in the *2024 Annual Report* discusses this year's financial statement audit of the Province's consolidated financial statements. We do not typically discuss the results of our financial statement 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 auditor's 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 a financial statement 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 the Public Accounts report in our Annual Report.

Within the Public Accounts report, Part 1 of **Exhibit 1** lists the agencies that we audited during the 2023/24 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** list the agencies of the Crown and the Crown-controlled corporations, respectively, that were audited by public

accounting firms during the 2023/24 audit year where the Office has full access. **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 is an independent Officer of the Legislative Assembly. 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 2023/24 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 and analyses 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. The Act includes a number of confidentiality provisions that require our Office to maintain a duty of confidentiality. 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, must be kept confidential and cannot be accessed by anyone other than our Office under FIPPA.

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 take an Oath of Office and Secrecy and 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 Deputy Auditor General and 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, the Deputy Auditor General and the Assistant Auditors General make up the Office's Executive Committee. The Auditor General, the Deputy Auditor General, the Assistant Auditors General and the Directors make up the Office's Senior Management Committee.

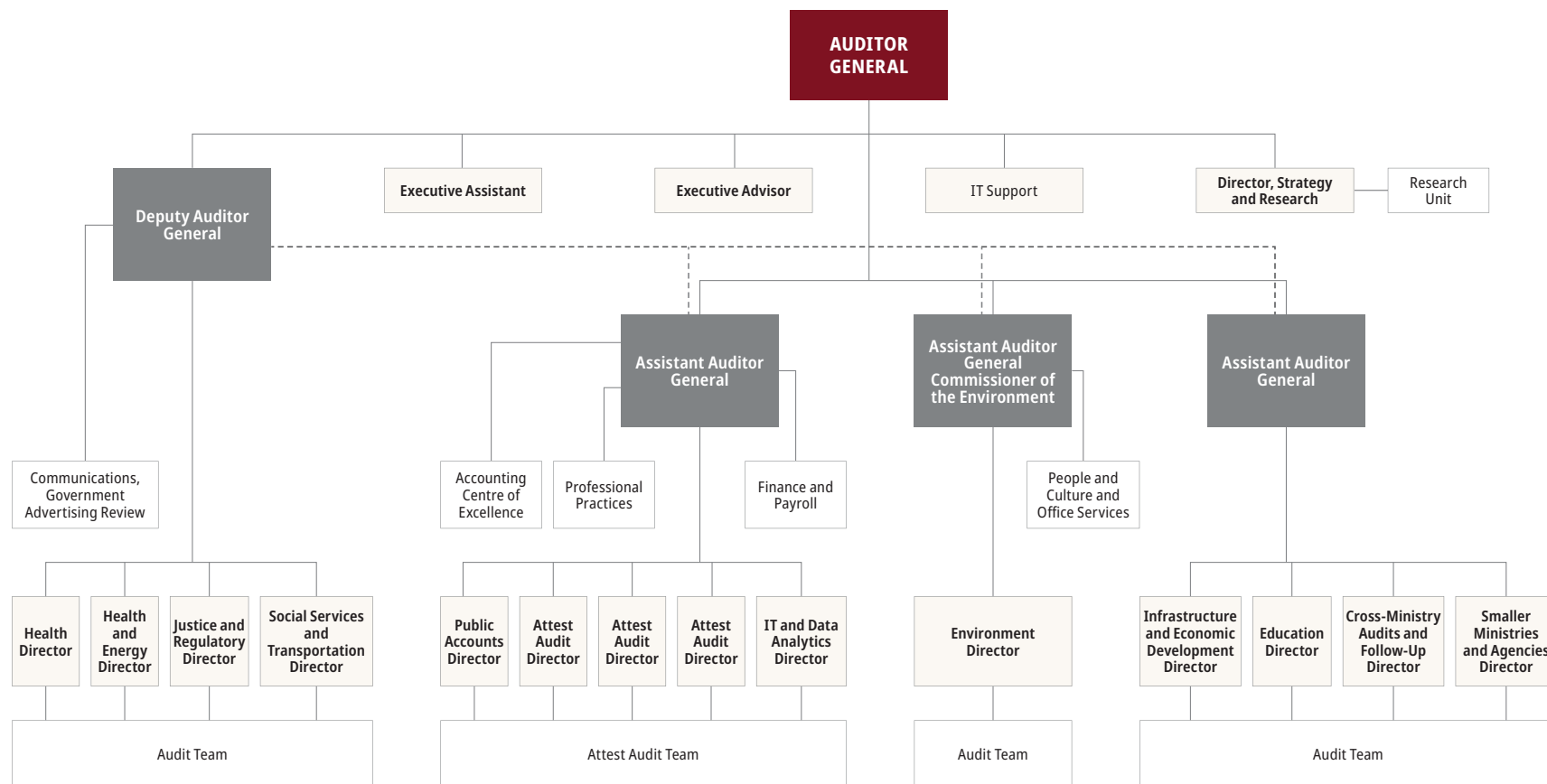
Quality Assurance Review Process

Professional standards require that auditors establish and maintain a system of quality management 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 of Ontario (CPA 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.

Figure 1: Office of the Auditor General of Ontario Organization Chart

Prepared by the Office of the Auditor General of Ontario



In addition to internal file reviews, audit reviewers are established for each performance or special audit conducted prior to the tabling of the audit report. Reviewers include the Deputy Auditor General, an Assistant Auditor General, and a Director and Manager from a separate audit portfolio who review and question audit teams' audit planning reports and draft and final reports.

The Office is also subject to review by 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 system of quality management 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 45th annual conference was hosted by the National Assembly of Quebec in Quebec City, from September 8 to 10, 2024. Next year, the 46th annual conference is planned to be held in Regina, Saskatchewan.

Inquiries from the Public and Members of the Provincial Parliament (MPPs)

The Office receives inquiries from the public, MPPs and the civil service through letters, email, phone and online. 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 2023/24 fiscal year, the Office received 4,572 public inquiries. Included in these were 16 inquiries from 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

Figure 2 outlines key activities and reports produced by our Office this year. This work would not have been possible without the hard work and dedication of our staff, as well as our agent auditors and contract staff. It would also not have been possible without the co-operation and hard work of all our auditees.

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



16 Standing Committee on Public Accounts meetings¹

5 Public hearings¹



7 Committee reports tabled in the Legislature¹

1 Presentation to the Standing Committee on Justice Policy¹



3,031 X (formerly Twitter) followers²

1,822 LinkedIn followers²

4,572 Public inquiries²

127,561 Visitors to our website¹

1. Data for activities occurring since our last annual reporting period (November 1, 2023–October 31, 2024).

2. Data for the 2023/24 fiscal year.



Insights

- » Provided an unqualified opinion of the 2023/24 Public Accounts of the Province
- » Completed eight performance audits
- » Forty agency financial audits completed during the audit cycle
- » Completed 23 external financial statement file reviews
- » Reviewed provincial debt filing documentation
- » Completed follow-ups on 16 performance audits and one special report from 2022
- » Tracked the status of 573 actions we recommended in our *2019 Annual Report*
- » Completed a report on the Public Accounts of the Province
- » Completed our *2024 Annual Report* on the Operation of the *Environmental Bill of Rights, 1993*
- » Completed a report on compliance with the *Government Advertising Act, 2004*
- » Completed a report on the operations of the Standing Committee on Public Accounts
- » Presented to international delegates and at numerous conferences

Strategic Plan 2020–2024

In 2020, our Office developed a new Strategic Plan for the five-year period 2020–2024. [Appendix 1](#) details the key goals and objectives of the Plan. A new strategic plan for 2025–2030 is currently under development.

Financial Accountability

The following discussion and our financial statements present the Office's financial results for the 2023/24 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: performance and special audits, financial statement audits, and reviews of government advertising. This breakdown is provided in Note 8 to the financial statements and indicates that 69% of our time was used to perform performance and special audits and our work under the *Environmental Bill of Rights* and 31% to complete the audits of the annual financial statements of the Province and of the agencies the Office is responsible for. 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 4** presents the major components of our spending during the 2023/24 fiscal year, and shows that salary and benefit costs for staff accounted for just over 74% 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 2022/23 and 2023/24. Overall, our expenses decreased slightly from the previous year.

69% of our time was used for performance and special audits and our work under the *Environmental Bill of Rights*

31% to complete the audits of the annual financial statements of the Province and of the agencies the Office is responsible for

Figure 3: Five-Year Comparison of Spending (Accrual Basis) (\$ 000)

Prepared by the Office of the Auditor General of Ontario

Category	2019/20	2020/21	2021/22	2022/23	2023/24
Approved budget	26,318	26,084	25,949	26,920	26,717
Actual expenses					
Salaries and benefits	18,329	19,187	20,361	19,037	21,558
Professional and other services	2,812	2,644	2,831	3,216	3,983
Rent ¹	1,444 ¹	1,166	1,183	1,305	1,349
Training, supplies, equipment and other ²	1,115	1,189	1,237	1,452	1,276
Travel and communications	549	177	155	238	261
Statutory expenses	509	407	880	754	520
Total	24,758	24,770	26,647	26,002	28,947
Unused appropriations³	217	1,092	93	96	48

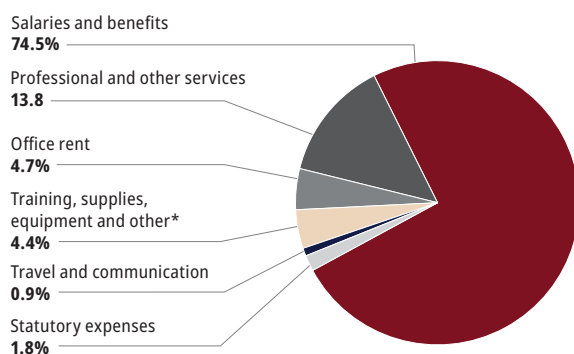
1. Includes rent for former Environmental Commissioner of Ontario space that was sublet effective April 1, 2020 (from the 2019/20 fiscal year onwards).

2. "Other" includes amortization of capital assets.

3. These amounts are typically slightly 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 (2023/24)

Prepared by the Office of the Auditor General of Ontario



* "Other" includes amortization of capital assets.

Figure 5: Actual Expenses for 2023/24 and 2022/23 (\$ 000)

Prepared by the Office of the Auditor General of Ontario

Actual Expenses	2023/24	2022/23	% Change
Salaries and Benefits	21,558	19,037	13
Professional and other services	3,983	3,216	24
Rent	1,349	1,305	3
Training, supplies, equipment and amortization	1,276	1,452	(12)
Travel and communication	261	238	10
Statutory expenses	520	754	(31)
Total	28,947	26,002	11

Salaries and Benefits

In 2023/24, our salary and benefit costs were 13% higher compared to those in 2022/23. The increases were a result of annualized costs of 2022/23 new hires and promotions, and senior staff retirement during the fiscal year and accruals to account for retroactive compensation related to the introduction and eventual repeal of the *Protecting a Sustainable Public Sector for Future Generations Act, 2019* (i.e., Bill 124).

Professional and Other Services

Professional and other services include both contracted CPA firms and contract specialists that assisted in our performance and special audits and financial statement audits of Crown agencies and the Province. In 2023/24, these services accounted for 13% of total expenses and increased by 24 % compared to the prior fiscal year.

Given the more complex work this year on our performance and special audits, peak-period deadlines for 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 whom we work remained high because the staffing demand during the busiest time of the year is greater than the available staff within our Office, which requires us to contract with the CPA firms for temporary staffing. We continue to competitively test the market for such services as contracts expire.

Office Rent

In 2023/24, our office rent increased by a nominal 3% compared with the previous fiscal year due to higher operating costs over the entire fiscal year.

Travel and Communications

Our travel and communications costs increased by 10% from the previous year due to increased activities compared to the prior fiscal year, continuing the trend of increased on-site visits and travel as the Office and the Province navigate a post-COVID-19 environment.

Training, Supplies and Equipment (Including Amortization)

In 2023/24, our training, supplies and equipment costs decreased by 12% compared to the previous year. This decrease was mainly the result of certain value-added training provided to managers, supervisors and other staff members conducted in 2022/23. 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 31% 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 as part of the *2022 Annual Report*.

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 performance audits, including environmental 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. 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



Office of the Auditor General of Ontario
Financial Statements
For the Year Ended March 31, 2024

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Office of the Auditor General of Ontario have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of management of the Office. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and considering information available up to November 13, 2024.

Management is responsible for the integrity of the financial statements and maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded, and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The financial statements have been audited by the firm of Adams & Miles LLP, Chartered Professional Accountants. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Auditor's Report outlines the scope of the Auditor's examination and opinion.



Shelley Spence, FCPA, FCA, LPA
Auditor General
November 13, 2024



Gus Chagani, CPA, CA
Assistant Auditor General
November 13, 2024

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, 2024, 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, 2024, and the results of its result of operations, its changes in net financial debt 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
November 13, 2024



Office of the Auditor General of Ontario

Statement of Financial Position

As at March 31, 2024

	2024 \$	2023 \$
Financial assets		
Cash	3,800,079	3,470,937
Harmonized sales taxes recoverable	372,532	262,971
	<u>4,172,611</u>	<u>3,733,908</u>
Financial liabilities		
Accounts payable and accrued liabilities [Notes 4 and 5(B)]	5,549,023	3,695,994
Accrued future employee benefits liability [Note 5(B)]	1,675,900	1,972,927
Due to the Consolidated Revenue Fund (Note 9)	48,105	189,316
Deferred lease inducement (Note 10)	520,615	589,267
	<u>7,793,643</u>	<u>6,447,504</u>
Net financial debt	<u>(3,621,032)</u>	<u>(2,713,596)</u>
Non-financial assets		
Tangible capital assets (Note 3)	1,408,661	1,912,078
Prepaid expenses	641,140	1,508,779
	<u>2,049,801</u>	<u>3,420,857</u>
Accumulated (deficit) surplus	<u>(1,571,231)</u>	<u>707,261</u>

Commitments (Note 6)

See accompanying notes to financial statements.

Approved by the Office of the Auditor General of Ontario:



Shelley Spence, FCPA, FCA, LPA
Auditor General



Gus Chagani, CPA, CA
Assistant Auditor General

Office of the Auditor General of Ontario

Statement of Operations and Accumulated (Deficit) Surplus For the Year Ended March 31, 2024

	2024 Budget [Note 7(A)] \$	2024 Actual \$	2023 Actual \$
Expenses			
Salaries and wages	16,907,650	16,672,717	15,410,015
Employee benefits (Note 5)	4,606,350	4,885,051	3,627,458
Professional and other services	2,368,300	3,983,389	3,215,518
Office rent (Note 6)	1,306,000	1,349,020	1,305,261
Amortization of tangible capital assets	-	631,219	697,461
Travel and communication	471,600	260,947	237,504
Training and development	150,000	196,103	276,107
Supplies and equipment	384,800	449,140	478,831
Statutory	522,100	519,601	753,540
Total expenses [Notes 7(B) and 8]	26,716,800	28,947,187	26,001,695
Revenue			
Consolidated Revenue Fund – Voted appropriations [Note 2(B)]	26,716,800	26,716,800	26,919,900
(Deficiency) excess of revenue over expenses		(2,230,387)	918,205
Less: returned to the Consolidated Revenue Fund [Notes 2(B) and 9]		48,105	96,266
Net operations (deficit) surplus [Note 7(B)]		(2,278,492)	821,939
Accumulated surplus (deficit), beginning of year		707,261	(114,678)
Accumulated (deficit) surplus, end of year		(1,571,231)	707,261

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, 2024

	2024 Budget [Note 7(A)] \$	2024 Actual \$	2023 Actual \$
Net operations (deficit) surplus	-	(2,278,492)	821,939
Decrease (increase) in prepaid expenses	-	867,639	(648,364)
Purchase of tangible capital assets	-	(127,802)	(500,693)
Amortization of tangible capital assets	-	631,219	697,461
(Increase) decrease in net financial debt	-	(907,436)	370,073
Net financial debt, beginning of year	<u>(2,713,596)</u>	<u>(2,713,596)</u>	<u>(3,083,669)</u>
Net financial debt, end of year	<u>(2,713,596)</u>	<u>(3,621,032)</u>	<u>(2,713,596)</u>

See accompanying notes to financial statements.

Office of the Auditor General of Ontario

Statement of Cash Flows For the Year Ended March 31, 2024

	2024 \$	2023 \$
Operating transactions		
Net operations (deficit) surplus [Note 7(B)]	(2,278,492)	821,939
Amortization of tangible capital assets	631,219	697,461
Amortization of deferred lease inducement	(68,652)	(68,653)
Accrued future employee benefits liability [Note 5(B)]	(142,027)	(370,073)
	<u>(1,857,952)</u>	<u>1,080,674</u>
Changes in working capital		
(Increase) decrease in harmonized sales taxes recoverable	(109,561)	94,324
Decrease (increase) in prepaid expenses	867,639	(648,364)
(Decrease) increase in due to Consolidated Revenue Fund	(141,211)	96,266
Increase in accounts payable and accrued salaries and benefits (Note 4)	<u>1,698,029</u>	<u>502,961</u>
	<u>2,314,896</u>	<u>45,187</u>
Cash provided by operating transactions	<u>456,944</u>	<u>1,125,861</u>
Capital transactions		
Purchase of tangible capital assets	<u>(127,802)</u>	<u>(500,963)</u>
Increase in cash	329,142	624,898
Cash, beginning of year	<u>3,470,937</u>	<u>2,846,039</u>
Cash, end of year	<u>3,800,079</u>	<u>3,470,937</u>

See accompanying notes to financial statements.

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2024

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 the Public Accounts of Ontario, agencies of the Crown, and institutions that receive government grants. In doing so, the Office promotes accountability, efficiencies, effectiveness and due regard to economy 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 impact the environment under the same processes as the Office's performance 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. The voted appropriation is prepared on a modified cash basis, and therefore there is a difference in the excess or deficiency of revenue over expenses arising from the application of accrual accounting compared to the voted appropriation.

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, 2024

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.
- Harmonized sales taxes recoverable are recorded at cost.
- Due to the Consolidated Revenue Fund is recorded at cost.
- Accounts payable and accrued liabilities are recorded at cost.
- Accrued future employee benefits liability 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.

(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 the useful life of tangible capital assets and accrued employee benefits liability [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 and 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, 2024

2. Summary of Significant Accounting Policies (Continued)

(G) FUTURE CHANGES IN ACCOUNTING STANDARDS

Effective April 1, 2026, the Office will adopt the new Conceptual Framework for Financial Reporting in the Public Sector (Conceptual Framework) and PS 1202 *Financial Statement Presentation*. The impact on the financial statements is currently being assessed.

The Conceptual Framework prescribes the nature, function and limits of financial accounting and reporting. It is the foundation on which financial reporting standards are developed and professional judgment is applied. It will replace the conceptual aspects of PS 1000 *Financial Statement Concepts* and PS 1100 *Financial Statement Objectives*.

PS 1202 sets out general and specific requirements for the presentation of information in general purpose financial statements, based on the concepts within the Conceptual Framework.

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2024

3. Tangible Capital Assets

	Computer hardware \$	Computer software \$	Furniture and fixtures \$	Leasehold improvements \$	2024 Total \$
Cost					
Balance, beginning of year	2,458,998	386,074	1,114,528	2,037,637	5,997,237
Additions	115,806	-	-	11,996	127,802
Disposals	(88,579)	(39,880)	-	-	(128,459)
Balance, end of year	2,486,225	346,194	1,114,528	2,049,633	5,996,580
Accumulated amortization					
Balance, beginning of year	1,888,645	279,881	763,367	1,153,266	4,085,159
Amortization	328,644	57,274	152,209	93,092	631,219
Disposals	(88,579)	(39,880)	-	-	(128,459)
Balance, end of year	2,128,710	297,275	915,576	1,246,358	4,587,919
Net Book Value, March 31, 2024	357,515	48,919	198,952	803,275	1,408,661

	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

Assets under construction or not yet in service are not amortized and have been included within the various asset categories presented above. The total value of these assets as at March 31, 2024 is \$11,996 (2023 – \$nil).

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2024

4. Accounts Payable and Accrued Liabilities

	2024	2023
	\$	\$
Accounts payable	519,351	954,290
Accrued salaries and benefits	4,081,672	1,948,704
Accrued current employee benefits liability	948,000	793,000
	<u>5,549,023</u>	<u>3,695,994</u>

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 liability are recorded based on employment arrangements and legislated entitlements.

The Protecting a Sustainable Public Sector for Future Generations Act, 2019 (Bill 124) limited public sector wage increases to 1% per year for a three-year moderation period. Bill 124 was repealed by the Superior Court of Justice on February 23, 2024 and therefore the restrictions on salary increases under the Bill no longer apply. The Office accrued \$1,094,974 in the 2023-24 fiscal year (2022-23 – \$109,630) to account for retroactive compensation related to the introduction and eventual repeal of Bill 124. These amounts were included in accrued salaries and benefits above.

5. Liability 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 based on 2024 contribution rates between 7.4% and 10.5% of eligible employees' annual salary (2023 – between 7.4% and 10.5%). 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 liabilities of the Office. The Office's required annual payment of \$1,378,885 (2023 – \$1,339,883), is included in employee benefits expense in the Statement of Operations and Accumulated (Deficit) Surplus.

(B) ACCRUED FUTURE EMPLOYEE BENEFITS LIABILITY

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

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2024

5. Liability for Employee Future Benefits (Continued)

(B) ACCRUED FUTURE EMPLOYEE BENEFITS LIABILITY (CONTINUED)

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.

The liability is determined in an actuarial valuation report dated June 2024 based on the following key assumptions:

- Estimated average remaining service life of 15 years (2023 – 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 4.5% per annum (2023 – 4.1%).
- Salary escalation rate of 2.75% per annum (2023 – 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 (2023 – 3.7 days) for each eligible employee.

The total liability for these costs is reflected in the accrued employee benefits liability as follows:

	2024 \$	2023 \$
Total liability for severance and vacation credits	2,623,900	2,765,927
Less: Due within one year and included in accounts payable and accrued liabilities	948,000	793,000
Accrued future employee benefits liability	1,675,900	1,972,927

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 (Deficit) Surplus as follows:

	2024 \$	2023 \$
Current year benefit cost	1,481,700	312,638
Actuarial gains	(13,700)	(13,638)
	1,468,000	299,000

Severance benefits of \$534,500 (2023 – \$501,300) were paid during 2024. Unamortized actuarial gains were \$271,900 as of March 31, 2024 (2023 – \$190,927 gains).

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2024

5. Liability for Employee Future 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:

	\$
2024/25	724,200
2025/26	724,200
2026/27	747,100
2027/28	779,100
2028/29	779,100
2029/30 and beyond	1,939,500

The Office is also committed to pay its proportionate share of realty taxes and operating expenses for the premises amounting to approximately \$702,000 during 2024 (2023 – \$760,000).

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 liability 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:

	2024 \$	2023 \$
Total budgeted expenses approved by the Board of Internal Economy	26,716,800	26,919,900
Purchase of tangible capital assets	(225,000)	(225,000)
Amortization of tangible capital assets	649,417	651,598
	424,417	426,598
Total budgeted expenses restated using Canadian public sector accounting standards	27,141,217	27,346,498

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2024

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:

	2024 \$	2023 \$
Total expenses per Public Accounts Volume 1	26,668,695	26,823,634
Purchase of tangible capital assets	(127,802)	(500,963)
Amortization of tangible capital assets	631,219	697,461
Change in accrued future employee benefits liability	(142,027)	(370,073)
Accrued salaries and benefits	1,053,410	-
Change in prepaid expenses	863,692	(648,364)
	2,278,492	(821,939)
Total expenses per the Statement of Operations and Accumulated (Deficit) Surplus	28,947,187	26,001,695

8. Expenses by Activity

	2024				
	Salaries and benefits	Other operating expenses	Statutory expenses	Total	%
Performance and special audits	15,370,688	4,046,034	467,353	19,884,075	68.7
Financial statement audits	6,169,834	2,819,073	36,881	9,025,788	31.2
Government advertising	17,246	4,711	15,367	37,324	0.1
	21,557,768	6,869,818	519,601	28,947,187	100.0
%	74.5	23.7	1.8	100.0	

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2024

8. Expenses by Activity (Continued)

	2023			Total	%
	Salaries and benefits	Other operating Expenses	Statutory expenses		
Performance 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

Expenses have been allocated to the Office's three (2023 – 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. Due to the Consolidated Revenue Fund

	2024 \$	2023 \$
Due to the Consolidated Revenue Fund – beginning of year	189,316	93,050
Voted appropriations [Note 2(B)]	26,716,800	26,919,900
Less: Appropriations used [Note 7(B)]	(26,668,695)	(26,823,634)
Unused appropriations for the year	48,105	96,266
Less: Refund to the Consolidated Revenue Fund during year	(189,316)	-
Due to the Consolidated Revenue Fund – end of year	48,105	189,316

Office of the Auditor General of Ontario

Notes to Financial Statements For the Year Ended March 31, 2024

10. Deferred Lease Inducement

The deferred lease inducement is composed of the following:

Lease term	Deferred lease inducement – gross \$	Accumulated amortization \$	Balance 2024 \$	Balance 2023 \$
November 1, 2021 to October 31, 2031	686,525	165,910	520,615	589,267

11. Comparative Figures

Certain comparative figures have been reclassified to conform to the basis of the financial statement presentation adopted in the current year.