



2024

Annual Follow-Up on Performance Audits

Summary of Follow-Up Reports on **2022 Annual Report Performance Audits and Special Report**

It is our practice to make specific recommendations in our performance audit reports and ask auditees to provide a written response to each recommendation, which is included in our report. The auditees are responsible for implementing the recommendations made by our Office. Two years after we publish the report, we follow up on the status of their actions taken. Our role is to independently express a conclusion on the progress that the auditee has made in implementing the actions contained in each recommendation.

In each of the follow-up reports published this year, we assess and report on the implementation status of actions taken to address our recommendations since they were included in our *2022 Annual Report* and our *2022 Special Report on Laurentian University*.

We conduct our follow-up work and report on the results in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001—*Direct Engagements*. Our Office complies with the Canadian Standard on Quality Management 1 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 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 auditees, an analysis of their status reports, and a review of selected supporting documentation. The procedures performed in this work vary in nature and timing from a reasonable assurance engagement, 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 62.8% of our recommended actions compared to 56.6% reported in our *2023 Annual Report*, including 40% that have been fully implemented compared to 34.5% in our *2023 Annual Report*.

Figure 1: Overall Status of Implementation of Recommendations from Our 2022 Annual and Special Reports

Prepared by the Office of the Auditor General of Ontario

Report	# of Recs	# of Actions Recommended	Fully Implemented 	In the Process of Being Implemented 	Little or No Progress 	Will Not Be Implemented 	No Longer Applicable 
The Public Accounts of the Province of Ontario ¹	8	12	4	2.5	2	3.5	0
Climate Change Adaptation: Reducing Urban Flood Risk ¹	16	25	3	5.5	6	9.5	1
Conserving the Niagara Escarpment	23	46	9	8	16	13	0
COVID-19 Contracts and Procurement	12	26	12	4	2	1	7
COVID-19 Vaccination Program ¹	11	33	8.7	12.5	6	3.8	2
Financial Management in Ontario Universities ¹	21	57	23.6	5.3	24.8	3.3	0
Financial Services Regulatory Authority: Regulation of Private Passenger Automobile Insurance, Credit Unions and Pension Plans	18	60	27	12	19	2	0
Highway Planning and Management	12	33	10	10	13	0	0
Liquor Control Board of Ontario: Information Technology Procurement ¹	10	26	17.5	4	1	3.5	0
Management of Hazards and Emergencies in the Environment	30	70	9	18	35	6	2
Management of Invasive Species	12	37	21	4	3	9	0
Office of the Corporate Chief Information Officer	14	43	16	24	3	0	0
Ontario Energy Board: Electricity Oversight and Consumer Protection	12	26	10	9	7	0	0
Ontario Lottery and Gaming Corporation: Casinos, Lotteries and Internet Gaming	25	53	17	20	3	7	6
Ontario Power Generation: Management and Maintenance of Hydroelectric Generating Stations	12	24	16	5	1	2	0
Real Estate Council of Ontario	25	63	50	1	12	0	0
Total	261	634	253.8	144.8	153.8	63.6	18.0
%	—	100	40.0	22.8	24.3	10.0	2.8
Special Report on Laurentian University	74	79	36	26	14	1	2
Total	74	79	36	26	14	1	2
%	—	100	46	33	18	1	2

1. Some audits contain multiple auditees for each recommended action, so implementation may be expressed as a fraction.

The auditees that have made the most progress toward fully implementing our recommended actions from 2022 include the Real Estate Council of Ontario and the Ministry of Public and Business Service Delivery and Procurement on our audit of the Real Estate Council of Ontario; the Liquor Control Board of Ontario (LCBO) on our audit of LCBO Information Technology Procurement; and the Ontario Power Generation (OPG) on our audit of OPG's Management and Maintenance of Hydroelectric Generating Stations.

Little or no progress has been made on 24.3% of our recommended actions compared to 32.7% in our *2023 Annual Report*. For example, the Ministry of Natural Resources, the Ministry of Mines and Emergency Management Ontario have made little or no progress on implementing 35 (or 50%) of recommended actions in our audit of Management of Hazards and Emergencies in the Environment. The Ministry of Colleges and Universities, Algoma University, Nipissing University, Ontario Tech University and the University of Windsor made little or no progress on implementing 24.8 (or 44%) of recommended actions in our audit of Financial Management in Ontario Universities. The Ministry of Transportation has also made little or no progress on implementing 13 (or 40%) of recommended actions in our audit of Highway Planning and Management. The Ministry of Natural Resources, and the Niagara Escarpment Commission have made little or no progress on implementing 16 (or 35%) of recommended actions in our audit of Conserving the Niagara Escarpment. Notable recommendations from these reports with little or no progress include cases where we recommended that:

- » The Ministry of Natural Resources determine and update the Facility Condition Index, and the Total Failure Index and Hazard Potential Classification score for each dam owned by the Province;
- » The Ministry of Natural Resources track whether required response times for forest fires are met, so that fires are responded to under the maximum target times;
- » The Ministry of Colleges and Universities complete an assessment of the cost of instruction and operations of universities and, to develop a strategic plan and accompanying implementation timeline to support the financial and operational sustainability of the post-secondary sector;
- » Algoma University, Nipissing University, Ontario Tech University and the University of Windsor reduce or restructure program offerings based on the results of program profitability analyses and academic need;
- » The Ministry of Transportation estimate and publicly communicate the cost and timeframe to achieve the goals of each regional transportation plan;

- » The Ministry of Transportation request official written Ministerial direction when the provincial government's objectives do not align with the recommendations of the Ministry's subject-matter experts, when selecting highway expansion projects; and
- » The Niagara Escarpment Commission develop a long-term strategic plan for conserving the Niagara Escarpment in collaboration with the Ministry of Natural Resources.

Additionally, 10% (or 63.6) of our recommended actions will not be implemented; however, we continue to recommend the implementation of these actions. The number is a small increase from last year (8.8%), but a significant increase from 2022 (3.1%).

This year we also assessed the implementation status of recommendations contained in our Special Report on Laurentian University, published in 2022. This report focused on the University's operational and financial processes, and the surrounding circumstances and decisions that led to its financial deterioration and *Companies' Creditors Arrangement Act* filing. Further, we assessed whether the Ministry of Colleges and Universities had effective oversight procedures in place to monitor the financial viability of Laurentian, and, more generally, universities in Ontario. The engagement was conducted with Laurentian University, the Ministry of Colleges and Universities, and the Office of the Integrity Commissioner of Ontario.

Progress has been made toward implementing 62 (79%) of recommended actions in this special report, including 36 (46%) that have been fully implemented. However, little or no progress was made on 14 (18%) of our recommended actions.

Two (or 2%) of the recommended action items are no longer applicable and one (1%) will not be implemented.

Follow-Up on the 2022 Report:

Treasury Board Secretariat

Ministry of Finance

Ministry of Health

Ministry of Public and Business Service Delivery
and Procurement

Ministry of Long-Term Care

Ministry of Children, Community and Social Services

Financial Services Regulatory Authority of Ontario

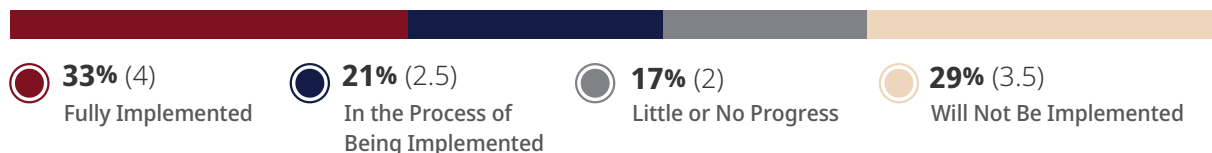
Office of the Children's Lawyer

Clerk of the Legislative Assembly

The Public Accounts of the Province of Ontario

// Overall Conclusion

12 Recommended Actions



The Treasury Board Secretariat, Ministry of Finance, Ministry of Health, Ministry of Public and Business Service Delivery and Procurement, Ministry of Long-Term Care, and Ministry of Children, Community and Social Services (collectively known as the “Ministries”), Financial Services Regulatory Authority of Ontario (an agency of the Government of Ontario), Office of the Children's Lawyer (an independent law office in the Ministry of the Attorney General) and Clerk of the Legislative Assembly, as of November 6, 2024, have fully implemented 33% of the actions we recommended in our 2022 audit of the **Province of Ontario's Consolidated Financial Statements**, such as providing the required information for our Office to perform audits for the Office of the Children's

Lawyer and introducing appropriate training to reduce Ontario Disability Support Program overpayments. The Treasury Board Secretariat, Ministries, Financial Services Regulatory Authority of Ontario, Office of the Children's Lawyer and Clerk of the Legislative Assembly were in the process of implementing an additional 21% of the recommendations.

The Treasury Board Secretariat, Ministries, Financial Services Regulatory Authority of Ontario, and Clerk of the Legislative Assembly have made little or no progress on 17% of the recommendations and will not implement 29% of the recommendations, including ensuring the contingency funds in the fiscal plan are presented in a disaggregate form to specifically identify the purpose of individual component amounts for greater transparency.

The status of actions taken on each of our recommendations is described in this report (see **Appendix** for more details).

// Status of Actions Taken on Recommendations

We conducted assurance work between April 2024 and October 2024. We obtained written representation from the Treasury Board Secretariat, Ministries, Ministry of Attorney General for the Office of the Children's Lawyer, and Clerk of the Legislative Assembly, that effective November 21, 2024, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

1. Corporations Income Tax Revenues

Due to the discontinuation of certain economic data from Statistics Canada, beginning in the 2021/22 fiscal year, the Ministry of Finance began basing its estimate of Corporations Income Tax (CIT) primarily on corporate taxes assessed as reported by the federal Department of Finance as of June for the previous taxation year. In our 2022 audit, overall, we found that the Ministry of Finance's CIT estimate based on the new methodology was reasonable. However, in arriving at this conclusion, we encountered challenges in performing our audit work due to limitations on our access to tax information produced and reported by the federal Department of Finance for use by the Ontario Ministry of Finance.

Recommendation 1: Action Item 1

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

Status:  **In the process of being implemented, dependent on the discussions with the Federal Government.**

Details

We found in our follow-up, that the Province remains committed to working with the federal government on options to support our Office's audit of the Province's consolidated financial statements regarding CIT. Discussions between the Ministry of Finance and the federal Department of Finance on a solution are currently ongoing. The Federal and Ontario Governments have implemented an interim measure to support our audit work on corporate taxes. This measure will continue until a solution is reached to address our Office's recommendation.

2. Financial Services Regulatory Authority of Ontario (FSRA)

Under the *Credit Unions and Caisses Populaires Act, 2020* (Act), the Financial Services Regulatory Authority of Ontario (FSRA) is responsible for the administration, operation and prudent management of the Deposit Insurance Reserve Fund (DIRF), which provides deposit protection coverage to eligible credit union depositors as well as financial assistance to credit unions. On April 20, 2022, PACE Savings and Credit Union Limited (PACE) (acting through FSRA as its administrator), Alterna Savings and Credit Union Limited (Alterna), and FSRA entered into a purchase and assumption (P&A) agreement such that Alterna agreed to acquire most of the assets and liabilities of PACE. This P&A transaction enabled Alterna to continue to operate PACE's core business and service PACE's members. In our 2022 audit, we found that as a consequence of the financial assistance provided to PACE under the provisions of the Act, we observed that up to \$155 million of the assets available in DIRF had been committed in the form of a guarantee of PACE's time-limited, loan deficiency warranties. In the short- to medium-term, this guarantee in favour of PACE could have a significant impact on the ability of FSRA to pay deposit insurance claims, since the Act limits FSRA's obligation to insure eligible deposits up to the asset balance in the DIRF.

Recommendation 2: Action Item 1

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

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that, consistent with management's response to our recommendation in our 2022 report, FSRA has decided that the short- and long-term ability of DIRF to provide adequate deposit protection coverage to credit union members is best reported in the DIRF annual report rather than the FSRA annual report, and FSRA will not be implementing the recommendation. FSRA stated that as the DIRF is the protection fund, FSRA should not comment on DIRF's flexibility to provide discretionary financial assistance to financially distressed credit unions given that it may provide a false impression of the availability of this support. Such support is provided on a case-by-case and as-needed basis. FSRA stated that the short-term and long-term ability of the DIRF to provide adequate deposit coverage is best reported in the DIRF annual report rather than the FSRA annual report.

The Office of the Auditor General of Ontario continues to believe this is a significant recommendation and continues to recommend that FSRA publicly report on the short- and long-term financial ability of the DIRF to provide adequate deposit protection coverage to credit union members while maintaining FSRA's flexibility to provide discretionary financial assistance to financially distressed credit unions.

3. Office of the Children's Lawyer

Under the *Courts of Justice Act*, the Auditor General is required to examine and report on the accounts and financial transactions of the Office of the Children's Lawyer, a law office within the Ministry of Attorney General that protects the personal and property rights of children in a range of civil proceedings as provided by statute and common law. Since the time the Office of the Children's Lawyer stopped preparing annual financial statements (for any fiscal year after its March 31, 2013

financial statements), our Office had been unable to obtain the appropriate financial information required for the audits to commence.

Recommendation 3: Action Item 1

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

Status:  **Fully implemented.**

Details

We found the Office of the Children's Lawyer has since prepared and provided the required information to allow our Office to perform audits for the fiscal years ending March 31, 2022 and March 31, 2023. The Office of the Children's Lawyer will also provide the necessary information for our Office's audit for the March 31, 2024 year-end. Going forward, however, the requirement for the Auditor General to perform an audit is now repealed in the *Courts of Justice Act*, effective April 1, 2024.

4. Personal Protective Equipment (PPE) Inventory Management

In response to the COVID-19 pandemic, the Province established a procurement process for personal protective equipment (PPE), the responsibility of which was assigned to both the Ministry of Health (MOH) and the Ministry of Public and Business Service Delivery and Procurement (MPBSDP), formerly Ministry of Public and Business Service Delivery. In our 2022 audit, we found that the Province tracked the purchases of provincial PPE for accounting purposes manually through spreadsheets, which is prone to human error that can result in significant inaccuracies. Additionally, items shipped were not properly tracked.

In our 2022 audit, we found that \$66 million of PPE inventory was written off due to expired, obsolete and damaged items. Given that the Province held a significant amount of PPE inventory, to minimize the amount of expired PPE, we identified it would be prudent to establish more formal processes where inventory is actively monitored and routinely distributed to key stakeholders in need, such as hospitals, prior to their expiration date.

Recommendation 4: Action Item 1

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

- accurately track the pricing and quantities of purchases, shipments and balances of personal protective equipment (PPE) to ensure appropriate oversight of the inventory;

Status:  **In the process of being implemented by 2025.**

Details

We found in our follow-up, the Province has not yet implemented a co-ordinated and automated inventory management system to accurately track the pricing and quantities of purchases, shipments and balances of PPE. The Province continues to record and track PPE manually through spreadsheets, requiring significant effort and time to prepare and reconcile reports and investigate and resolve discrepancies during the audit.

Since our initial recommendation, the Province has begun operations at Centralized Supply Chain Ontario (operating as Supply Ontario) as the Province's supply chain agency. Supply Ontario's accountability includes the ongoing management of the Province's PPE stockpile. Supply Chain Ontario's operations were transferred from MPBSDP to Supply Ontario on July 31, 2023, as well as the management of the Province's PPE program, although the financial reporting of PPE continued to be reported as part of MPSBDP and MOH until March 31, 2024. All PPE assets and liabilities for the inventory were transferred to Supply Ontario as at April 1, 2024. Supply Ontario received government approval in August 2024 to implement its proposed long-term warehousing strategy. The implementation of this strategy will support Supply Ontario's co-ordinated approach to inventory management with a target date of 2025, at which point we will reassess the progress of Supply Ontario's implementation of an automated inventory management system.

Recommendation 4: Action Item 2

- actively monitor PPE inventory for expiration and ensure the inventory is distributed to key stakeholders based on their specific needs, prior to expiration.

Status:  **Fully implemented.**

Details

We found in our follow-up that the Province recorded a significant write off of \$906 million due to obsolete, expired and damaged PPE in its March 31, 2024 consolidated financial statements. As part of Supply Ontario's mandate, and the transfer of the PPE to Supply Ontario on April 1, 2024, the PPE inventory will no longer be segregated between the two aforementioned Ministries (MOH and MPBSD) and will be managed by Supply Ontario. We found that Supply Ontario has established forecasting models to track purchased PPE, and since December 2022, Supply Ontario has been communicating with hospitals and other health organizations about upcoming PPE expiry. Additionally, since November 2023, Supply Ontario has been working to integrate PPE stockpile supplies into hospital inventories. Hospitals that have not yet incorporated the PPE stockpile into their inventory systems are being actively contacted by Supply Ontario to facilitate this integration.

5. Governance of Health Care in Ontario

Effective April 1, 2021, the Minister of Health, under the *Connecting Care Act, 2019*, transferred responsibilities of the Local Health Integration Networks (LHINs) from the Ministries of Health (MOH) and Long-Term Care (MLTC) to Ontario Health (OH) (i.e., health system funding, planning and community functions), in alignment with OH's legislated mandate and public accountability to provide specific funding to health-service providers delivering health care. In our 2022 audit, we found that there was an unclear delineation of roles and responsibilities between the Ministries of Health and Long-Term Care and OH, with respect to funding for health-service providers.

In our 2022 audit, we found that certain funding for programs were directly disbursed to the health-service providers from MOH without prior authorization by OH, in accordance with the governance structure of OH. We also noted that although OH authorized the initial funding allocations for long-term-care homes, subsequent changes were made to the allocations by MLTC without prior authorization by OH. We also noted that the authorization of significant funding from MOH intended for OH's use in 2021/22 was not evidenced by a signed funding agreement until after the year-end.

Recommendation 5: Action Item 1

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

- review their processes around all aspects of funding to Ontario Health managed health-service providers and meet with Ontario Health and discuss what is needed going forward so that Ontario Health can fully operate in accordance with its legislated mandate

regarding the provision of funding to health-service providers (including but not limited to initiation, authorization, cash disbursement and reconciliation to confirm the appropriate use of funding);

Status:  **Will not be implemented by Ministry of Health (MOH) and in the process of being implemented by Q1 2025–26 the Ministry of Long-Term Care (MLTC).**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

The Ministry of Health (MOH) believes that the already established processes regarding the approval and confirmation of payments to health-services providers allows Ontario Health to operate in accordance with its legislated mandate and to meet its obligations in the MOH-OH (Ministry of Health-Ontario Health) Accountability Agreement. This includes amendments to the agreement when providing additional/revised funding to Ontario Health, and therefore they will not be implementing the recommendation. The Office of the Auditor General of Ontario continues to recommend that the Ministry of Health develop an Accountability Agreement with Ontario Health that would articulate the roles and obligations of Ontario Health and the Ministry with respect to funding.

We found that the Ministry of Long-Term Care (MLTC) has since undertaken a review of the processes of all aspects of funding to Ontario Health (OH) managed health-service providers as part of its update of the MLTC-OH (Ministry of Long-Term Care-Ontario Health) Accountability Agreement for fiscal years 2024–27. The updated Accountability Agreement will articulate the roles and obligations of Ontario Health and the Ministries with respect to funding for the Local Health Integration Networks (LHINs). The current Accountability Agreement will remain in force until the new agreement is signed by both parties (MLTC and OH), which is anticipated to be in Q1 2025–26.

Recommendation 5: **Action Item 2**

- implement the necessary changes such that funding decisions and direction on the use of funds by Ontario Health are accompanied by a signed agreement by fiscal year-end as evidence of the formal transfer of responsibilities for funding health-service providers from the Ministry of Health to Ontario Health as was originally intended when establishing Ontario Health.

Status:  **Fully implemented.**

Details

We found that the Ministry of Health has since implemented an update to the Transfer Payment Agreement checklist, included revised year-end instructions specific to the transfer payment accruals and communicated these updates through the year-end instructions memo for the fiscal 2023/24 Public Accounts. The Ministry of Long-Term Care communicated to its executive leadership team the requirement to share all finalized 2023/24 funding packages to Ontario Health in advance of the fiscal year end as at March 31, 2024 to ensure Ontario Health received and accounted for funding on its financial statements. Our Office observed that all fiscal year 2023 funding agreements were signed by the Ministry of Health and the Ministry of Long-Term Care and sent to Ontario Health by March 31, 2024.

6. Ontario Disability Support Program Overpayments

In our 2022 audit, we identified Ontario Disability Support Program (ODSP) overpayments associated with the Special Diet Allowance and Mandatory Special Necessities benefits. While the ODSP overpayments did not have a significant effect on the annual deficit, overpayments lead to less money being available to spend on increasing ODSP benefits or funding other programs.

We also made a previous recommendation in our *2019 Annual Report*, Chapter 3.09 Ontario Disability Support Program, for the Ministry of Children, Community and Social Services (MCCSS) to establish a risk-based time frame for ODSP caseworkers to periodically review the eligibility of all ODSP recipients in order to help prevent overpayments.

Recommendation 6: Action Item 1

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

- ensure that approved Application for Special Diet Allowance (SDA) and/or Mandatory Special Necessities (MSN) forms are valid and retained for all eligible recipients of these benefits;

Status:  Fully implemented.

Details

We found that since our 2022 audit, MCCSS has implemented an eight-week intensive learning program for new front-line staff that builds the foundational knowledge required to complete the core functions of their duties, such as how to determine benefit calculations.

Our follow-up did not identify any additional ODSP overpayments associated with missing benefit administration documentation for the year ended March 31, 2024. Additionally, as of March 2024, MCCSS stated that the majority of ongoing benefits administration functions are performed by the Intake and Benefits Administration Unit (IBAU), within the Social Assistance Centralized Services Branch. For the Mandatory Special Necessities benefits (MSN), this provides a further measure of validation in the process as local office staff are required to input approvals for MSN and IBAU staff are required to validate them prior to issuing payments for all MSN requests. For the Special Diet Allowance benefits (SDA), new SDA forms are sent to ODSP recipients by Ministry staff, and completed SDA forms are auto forwarded to the IBAU unit for review and approvals.

Recommendation 6: Action Item 2

- periodically review the supporting documentation on file for ODSP recipients and related information, including but not limited to income verification details and expiry dates of SDA and MSN forms entered within the Social Assistance Management System, to ensure the information remains up-to-date.

Status:  **Little or no progress.**

Details

We found in our follow-up that the Ministry of Children, Community and Social Services (MCCSS) stated that a management file audit process, for a limited sample of ODSP cases, will be introduced in the third quarter of fiscal 2024/25 to periodically review and confirm certain case activities, including SDA and MSN. However, as of September 11, 2024, no significant updates have yet been made to the development of the management file audit process.

7. Delayed Tabling of the Budget and Estimates Limited Legislative Debate and Scrutiny

The annual budget is a highly anticipated document released each year, which outlines the government's policy priorities and fiscal direction by laying out the government's planned spending on the services it provides to citizens, and how it will fund the cost of providing these services. Under the *Fiscal Sustainability, Transparency and Accountability Act, 2019* (Act), our Office is required to review the estimates, forecasts and assumptions in the Province's Multi-Year Fiscal Plan within a budget prior to a general election for reasonableness.

In March 2022, the government amended the Act that extended the deadline for issuing the 2022 *Ontario Budget* from March 31 to April 30. In our 2022 audit, we found that because the budget was tabled on April 28, 2022, Members of the Legislature were not given time to debate the budget in the Legislature prior to the start of the election period. As well, Members of the Legislature were not given time to consider the content of our report before the election period.

In our 2022 pre-election report, we identified significant amounts within the contingency funds in the 2022 budget, which limited the ability of Members of the Legislature to exercise oversight over the government's fiscal plan. In total, \$19.4 billion in contingency funds were included in the three-year budget. These contingencies were significantly larger than the annual contingency amounts set aside in previous Ontario budgets (on average about \$1 billion), and most were not earmarked for specific purposes. Contingency funds are included in the budget as part of Other Program Expenses and not separately identified by individual ministries. Our review noted that although it is prudent to incorporate some flexibility into the budget for contingencies, the amount included for the three-year period appeared to be overly cautious, meaning that overly large funds were set aside as provisions for potential increases in expenses. When expenses are overestimated, the perception can be that the government has less funds available for decision-making than can be reasonably expected.

Recommendation 7: Action Item 1

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

- establish in legislation the minimum time period between the date of the government's tabling of the Annual Budget and then issuing the Writs of Election dissolving Parliament;

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 follow-up, that the Ministry of Finance does not intend to propose an amendment to the current legislation. The Office of the Auditor General of Ontario continues to believe this is a significant recommendation and continues to recommend establishing in legislation the minimum

time period between the date of the government's tabling of the Annual Budget and then issuing the Writs of Election dissolving Parliament so that Members of the Legislature can be provided with sufficient time to consider the content of the budget and our report before the start of the election period.

Recommendation 7: Action Item 2

- ensure that contingency funds and similar general expense provisions in the fiscal plan are presented in disaggregate form to specifically identify the purpose of individual component amounts.

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that in the 2024 *Ontario Budget*, there continues to be no disaggregation on the expected use of the contingency fund presented. When the Secretariat's Estimates are tabled for debate and voting in the Legislature, details regarding what programs are forecast to potentially require a portion of the contingencies are not provided, limiting the information on the contingencies' composition and purpose available for debate. In addition, when requesting to use contingency funds for programs' operations, ministries only require approval from the Treasury Board, which centrally controls the contingency fund and whose appointed members are all government ministers, and does not require the scrutiny by all Members of the Legislature. The Ministry of Finance and the Treasury Board Secretariat have indicated that transparency over the contingency fund is provided when amounts are drawn down, through public reporting and Treasury Board Orders. However, this is only provided after the fact.

The Office of the Auditor General of Ontario continues to believe this is a significant recommendation and continues to recommend that contingency funds and similar general expense provisions in the fiscal plan are presented in disaggregate form to specifically identify the purpose of individual component amounts for greater transparency.

8. Direction Not Provided to Committees of the Legislature Reviewing the Estimates under New Process

In August 2022, a change in the Standing Orders (i.e., the rules of the Legislature) eliminated the Standing Committee on Estimates, which was the single legislative committee responsible for reviewing the Estimates. A new committee, the Standing Committee on Procedure and House Affairs, is now responsible for deciding at the beginning of each Parliament, or if necessary more frequently, which ministries' Estimates will be assigned to which of six Standing Committees (Finance and Economic Affairs; Heritage, Infrastructure and Cultural Policy; Interior; Justice Policy; Procedure and House Affairs; or Social Policy) for their consideration and potential review. We noted the Standing Committee on Procedure and House Affairs had not developed guidance or direction for other Committees to follow concerning the methodology and content of their review of the Estimates, to ensure the reviews meet the Legislature's needs for consistent information on the Estimates.

Recommendation 8: **Action Item 1**

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

Status:  **Little or no progress.**

Details

We found in our follow-up that the same process was followed for the review of the 2024 Estimates. The Clerk of the Legislative Assembly (Clerk) observed the amended process has resulted in considerably shorter consideration timeline but for a greater number of ministries, than in previous years. Although the Clerk indicated the decision is ultimately up to the Members of the Standing Committee on Procedure and House Affairs, he and his office will be available at the request of the Standing Committee should the Standing Committee choose to review the Legislative Assembly's Estimates procedures.

// Appendix

Recommendation Status Overview

	# of Action Items	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	1	1			
Recommendation 5	2	1	0.5		0.5	
Recommendation 6	2	1		1		
Recommendation 7	2				2	
Recommendation 8	1			1		
Total	12	4	2.5	2	3.5	0
%	100	33	21	17	29	0

Follow-Up on the 2022 Performance Audit:

Ministry of the Environment, Conservation
and Parks

Ministry of Natural Resources

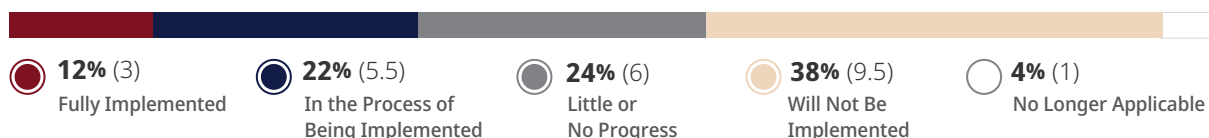
Ministry of Municipal Affairs and Housing

Ministry of Infrastructure

Climate Change Adaptation: Reducing Urban Flood Risk

// Overall Conclusion

25 Recommended Actions



The Ministry of the Environment, Conservation and Parks (Environment Ministry), the Ministry of Natural Resources (Natural Resources Ministry), the Ministry of Municipal Affairs and Housing (Municipal Affairs Ministry), and the Ministry of Infrastructure (Infrastructure Ministry), as of September 1, 2024, have fully implemented 12% of actions we recommended in our 2022 audit **Climate Change Adaptation: Reducing Urban Flood Risk**, and were in the process of implementing an additional 22% of the recommended actions. For 24% of the recommended actions, there has been little or no progress on implementation.

All three of the fully implemented recommended actions were completed by the Environment Ministry, including two to make climate services available for decision-makers (including smaller municipalities) and one to implement procedures to conduct risk-based inspections of stormwater infrastructure. The Infrastructure Ministry has made progress implementing all of the recommendations directed to it, including taking steps to improve the asset management planning process for stormwater infrastructure.

However, a key finding of our 2022 audit was that no one government ministry was assigned responsibility for addressing urban flooding and that a lack of clarity in roles had resulted in gaps in co-ordinating and managing urban flooding. In our follow-up, we found that, while the four ministries have made some progress toward implementing our recommendation to develop a provincial framework for managing urban flooding, no responsibilities had yet been assigned. As a result of this continuing lack of clarity in roles, the Environment, Natural Resources and Municipal Affairs Ministries stated that multiple recommended actions were not within their mandates, and therefore they did not intend to implement them. We found that 38% of the recommended actions will not be implemented, including one made to the Natural Resources Ministry to develop and implement a strategic plan to protect, conserve and restore wetlands.

The status of actions taken on each of our recommendations is described in this report (see [Appendix](#) for more details).

// Standing Committee on Public Accounts

On April 3, 2023, the Standing Committee on Public Accounts (Committee) held a public hearing on our Climate Change Adaptation: Reducing Urban Flood Risk audit. As of October 2024, the Committee had not yet tabled a report in the Legislature resulting from this hearing.

// Status of Actions Taken on Recommendations

We conducted assurance work between March 2024 and September 2024. We obtained written representation from the Environment Ministry, Natural Resources Ministry (which was previously named the Ministry of Natural Resources and Forestry), Municipal Affairs Ministry and Infrastructure Ministry that effective October 14, 2024, they had provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

1. Provincial Roles and Responsibilities

In our original audit, we found that the Province had never clarified provincial roles for addressing and co-ordinating actions needed to alleviate the risk of urban flooding, resulting in ongoing gaps in responsibility and in actions and commitments not being implemented.

Recommendation 1: Action Item 1

To resolve gaps in roles and responsibilities, we recommend that the Ministry of Natural Resources and Forestry, the Ministry of the Environment, Conservation and Parks, the Ministry of Municipal Affairs and Housing, and the Ministry of Infrastructure develop a provincial framework for urban flooding that clearly identifies and assigns roles and responsibilities for urban flood management.

Status:  **In the process of being implemented (ministries could not provide an estimated completion date).**

Details

We found that the Natural Resources Ministry, Environment Ministry, Municipal Affairs Ministry and Infrastructure Ministry formed an Urban Flooding Working Group in fall 2023, which also includes the Ministry of Transportation, the Ministry of Agriculture, Food and Agribusiness, and Emergency Management Ontario. The group is responsible for clarifying roles and responsibilities for urban flooding, developing a provincial framework and identifying new or emerging issues. At the time of our follow-up, discussions among the ministries were continuing but the ministries were unable to provide an estimated completion date for the framework document.

2. Provincial Help to Homeowners to Reduce Flood Risks

In our original audit, we found that the Province had not fulfilled commitments to help homeowners reduce their risks from urban flooding with changes to the building code, financial incentives and education.

Recommendation 2: Action Item 1

To improve the flood resiliency of new homes, we recommend that the Ministry of Municipal Affairs and Housing review the requirements in Ontario's Building Code for the installation of backwater valves, and provide additional guidance to reduce ambiguity and increase uptake.

Status:  **Little or no progress.**

Details

We found that the Municipal Affairs Ministry had not yet begun to provide guidance regarding backwater valve requirements in Ontario's Building Code. The Ministry advised us that work on this commitment was delayed while the Ministry works on transitioning to the next edition of the

Building Code, to be completed in 2025. The Ministry stated that, after that transition is complete, it plans to provide additional guidance about backwater valves, to be completed by fall 2026.

Recommendation 3: Action Item 1

To help homeowners adapt to climate change, and improve the flood resiliency of existing homes, we recommend that the Ministry of the Environment, Conservation and Parks work with the Ministry of Finance in consulting on how to incentivize flood-risk mitigation improvements by homeowners, and based on the outcome of the consultation, work with partner ministries to implement appropriate options as identified.

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

The Environment Ministry advised us that it is not planning to pursue options to incentivize homeowners to make flood-risk mitigation improvements. The Ministry noted that some municipalities do offer incentive and support programs, and that any incentive programs offered should be designed to reflect local need.

Recommendation 4: Action Item 1

To improve public awareness of flood risks and encourage homeowners to take steps to reduce the impacts of urban flooding, we recommend that the Ministry of the Environment, Conservation and Parks and the Ministry of Natural Resources and Forestry work with external stakeholders to promptly develop and implement a home flood-protection education campaign.

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that neither the Environment Ministry nor the Natural Resources Ministry had worked with external stakeholders to develop and implement a home flood-protection education campaign focused on urban flooding. The Environment Ministry indicated that while it plans to explore opportunities with other ministries, such as the Natural Resources Ministry, regarding public

communications and flooding, it has no plans to lead additional educational activities related specifically to urban flooding. Meanwhile, the Natural Resources Ministry communicated to us that it does not see itself as responsible for education related to urban flooding.

3. Guidance to Help Decision-Makers Understand and Apply Local Climate Data

In our original audit, we found that municipalities were receiving contradictory provincial guidance on climate change data, and that Ontarians lacked reliable access to climate data and tools.

Recommendation 5: Action Item 1

To improve the ability of municipalities to handle future projected rain events and reduce the risks of urban flooding, we recommend that the Ministry of the Environment, Conservation and Parks and the Ministry of Municipal Affairs and Housing provide consistent guidance and direction to municipalities regarding climate change information and the use of projected climate change data in accordance with the government's commitments in its Flooding Strategy.

Status:  **Little or no progress.**

Details

We found that, while the Environment Ministry has taken action to improve access to projected climate change data, the Environment Ministry and Municipal Affairs Ministry have not provided consistent guidance and direction to municipalities on the use of projected climate change data in accordance with the government's commitments in its Flooding Strategy.

In December 2023, the Environment Ministry completed a project with York University to improve access to projected climate change data through the Ontario Climate Data Portal. Despite this improved access to projected data, the Environment Ministry has not updated its storm sewer design criteria to require municipalities to use projected climate change data rather than historical rainfall data.

The Municipal Affairs Ministry, for its part, advised us that no progress has been made on this recommendation as it is awaiting publication of the National Construction Codes. The Ministry indicated that, if changes are made to the National Construction Codes with regard to updated climate data, it may consider including them in Ontario's Building Code.

Recommendation 6: Action Items 1 and 2

To improve Ontarians' understanding of local climate data, and help Ontario decision-makers, including those in municipalities, ministries and health authorities, prepare for a changing climate, we recommend that the Ministry of the Environment, Conservation and Parks:

- confirm potential funding opportunities with the federal government for a climate service organization; and
- make climate services available in Ontario for decision-makers with limited financial resources, such as smaller municipalities.

Status:  **Fully implemented.**

Details

We found that the Environment Ministry and the federal government provided funding to ICLEI Canada (a non-profit organization) to pilot the Ontario Resource Centre for Climate Adaptation, which was launched in September 2023. The centre is to provide services to support communities, including municipalities, First Nation communities and conservation authorities, to plan for climate change. By January 2025, the pilot project will be used to develop recommendations to continue and expand the resource centre to become a long-term resource.

4. Flood Risk Mapping

In our original audit, we found that the majority of municipalities we surveyed were unable to map urban flood risk areas, and that information on urban flood risk was not shared with the public in an accessible manner or at all.

Recommendation 7: Action Items 1 and 2

To enable municipalities to better identify and address urban flood risk areas, we recommend that the Ministry of Natural Resources and Forestry:

- review existing urban flood risk mapping tools to identify whether any could be effectively applied over a wider geographic area; and
- based on this review, make any identified effective urban flood risk mapping tool available to all municipalities.

Status:  **Little or no progress.**

Details

We found that the Natural Resources Ministry was prioritizing mapping flood hazards from lakes, rivers and streams and that, at the time of our follow-up, it had not taken any steps to review existing urban flood risk mapping tools to determine whether any could be applied over a wider geographic area. The Ministry asserted that it does not have responsibility to provide tools to map urban flood risks. However, it has included this as an action item in internal Ministry documents. Further, in response to this recommendation in our 2022 audit, the Ministry had stated that this recommendation was “consistent with commitments in Ontario’s Flooding Strategy to investigate other types of flood mapping formats—including flood risk mapping.”

Recommendation 8: Action Item 1

To inform the public of urban flood risk areas, we recommend that the Ministry of Natural Resources and Forestry develop and implement a plan for the Province and municipalities to share locations at potential high risk of urban flooding with the public, as appropriate, based on provincial foundational data and best available urban flood risk data or maps.

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that the Natural Resources Ministry will not be implementing this recommendation as it asserts that its mandate is limited to addressing risks associated with flooding from waterbodies such as lakes, rivers and streams. The Natural Resources Ministry advised us that it does not collect information about areas at potential high risk of urban flooding, and that municipalities are not required to share urban flood risk information with the Province, provincial agencies or the public. The Ministry indicated, however, that it encourages municipalities to share with the public any information or maps that identify areas that may be at high risk of urban flooding.

5. Municipal Asset Management Planning Process

In our original audit, we found that municipal assessment and reporting on stormwater infrastructure and flood resiliency was not standardized, and that municipalities were not given direction on how to consider projected impacts of climate change on their stormwater infrastructure.

Recommendation 9: Action Items 1, 2 and 3

To improve the quality and consistency of municipal stormwater asset management planning, we recommend that the Ministry of Infrastructure:

- in conjunction with its partners, provide additional guidance and direction to enable more standardized and comparable municipal reporting on asset condition, replacement costs, and the flood resiliency metrics for reporting on levels of service for stormwater infrastructure;
- assess data gaps in municipal asset management plans, and work with municipalities to develop approaches to obtain necessary data to improve stormwater asset management planning; and
- provide direction to municipalities regarding consideration of climate change when estimating future levels of service and associated costs for stormwater infrastructure.

Status:  **In the process of being implemented by fall 2025.**

Details

We found that the Infrastructure Ministry hired a third-party consultant in December 2023 to undertake an assessment of the quality and consistency of municipal asset management plans. The assessment is expected to be complete by summer 2025, and will include recommendations to the Ministry for enhancing levels of compliance with reporting requirements and data accuracy. Specifically, the consultant will engage with all 444 municipalities to assess data gaps and opportunities for improvement in how municipalities report on asset condition, replacement costs and flood resiliency metrics.

While the consultant's contract did not specifically include terms related to assessing how municipalities incorporate climate change considerations into their stormwater planning, the Ministry stated that it will review the final recommendations from the consultant and determine next steps regarding guidance to municipalities.

6. Funding to Maintain and Upgrade Essential Municipal Stormwater Infrastructure

In our original audit, we found that billions of dollars were needed to bring municipal stormwater infrastructure assets into a state of good repair, that municipalities could not rely on current levels of provincial and federal funding to fill the shortfall, and that the majority of municipalities did not have reliable sources of funding to fill the shortfall.

Recommendation 10: Action Item 1

To help municipalities sustainably finance necessary investments in stormwater infrastructure and effectively manage the risks of urban flooding, including under future projected climate scenarios, we recommend that the Ministry of the Environment, Conservation and Parks develop and share best practices and guidance to facilitate knowledge sharing among municipalities and assist municipalities in developing and implementing reliable funding models, such as stormwater fee programs.

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

The Environment Ministry advised us that it will not be implementing this recommendation. The Ministry acknowledged the importance of effective stormwater management and stated that it is committed to supporting municipal efforts to invest in stormwater infrastructure and enhance climate resilience, but it indicated that assisting municipalities to develop and implement reliable funding models, such as stormwater fees, was outside of its mandate. In particular, the Ministry noted that the municipal authority to implement stormwater fees is provided by another ministry's laws. However, we note that the Environment Ministry could still help share best practices and guidance to facilitate knowledge sharing on funding models and encourage adoption of these models.

7. Green Spaces

In our original audit, we found that provincial land-use planning direction was insufficient to protect green spaces that guard against urban flooding, and that the Province was not tracking loss of green space.

Recommendation 11: Action Items 1 and 2

To reduce urban flood risk through provincial land-use planning that effectively balances the protection of natural features and green spaces with provincial needs for growth and housing supply, we recommend that the Ministry of Municipal Affairs and Housing:

- track and publicly report on the status of indicators of the percentage of area covered by pervious surfaces, natural cover, wetlands and woodlands in each municipality; and

- review the Ministry's land-use plans and policies and, as needed, include limits on impervious surface area that results from development, in order to improve performance on these indicators.

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that the Municipal Affairs Ministry has made no progress in implementing this recommendation, and the Ministry has stated to us that this recommendation is not within its mandate.

However, our Office continues to believe that these actions are within the Ministry's mandate. The Municipal Affairs Ministry has responsibility for land-use planning. At the time of our audit, this included the operation and implementation of the 2006 Growth Plan for the Greater Golden Horseshoe (the Growth Plan). The Growth Plan had a policy to limit the amount of impervious surfaces within natural areas identified for protection. In 2015, the Ministry developed an indicator to track the percentage of hardened/impervious surfaces, natural cover, wetlands and woodlands in the Greater Golden Horseshoe. The Ministry stated, as a rationale for the indicator, that "good growth planning and management can minimize the loss of natural cover and reduce the amount of new impervious surfaces."

In October 2024, the Ministry revoked the Growth Plan as well as the Provincial Policy Statement (the primary provincial policy document that guides land-use planning decisions), and combined elements of both into a new Provincial Planning Statement 2024. The Ministry informed us that it is working with 20 partner ministries, including the Natural Resources and Environment Ministries, to develop new land use policies, and that this "could include consideration of an indicator on the percentage of area covered by pervious surfaces, natural cover, wetlands and woodlands across municipalities, should that be considered a priority by government decision makers at the time." The Ministry also indicated that it would support the Environment Ministry in any initiatives that ministry might lead to place limits on the total area that may be converted to impervious surfaces.

8. Wetlands

In our original audit, we found that southern Ontario had lost nearly three-quarters of its original wetlands, thus reducing natural flood control in urban areas, and that nearly half of southern Ontario's remaining wetlands were unevaluated and at risk of being lost.

Recommendation 12: Action Item 1

To protect the flood-control benefits afforded by wetlands, to meet relevant goals in Ontario's Flooding Strategy, and to improve urban flood resiliency, we recommend that the Ministry of Natural Resources and Forestry:

- implement a Ministry service standard for approving submitted wetland evaluations within a reasonable time frame;

Status:  **No longer applicable.**

Details

We found that, as of January 1, 2023, the Natural Resources Ministry no longer reviews and confirms wetland evaluations. In December 2022, the Natural Resources Ministry changed the Ontario Wetland Evaluation System. Under the new program, a wetland evaluation, re-evaluation or mapping update is considered complete and final once a trained wetland evaluator attests that they have undertaken the evaluation in accordance with the Ontario Wetland Evaluation System. Ministry approval is no longer required.

Recommendation 12: Action Items 2, 3, and 4

- develop and implement interim protections for unevaluated wetlands;
- assess options to protect wetlands that are not designated as provincially significant wetlands with high flood-reduction benefits, including potential improvements to the Ontario Wetland Evaluation System to better recognize flood-reduction values, and implement changes as appropriate; and
- develop and implement a strategic plan to protect, conserve and restore wetlands.

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that, following the changes made in December 2022 (as outlined under **Recommendation 12: Action 1**) the Natural Resources Ministry is not considering new wetland protection policies or plans, or further changes to the Ontario Wetland Evaluation System. It continues to provide funding for programs that support wetland conservation.

Due to their high flood-reduction benefits, our Office continues to believe that there is a critical need to not only provide interim protection for unevaluated wetlands, but also to develop a plan to further protect wetlands, as committed to in the government's Flooding Strategy.

9. Guidance on Low-Impact Development

In our original audit, we found that the Environment Ministry's delay in developing its guidance manual had affected municipal uptake of low-impact development practices, which help reduce the risk of urban flooding.

Recommendation 13: Action Item 1

To increase the municipal uptake of low-impact development to improve urban flood resiliency, we recommend that the Ministry of the Environment, Conservation and Parks:

- promptly finalize the draft Low Impact Development Stormwater Management Guidance Manual;

Status:  Little or no progress.

Details

We found that the Environment Ministry had not finalized the draft Low Impact Development Stormwater Management Guidance Manual and was unable to provide our Office with a date by which it would finalize the manual.

Recommendation 13: Action Item 2

- facilitate pilot projects and knowledge sharing of best practices and project benefits to assist municipalities in developing low-impact development projects.

Status:  Little or no progress.

Details

We found that, in January 2022, the Ministry implemented a \$15-million program to improve both wastewater and stormwater discharges into Lake Ontario. The Region of Peel is receiving \$1.4 million under the program, a portion of which will be used to implement a low-impact development stormwater retrofit project. However, the Ministry has not taken any steps to implement our recommendation to facilitate knowledge sharing of best practices and project benefits amongst municipalities.

10. Oversight of Municipal Stormwater Management

In our original audit, we found that changes to the Environment Ministry's approvals program had the potential to reduce flood risk through flood-control performance criteria, and increase oversight of municipal stormwater management. However, at the time of our 2022 audit, the Environment Ministry had not proposed any changes to increase the inspection and enforcement of municipal compliance with stormwater approvals.

Recommendation 14: Action Item 1

So that the revised consolidated linear approvals process is effective in ensuring that new or altered stormwater infrastructure is built in a manner that meets all performance criteria and enhances environmental protection, we recommend that the Ministry of the Environment, Conservation and Parks undertake a formal evaluation of the approvals program on a timely basis and incorporate improvements as identified.

Status:  **In the process of being implemented by December 2029.**

Details

We found that, as of March 2024, the Environment Ministry has issued 256 new approvals for stormwater management systems under the new consolidated linear process. Under this process, all existing individual stormwater approvals will be combined into one new consolidated approval. While the Ministry did not indicate plans to undertake a formal evaluation of the new approvals program, it plans to monitor the program by reviewing applications for approval renewals received between January 2026 and December 2029, and work with municipalities to identify challenges, provide guidance and identify areas for improvement. Where issues are identified, the Ministry will consider whether changes are needed.

Recommendation 15: Action Item 1

So that the conditions in Environmental Compliance Approvals for stormwater infrastructure are adhered to and increase oversight and accountability of stormwater management, we recommend that the Ministry of the Environment, Conservation and Parks develop and implement formal procedures with regard to risk-based compliance inspections.

Status:  **Fully implemented.**

Details

We found that the Environment Ministry included formal procedures for risk-based compliance inspections of stormwater management systems in its annual inspection planning process at the start of the 2023/24 inspection year. At the time of our follow-up, inspections of stormwater infrastructure using this approach were underway.

11. Regional Flood Control Facilities

In our original audit, we found that the Province did not regulate the structural design of large purpose-built flood control facilities that are located away from lakes or rivers, which could put nearby residents at risk.

Recommendation 16: Action Item 1

To address the regulatory gap that exists regarding the structural design of large regional flood control facilities, and to reduce the risks they may pose, we recommend that the Ministry of Natural Resources and Forestry and the Ministry of the Environment, Conservation and Parks identify clear roles and responsibilities, and collaborate as needed, on developing regulatory requirements for offline regional flood control facilities.

Status:  **Natural Resources Ministry – In the process of being implemented by May 2025.**

 **Environment Ministry – Will not be implemented.**

Details

We found that the Natural Resources Ministry entered into a contract with an engineering firm in December 2023 to evaluate the use of large regional flood control facilities (among other water-storage structures) and review the technical guidance that the Ministry provides for such structures. The engineering firm provided a draft report to the Ministry in May 2024, and the Ministry plans to consult on potential recommendations in spring 2025.

We also found that the Environment Ministry will not be implementing this recommendation on the grounds that regional flood control facilities are in place for the sole purpose of managing flood hazards, and that the Environment Ministry does not have a mandate to address these types of hazards from lakes, rivers and streams. As such, while the Environment Ministry will continue to issue environmental compliance approvals for facilities that meet the definition of a sewage works under the *Ontario Water Resources Act*, it will not be taking steps to identify clear roles and responsibilities on developing regulatory requirements for these facilities.

// Appendix

Recommendation Status Overview

	# of Action Items	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	1			1		
Recommendation 6	2	2				
Recommendation 7	2			2		
Recommendation 8	1				1	
Recommendation 9	3		3			
Recommendation 10	1				1	
Recommendation 11	2				2	
Recommendation 12	4				3	1
Recommendation 13	2			2		
Recommendation 14	1		1			
Recommendation 15	1	1				
Recommendation 16	1		.5		.5	
Total	25	3	5.5	6	9.5	0
%	100	12	22	24	38	4

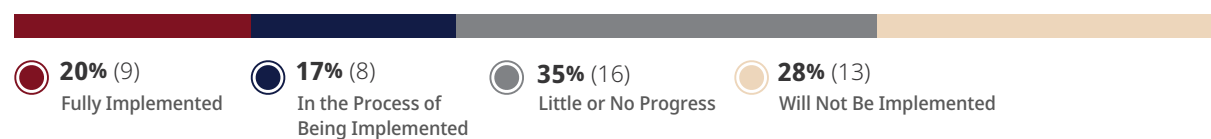
Follow-Up on the 2022 Performance Audit:

Ministry of Natural Resources Niagara Escarpment Commission

Conserving the Niagara Escarpment

// Overall Conclusion

46 Recommended Actions



The Ministry of Natural Resources (Ministry) and the Niagara Escarpment Commission (Commission), as of September 1, 2024, have fully implemented 20% of actions we recommended in our 2022 audit **Conserving the Niagara Escarpment**. The Ministry and Commission have made progress in implementing an additional 17% of the recommended actions.

The Ministry has fully implemented recommendations such as appointing Commissioners on a timely basis with staggered terms, and working with the Commission to assess opportunities to align the Area of Development Control and the Niagara Escarpment Plan Area. The Commission has fully implemented recommendations such as implementing the 2015 Inspections, Investigation and Enforcement Protocol, completing the design and implementation of a modern information management system, providing a comprehensive orientation program for newly appointed members, and disclosing Commissioners' expense information on the Commission website.

However, the Ministry and Commission have made little progress on 35% of the recommended actions. For example, the Ministry has made little progress evaluating the financial and staffing resources needed to effectively and efficiently implement the *Niagara Escarpment Planning and Development Act* and the Niagara Escarpment Plan (Plan), establishing a funding program to complete the Niagara Escarpment Parks and Open Space System (Park System) and a permanent route for the Bruce Trail, developing management plans for its sites in the Park System, and working with Cabinet to make final decisions on six outstanding urban amendments. The Commission has made little progress developing a long-term strategic plan and publicly reporting on progress, evaluating the

permitted uses under the Plan so that criteria for compatible development can be strengthened, and assessing and allocating the resources needed to expand the Commission's public outreach and education program.

The status of actions taken on each of our recommendations is described in this report (see **Appendix** for more details).

// Standing Committee on Public Accounts

On June 5, 2023, the Standing Committee on Public Accounts (Committee) held a public hearing on our Conserving the Niagara Escarpment audit. In February 2024, the Committee tabled a report in the Legislature resulting from this hearing. The Committee endorsed our findings and recommendations, and made six additional recommendations. The Ministry and Commission reported back to the Committee in June 2024.

// Status of Actions Taken on Recommendations

We conducted assurance work between April 2024 and July 2024. We obtained written representation from the Ministry of Natural Resources (which was previously named the Ministry of Natural Resources and Forestry) and the Niagara Escarpment Commission that effective October 16, 2024, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

1. Weaknesses in the Niagara Escarpment Plan

In our original audit, we found that the Niagara Escarpment Plan Area does not cover all of the Niagara Escarpment (Escarpment). As a result, not all of the Escarpment is protected from incompatible development.

In addition, the Plan allows new and expanded aggregate operations on the Escarpment despite the environmental impacts, poor inspection rates, poor rehabilitation track record, and no required justification of need for pits and quarries. We found that 17 (or 31%) of 54 aggregate operations on the Escarpment were licensed for unlimited tonnage—with no restriction on the amount of material that can be mined each year. The Ministry had only inspected 14 (or 26%) out of 54 of the active extraction sites within the Plan Area in the previous five years, and two of these sites failed the inspection due to non-compliance with progressive rehabilitation requirements.

Finally, we found that changes to the Plan in 2017 allow development that harms endangered species' habitats; the Ministry changed the Plan to align it with changes made in 2007 to Ontario's endangered species legislation. As a result, protecting an endangered species' habitat is no longer explicit grounds for the Commission to refuse a development permit application. We had looked at a sample of 45 development permit applications submitted in 2020/21 for activities along the entire length of the Escarpment. For these applications, planners identified 27 (or 73%) as potentially having endangered species present. However, none of these cases resulted in the Ministry of the Environment, Conservation and Parks issuing a permit or other type of authorization under the *Endangered Species Act, 2007*.

Recommendation 1: Action Item 1

So that the Niagara Escarpment and land in its vicinity are maintained as a continuous natural environment, as mandated by the *Niagara Escarpment Planning and Development Act*, we recommend that the Ministry of Natural Resources and Forestry, in preparation for the next review of the Niagara Escarpment Plan, work with the Niagara Escarpment Commission to assess:

- the completeness of the Plan Area in including the entire Niagara Escarpment and sufficient adjacent lands, including natural heritage features;

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

The Ministry indicated that it will not be implementing this recommended action, as the Commission had already assessed over 80,000 hectares of land for inclusion in the Plan Area during the 2017 Niagara Escarpment Plan review. Following that assessment, the Commission concluded that 45,677 hectares of land could be added to the Plan area. In response to our 2022 audit, the Ministry indicated that, during the next scheduled review of the Plan, which could be initiated as early as 2025, the Ministry will review the Plan Area, considering the Commission's previous assessment that more than 45,000 hectares could be potentially added.

Recommendation 1: Action Item 2

- opportunities to align the Area of Development Control and the Plan Area.

Status:  **Fully implemented.**

Details

In our follow-up, the Ministry informed us that the Commission has conducted an analysis of the Plan Area boundary and Area of Development Control, identifying where the two are not aligned. The Ministry reported that it was unaware of any lands, other than lands in Dufferin County mentioned in our 2022 report, that are in the Area of Development Control but not the Plan Area. The Ministry indicated that, despite the Commission's analysis, no process has yet been initiated to align the boundaries, which could involve a regulatory amendment.

Recommendation 2: Action Item 1

To maintain the natural environment of the Niagara Escarpment and meet the purpose of the *Niagara Escarpment Planning and Development Act*, we recommend that the Ministry of Natural Resources and Forestry, in preparation for the next scheduled review of the Plan, assess the environmental impacts of aggregate extraction on the Niagara Escarpment, gathering the necessary information needed to conduct such an assessment and considering the Commission's recommendation to prohibit all new and expanded aggregate operations on the Escarpment.

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that the Ministry will not be assessing the environmental impacts of aggregate extraction on the Niagara Escarpment or considering the Commission's recommendation to prohibit all new and expanded aggregate operations on the Escarpment. During our follow-up, the Ministry responded that it had considered the Commission's recommendation to restrict new mineral aggregate extraction within the Plan Area, and determined that such a restriction would not be in keeping with the objectives of the Co-ordinated Land Use Planning Review, and would not support provincial interests.

Recommendation 3: Action Item 1

To effectively implement and improve the efficiency of the Niagara Escarpment Plan (Plan) to maintain the natural environment, we recommend that the Ministry of Natural Resources and Forestry, during the next scheduled review of the Plan, consult the Ministry of the Environment, Conservation and Parks and those with relevant expertise in species at risk to assess the sufficiency of the Plan and its measures at protecting endangered species and their habitat on the Escarpment, including the need to explicitly enable the Niagara Escarpment Commission to deny development permit applications that harm endangered species or their habitat, or to impose conditions when warranted.

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

In response to our 2022 report, the Ministry stated that the next opportunity to review the policies for development affecting natural heritage, including the habitat of endangered species and threatened species, is at the next scheduled review of the Plan. The Ministry had indicated that, during that review, the Ministry would review the sufficiency of measures to protect endangered species and their habitat on the Escarpment, and take corrective action as necessary. However, in our follow-up, we found that the Ministry did not commit to assessing the sufficiency of the Plan at protecting endangered species and their habitat on the Escarpment during the next scheduled review of the Plan. Rather, the Ministry noted that the scope of the next Plan review is unknown at this time and it is premature to assume what will or will not be assessed. The Ministry indicated that the Plan's natural heritage policies were updated during the previous review of the Plan in 2017 to acknowledge requirements for endangered and threatened species in alignment with the *Endangered Species Act, 2007*.

2. Lack of Tools to Measure Effectiveness of Escarpment Plan

In our original audit, we found that the Commission and the Ministry did not have sufficient performance measures and targets to evaluate whether the purposes and objectives of the Act and Plan are being achieved. We also found that there was no longer environmental monitoring, as there was no Commission staff, resources or programs to assess the state of the Escarpment. The Commission had an environmental monitoring specialist on staff until 2015, but the position was not renewed. Finally, the Commission had not assessed the cumulative effects of the more than 12,000 development permits that it has issued since 1975.

Recommendation 4: Action Items 1, 2, and 3

To measure the effectiveness of conserving the Niagara Escarpment, we recommend that the Niagara Escarpment Commission, adhering to guidance from the Treasury Board Secretariat:

- develop a performance measurement framework in collaboration with the Ministry of Natural Resources and Forestry that focuses on successful outcomes in achieving the purposes of the Niagara Escarpment Plan and the *Niagara Escarpment Planning and Development Act*;
- include the performance measurement framework within the long-term strategy described in Recommendation 7;
- publicly report on actual results against these performance measures every five years as part of a State of the Niagara Escarpment report.

Status:  **Will not be implemented.**

Details

We found that the Commission will not be implementing this recommendation. The Commission responded that developing such a performance measurement framework requires broader support, as other ministries (for example, the Ministry of Municipal Affairs and Housing) also have responsibilities related to performance indicators in the area covered by the Plan. The Commission noted that it will not be initiating work on its own to develop a performance measurement framework focused solely on the Niagara Escarpment, and will be encouraging the Ministry of Municipal Affairs and Housing to develop performance indicators in co-ordination with the Greenbelt Plan, the Oak Ridges Moraine Conservation Plan and the Growth Plan for the Greater Golden Horseshoe through the next co-ordinated review, which could be initiated as early as 2025.

Our Office supports the Commission working with the Ministry of Municipal Affairs and Housing and other relevant ministries to develop and publicly report on a performance measurement framework on outcomes to achieve the purposes of the Niagara Escarpment Plan and the *Niagara Escarpment Planning and Development Act*.

Recommendation 5: Action Item 1

To assess the effectiveness of the Niagara Escarpment Plan, and to promote a greater understanding of the Niagara Escarpment, we recommend that the Niagara Escarpment Commission in co-operation with the Ministry of Natural Resources and Forestry (Ministry):

- develop an environmental monitoring program, including leveraging existing Ministry datasets and resources, to effectively and regularly assess the state of the Escarpment and the effectiveness of Plan policies;

Status:  **In the process of being implemented by June 2025.**

Details

We found that the Commission will not be developing its own environmental monitoring program but has engaged with the Ministry to review existing datasets and ongoing monitoring activities that could be used or adapted to evaluate the state of the Escarpment, including longer-term trends. Based on information from the Southern Ontario Land Resource Information System (SOLRIS) and other sources, the Ministry is expected to provide the Commission with baseline data (from the year 2000) and ongoing data in five-year increments for analysis. The Commission intends to review this information by October 2024 and bring a draft plan for Commissioners' review and comment by June 2025.

Recommendation 5: Action Item 2

- provide sufficient staffing and resources for the monitoring program;

Status:  **Will not be implemented.**

Details

As the Commission will not be developing its own environmental monitoring program, it reported that additional staff and resources are not required and that this recommended action will not be implemented.

Recommendation 5: Action Item 3

- publicly and regularly report on the Commission's website the results of environmental monitoring.

Status:  **In the process of being implemented by March 2027.**

Details

By March 2027, the Commission intends to analyze trend data and post on its website the results of the environmental monitoring work described above.

Recommendation 6: Action Item 1

To minimize the impact of development on the natural environment, we recommend that the Niagara Escarpment Commission:

- evaluate the cumulative effects of development permit approvals on the Niagara Escarpment's natural environment and factor that into the permit approval process;

Status:  **In the process of being implemented by June 2025.**

Details

In our follow-up, the Commission noted that it considers cumulative effects as part of its review of every development application. The Commission noted, however, that this consideration is generally on a lot-by-lot basis, with applicants required, where requested by the Commission, to address cumulative effects through an environmental impact study if Commission staff feel the proposed development could result in cumulative effects that would violate specific policies of the Plan. The Commission further noted that, consideration of cumulative effects at the scale of the Plan and across the entire regulated area will be assessed by June 2025 through the environmental monitoring work outlined in Recommendation 5, and the Commission will work with the Ministry to review the policies for development control during the next scheduled review of the Plan.

Recommendation 6: Action Item 2

- publicly report on this information;

Status:  **In the process of being implemented by March 2027.**

Details

The Commission informed us that the timing of publicly reporting on the cumulative effects of development permit approvals will be aligned with the completion of the draft environmental monitoring plan described in Recommendation 5. In addition, the Commission indicated it was in the process of including by March 2027 a “Reports and Publications” section on its new website to house reports resulting from the monitoring work described in the action item above and Recommendation 5.

Recommendation 6: **Action Item 3**

- take corrective actions to ensure that only compatible development is allowed on the Niagara Escarpment.

Status:  **Fully implemented.**

Details

In our follow-up, the Commission noted that its staff review all development applications for consistency and compatibility with the policies of the Plan, the Provincial Policy Statement, and other relevant provincial policies and legislation. Where a proposal is not consistent with all policies, the Commission recommends that the proposal be refused.

3. Insufficient Effort to Conserve the Escarpment

In our original audit, we found that the Commission did not have a long-term strategic plan to achieve its legislative mandate to conserve the Escarpment; the Commission did not develop a new strategic plan after its 2012–2016 plan expired. Further, the Commission approved almost all (98.9%) of 1,661 development permit applications in the previous five years (2016/17 to 2021/22).

We also found that the Ministry did not have a plan or program to assist in financing the completion of the Niagara Escarpment Parks and Open Space System (a provincially co-ordinated network of parks and open spaces) and to secure a permanent route for the Bruce Trail. The Niagara Escarpment Plan committed to completing both the Park System and the Bruce Trail. Although the Province established a land securement program in 1985 for the Escarpment and allocated \$2.5 million annually for 10 years to secure additional land, the program was terminated in 1998 and not replaced.

We found that, despite requirements in the Niagara Escarpment Plan, only 74 (45%) of the Park System’s 163 sites had approved management plans to guide their protection. Finally, there was

no target to increase the number of protected areas on the Escarpment to better conserve the natural environment.

Recommendation 7: Action Items 1, 2, and 3

To guide decisions to effectively, efficiently and accountably achieve successful outcomes in conserving the Niagara Escarpment, we recommend that the Niagara Escarpment Commission:

- develop a long-term strategic plan in collaboration with the Ministry of Natural Resources and Forestry that outlines specific actions, with associated timelines, that will be undertaken in association with its partners;
- implement the strategy;
- publicly report annually on the progress toward achieving the strategy's objectives.

Status:  **Little or no progress.**

Details

We found that the Commission has not developed, implemented or publicly reported on a long-term strategic plan that outlines specific and time-bound actions to be undertaken in association with its partners. Previously, the Commission had a 2012–2016 strategic plan with 10 goals and 40 actions to preserve, protect and promote the Escarpment, and uphold its United Nations Educational, Scientific and Cultural Organization (UNESCO) World Biosphere reserve designation. Rather than undertake work to develop a new strategic plan that replaces the expired one, the Commission asserted that it can achieve longer-term strategic planning, including goals, actions and performance measures, by revising its annual business plan. The Commission intends to review its annual business plan to determine any opportunities for enhancements related to identifying longer-term outcomes. If any enhancements are identified, the Commission would report on those through its public annual reports.

Recommendation 8: Action Item 1

To better conserve nature, promote sustainable development, and maintain United Nations biosphere designations, we recommend that the Ministry of Natural Resources and Forestry develop and implement strategic direction and policies to support Ontario's other three Biosphere Regions (Long Point, Georgian Bay and Frontenac Arch).

Status:  **Will not be implemented.**

Details

We found that the Ministry will not be developing and implementing strategic direction and policies to support Ontario's other three Biosphere Regions. Rather, the Ministry noted that it will continue to work collaboratively with the federal government, which it pointed to as the lead for biosphere reserves in Canada.

Recommendation 9: Action Items 1 and 2

So that the natural environment is effectively conserved and only compatible development is allowed on the Niagara Escarpment, consistent with the purpose of the *Niagara Escarpment Planning and Development Act*, we recommend that the Niagara Escarpment Commission:

- evaluate the permitted uses under the Niagara Escarpment Plan so that the criteria for what is considered compatible development is strengthened, providing the Commission greater means to deny permits when appropriate;
- work with the Ministry of Natural Resources and Forestry during the next Plan review to update the types of, and criteria for, compatible development.

Status:  **Little or no progress.**

Details

We found that the Commission had made little progress on these recommended actions. The Commission indicated that, with government direction and support, it will work with the Ministry during the next scheduled review of the Plan to evaluate the permitted uses under the Plan's designations.

Recommendation 10: Action Item 1

To meet the Niagara Escarpment Plan objectives of completing the Niagara Escarpment Parks and Open Spaces System and securing a permanent route for the Bruce Trail, we recommend that the Ministry of Natural Resources and Forestry, in collaboration with the Niagara Escarpment Commission:

- demonstrate a commitment for the completion of the Park System and the securement of a permanent route for the Bruce Trail by using both goals as key indicators in the performance measurement framework described in Recommendation 4;

Status:  **Will not be implemented.**

Details

We found that the Ministry will not be implementing this recommended action, noting that implementing a performance measurement framework requires broader support, as other ministries (for example, the Ministry of Municipal Affairs and Housing) also have responsibilities related to performance indicators in the area covered by the Plan.

Recommendation 10: Action Item 2

- establish a funding program dedicated to securing lands to complete the Park System and a permanent route for the Bruce Trail;

Status:  **Little or no progress.**

Details

We found that the Ministry had not established a funding program dedicated to securing lands to complete the Park System and a permanent route for the Bruce Trail. The Ministry indicated that, while it will explore opportunities to help complete and/or enhance the Park System and a permanent route for the Bruce Trail, this may or may not involve funding.

Recommendation 10: Action Item 3

- work with the Bruce Trail Conservancy to realize efficiencies that would expedite the process, and decrease the expense, of securing a permanent route for the Bruce Trail.

Status:  **Little or no progress.**

Details

We found that the Ministry has made little progress on this recommended action, but indicated that it will support the Commission in working with the Bruce Trail Conservancy to review the Commission's development permit process for conservation land applications.

Recommendation 11: Action Item 1

To effectively conserve the Niagara Escarpment's natural environment and meet the requirements of the Niagara Escarpment Plan, we recommend that the Ministry of Natural Resources and Forestry:

- develop management plans for its sites in the Niagara Escarpment Parks and Open Space System that reflect the minimum standards and best practices in its planning manual;

Status:  **Little or no progress.**

Details

We found that none of the planning direction for the Ministry's 14 sites in the Park System have been endorsed by the Commission or updated since the release of the 2021 planning manual to reflect the manual's minimum standards and best practices. While the Ministry noted that all Ministry-managed sites are subject to the Plan's Land Use Policy Designations and Development Criteria, the Ministry does not have a plan to update the planning direction.

Recommendation 11: Action Item 2

- provide needs-based financial assistance to other entities to develop management plans for their sites in the Park System.

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that, though the Ministry released the 2021 planning manual to help agencies streamline the development of management plans, the Ministry will not be providing needs-based financial assistance to other entities to develop management plans for their sites in the Park System.

Our Office continues to support the implementation of this recommended action. Since 1985, the Niagara Escarpment Plan has directed that each site within the Park System have a management plan. Management plans are an accountable way to identify and address priorities for a park or open space to guide its protection and management over the long term. However, costs have been identified as a barrier to the development of management plans, especially for some smaller and more rural conservation authorities. Without a plan, sites are more likely to be managed in an *ad hoc* manner.

Recommendation 12: Action Items 1 and 2

To help drive continuous improvement and achieve the purpose of the *Niagara Escarpment Planning and Development Act* to conserve the natural environment, we recommend that the Niagara Escarpment Commission:

- develop in collaboration with the Ministry of Natural Resources and Forestry, the Niagara Escarpment Parks and Open Space System Council, and other partners, a long-term area-based target for expanding the number and size of protected areas on the Niagara Escarpment;
- include the protected-areas target in the performance measurement framework described in Recommendation 4.

Status:  Little or no progress.

Details

We found that little progress had been made implementing this recommendation. The Commission noted that, because the development of protected-areas targets for the Escarpment is not solely within its responsibility, the Commission will, with government direction, collaborate with the Ministry of Natural Resources and Forestry, the Ministry of the Environment, Conservation and Parks, and other partners to develop a protected-areas target for the Escarpment, and will include this target in the Commission's 2027 business plan once the co-ordinated review of land use plans is completed in 2027 (see Recommendation 4).

4. Deficiencies in the Plan's Administration

In our original audit, we found that reports of possible contraventions had climbed 82% over the previous five years, but no charges had been laid under the Act since 2014. In addition, the Commission had not conducted sufficient public outreach to promote the Plan, and was unnecessarily reviewing applications that do not require a development permit, contributing to a backlog of permits to be processed. Further, the Commission's computer database lacked modern search capabilities, did not have the capacity for electronic submissions from the public, was prone to data-entry error, and could not be used to accurately measure the Commission's performance over time.

Our audit also found that Plan amendments can languish for years, and the Ministry provided insufficient financial and staffing resources to the Commission to ensure the Plan and Act were being effectively and efficiently implemented; between 2017/18 and 2019/20, the Commission maintained an operational deficit and was forced to cut costs by cancelling Commission meetings or delaying IT repairs. We found that the Commission identified in 2012, 2015 and 2018 that

charging fees for development applications or other services, which could discourage activities that negatively impact the Escarpment, was needed to offset program delivery costs.

Recommendation 13: Action Item 1

So that only development compatible with the natural environment occurs, as directed by the *Niagara Escarpment Planning and Development Act*, we recommend that the Niagara Escarpment Commission work with the Ministry of Natural Resources and Forestry (Ministry) to:

- fully implement the 2015 Inspections, Investigation and Enforcement Protocol, including conducting all required meetings between Commission and Ministry staff to collaborate on enforcement issues;

Status:  **Fully implemented.**

Details

We found that the Commission had worked with the Ministry to fully implement the 2015 Inspections, Investigation and Enforcement Protocol. This included preparing a 2022–23 compliance report and 2023–24 compliance work plan, and conducting all required meetings between Commission and Ministry staff, though no meeting agendas or minutes were available.

Recommendation 13: Action Item 2

- develop procedures and protocols to better address occurrences of non-compliance, including how staff gather information, how high-risk occurrences should be dealt with, and how information is exchanged with the Ministry.

Status:  **In the process of being implemented by March 2025.**

Details

We found that the Commission and Ministry have commenced discussions toward the development and/or revisions of procedures and protocols to better address occurrences of non-compliance. The Commission expects that, by March 2025 and with support from the Ministry, it will continue developing procedures and protocols that leverage existing information and tools.

Recommendation 14: Action Items 1 and 2

So that Ontarians are effectively informed about the Niagara Escarpment in a way that contributes to the effective and efficient implementation of the Niagara Escarpment Plan, we recommend that the Niagara Escarpment Commission, in collaboration with the Ministry of Natural Resources and Forestry:

- assess the resources needed to expand the Commission's public outreach and education program, including improving the information shared with the public on its website;
- allocate such resources for the Commission to implement a renewed public outreach and education program.

Status:  **Little or no progress.**

Details

We found that the Commission has not assessed the resources needed to expand its public outreach and education program. However, to implement this recommendation, the Commission has reviewed its communications and marketing approach and developed a two-year workplan ("Communicate, Collaborate, Consult") to build a stronger marketing and communications program. The workplan includes strategies with supporting tactics to: make it easier to do business with the Commission; raise the profile of the Escarpment and Commission; foster collaboration and engagement with municipalities, agencies, ministries and stakeholders; and facilitate engagement and implement the duty to consult Indigenous communities.

The workplan specifies the expected timelines for various tactics (either 2022, 2022/23 or "ongoing") and the budget (the balance of funds allocated from the Ontario Heritage Trust) to support and fund the Commission's marketing, outreach, education and conferences. However, it does not include an assessment of the resources needed to expand the Commission's public outreach and education program. While the Commission has dedicated one full-time staff member to its communications and marketing activities, and other staff may be engaged as their subject matter expertise is required, it noted that no dollars have been specifically earmarked for public outreach and education, and the Commission continues to look for ways to expand its existing materials and software to deliver outreach and education with municipalities at no cost. Without an assessment of the resources actually needed, the Commission may be allocating insufficient resources to effectively expand its public outreach and education program.

Recommendation 15: Action Item 1

So that only compatible development occurs on the Niagara Escarpment, as required by the *Niagara Escarpment Planning and Development Act*, and so that the Commission is effectively and efficiently implementing the Niagara Escarpment Plan, we recommend that the Ministry of Natural Resources and Forestry, in collaboration with the Niagara Escarpment Commission, review and update Regulation 828 (Development within the Development Control Area) to modernize which activities are exempted from requiring a development permit.

Status:  **In the process of being implemented by late fall 2024.**

Details

We found that in May 2024, the Ministry posted a proposal notice on the Environmental Registry (#019-8364), seeking public comment on amendments to Regulation 828 to “clarify, amend and expand existing exemptions for development that do not require a development permit under the Act and exempt additional activities that are unlikely to have a significant environmental impact.” The Ministry expects amendments to be made to Regulation 828 by late fall 2024.

Recommendation 16: Action Item 1

So that the Niagara Escarpment Plan is efficiently implemented and decisions on Plan amendments are made in a reasonable time, we recommend that the Ministry of Natural Resources and Forestry work with Cabinet to make final decisions on the six outstanding urban amendments.

Status:  **Little or no progress.**

Details

We found that the Ministry had made little progress implementing this recommendation, responding that it continues to consider all outstanding Plan amendments.

Recommendation 17: Action Item 1

So that staff are more able to effectively and efficiently operate and implement the Niagara Escarpment Plan, we recommend that the Niagara Escarpment Commission complete the design and implementation of a modern information management system.

Status:  **Fully implemented.**

Details

We found that the Commission launched its new information management system (found online at necinfosystem.escarpment.org) for internal and public use in March 2024.

Recommendation 18: Action Items 1 and 2

So that the purposes of the *Niagara Escarpment Planning and Development Act* (Act) and the Niagara Escarpment Plan (Plan) are upheld, we recommend that the Ministry of Natural Resources and Forestry:

- evaluate the financial and staffing resources needed to effectively and efficiently implement the Act and Plan, in collaboration with the Niagara Escarpment Commission and conservation partners;
- take corrective action by allocating sufficient financial and staffing resources.

Status:  Little or no progress.

Details

We found that, while the Commission's business plans provide a three-year planning horizon for its operations, the Ministry has not evaluated the financial and staffing resources needed to effectively and efficiently implement the Act and Plan, and then taken corrective action by allocating the estimated resources needed.

Recommendation 19: Action Item 1

To improve the sufficiency of financial resources available for actions to conserve the Niagara Escarpment, we recommend that the Ministry of Natural Resources and Forestry take the steps necessary to have the *Niagara Escarpment Planning and Development Act* amended to enable the Niagara Escarpment Commission to charge fees.

Status:  Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that the Ministry will not be proceeding with amendments to the Act to enable the Commission to charge fees. The Ministry indicated that enabling the Commission to charge fees for reviewing and commenting on development proposals needs to be considered in light of the total

impact of fees charged across provincial bodies, including those that can affect housing prices and other types of development.

Recommendation 20: Action Items 1 and 2

To improve the sufficiency of financial resources available for actions to conserve the Niagara Escarpment, we recommend that the Niagara Escarpment Commission:

- develop a fee schedule for development permit applications, plan amendment applications, appeals and other services to recover program costs;
- implement the fee schedule once enabled to do so.

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that, at this time, the Commission will not be developing and implementing a draft fee schedule to recover program costs. According to the Commission, charging fees for reviewing and commenting on development proposals needs to be considered in light of the total impact of fees charged across provincial bodies, including those that can affect housing prices and other types of development.

5. Opportunities to Enhance Commission Oversight, Transparency, and Representation

In our original audit, we found that a lack of timeliness in the Ministry's appointment process had negatively impacted the functioning of the Commission. For example, delays in appointing a new Chair resulted in no Commission meetings being held from early October 2019 until mid-March 2020, when a new Chair was appointed, and three meetings were cancelled in 2017 because no Chair was appointed. We found that the Act does not provide for a Vice Chair position on the Commission, and that the Commission's Guidelines for Procedures at Meetings further noted that there is no mechanism to temporarily designate an interim Chair if the Chair is unable to fulfil their responsibilities for any reason.

Further, appointments of public-at-large Commissioners did not provide a balanced representation of regions, expertise and interests. For example, six of the nine public-at-large members, including the Chair, represented the Niagara region, creating a disproportionate number of Commissioners from one of the Plan Area's eight geographical regions.

Finally, we found that new Commissioners were provided with only a day of training when initially appointed, and then limited ongoing development throughout their tenure. The Commission did not have a conflict-of-interest policy specific to the role of the Commissioners, nor were Commissioners required to complete an annual Conflict of Interest Declaration Form.

Recommendation 21: Action Item 1

To support the Niagara Escarpment Commission in operating with a full and diverse complement of Commissioners to conduct meetings and consistently achieve quorum, we recommend that the Minister of Natural Resources and Forestry:

- appoint Commissioners on a timely basis, with staggered terms, where possible, to provide for an orderly transition of appointees;

Status:  **Fully implemented.**

Details

We found that Commissioners have largely been appointed or reappointed on a timely basis with staggered terms. The Ministry indicated that its appointment tracker is reviewed and updated on a monthly basis, identifying appointments expiring within six months, reappointment status (if applicable), the Minister's Office recommendation, and whether quorum is at risk. Though the July 2024 Commission meeting was cancelled due to the lack of a Chair, a new Chair was appointed in July 2024, and the August 2024 meeting went ahead as scheduled.

Recommendation 21: Action Item 2

- appoint a balanced composition on the Commission that better reflects a diverse mix of perspectives, professional backgrounds, geographical regions and gender.

Status:  **Little or no progress.**

Details

We found that the composition on the Commission was still not balanced to reflect a diverse mix of perspectives, professional backgrounds, geographical regions and gender. For example, as of June 2024, only five (29%) of the 17 Commission members were women; a disproportionate number of the public-at-large members (four of nine) were from one of the Plan Area's eight geographical regions (Niagara); and the Ministry was unaware of any Indigenous representation on the Commission. The Ministry indicated that, per the principles governing the appointment process, it

considers various factors when evaluating public-at-large candidates, including relevant knowledge and expertise, community involvement and governance experience.

Recommendation 22: Action Item 1

To strengthen the orientation processes for new Commissioners, and the ongoing training and development for existing Commissioners, we recommend that the Niagara Escarpment Commission (Commission):

- provide a comprehensive orientation program for newly appointed members that includes training on the Commission's decision-making processes;

Status:  **Fully implemented.**

Details

We found that the Commission had updated its orientation program for newly appointed Commissioners in July 2023 and circulated it to all Commissioners shortly thereafter. The orientation binder covers: the Escarpment's features; Ontario's land-use planning framework; the history of land-use planning on the Escarpment; the legislative and regulatory framework; the Plan's structure and content; the Commission and its governance, staff and operations; and the Escarpment's designation as one of Canada's 19 UNESCO World Biosphere Reserves. At the Commission's August 2023 meeting, management provided training to new Commissioners.

Recommendation 22: Action Item 2

- provide opportunities for the ongoing training and development of Commissioners over a specified time frame;

Status:  **Fully implemented.**

Details

We found that the Commission had provided opportunities since our audit report for ongoing training and development of Commissioners. This has included, for example, training for Commissioners on per diems and expenses, the process for amending the Plan, and on the Act and the Commission's role in implementing it.

Recommendation 22: Action Item 3

- provide enhanced orientation training for Chairs with respect to the increased responsibilities and requirements of the role.

Status:  **Fully implemented.**

Details

A new Chair was appointed in July 2023. The Commission informed us that orientation training for this new Chair has occurred via a series of one-on-one conversations with the Commission's Director, as well as during monthly Commission meetings.

Recommendation 23: Action Items 1 and 2

To strengthen its conflict-of-interest policies and processes, and its expense-disclosure processes, we recommend that the Niagara Escarpment Commission:

- establish a conflict-of-interest policy for Commissioners;
- require all members to complete an annual Conflict of Interest Declaration Form that is reviewed by the Chair;

Status:  **In the process of being implemented by January 2025.**

Details

We found that the Commission had started drafting a conflict-of-interest policy for Commissioners. A draft was shared with the Commissioners in November 2023 and discussed with them in December 2023. The Commission expects a revised draft policy to be shared with Commissioners by January 2025 for their review and comment.

The November 2023 draft policy contained requirements for Commissioners to annually disclose conflicts of interest (including perceived or potential conflicts) to be reviewed and addressed by the Chair (or the Integrity Commissioner of Ontario in the case of the Chair). The Commission also told us that the finalized conflict-of-interest policy, once adopted, will require members to complete an annual Conflict of Interest Declaration Form.

Recommendation 23: Action Item 3

- ensure that Commissioners' expense information is disclosed on the Commission website.

Status:  **Fully implemented.**

Details

We found that, since June 2022, the Commission has reported Commissioners' travel expenses on a quarterly basis on its website (escarpment.org/about/agency-directives-and-reporting/).

// Appendix

Recommendation Status Overview

	# of Action Items	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	3				3	
Recommendation 5	3		2		1	
Recommendation 6	3	1	2			
Recommendation 7	3			3		
Recommendation 8	1				1	
Recommendation 9	2			2		
Recommendation 10	3			2	1	
Recommendation 11	2			1	1	
Recommendation 12	2			2		
Recommendation 13	2	1	1			
Recommendation 14	2			2		
Recommendation 15	1		1			
Recommendation 16	1			1		
Recommendation 17	1	1				
Recommendation 18	2			2		
Recommendation 19	1				1	
Recommendation 20	2				2	
Recommendation 21	2	1		1		
Recommendation 22	3	3				
Recommendation 23	3	1	2			
Total	46	9	8	16	13	0
%	100	20	17	35	28	0

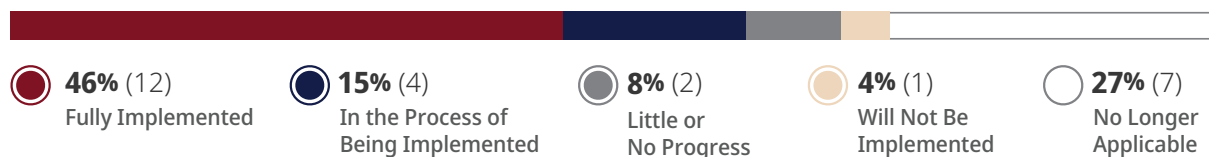
Follow-Up on the 2022 Performance Audit:

Treasury Board Secretariat
Supply Ontario
Ministry of Health

COVID-19 Contracts and Procurement

// Overall Conclusion

26 Recommended Actions



The Treasury Board Secretariat (TBS), Ministry of Health (MOH) and Supply Ontario (SO), which since our 2022 audit has taken over personal protective equipment (PPE) procurement responsibilities from the Ministry of Public and Business Service Delivery, as of August 31, 2024, have fully implemented 46% of actions we recommended in our **2022 COVID-19 Contracts and Procurement audit**. Progress has been made in implementing an additional 15% of the recommendations.

TBS, MOH and SO have fully implemented recommendations such as requiring the expected date of procurement to be identified as part of the notification for emergency procurements under the Ontario Public Service Procurement Directive (Procurement Directive), and assessing and updating the dollar thresholds in the Procurement Directive with consideration for inflationary increases and thresholds in other jurisdictions. In addition, they have fully implemented recommendations that include establishing a process to continuously review the Procurement Directive, and requiring the use of the Vendor Performance Management Framework under the Procurement Directive, including the formal documentation of the roles and responsibilities by each ministry.

However, TBS, MOH and SO have made little progress on 8% our recommendations including to require that ministries document what safeguards they must use to prevent bias and perceived and actual conflicts of interest during the procurement process for all non-competitive procurements.

The status of actions taken on each of our recommendations is described in this report (see **Appendix** for more details).

// Status of Actions Taken on Recommendations

We conducted assurance work between April 1, 2024, and August 31, 2024. We obtained written representation from TBS, MOH and SO, which took over PPE procurement responsibilities from the Ministry of Public and Business Service Delivery, that effective October 4, 2024, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

1. Most COVID-19 Procurements Complied with the Ontario Public Service Procurement Directive

In our audit, we found that ministries were able to procure goods and services in unforeseen situations of urgency (emergency exception) without prior Treasury Board/Management Board of Cabinet (TB/MBC) approval, but ministries were to promptly notify the Secretary of TB/MBC of the procurement activity.

We found that prompt notification was not done for 11% of all emergency COVID-19 procurements by ministries between March 2020 and March 2022, which resulted in TBS not always having accurate information on COVID-19 spending during this period.

Recommendation 1: Action Items 1 and 2

So that it can effectively perform its oversight function during unforeseen situations of urgency, we recommend that the Treasury Board Secretariat:

- require the expected date of procurement to be identified as part of the notification for emergency procurements under the Ontario Public Service Procurement Directive (Procurement Directive); and
- remind ministries of the requirement to submit a notification within a specified and reasonable time when a contract or purchase order is issued for emergency procurements under the Procurement Directive, and provide guidance of what is considered reasonable.

Status:  Fully implemented.

Details

We found that in August 2023, TBS updated the notification template for emergency procurements (a non-competitive procurement conducted without TB/MBC approval due to an unforeseen situation of urgency). The updated notification template requires ministries to specify the intended start and end dates of service contracts or the targeted delivery dates for goods. Additionally, we found that in August 2023, TBS updated the guidance provided to ministries conducting emergency procurements on the government's Intranet page. Specifically, the guidance details that ministries undertaking emergency procurements must complete a template notification memo and submit it to TBS as soon as they know of their need to procure.

2. The Ontario Public Service Procurement Directive Has Not Been Updated Since 2014

In our audit, we found that ministries are required to obtain TB/MBC approval before entering into contracts if the contract exceeds established dollar values, but these thresholds have not been updated since 2014.

Recommendation 2: Action Items 1 and 2

To provide relevant information and guidance in the Ontario Public Service Procurement Directive (Procurement Directive), we recommend that the Treasury Board Secretariat:

- assess the dollar thresholds in the Procurement Directive, and update them with consideration for inflationary increases since the thresholds were first established and the thresholds in other jurisdictions;
- establish a process to continuously review the Procurement Directive, such as every three years, so that information continues to be relevant, including roles and responsibilities;

Status:  Fully implemented.

Details

We found that TBS updated the Procurement Directive in September 2023 and April 2024. Previously, ministries were required to use a competitive procurement process for goods exceeding \$25,000 and for services exceeding \$100,000. In September 2023, TBS assessed and adjusted the dollar thresholds in the Procurement Directive and increased these thresholds to \$30,300 and \$121,200, respectively, which aligns with those within domestic trade agreements, such as the Canadian Free Trade Agreement (an agreement between federal, provincial and territorial governments). In addition, TBS added to the Procurement Directive a responsibility to review the Procurement Directive on a regular basis.

Recommendation 2: Action Item 3

- conduct an overall review of the Procurement Directive within the next year.

Status:  **In the process of being implemented by March 31, 2025.**

Details

TBS informed us that it plans to complete a comprehensive review of the Procurement Directive by March 31, 2025.

3. A Total of \$66 Million of Personal Protective Equipment (PPE) Expired, Was Damaged or Became Obsolete and Required Disposal

In our audit, we found that MOH and Ministry of Public and Business Service Delivery had a combined total of \$66 million of PPE that expired, was damaged, or became obsolete and was written off as of March 31, 2022.

We also found that the Ministry of Public and Business Service Delivery expected to have a large stockpile of over 100 million N95 respirators by March 2030 (worth \$81 million) due to a large purchase commitment made to attract the establishment of domestic manufacturing facilities.

Additionally, we found some excess inventory is being held in case of a future surge in demand, but the Ministry of Public and Business Service Delivery needs to further develop a plan for potential uses if the surge does not occur.

Recommendation 3: Action Items 1, 2, 3 and 4

To manage the inventory of personal protective equipment (PPE) that the Ministry of Public and Business Service Delivery (Business Service Delivery Ministry) is contractually committed to purchase from domestic manufacturers, and to minimize storage costs, we recommend that the Business Service Delivery Ministry:

- semi-annually (at a minimum) update its forecast of PPE usage and compare this to its required purchases, to anticipate what excess inventory will need to be distributed to other sectors or organizations before expiry;

- co-ordinate with the Ministry of Health and Ontario Health (on behalf of hospitals) so that the portion of PPE inventory held by the Business Service Delivery Ministry for the health sector is incorporated into the Ministry of Health's and hospitals' inventory management plans;
- work with other health-care and non-health-care, ministries and the broader public sector (including long-term-care homes and school boards) to identify ways to use forecast excess inventory; and
- distribute inventory in accordance with the identified plans, including any forecast excess inventory.

Status:  **Fully implemented.**

Details

We found that SO, an Ontario Crown agency that was established in 2020 to centralize procurement across the public sector, in 2022 assumed responsibility for managing the supply chain and procurement for PPE from the Ministry of Public and Business Service Delivery. Since then, SO has established forecasting models that are continuously updated to predict PPE consumption for all public-sector entities. The models can be adjusted to reflect changes in workforce size, consumption patterns or epidemiological conditions. In addition, the model tracks the government's contractual commitments to purchase PPE from domestic manufacturers as part of its tracking of estimated inventory levels so that the PPE can be distributed based on first expiry.

Furthermore, since December 2022, SO has been communicating with hospitals and other health organizations about upcoming PPE expiry. This initiative aims to distribute PPE that is close to expiration to reduce waste.

We also found that all public-sector health entities have been onboarded to the PPE Supply Portal. This portal allows entities to order PPE from the Province's centralized PPE stockpile as part of their regular inventory management planning. Excess PPE inventory is identified through the PPE demand and supply planning process and used to fulfill orders made by health-care providers. The forecast PPE demands of different sectors, such as health, long-term care and schools, are also part of this process.

Additionally, since November 2023, SO has been working to integrate PPE stockpile supplies into hospital inventories. Hospitals that have not yet incorporated the PPE stockpile into their inventory systems are being actively contacted by SO to facilitate this integration.

4. Better Co-ordination When Purchasing Similar Goods and Services Would Have Allowed the Province to More Effectively Respond to COVID-19 at a Lower Overall Cost

In our audit, we found that similar goods and services were procured separately by different ministries and the broader public sector at the same time.

We also found that Ontario Health and the Ministry of Education entered into separate contracts for mobile COVID-19 testing vendors and did not co-ordinate the selection of testing locations. About \$18.7 million of \$32.3 million was paid for underutilized mobile testing services at locations where more individuals could have been tested at the same cost.

Additionally, we found that the Ministry of Education operated clinics on a walk-in basis, so appointment information was not collected by the Ministry to proactively identify locations with little testing demand. These clinics were underutilized, testing at between 2% and 7% of the potential capacity on average, instead of being made available to other priority groups with a co-ordinated effort at the same cost.

Recommendation 4: Action Item 1

So that spending on COVID-19 testing sites is cost-effective, we recommend that the Ministry of Health co-ordinate all COVID-19 testing to reflect the consolidated needs of the Ministry of Education, Ontario Health, and Public Health Units in the future.

Status: ☐ No longer applicable.

Details

We found that the MOH wound down the operations of all standalone COVID-19 testing sites as of March 31, 2024. Consequently, MOH is no longer anticipating future funding for standalone COVID-19 testing sites. This termination of standalone testing operations, and the subsequent transition of COVID-19 testing into regular health-care settings, means that there will be no need for further co-ordination or consolidation of standalone testing needs or costs across different ministries and government agencies.

Recommendation 5: Action Items 1, 2 and 3

To maximize the benefit to the public of future contracted COVID-19 testing resources, we recommend that the Ministry of Health:

- regularly collect and assess data on the performance of testing sites, including on the number of appointments compared to site capacity, and the number of swabs collected by the site;
- use this data to make decisions on future COVID-19 testing options, site operations and any need to contract for additional sites; and
- negotiate future contract terms that allow for the cost-effective early termination of the contract or cancellation of testing sites, and take such action when the above analysis justifies its use so that the Province does not pay for excessive unused services.

Status: ☐ No longer applicable.

Details

We found that due to decreased demand for COVID-19 testing, MOH shut down all standalone COVID-19 testing sites as of March 31, 2024. MOH informed us that the majority of contracts for COVID-19 testing services were held by Ontario Health, which regularly collected and assessed data on site performance and monitored the volume of individuals accessing services to optimize testing resources and delivery. Starting in November 2022, Ontario Health negotiated contracts with the sites that included clauses that allowed for the cost-effective early termination or cancellation of agreements with these sites.

5. Use of Emergency Exception to Non-competitively Procure Contracts Was Appropriate in Most Cases, Except for Certain Vaccination Clinic Contracts

In our audit, we found that between January 2021 and January 2022, the Ministry of the Solicitor General entered into several non-competitive vaccine clinic contracts, and their rationale was that a competitive process would take over six months.

Recommendation 6: Action Item 1

So that competitive procurements are encouraged and can be conducted in a timely manner in unforeseen situations of urgency, we recommend that the Treasury Board Secretariat modify the Ontario Public Service Procurement Directive to allow for shorter minimum bid response times (less than the current minimum of 30 days) for open competitive procurements with contract values above \$548,700 for better alignment with the policies used in other Canadian provinces.

Status:  **Will not be implemented.**

Details

We found that TBS, based on advice from Ontario government supply chain operations, trade policy and trade legal experts, has decided that the minimum bid response time of 30 days is being maintained to balance timely delivery and efficient response from the vendor pool.

Recommendation 7: Action Item 1

So that procurements are made free from bias and perceived or actual conflicts of interest, we recommend the Treasury Board Secretariat update the Ontario Public Service Procurement Directive to require that ministries document what safeguards they must use to prevent bias and perceived and actual conflicts of interest during the procurement process for all non-competitive procurements.

Status:  **Little or no progress.**

Details

TBS told us that during its comprehensive review of the Procurement Directive, scheduled for completion in March 2025 (see **Recommendation 2, action 3**), it will consider including requirements for ministries to document the safeguards to prevent bias and perceived or actual conflicts of interest for non-competitive procurements.

6. Better Monitoring of Usage Is Needed to Promote Equal and Fair Distribution When Supply of Rapid Antigen Tests Is Limited

MOH led the distribution of free rapid antigen tests to eligible workplaces starting in November 2020 so employers could screen employees for COVID-19.

In our audit, we found that MOH did not request employee numbers from large organizations to confirm the quantity of tests ordered was reasonable based on the provincial health guidance testing frequency at that time. Local Chambers of Commerce and Boards of Trade collected this information before fulfilling requests from small- and medium-sized organizations.

We also found MOH did not monitor that large organizations reported results for tests used prior to fulfilling requests for more tests.

Recommendation 8: Action Items 1, 2 and 3

To provide equitable access to COVID-19 testing resources in the future when needed, we recommend that the Ministry of Health implement the following controls for future orders under a program with requirements that would be similar to the Provincial Antigen Screening Program:

- require and ensure that all organizations report their number of employees;
- compare the number of employees against the requested number of tests to monitor that organizations' orders correspond to public health guidance; and
- follow up on variances and use this information to determine whether further distribution of product is needed.

Status: ☐ No longer applicable.

Details

We found that as of June 30, 2023, MOH reduced eligibility to the Provincial Antigen Screening Program due to lower rates of COVID-19, high vaccination rates and decreased demand for rapid antigen tests. As a result, organizations (other than health-care providers, congregate living settings and high-risk populations) became ineligible to order rapid antigen tests as of June 30, 2023. In spring 2024, the Ministry urged the remaining eligible sectors such as health-care providers and congregate living settings to order rapid antigen tests while supplies in the provincial stockpile lasted. MOH and SO informed us that they continue to monitor supply and demand for rapid antigen tests and that any future purchases would be based on testing eligibility policy defined by the Chief Medical Office of Health.

7. Risk of Contracting with Poor Performing Vendors Because Vendor Performance Assessments Are Not Documented Prior to Entering into New Contracts

In our audit, we found that ministries did not formally document vendor performance when the contract was completed. For example, the Province's prior history with a vendor was used as part of the Ministry of the Solicitor General's justification to contract with the same vendor; however, the Ministry did not obtain feedback on the vendor's performance during its contracting process.

We also found the Ministry of Public and Business Service Delivery contracted with a vendor for transportation services and the contract had performance improvement clauses, but the terms were not enforced by the Ministry (such as requesting evidence of market rates being charged to the Ministry as part of review meetings).

Recommendation 9: Action Item 1

So that vendor performance is assessed and taken into consideration for future procurements, we recommend that the Treasury Board Secretariat and Ministry of Public and Business Service Delivery:

- require the use of the Vendor Performance Management Framework under the Procurement Directive, including the formal documentation of the roles and responsibilities by each ministry;

Status:  **Fully implemented.**

Details

We found that in September 2023, TBS updated the Procurement Directive to specify the requirement for ministries to review and measure the vendor's performance. The Procurement Directive, located on the government's Intranet, also includes a link to the Vendor Performance Management Framework, which was developed in 2020 as a resource to assist ministries with their vendor performance management activities.

Recommendation 9: Action Item 2

- implement a method for sharing Vendor Performance Management Scorecards across ministries for all vendors that ministries contract with as part of the assessment being completed in response to the recommendation from the Office of the Auditor General of Ontario's 2016 Annual Report of Supply Chain Ontario and Procurement Practices.

Status:  **Little or no progress.**

Details

We found that the Ministry of Public and Business Service Delivery and Procurement is conducting research on leading practices from other jurisdictions regarding vendor performance management and to determine the best way to share vendor performance information. The results of this work will inform the Ontario Public Service approach to support sharing vendor performance information with Ontario Public Service buyers. The results of this work will also inform TBS's comprehensive review of procurement rules, scheduled for completion by March 2025.

Recommendation 10: Action Items 1, 2 and 3

To promote continuous improvement in current and future contracts for transportation services, we recommend the Ministry of Public and Business Service Delivery:

- conduct a pricing review as part of the quarterly review meetings with the vendor and use this information to inform further discussions and pricing negotiation;
- work with the vendor to develop a corrective action plan if key performance indicators do not meet targets for consecutive periods; and
- include these best practices in future contracts.

Status:  **In the process of being implemented by December 31, 2024.**

Details

We found that as part of the quarterly review meetings with the vendor, SO (who assumed responsibility for this contract from the Ministry of Public and Business Service Delivery) has been requesting evidence of market price rates to conduct regular invoice price reviews.

Since our 2022 audit, SO has continued to monitor the key performance indicators within the contract. Between the audit in 2022 and July 2024, there were no instances identified where the vendor's poor performance led to key performance indicators not being met for two consecutive

periods, and therefore it has not been necessary to develop a corrective action plan (a corrective action plan would be only necessary if key performance indicators were not met). However, Supply Ontario continues to engage with the vendor on a regular basis for ongoing review of operations.

Additionally, during our follow-up, we found that SO has become responsible for a logistics contract that MOH previously held. Since SO now manages two logistics contracts, it plans to complete a comparative pricing review of shipping rates offered by the two transportation providers by the end of 2024. SO intends to use the results of this review to inform further pricing discussions with the vendor and will implement best practices in its procurement process and future contracts.

8. Requirements under the Interim Measures of the Procurement Directive Were Unclear During the Pandemic

In our audit, we found that centralized procurement reporting information, required under the Interim Measures of the Procurement Directive and meant to support the Province in moving toward a centralized supply chain for the public sector, was not collected during the COVID-19 pandemic.

Recommendation 11: Action Item 1

So that the Treasury Board Secretariat and the Ministry of Public and Business Service Delivery obtain the necessary information for Ontario to move toward a centralized supply chain process as part of the Interim Measures of the Ontario Public Service Procurement Directive, we recommend that the Ministry of Public and Business Service Delivery initiate reporting requirements similar to those under the Interim Measures and collect procurement information across the ministries and, where applicable, the broader public sector.

Status:  **Fully implemented.**

Details

We found that in late 2022, TBS initiated reporting requirements similar to those under the Interim Measures and began collecting annual procurement plans from all ministries. These procurement plans are submitted in advance of the fiscal year and list planned procurements. Additionally, ministries report procurement activity through the annual procurement plans and the procurement activity report for trade reporting.

On November 27, 2023, SO was directed to drive procurement planning across the broader public sector. At the time of our follow-up, SO was gathering procurement plans from the broader public sector to support centralized procurement initiatives.

Recommendation 12: Action Items 1 and 2

To improve compliance with the requirements under the Interim Measures of the Ontario Public Service Procurement Directive, we recommend that the Ministry of Public and Business Service Delivery:

- review the Interim Measures on procurement requirements, including those conducted using the emergency exception, and update them for clarity if necessary; and
- provide guidance to the ministries (including the Ministry of Health) on how procurement requirements under the Interim Measures should be followed in both emergency and non-emergency situations.

Status:  **Fully implemented.**

Details

We found that in September 2023, TBS reviewed and updated the Interim Measures of the Procurement Directive to enhance clarity. For instance, additional guidance was added to the Operational Flexibility section of the Interim Measures to specify that ministries can proceed with procurement provided that appropriate approvals are obtained, including any exemptions from the Directive, and the necessary reporting has been submitted to SO. Additionally, the section of the Procurement Directive that addresses situations of unforeseen urgency, such as emergencies, was updated to include a link to the template that must be used for the required notification process.

// Appendix

Recommendation Status Overview

	# of Action Items	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	3	2	1			
Recommendation 3	4	4				
Recommendation 4	1					1
Recommendation 5	3					3
Recommendation 6	1				1	
Recommendation 7	1			1		
Recommendation 8	3					3
Recommendation 9	2	1		1		
Recommendation 10	3		3			
Recommendation 11	1	1				
Recommendation 12	2	2				
Total	26	12	4	2	1	7
%	100	46	15	8	4	27

Follow-Up on the 2022 Performance Audit:

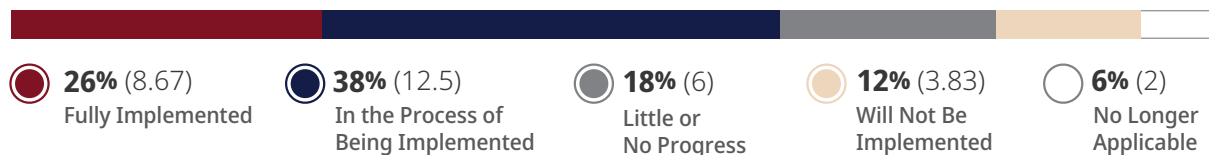
Ministry of Health

Ministry of the Solicitor General

COVID-19 Vaccination Program

// Overall Conclusion

33 Recommended Actions



The Ministry of Health and the Ministry of the Solicitor General, as of October 11, 2024, have fully implemented 26% of actions we recommended in our 2022 audit **COVID-19 Vaccination Program**. The ministries made progress in implementing 38% of the actions we recommended. However, they have made little or no progress on 18% of the recommendations.

The Ministry of Health has fully implemented actions such as establishing a clear, scalable accountability framework that includes all relevant parties for emergency public health situations involving vaccines; and analyzing all reports of vaccine wastage, including from distribution centres, following up on unusual trends or excessive wastage and taking corrective action as needed.

The Ministry of Health was in the process of implementing actions such as seeking expert advice on and setting appropriate, clinically sound vaccination targets by risk group; and creating a comprehensive immunization registry that will allow for more efficient service delivery for all vaccines.

The Ministry of Health and the Ministry of the Solicitor General have made little or no progress on reviewing the differences in compensation to health-care professionals that administer vaccines and updating compensation rates to address differences for future vaccination campaigns.

The Ministry of Health determined that two recommended actions were no longer applicable, primarily due to having concluded some COVID-19 vaccination activities that were significant during the peak of the pandemic. These actions included developing performance indicators that measure the efficiency of mass vaccination sites, collecting this data and comparing it across vaccination sites at least on a semi-annual basis to learn from this information and make improvements; and investigating what barriers businesses faced when using the Verify Ontario application.

The Ministry of Health indicated that it will not be implementing our recommendation to use findings from investigations on misrepresentation and fraud to implement processing controls to improve the security and integrity of vaccination data; and the Ministry of Labour, Immigration, Training and Skills Development will not be implementing our recommendation to assess what authority is needed to enable enforcement officers to effectively enforce compliance with public health measures such as proof of vaccination requirements. The Office of the Auditor General of Ontario continues to support the implementation of these recommendations.

The status of actions taken on each of our recommendations is described in this report (see **Appendix** for more details).

// Status of Actions Taken on Recommendations

We conducted assurance work between April 2024 and July 2024. We obtained written representation from the Ministry of Health and the Ministry of the Solicitor General that effective October 11, 2024, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

1. Vaccine Distribution and Uptake

In our original audit, we found that the government did not consistently apply its prioritization method for the rollout of COVID-19 vaccines across all neighbourhoods in its selection of 114 “hotspot” communities. This resulted in eight lower-risk neighbourhoods receiving vaccines ahead of higher-risk neighbourhoods, and nine higher-risk neighbourhoods being excluded from the “hotspot” strategy.

We also found that, although the Province had a governance structure outlining responsibilities and reporting relationships to support high-level decision-making, that structure did not include organizations such as hospitals, public health units and pharmacies that were integral to delivering the COVID-19 vaccine to the public.

The Province also did not establish any specific vaccination rate goal, or time frame to achieve the goal, for booster shots.

Recommendation 1: Action Item 1

So that in future disease outbreaks, high-risk populations are allocated scarce vaccines according to priority need, we recommend that the Ministry of Health, in conjunction with the Ministry of the Solicitor General, incorporate into its future pandemic response plan the need to consistently apply prioritization methodologies supported by scientific data and make this information publicly available.

Status:  **Fully implemented.**

Details

We found that in July 2023, the Ministry released the Seasonal Respiratory Pathogens Readiness and Response Planning Guide to support the health system's readiness to respond to respiratory pathogens outbreaks and surges. This Ministry considers this Guide a flexible seasonal plan that builds on key learnings from the COVID-19 pandemic, and plans to keep this plan current by reviewing it annually and updating it as required. It notes that "in the context of limited vaccine supply, both short and longer-term prioritization will be required to protect the highest risk and targeted settings to meet the goals of reduced transmission, morbidity and mortality as well as reduced impacts on the health and critical sectors." The Ministry further committed in the Guide to apply consistent methodologies and principles supported by scientific data, experts, and recommendations of committees such as the National Advisory Committee on Immunization (NACI) and the Ontario Immunization Advisory Committee (OIAC), to distribute vaccines in a fair and equitable manner when they are in limited supply, and to make prioritization decisions publicly available.

Recommendation 2: Action Items 1 and 2

To better respond to disease outbreaks and to transition the COVID-19 vaccination program from pandemic response to standard response, we recommend that the Ministry of Health:

- establish a clear, scalable accountability framework that includes all relevant parties for public health situations that require emergency action involving vaccines;
- incorporate the framework and a requirement to review it annually for continued relevance in its future pandemic response plan.

Status:  **Fully implemented.**

Details

The July 2023 Seasonal Respiratory Pathogens Readiness and Response Planning Guide noted in Recommendation 1 states that “expectations in the planning guide are part of an annual planning cycle, the goals of which are to build overall system readiness and resilience for seasonal surges of respiratory pathogens, and to reduce morbidity, mortality and social and health system disruptions. If required, activities identified in the planning guide can be escalated to respond to public health emergencies or pandemics.”

The Guide includes a chapter on Readiness and Response Expectations, which identifies the preparedness and response expectations and accountabilities of lead organizations in functional areas that include:

- surveillance, modelling and evidence;
- risk communications and public health advice;
- vaccines;
- testing;
- outpatient care and therapeutics;
- acute care;
- infection, prevention and control, and outbreak management; and
- supplies and equipment.

In the section on vaccines, the Guide notes that “all health partners should work to increase health worker and the general public’s acceptance of vaccines and refine approaches to ensure vaccination of different segments of the population, such as high-risk groups and equity-seeking populations.” It further indicates that the following organizations would have roles and responsibilities regarding vaccines: the Ministry of Health, Public Health Ontario, public health units, pharmacies, primary care providers and hospitals. For example, pharmacies are expected to manage inventory and cold chain of vaccine supply, and public health units are expected to support access to on-site vaccinations in congregate care settings.

Though not specified in the Guide, the Ministry informed us that its Health Services I&IT Cluster, in collaboration with the Office of the Chief Medical Officer of Health, Public Health as the sponsor, is responsible for developing and maintaining the province’s immunization database for all publicly funded vaccines.

Recommendation 3: Action Item 1

To protect Ontarians, especially those who are at higher risk of becoming severely ill from COVID-19, we recommend that the Ministry of Health:

- seek expert advice on and set appropriate, clinically sound vaccination targets by risk group;

Status:  **In the process of being implemented by December 2024.**

Details

The Ministry indicated in our follow-up that it regularly updates the COVID-19 Vaccine Guidance document based on recommendations from the National Advisory Committee on Immunization (NACI) and the Ontario Immunization Advisory Committee (OIAC). The Guidance document contains resources to support vaccine clinics and administrators in administering COVID-19 vaccines. For example, the Ministry updated the document in April 2024 to clarify recommended dosages for people aged five and older who are moderately to severely immunocompromised.

The Ministry noted that it aligns its definition of high-risk groups with NACI, and it will update this definition based on changes in evidence and expert recommendations from NACI, OIAC and Public Health Ontario. For the purpose of the spring 2024 COVID-19 vaccine campaign, the Ministry indicated in its Guidance document that individuals considered high-risk include:

- adults 65 years of age and older;
- adult residents of long-term care homes and other congregate living settings for seniors;
- individuals six months of age and older who are moderately to severely immunocompromised due to an underlying condition or treatment; and
- individuals 55 years and older who identify as First Nations, Inuit or Metis and their non-Indigenous household members who are 55 years and older.

The Ministry expects to review evidence and recommendations from technical experts such as those from Public Health Ontario and the Pan-Canadian Public Health Network and establish vaccination targets by risk group by December 2024 for the 2024/25 respiratory virus season.

Recommendation 3: Action Item 2

- collect and measure vaccination uptake rates against these established targets;

Status:  **In the process of being implemented by December 2024.**

Details

We found that the Ministry produces weekly reports on vaccination uptake rates and shares them with stakeholders including representatives at Ontario Health, public health units, pharmacies, primary-care providers and hospitals. At the time of our follow-up, each weekly report summarized the number of doses administered by major age groups, where the vaccines were administered (such as pharmacy, clinic, or primary-care provider's office), and vaccination coverage by public health unit. The Ministry also shares vaccination uptake rates of individuals living in long-term care homes and retirement homes with those involved in delivering the COVID-19 vaccine on a routine basis.

The Ministry expects to establish vaccination targets and then to measure vaccination uptake rates against these targets by December 2024.

Recommendation 3: Action Item 3

- update its vaccination strategy on a timely basis in response to new information.

Status:  **Fully implemented.**

Details

The Ministry noted in the July 2023 Seasonal Respiratory Pathogens Readiness and Response Planning Guide (see Recommendation 1) that it is "committed to reviewing vaccination strategies for seasonal respiratory pathogens regularly and updating programs on a timely basis in response to new evidence and expert advice." In this regard, the Ministry updates its COVID-19 Vaccine Guidance based on reviewing new evidence and expert advice such as from the National Advisory Committee on Immunization (NACI). For instance, the Ministry incorporated the NACI January 2024 guidance on high-risk groups, and the NACI March 2024 guidance on the use of the Novavax vaccine in its April 2024 update to the Guide.

2. Vaccine Appointment Booking

In our original audit, Ontarians could book their vaccination appointments through the provincial booking system as well as systems operated by public health units, hospitals and pharmacies. The use of multiple booking systems created inconsistencies in accessibility and encouraged “vaccine shopping” where some Ontarians registered for multiple appointments using different booking systems. According to the Ministry of Health (Ministry), about 227,000 no-show appointments were noted in 2021 in just the provincial booking system alone—appointments that could have been booked by someone else in need of a vaccine.

In addition, we found that while the Ministry can control eligibility criteria for vaccination site operators through the provincial vaccination booking system, other vaccination site operators using their own booking systems, such as some public health units, most hospitals and all pharmacies, could relax the timing of COVID-19 vaccine availability to eligible populations. In some instances, this allowed people who booked through these systems to get an appointment before those who booked through the provincial booking system.

Recommendation 4: Action Item 1

To promote effectiveness and equity in vaccination appointment booking for both on-going COVID-19 and any future provincial mass vaccination programs, we recommend that the Ministry of Health:

- co-ordinate with vaccination site operators, including public health units, hospitals and pharmacies, to consistently apply vaccine eligibility criteria across booking sites;

Status:  **Fully implemented.**

Details

We found that the Ministry has provided guidance on vaccine eligibility to vaccination site operators including public health units, hospitals and pharmacies, through channels such as its website and email notifications. For example, in July 2023, the Ministry informed pharmacies about the updated COVID-19 vaccine guidance, including new recommendations on the use of bivalent vaccines for primary series and booster dose recommendations. Included in the communication is guidance on who is recommended for a primary series of COVID-19 vaccine, what is recommended for individuals who are immunocompromised, and children who are five years old.

As for co-ordinating with operators to consistently apply vaccine eligibility criteria across booking sites in future pandemics, the Ministry informed us that it will communicate eligibility criteria to local public health units via guidance or recommendations, and will initiate regular, ongoing

meetings with public health units to review program operations, Ministry recommendations, program evolution and vaccine administration data.

Recommendation 4: Action Item 2

- develop and implement technology options such as that used by Vaccine Hunters Canada to assist the public with finding openings for vaccination appointments centrally;

Status:  **Little or no progress.**

Details

We found that the Ministry was developing a feasibility assessment to evaluate the value and approach for creating a technology solution to assist the public with finding openings for vaccination appointments centrally. The Ministry did not provide details about this assessment at the time of our follow-up, but indicated that it expects to complete the assessment by April 2025.

Recommendation 4: Action Item 3

- assess the feasibility of identifying and pre-registering high-risk individuals so that they are given priority for vaccine appointments and incorporate this in its future pandemic response plan;

Status:  **Little or no progress.**

Details

We found that the Ministry was developing a feasibility assessment (separate from the one mentioned in the previous recommended action) to examine pre-registering high-risk individuals in the context of the epidemiology and landscape of COVID-19 and vaccination. The Ministry did not provide details about this assessment at the time of our follow-up, but indicated that it expects to complete the assessment by April 2025.

Recommendation 4: Action Item 4

- develop an online communication strategy for future mass vaccination program appointment booking to accommodate languages other than English and French, and incorporate this in its future pandemic response plan.

Status:  **In the process of being implemented by March 2025.**

Details

We found that the Ministry has improved its online communication regarding vaccination appointment booking in languages other than English and French. The Ministry has:

- published instructions about how to book a vaccination appointment in 30 languages, the link for these instructions is available on the COVID-19 communication resources webpage;
- added information to the front page of the online booking portal to indicate the availability of booking support in over 300 languages through the Provincial Vaccine Contact Centre, where one can call a phone number during a specified time to speak to an agent; and
- included mentions of booking support in over 300 languages on the COVID-19 vaccine website.

The Ministry informed us that it worked with the Anti-Racism Directorate (ARD) to promote the instructions about how to book a vaccination appointment in 30 languages. As part of the promotion efforts, the Ministry noted that the ARD shared the document with a working group consisting of 17 community representatives and organizations representing perspectives from Black, Muslim, Latin and South Asian and other groups, who then shared the instructions through their own communication channels.

The Ministry also informed us that it plans to operate the Provincial Vaccine Contact Centre (PVCC) until March 31, 2025 and will assess the plan for PVCC to continue providing translation services past March 2025 as the COVID-19 vaccine program continues to evolve in the next few months.

The Ministry expects that by March 2025 it will update its pandemic response plan to recommend booking to occur in multiple languages in addition to English and French during future pandemics.

3. Vaccination Sites and Vaccine Administration

In our original audit, physicians received much higher compensation than nurses and pharmacists for vaccinating at vaccination sites operated by public health units and hospitals. Neither of the ministries provided the oversight necessary to achieve consistent pay for the same work.

Our analysis also indicated that public health units, hospitals, pharmacies, doctors' offices and other primary care settings, responsible for the majority of vaccines administered by the province, were more cost-efficient in delivering vaccines than the private clinics contracted by the Ministry of Health and the Ministry of the Solicitor General ministries. This was because public health units and hospitals operate mass immunization clinics, which are the most cost-efficient delivery channels, and are capable of vaccinating many people at the same time. In comparison, private-sector companies were primarily engaged by the ministries to provide support for public health units in vaccinating hard-to-reach and/or priority populations such as temporary foreign workers, essential workers who cannot work from home, and communities with low vaccine uptake.

Recommendation 5: Action Item 1

So that payments made to vaccinating entities are commensurate with expected performance and output, we recommend that the Ministry of Health, in conjunction with the Ministry of the Solicitor General:

- review the differences in compensation to health-care professionals and update compensation rates to address differences for future vaccination campaigns;

Status:  **Little or no progress.**

Details

We found that the Ministry of Health has not yet assessed compensation processes and rates but plans to do so by December 2024; the Ministry of the Solicitor General indicated that it will provide historical context from the 2020–2023 pandemic response, as required, to inform this work.

Recommendation 5: Action Item 2

- create distinct physician billing codes for different services performed in future vaccination campaigns to enable meaningful analysis of the specific services rendered, and incorporate this process in its future pandemic response plan;

Status:  **In the process of being implemented by March 2025.**

Details

We found that effective July 1, 2023, the Ministry discontinued the sessional fee codes (H409A and H410A) previously used at Ministry-designated COVID-19 assessment centres. Physicians would from then on exclusively bill the Ontario Health Insurance Plan (OHIP) for COVID-19 vaccination services under a distinct fee code (G593A).

The Ministry explained that, where mass vaccination services may be required in the future to protect the population against a pathogen, it will use the experience gained during the COVID-19 pandemic to inform fee code development and implementation. New fee codes for such services are not typically added until the Ministry holds a negotiation with the Ontario Medical Association.

The Ministry plans to incorporate this process in its next update of the pandemic response plan by March 2025.

Recommendation 5: Action Item 3

- reconcile payments made to vaccinating entities that bill by doses administered against vaccination data at least on a quarterly basis;

Status:  **Fully implemented for private sector vendors and pharmacies.**

 **Will not be implemented for physicians.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that the Ministry of the Solicitor General engaged four vendors that supplied health human resources over a limited time frame, mostly in 2021 and 2022. One of these vendors billed by doses administered; the other three billed either through hourly rate or flat rate pricing in accordance with contract terms. For the vendor that billed by doses administered, the Ministry in November 2022 reconciled the vendor's invoices against doses administered as recorded in the COVID-19 immunization database and determined that the vendor's billing was appropriate.

For pharmacies, the Ministry of Health reviewed the claim-reimbursement data in the Health Network System that pharmacies use to bill the Ministry against the COVID-19 immunization database every quarter, and followed up on significant discrepancies. For instance, the Ministry issued a communication to pharmacies in June 2023 to clarify correct use of the user accounts in the immunization database following a review of the 2023/24 first quarter information, which identified a discrepancy of 1,850 doses representing 0.6% of doses that pharmacies billed to the Ministry compared to the number of doses recorded in the immunization database. The Ministry

noted that the overall discrepancy from the second through the fourth quarters of 2023/24 was 1,404 doses or 0.1%, a slight decrease compared to the discrepancy identified in the first quarter.

For physician services, the Ministry of Health indicated that it could not reconcile payments to physicians against vaccination data prior to July 1, 2023 because the Ontario Health Insurance Plan (OHIP) billing system did not have a distinct billing code for vaccination services. Although the Ministry created a distinct billing code for physicians on July 1, 2023 it still cannot reconcile payments to physicians against vaccination data, explaining that the OHIP billing systems and the COVID-19 immunization databases are separate systems that serve different purposes.

Recommendation 5: Action Item 4

- develop performance indicators that measure the efficiency of mass vaccination sites, collect this data and compare across vaccination sites at least on a semi-annual basis to learn from this information and make improvements.

Status: ☐ **No longer applicable.**

Details

We found that the Ministry considered this recommendation no longer applicable because mass vaccination clinics are no longer the primary mode of delivery of vaccination, following the World Health Organization's May 2023 statement declaring COVID-19 being no longer a public health emergency of international concern. The Ministry indicated that if mass vaccination clinics are required again to vaccinate a large number of people in a short amount of time, it can assess performance indicators at that time.

4. Immunization Database

In our original audit, the Ministry of Health built a specific database for COVID-19 vaccination records because it did not have a suitable vaccine registry. The Ministry incurred over \$144 million on this database between April 2020 and May 2022. We found that:

- the immunization database was built without sufficient controls and processes to catch erroneous entries;
- patient profile information was not consistently captured, reducing the Ministry's ability to identify high-risk areas and population groups;
- the inventory component of the database was not integrated with all systems in vaccine supply chain, resulting in incomplete data and unnecessary manual data entry;

- the database was not integrated with systems used by physicians and pharmacists; and
- significant costs and time were required to train vaccinators on the new database.

Recommendation 6: Action Item 1

To better protect Ontarians from COVID-19 and other vaccine-preventable diseases in the future, and to improve data quality on vaccination activities, we recommend that the Ministry of Health, in conjunction with Ontario Health and the Information and Privacy Commissioner of Ontario:

- use findings from investigations on misrepresentation and fraud to implement processing controls to improve the security and integrity of vaccination data;

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that the Ministry cancelled and reprofiled the specific project aimed at leveraging artificial intelligence to detect fraud to better align with ministry strategy objectives. As a result, it will not implement the recommendation to use investigation findings to implement processing controls.

To improve security and integrity of data in the database, the Ministry informed us that it has focused on strengthening access controls to curtail occurrences of vaccine records abuse and fraud. Specifically, the Ministry noted that it is the responsibility of vaccination site operators to keep training records of their staff for annual privacy training. All access to the COVID-19 immunization database is via named user accounts, where users are assigned roles with specific permissions that restrict access to functionality and data to what is required for their function. In addition, at the time of our follow-up, the Ministry of Public and Business Service Delivery and Procurement's Cyber Security Operations Centre continued to monitor database logs daily to identify suspiciously high counts of records accessed by users, multiple IPs accessing a single account, and suspiciously high counts of log-in status errors, and flag these cases for investigation.

The Ministry noted that it will continue to share findings from fraud investigations and mitigation strategies, as available, with public health units and other channels; and continue to pursue process improvement opportunities.

Recommendation 6: Action Item 2

- improve and update the immunization database to allow vaccination site staff to collect multiple data elements on client risk factors to support efforts to equitably distribute vaccines;

Status:  **Little or no progress.**

Details

We found that the Ministry was assessing and preparing options for an immunization repository in the context of the broader vision to achieve a unified immunization record for Ontario. In our follow-up, the Ministry indicated that by December 2024, it will complete assessment and planning to define future state, including IT solutions and integration, broader public health digital and data pathways, and privacy and legislative requirements and dependencies.

Recommendation 6: Action Item 3

- consult with distribution partners and other parts of the vaccine supply chain to evaluate user experience of the inventory component of the immunization database, to identify ways to provide better oversight of inventory across Ontario, and to reduce waste;

Status:  **In the process of being implemented by December 2024.**

Details

We found that in fall 2023, the Ministry concluded its contractual relationship with one of the COVID-19 vaccine distribution partners. As part of the decommissioning process, the Ministry guided and supported the inventory reconciliation process with distribution partner staff and identified some gaps in knowledge in reconciling vaccine inventory in the COVID-19 immunization database. The Ministry documented observed user experience challenges and identified gaps in knowledge, which included the need for better training, a single point of data-entry solution, and a dedicated person or team with enhanced knowledge of inventory management.

The Ministry indicated that by December 2024, it will consider the lessons learned and assess the feasibility to improve automation to processes such as recording shipments, wastage, cold chain, and adjustment for its other distribution partners. It plans to wind down the COVID-19 immunization database by March 31, 2026 and so will not be gathering additional information from distribution partners on their user experience with the inventory component of the database.

Recommendation 6: Action Item 4

- consult with health-care providers in different settings to evaluate the user experience of the immunization database and streamline it as much as possible;

Status:  **Little or no progress.**

Details

The Ministry indicated that by December 2024, it will develop a common consultation and evaluation framework to gather user experience to comprehensively review the immunization database, and complete assessment and planning to define future state, including IT solutions and integration, broader public health digital and data pathways, and privacy and legislative requirements and dependencies. It will align this work with other areas of the Ministry that are working on public health digital strategies and the modernization of the Ministry's immunization solutions, including the plan to wind down the COVID-19 immunization database by March 31, 2026.

Recommendation 6: Action Item 5

- if separate systems remain, undertake needed work such as engaging with vendors or developing interim solutions, to integrate external information systems, such as electronic medical records and third-party inventory systems, with the immunization database;

Status:  **Little or no progress.**

Details

The Ministry indicated that by December 2025, it plans to complete consultation with Ontario Health and other stakeholders to develop a roadmap to integrate a public health digital platform, which will host various health information systems, with electronic medical records and pharmacy systems. The Ministry indicated that it plans to prioritize immunization data integration in this exercise.

Recommendation 6: Action Item 6

- create a comprehensive immunization registry that will allow for more efficient service delivery for all vaccines;

Status:  **In the process of being implemented by December 2025.**

Details

We found that the Ministry plans to wind down the COVID-19 immunization database. At the time of our follow-up, the Ministry had begun work on the following initiatives in relation to a comprehensive immunization registry:

- the Immunization Repository Optimization Program (renamed Immunization Repository Consolidation Program), which will streamline and consolidate the two provincial immunization databases (one for COVID-19 vaccines and one for other vaccines such as those included as part of the Immunization of School Pupils Act);
- a Public Health Digital Platform vision, including the desired future state of immunizations in Ontario as a key component; and
- the Decision Intelligence Digital Platform vision, which will enable the systematic collection, exchange, integration, use and dissemination of public health vaccination data for Ontarians.

The Ministry plans to develop a high-level plan for the immunization registry, along with possible legislation, policy and program changes, by December 2025.

Recommendation 6: **Action Item 7**

- explore legislative options to require collection of data about the vaccine recipient, vaccinator and vaccine for all vaccinations including the COVID-19 and other routine vaccines for adults and children.

Status:  **In the process of being implemented by December 2024.**

Details

We found that the Ministry has developed an initial workplan toward the implementation of this recommendation. At the time of our follow-up, the workplan, which was an iterative document, included steps such as engaging senior members of the Office of the Chief Medical Officer of Health to gather insights on the existing landscape around sociodemographic data collection, and identifying the specific requirements outlined in existing legislation related to vaccination data collection in Ontario, with the potential to expand provisions to cover all vaccinations.

For example, the Covid-19 Vaccination Reporting Act, 2021 requires persons or entities who administer COVID-19 vaccines to report information such as the following to the Ministry:

- the individual's name, phone number or email address, and date of birth;
- the vaccinator's name, contact information and professional designation; and
- the vaccine product name, date of administration and lot number.

The Act does not require vaccinators to collect sociodemographic data from people receiving COVID-19 vaccines, which may include ethnic origin, race, language, household income and household size. In addition, this Act does not apply to other routine vaccines for adults and children.

The Ministry plans to, by December 2024, prepare information collected from its literature review and jurisdictional scans and share it with relevant ministry partners for their consideration of legislative options.

5. Vaccine Wastage

In our original audit, while the province wasted about 9% of the vaccines it received from the federal government as of the end of June 2022, the wastage was 38% between February and June 2022 when demand for boosters was much lower than the province anticipated. Two private-sector organizations contracted by the Ministry of the Solicitor General and the Ministry of Health wasted 20% and 57% of the vaccines delivered to them. Targets for minimizing wastage were not included in the contracts with them.

Recommendation 7: Action Item 1

To better inform future demand forecasting and minimize vaccine wastage, we recommend that the Ministry of Health:

- establish a provincial waste-minimization target with a focus on closed vials;

Status:  **In the process of being implemented by December 2024.**

Details

We found that the Ministry, in June 2023, completed a jurisdictional scan of strategies to mitigate vaccine wastage in other parts of Canada and other countries including Australia, Israel, South Korea and the United States.

In addition, in December 2023, the Ministry sought feedback from participating provinces on reporting vaccine wastage, including asking whether jurisdictions used the same calculation for measuring open and closed vial wastage.

The Ministry indicated that it will use these findings to inform the development of a waste-minimization target, reporting and mitigation strategies, and will aim to develop it by December 2024.

Recommendation 7: Action Item 2

- require all vaccination entities and distribution centres to report on wastage, include a clause in future contracts with these entities to keep wastage below this waste-minimization target, and incorporate these in its future pandemic response plan;

Status:  **In the process of being implemented by December 2024.**

Details

We found that the Ministry's agreement with pharmacies includes provisions that require them to maintain real-time inventory, including monitoring and reporting wastage, in the COVID-19 immunization database. The Ministry sent reminder emails to pharmacies to reinforce this requirement in spring 2023, fall 2023 and spring 2024. The Ministry also relies on immunization database trainers of pharmacies to share details on wastage-reporting requirements to support the pharmacies in using the database.

As well, the Ministry included a clause in its contract with two vendors that provide shipping, handling and distribution services for COVID-19 vaccines to keep wastage below a waste-minimization target that is yet to be established, effective September 13, 2023. The contract further stipulates that vendors will conduct real-time inventory reconciliation and remediation activities in the COVID-19 immunization database and investigate unusual inventory trends or excessive wastage, and take corrective action as needed to ensure the accuracy of the inventory.

As noted in the previous recommended action, the Ministry aims to develop a waste-minimization target by December 2024.

Recommendation 7: Action Item 3

- analyze all reports of vaccine wastage, including from distribution centres, follow up on unusual trends or excessive wastage and take corrective action as needed.

Status:  **Fully implemented.**

Details

We found that the Ministry monitors vaccine wastage at pharmacies and distribution centres to ensure they use proper inventory management practices to minimize excessive wastage.

The Ministry has provided instructions and guidance to pharmacies and distribution centres to ensure they report wastage information correctly in the immunization database. The Ministry applies business rules or logic statements to identify potentially erroneously reported wastage

information. Such rules or statements include wastage information with the same identification number reported twice and within five minutes of each other, or if the reporting organization indicated that the wastage occurred because the vaccines have expired, but the vaccine lot has in fact not yet expired.

If the Ministry detects unusual or excessive wastage, it investigates this wastage and requests the reporting organization to confirm if the reason for wastage and quantity wasted are valid.

6. Vaccine Mandates and Policies, and Evaluation of Evidence-Based Alternatives

In our original audit, the provincial government did not effectively enforce the proof of vaccination (vaccine passport) requirements leading to inconsistent adoption across the province and reducing its intended effect of reducing transmission and increasing vaccine uptake.

Enforcement officers were required to announce themselves at the beginning of a visit and could not assess the normal operation of the business uninfluenced by the presence of inspectors, including whether the business was using the Verify Ontario application as mandated in early 2022.

Despite significant evidence to support enacting vaccine mandates in hospitals, the Ministry of Health decided not to implement a vaccine mandate on hospital workers, indicating that its decision was informed by the Chief Medical Officer of Health's analysis of evidence available at that time. This analysis was not provided to us.

Recommendation 8: Action Item 1

To support enforcement efforts to limit transmission and encourage vaccination of vaccine-preventable diseases such as COVID-19 and those that may emerge in the future when science-based evidence indicates this is a societal benefit, we recommend that the Ministry of Health, in conjunction with the Ministry of Labour, Immigration, Training and Skills Development:

- assess what authority is needed to enable enforcement officers to effectively enforce compliance with public health measures such as proof of vaccination requirements, and incorporate this in its future pandemic response plan;

Status: Incorporate in pandemic response plan by the Ministry of Health:

 **In the process of being implemented by December 2024.**

Assess enforcement officer authority by the Ministry of Labour, Immigration, Training and Skills Development:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that the Ministry of Labour, Immigration, Training and Skills Development has indicated that it will not implement this recommendation because future enforcement of any public health measures is dependent upon the nature of the pandemic and the types of workplaces that are most impacted, and the Ministry is unable to predict what type of enforcement challenges may be associated with a future pandemic scenario. The Ministry is committed to collaborate with the Ministry of Health to inform the development of any regulatory frameworks to advance public health measures required at that time, as well as on compliance and enforcement approaches to further any of these public health regulations. The two ministries have responsibilities to co-operate and exchange information as outlined in a 2008 Memorandum of Understanding on reportable diseases, communicable diseases and/or outbreaks of infectious diseases that are, or may be, occupational health hazards.

The Ministry of Health indicates that, by December 2024, it will engage with staff from within the Ministry and other ministries such as the Ministry of Long-Term Care and the Ministry of Labour, Immigration, Training and Skills Development to identify lessons learned during the COVID-19 pandemic, and incorporate these lessons into the updated pandemic response plan. In July 2023, the Ministry released the Seasonal Respiratory Pathogens Readiness and Response Planning Guide. The Ministry's goal for this plan is to build overall system readiness and resilience for seasonal surges of respiratory pathogens. This plan includes chapters on public communications, vaccines, and outbreak management, which support activities related to public health measures. The Ministry indicated that it can escalate the activities in this plan to respond to a pandemic if needed and it plans to review this plan annually.

Recommendation 8: Action Item 2

- develop an inspection process to identify the venues that are subject to proof of vaccination requirements and track the compliance activities;

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that the Ministry of Labour, Immigration, Training and Skills Development has indicated that it will not implement this recommendation because future enforcement of any public health measures is dependent upon the nature of the pandemic and the types of workplaces that are most impacted. As a result, the Ministry is unable to predict what type of enforcement challenges may be associated with a future pandemic scenario. The Ministry committed to

using a risk-based approach to develop inspection and enforcement plans in the event of future provincial emergencies where a vaccine has been identified as a reasonable and effective means of controlling future pandemic infections.

Recommendation 8: Action Item 3

- investigate what barriers businesses faced when using the Verify Ontario application, such as lack of understanding of how to use the technology or Internet connection, take corrective action as needed and incorporate this in its future pandemic response plan.

Status: ☐ **No longer applicable.**

Details

We found that the Verify Ontario application is no longer in use. As such, the recommendation is no longer applicable.

Going forward, the Ministry committed to sharing information and lessons learned with the Ministry of Labour, Immigration, Training and Skills Development and other partners to inform the Ministry's future pandemic response plan.

Recommendation 9: Action Item 1

To better protect Ontarians from COVID-19, and other highly transmissible vaccine-preventable diseases as may be required in the future, we recommend that the Ministry of Health, in conjunction with the Chief Medical Officer of Health, establish criteria to use when deciding whether to reintroduce proof of vaccination requirements and incorporate these in its future pandemic response plan.

Status: ☒ **In the process of being implemented by December 2024.**

Details

We found that the Ministry of Health developed a workplan in November 2023 to further the implementation of this recommendation. At the time of our follow-up, the Ministry was determining the scope of a jurisdictional and literature review in relation to this recommendation.

The Ministry indicated that the Office of the Chief Medical Officer of Health, Public Health will develop proposed criteria to use when deciding whether to reintroduce proof of vaccination requirements by December 2024, which will be considered as part of the Ministry's annual process to refine and improve the pandemic response plan.

Recommendation 10: Action Item 1

To uniformly protect populations that are vulnerable to severe outcomes from disease outbreaks, and minimize transmission, death and hospitalization, we recommend that the Ministry of Health publicly explain its rationale in the future when it makes decisions on vaccine mandates and policies that are incongruent with science-based information and expert advice.

Status:  **In the process of being implemented by December 2024.**

Details

We found that the Ministry of Health issues Infectious Diseases Protocol appendices for diseases that are designated as diseases of public health significance, including those that are vaccine-preventable, to guide public health units' approach to prevent, detect and manage these diseases. These appendices are publicly available. For example, the protocol appendix for measles, a vaccine-preventable disease, was updated in March 2024. The appendix outlines reporting requirements, case definition, case management, prevention and control measures (including the use of vaccines), and is based on recommendations from the National Advisory Committee on Immunization.

Similarly, the Ontario Immunization Advisory Committee at Public Health Ontario provides science-based information to the Ministry and the public. For example, in September 2023, the committee issued a document on clinical considerations for the co-administration of respiratory syncytial virus (RSV), COVID-19 and influenza vaccines among older adults in long-term care facilities. As well, in March 2023, the committee issued a document on the recommended time interval between date of last COVID-19 vaccination dose or confirmed COVID-19 infection and date of a spring 2023 booster dose, to respond to a request from the Ministry earlier that year. These committee documents are also publicly available.

The Ministry noted that it will continue to use science-based information and expert advice to inform decision-making with respect to provincial public health measures. It also noted that evidence and rationale for provincial public health measures, which may include vaccine mandates and policies, would be part of any risk analysis and public communications that it will play a role in. The Ministry plans to include commitments or principles that incorporate public communication regarding decisions on any potential public health measures supported by evidence and science in its updated provincial pandemic response plan by December 2024.

7. Leadership Communication and Public Education

In our original audit, the provincial government did not clearly and consistently communicate the importance of vaccination to the public and did not dispel misinformation regarding the safety of Moderna in early 2022 after media reports about its side effects. Experts informed us that they believed the government's communication approach sometimes undermined public confidence in vaccination.

The Ministry also did not clearly explain the rationale for its decision-making on vaccine distribution nor provide clear and sufficient information to help Ontarians make informed choices about booster doses.

Recommendation 11: Action Item 1

To support increases in immunization rates and minimize hospitalizations and death from COVID-19, and to support informed public decision-making on COVID-19 vaccination, we recommend that the Ministry of Health:

- more clearly convey to the public the underlying scientific data and how that data support its decisions on vaccine distribution priority groups, co-ordinate communications with public health units, and incorporate this process in its future pandemic response plan;

Status:  **In the process of being implemented by March 2025.**

Details

We found that in August 2023, the Ministry developed a communications approach for the Seasonal Respiratory Pathogens Readiness and Response Planning Guide that outlines the approach to engage public health units, health system partners and partner ministries, and inform the public on the benefits, ease and safety of co-administration of COVID-19 and influenza vaccines. The goal of this communication was to reduce the public's risk of infection from seasonal respiratory pathogens between August 2023 and February 2024.

The Ministry also regularly updates the COVID-19 Vaccine Guidance document based on recommendations from the National Advisory Committee on Immunization and the Ontario Immunization Advisory Committee. The Guidance document contains resources to support vaccine clinics and administrators in administering COVID-19 vaccines. For example, the Ministry updated the document in April 2024 to clarify recommended dosages for people aged five and older who are moderately to severely immunocompromised, and is planning another update for the fall 2024 campaign.

The Ministry indicated that it aims to update its pandemic response plan by March 2025 to include information on how underlying scientific data support decisions on vaccine distribution priority groups, and how it will co-ordinate communications with public health units.

The Ministry also has the following processes in place to support communication with public health units regarding COVID-19 vaccines:

- participating in vaccine operations, planning and guidance calls with COVID-19 vaccine leads from every public health unit in Ontario, and as part of these guidance calls, receiving feedback from public health units to refine Ministry communication to the public—these calls were occurring on a weekly basis up until the fall 2023 campaign, and since then reduced to a biweekly basis; and
- distributing communication products such as key messaging memos, fact sheets, news releases and social media toolkits to public health units and other vaccine delivery channels.

Recommendation 11: Action Item 2

- in conjunction with Public Health Ontario, improve the clarity of its communications on who should get vaccinated and when to actively promote COVID-19 vaccination to the hesitant, such as by conferring with an external stakeholder group to assess whether its messaging is clear to the average person in the public;

Status:  **Fully implemented.**

Details

We found that the Ministry published guidance on its COVID-19 vaccines website on who should get their next dose and when for protection that may have decreased over time. At the time of our follow-up, the guidance stated that those at an increased risk, such as people aged 65 and older and people aged six months and older who are moderately to severely immunocompromised due to an underlying condition or treatment, should receive an additional dose in spring 2024. The guidance also stated that individuals outside of these groups may choose to receive an additional dose if it is recommended by a health-care provider or if they are starting or completing a primary series, and that all other individuals should wait until further recommendations are available closer to fall 2024.

The Ministry also promoted COVID-19 vaccination through initiatives including the Scarborough Health Network VaxFacts+ Clinic and the SickKids COVID-19 Vaccine Consult Service. The VaxFacts+ Clinic provides one-on-one phone consultation with qualified doctors from the hospital and individuals across Ontario. The SickKids service, which concluded in March 2023,

provided confidential phone service for parents to discuss the COVID-19 vaccine with a paediatric registered nurse.

The Ministry indicated that the COVID-19 marketing campaign has concluded. It committed to working with Public Health Ontario and external stakeholder groups in future scenarios to apply best practices and lessons learned to communications materials to ensure greater clarity in messaging and communications.

Recommendation 11: Action Item 3

- provide the public with easy access to current information on available resources and COVID-19 trends, including the underlying health conditions of people with COVID-19 in hospital;

Status:  **Fully implemented.**

Details

In addition to the details discussed regarding the previous recommended action, the Ministry provided updates on COVID-19 and other respiratory illness trends through the Chief Medical Officer of Health. For instance, in October 2023, the Chief Medical Officer of Health participated in radio, print and television interviews, and in December 2023, spoke to reporters from various media outlets in advance of the holiday season. At the time of our follow-up, the Ministry had no future plans for COVID-19 marketing, but it committed to leveraging the learnings from the marketing campaign to provide the public regular access to information in future communications during similar circumstances.

The Ministry publishes COVID-19 cases trend data such as the percentage of people testing positive by age group, and the number of deaths with COVID-19 as the underlying cause of death. In addition, Public Health Ontario publishes the Ontario Respiratory Virus Tool, which provides epidemiological information on respiratory virus activity in Ontario, including COVID-19, influenza and RSV. Information reported includes case trends, outcomes (such as hospital bed occupancy and deaths) and outbreaks. The public can access these datasets on the Internet.

Recommendation 11: Action Item 4

- review and report on the effectiveness of its communication and awareness strategy on the safety and efficacy of the COVID-19 vaccine, including its effectiveness at combatting misinformation and incorporate lessons learned from this review in its future pandemic response plan.

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

At the time of our follow-up, the Ministry had no future plans for COVID-19 marketing or further work to review the effectiveness of its communication and awareness strategy. We continue to support this recommendation as learning from the communication and awareness strategy from the COVID-19 pandemic can add value to future campaigns.

The Ministry indicated that it will consider communication, scientific evidence and combatting misinformation for future pandemics in its future iterations of the pandemic response plan.

// Appendix

Recommendation Status Overview

	# of Action Items	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	3	1	2			
Recommendation 4	4	1	1	2		
Recommendation 5	4	0.67	1	1	0.33	1
Recommendation 6	7		3	3	1	
Recommendation 7	3	1	2			
Recommendation 8	3		0.5		1.5	1
Recommendation 9	1		1			
Recommendation 10	1		1			
Recommendation 11	4	2	1		1	
Total	33	8.67	12.5	6	3.83	2
%	100	26	38	18	12	6

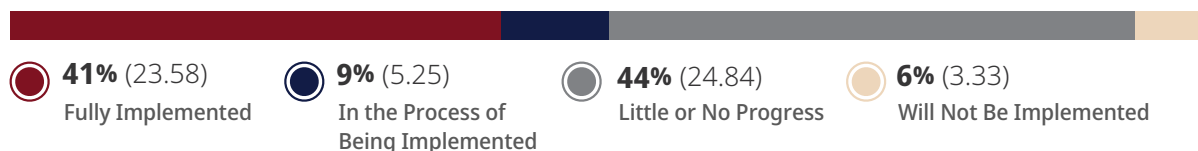
Follow-Up on the 2022 Performance Audit:

Ministry of Colleges and Universities
Algoma University
Nipissing University
Ontario Tech University
University of Windsor

Financial Management in Ontario Universities

// Overall Conclusion

57 Recommended Actions



We recommended 57 actions as a result of our 2022 audit of **Financial Management in Ontario Universities**. Of those, 40 recommended actions were directed at four universities – Algoma University in Ste. Sault Marie, Nipissing University in North Bay, Ontario Tech University in Oshawa and the University of Windsor in Windsor, Ontario. The remaining 17 recommended actions were directed at the Ministry of Colleges and Universities.

As of November 4, 2024, the four universities we audited and the Ministry of Colleges and Universities have collectively fully implemented 41% of the actions we recommended, have made progress in implementing an additional 9% of the recommended actions, made little or no progress on 44% of the recommended actions, and will not be implementing 6% of our recommended actions.

Algoma University has fully implemented 33% of recommended actions, made progress in implementing an additional 30% of recommended actions, made little or no progress on 33% of recommended actions, and will not be implementing 4% of our recommended actions. We continue to support the implementation of all recommended actions.

Nipissing University has fully implemented 32% of recommended actions, made progress in implementing an additional 12% of recommended actions, made little or no progress on 53% of recommended actions, and will not be implementing 3% of our recommended actions. We continue to support the implementation of all recommended actions.

Ontario Tech University has fully implemented 48% of recommended actions, and made little or no progress on 52% of recommended actions.

Windsor University has fully implemented 40% of recommended actions, made progress in implementing an additional 12% of recommended actions, little or no progress on 40% of recommendations, and will not be implementing 8% of our recommended actions. We continue to support the implementation of all recommended actions.

Where applicable, the universities have fully implemented our recommended actions to monitor and adhere to the debt limits outlined in their respective policies; review and monitor the profitability of their ancillary services on a consolidated basis and for each ancillary service separately; and develop a separate budget for all capital investments, and present it to their Boards for approval.

Where applicable, the universities have made little or no progress on our recommended action to reduce or restructure program offerings based on the results of their program profitability analyses and academic needs, in consultation with their academic departments and with the approval of their respective Board and Senate/Academic Council.

The Ministry of Colleges and Universities has fully implemented only 29% of recommended actions, made little or no progress on 59% of recommended actions, and will not be implementing 12% of our recommended actions. We continue to support the implementation of all recommended actions.

Examples of recommended actions implemented by the Ministry include developing criteria to assign a risk rating to each university annually, proactively monitoring high-risk universities, and assisting them in developing risk mitigation plans. Examples of recommended actions where the Ministry has made little or no progress include completing an assessment of the cost of instruction and operations of universities, and reassessing future performance metrics and modifying them so that the metrics are within the control of the universities and do not increase dependency on international enrolment. The Ministry will not be implementing our recommendations to assess the methods and use of international student recruitments to determine whether any policies are

needed, such as developing a standard grade-conversion chart for the admission of international students; or to use Transfer Payment Agreements as the funding agreement for universities in place of Strategic Mandate Agreements (SMAs).

The status of actions taken on each of our recommendations is described in this report (see **Appendix** for more details).

// Status of Actions Taken on Recommendations

We conducted assurance work between April 2024 and September 2024. We obtained written representation from Algoma University, Nipissing University, Ontario Tech University, the University of Windsor and the Ministry of Colleges and Universities that effective November 4, 2024, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

The implementation status of recommended actions is provided only for the university to which the action was applicable.

1. Financial Sustainability

Our 2022 audit found that universities' financial sustainability could be at risk if weaknesses in their financial management practices are not addressed. Although all four universities audited had positive net assets as of the end of the 2020/21 fiscal year, only one (Algoma) had a consistent annual surplus for the five years from 2016/17 to 2020/21. As well, two universities (Ontario Tech and Windsor) did not have formal debt management policies, despite having the highest and third-highest debt to student ratio, respectively, among 19 Ontario universities; another two universities (Algoma and Nipissing) did not review or monitor the profitability of the ancillary services they provided; three universities (Algoma, Nipissing and Windsor) comingled the endowment funds and externally restricted funds with cash from operations; and universities did not prepare and present to their respective Board the impact of the university's projected cash flows from operations, financing and capital purchasing activities to inform the Board of the extent to which each contributes to or draws on the university's resources.

Recommendation 1: Action Items 1, 2, 3 and 4

So that the university assumes debt only at levels that continue to promote sustainable financial operations, we recommend that senior management of the university:

- obtain Board approval of the university's policy;

Status:  **Nipissing University – Fully implemented.**

- establish a formal capital debt policy approved by the Board;

Status:  **Ontario Tech University & University of Windsor – Fully implemented.**

- monitor and adhere to the debt limits outlined in its policy;

Status:  **Nipissing University & University of Windsor – Fully implemented.**

- report semi-annually to the Board on the status of debt maintained and its continuing compliance with its capital debt policy.

Status:  **Nipissing University – Fully implemented.**

Details

In our follow-up, we found:

Nipissing University: The university obtained Board approval for its capital debt policy in June 2023. Nipissing had also monitored adherence to its established debt limits for each year from 2020 to 2022. In this regard, we noted that the university was in compliance with its various debt ratios for each of the three years monitored. We also noted that compliance with the university's capital debt policy was discussed at the Audit and Finance Committee of the Board meeting in January 2024.

Ontario Tech University: The university established a formal debt management policy which was approved by its Board in April 2024. The policy sets out the general philosophy for use of debt by the university and introduces specific financial metrics to assess overall debt capacity and debt affordability.

University of Windsor: The university established a policy, as of June 2023, that contained select debt-related ratios using the same targets set by the Ministry of Colleges and Universities for its financial health indicators, to support the Board in evaluating the university's borrowing capacity and compliance with the policy. The ratios included: viability ratio (expendable net assets/long-term debt), interest burden ratio (total interest expense/total operating expenses), and debt per full-time-equivalent (FTE) student. According to the policy, the targets for the ratios would be reviewed after the first year and on a three-year rolling basis after that. The policy was approved by the Board in June 2023.

In September 2023, the university reported results on the three debt-related ratios to the Joint Audit and Resource Allocation Committee of the Board.

Recommendation 2: Action Items 1 and 2

To manage and maximize the profitability of its ancillary services, we recommend that the university:

- review and monitor the profitability of its ancillary services on a consolidated basis and for each ancillary service separately;

Status:  **Algoma University & Nipissing University – Fully implemented.**

- develop strategies to maximize the profitability of its ancillary services where necessary.

Status:  **Algoma University, Nipissing University & Ontario Tech University – Little or no progress.**

Details

In our follow-up, we found:

Algoma University: The university had analyzed revenues and expenses by ancillary service for the year ending April 30, 2023. Its analysis showed that half of its ancillary services were unprofitable, with most losses generated by its varsity operations. In addition, on a consolidated basis, Algoma's ancillary services generated a loss.

We noted that Algoma University has not created a formal plan with strategies to maximize the profitability of its ancillary services. Instead it told us that strategies to maximize the profitability of ancillary services included increasing student/membership fees annually by the cost-of-living adjustment plus 1%. The university was also targeting to increase varsity revenue by \$100,000 through fundraising, however, this increase would not be enough to cover the \$1.3 million deficit incurred in 2022/23 from varsity.

Nipissing University: The university had analyzed revenues and expenses by ancillary service for the year ending April 30, 2023. On a consolidated basis, ancillary services were profitable, but three of its ancillary service groupings were unprofitable.

Nipissing University informed us that it was exploring possible strategies to maximize the profitability of its ancillary services.

Ontario Tech University: In 2023, the university budgeted for losses for three of its five ancillary activities for the period 2023/24–2026/27. Those activities that were budgeted to lose money were food services, regent, and campus fieldhouse and ice centre. In its budget document, Ontario Tech stated that it would work with each ancillary operation over the course of the next year to create a longer-term business case. At the time of our follow-up, the university had not developed a business case with strategies to maximize the profitability of individual ancillary services.

Recommendation 3: Action Items 1 and 2

To help ensure that the university continues to have sufficient funds on hand to cover restricted funds and endowments, we recommend that the university:

- maintain separate bank accounts for externally restricted funds;

Status:  **Algoma University – Fully implemented.**

 **Nipissing University – Will not be implemented. The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.**

 **University of Windsor – Little or no progress.**

- on a quarterly basis, perform an analysis to confirm that it has sufficient cash on hand to cover internally restricted funds, in addition to externally restricted funds and endowments.

Status:  **Algoma University & Nipissing University – Fully implemented.**

Details

In our follow-up, we found:

Algoma University: The university had established separate bank accounts for its endowment funds (externally restricted) and advancement funds (internally restricted funds used to provide scholarships to students).

We also noted that Algoma University was performing a restricted cash analysis on a quarterly basis to ensure there was enough cash on hand to cover internally and externally restricted funds. The university told us that it plans to perform the reconciliation on a monthly basis.

Nipissing University: The university continues to commingle externally restricted funds with funds from operations in the same bank account. The university informed us that it did not feel separate bank accounts were needed, because it performs cash reconciliations on a periodic basis to ensure there are sufficient unrestricted funds to cover restricted obligations.

During our follow-up, we noted that since our audit, the university had begun to reconcile restricted and unrestricted funds semi-annually to the amount of cash on hand.

University of Windsor: The university was continuing to commingle externally restricted funds with cash from operations in the same bank account. The university also continued to reconcile its total cash balances against restricted funds on a monthly basis to ensure liquid cash exceeds restricted fund balances. The university informed us that it was considering an internal audit in 2025 to determine assurance over this control.

Recommendation 4: Action Items 1, 2, 3, 4, 5 and 6

To improve budgeting processes and practices and conduct a complete analysis of the impact from all operations and capital investments and how each will contribute to or draw on the university's resources, we recommend that the university:

- have documented processes on how its budget is developed, reviewed and approved;

Status:  **Nipissing University – In process of being implemented by December 2024.**

- develop a separate budget for all capital investments, and present it to the Board for approval;

Status:  **Nipissing University & Ontario Tech University – Fully implemented.**

- develop a separate budget for ancillary services by revenue stream, and present it to the Board for approval;

Status:  **Nipissing University – Fully implemented.**

- consolidate the capital budget, the operating budget and the ancillary budget, and present the consolidated budget to the Board for approval;

Status:  **Nipissing University & Ontario Tech University – Fully implemented.**

- as part of its budget, present to the Board the university's projected cash flows from operations, financing and capital purchasing activities to inform the Board on the impact of each activity on the university's resources;

Status:  **Algoma University, Ontario Tech University & University of Windsor – Fully implemented.**
 **Nipissing University – Little or no progress.**

- complete a comparison of the annual consolidated budget to annual actual revenue and expenditures, and cash flows, and present it to the Board for review.

Status:  **Nipissing University – Little or no progress.**

Details

In our follow-up, we found:

Algoma University: The university included in each of its 2023/24 and 2024/25 budgets to the Board, a cash flow analysis which separately showed the contributions of each of the following activities – operations, financing and investing. The budget document also showed cash flows from capital reserves separately.

Nipissing University: In September 2024, the university prepared a draft document of its budgeting process, which it expected to present to its board and have approved by December 2024. We also found that Nipissing University had included in its 2023/24 and 2024/25 Budget Reports, a capital budget listing both the sources of funding and planned expenditures by type, specifically, campus infrastructure, renovations and equipment (Action 2). These budget reports also contained a draft budget for ancillary services by revenue stream (Action 3).

Further, we found that the university had prepared a consolidated budget which showed total revenues and total expenses for each major activity or revenue generating source (for example, operations, ancillary, capital) both separately and combined (Action 4).

However, the university had taken little action on:

- including in its budget to the Board, the university's projected cash flows from operations, financing and capital purchasing activities to inform the Board on the impact of each activity on the university's resources (Action 5); and

- completing a comparison of the annual consolidated budget to annual actual revenue and expenditures, and cash flows, and presenting it to the Board for review (Action 6).

Ontario Tech University: The university had included in its 2023-2026 Multi-Year Rolling Budget:

- a listing of each capital project related to campus infrastructure, information technology and equipment;
- a detailed consolidated budget for 2023/24, along with a breakdown consisting of, among other things, the operating budget, ancillary fee budget, and infrastructure capital budget; and
- a cash flow forecast from all activities for 2023/24.

University of Windsor: The university had prepared for its Board, a Cash Flow Budget for 2023/24 and 2024/25 that separately showed cash flow forecasts from operating, financing and investing activities.

2. Reliance on International Students

Our 2022 audit found that the impact of a Province-imposed 10% tuition reduction and freeze for domestic students beginning in 2019 has resulted in universities increasing their focus on international student tuition. In most cases, enrolment is dependent on students from one or two countries. Overreliance on a few countries increases the risk that external factors, such as a global economic downturn or foreign policy shift, could significantly impact a university's financial health if enrolment from these countries drops.

Recommendation 5: Action Items 1, 2 and 3

To mitigate the risk associated with overreliance on a single or few geographic regions for international student tuition revenue, we recommend that universities:

- regularly complete a financial sensitivity analysis of the impact of the loss of students from various regions;

Status:  **Algoma University, Nipissing University & University of Windsor – Little or no progress.**

- develop and apply strategies to diversify recruitment of international students from different geographic regions;

Status:  **University of Windsor – Fully implemented.**

- focus on recruiting students from priority countries identified in the government of Canada's International Education Strategy, 2019–2024.

Status:  **Algoma University & Nipissing University – Little or no progress.**

 **University of Windsor – Fully implemented.**

Details

In our follow-up, we found:

Algoma University: The university had recently began conducting a financial sensitivity analysis to better understand the impact of the loss of international students from various regions. The analysis, provided to us during our follow-up, identified only 1,750 international students from the top 10 countries enrolled in its degree programs. This analysis did not include an additional 8,360 international students enrolled in non-degree programs (for example, undergraduate and graduate diploma or certificate programs in Brampton and at the Centre of Project Management). Nonetheless, the analysis showed that Algoma continues to rely heavily on international students from a few countries—almost 90% of international students in degree programs were from India (77%) and Nepal (12%). The 2024/25 budget also identified that a high percentage of students at the various campuses were international students—100% at the Centre of Project Management, 95% at the Brampton campus, and 63% at the Sault Ste. Marie campus.

We also found that, since our 2022 audit, Algoma University signed multiple contracts with recruitment representatives to recruit students from more than 30 countries, some of which are priority countries identified in the government of Canada's International Education Strategy. However, the impact of these recruitment arrangements has yet to materialize. Over the last two academic years (2022/23 and 2023/24) combined, Algoma recruited only 95 students from priority countries, representing 0.4% of all international students that it recruited. Seventy-five percent of all international students recruited in 2023/24 were from India, and the number of students recruited from India almost tripled from about 4,900 in 2022/23 to about 11,700 in 2023/24.

Nipissing University: The university had taken little action to regularly analyze the financial impact of the loss of students from various regions.

We also found that the university had started discussions on possibly recruiting students from priority countries identified in the federal strategy, but had not yet drafted a detailed plan that includes specific actions to be undertaken and timelines for implementation.

University of Windsor: The university had done a financial sensitivity analysis. However, the sensitivity analysis performed did not cover the loss of all students from a single country and/or across all levels of programs. To illustrate, the university analyzed the breakdown of international students by country of origin for three Masters programs only—engineering, science and business.

As of fall 2023, students from India represented 75% of international students in the Masters of Engineering program, 69% of international students in the Masters of Science program and 24% of international students in the Masters of Business program. The sensitivity analysis looked only at scenarios where the university achieved 60%–90% of its anticipated enrolment.

In 2023, the university issued a Request for Proposal and subsequently engaged a third party for in-country recruitment services. Physical locations for in-country recruiters were established in additional regions including Mexico, Latin America (for example, Colombia, Bolivia), East and West Africa (for example, Kenya, Nigeria), North Africa (for example, Egypt), the Middle East (for example, United Arab Emirates), India, Asia and Southeast Asia (for example, Vietnam, Philippines). The university assigned specific territories to approximately 250 recruiters. It also had in-country recruiters put in place recruitment plans, and it approved a scholarship program for students from targeted countries.

Recommendation 6: Action Items 1 and 2

To better understand the contribution of international students to the Canadian workforce/economy after graduation and help inform future recruitment decisions, we recommend that the university:

- collect relevant data on the location and careers of international alumni;

Status:  **Algoma University – In the process of being implemented by March 2026.**

 **Nipissing University, Ontario Tech University & University of Windsor – Little or no progress.**

- use this data to better inform programming and recruitment decisions.

Status:  **Algoma University – In the process of being implemented by March 2026.**

 **Nipissing University, Ontario Tech University & University of Windsor – Little or no progress.**

Details

In our follow-up, we found:

Algoma University: The university had purchased a system to carry out data collection on the location and careers of international alumni, and was in the process of hiring and training personnel on the use of the system and collection of information. During our follow-up, the university informed us that this new system would have to be integrated with the existing student information system. The university has set a goal that more than 75% of graduated alumni is tracked in terms of employability.

Further, the university was in the process of establishing an office of institutional planning to help with data analysis, once the data becomes available. According to the university's development plan, the data analysis and research is expected to be fully functional by March 2026.

Nipissing University: The university informed us that it has taken little action on this recommendation due to financial constraints.

Ontario Tech University: The university was working on developing an enhanced graduate survey.

University of Windsor: The university had taken little action on this recommendation.

Recommendation 7: Action Item 1

To promote and incentivize student recruiting agents to find the most highly prepared international students, we recommend that the university apply a fee structure in future contracts that encourages recruiters to target students with higher scholastic achievement, such as applying bonuses for higher student performance as they progress through their university studies.

Status:  **Algoma University – In the process of being implemented by December 2025.**

 **Nipissing University & Ontario Tech University – Little or no progress.**

 **University of Windsor - 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:

Algoma University: The university started to revise its contracts with recruiters as they came up for renewal in 2024. The revised contracts include a \$250 bonus for the recruiter for each student who meets the eligibility criteria for an entrance scholarship to the university. Since its contracts with recruiters typically have a two-year term, all contracts should be revised by the end of December 2025.

Nipissing University: The university informed us that, as of September 2024, it had developed a new template agreement for recruiters of international students, which indicated that recruiters would be paid 83% of their fees in the first year of a student's studies, and the remaining 17% at the time the student graduates. At the time of our follow-up, the university had not yet re-signed existing recruiters using the new agreement, but told us that it would use the new template agreement with new recruiters.

Ontario Tech University: According to the latest contract with a recruiter, the university pays the recruiter the recruitment fee in two equal instalments, as early as 20 days after the start of the first and second semesters. This does not necessarily incentivize recruiting agents to pursue prospective students that exceed admission requirements and/or are likely to graduate from the university.

University of Windsor: The university informed us that it would not be implementing our recommendation because students' success at a university is determined by a broad range of factors, and entering grades is only one of them. It further stated that providing a trailing commission to recruiting agents over four years is neither practical nor appropriate, as agents cannot fully control whether students will be successful after their first year. The university told us that it will continue to provide student support services, academic advising and engagement programs to help all students succeed.

3. Financial Contribution of Academic Programming

Our 2022 audit found that universities performed a financial contribution analysis of each of their faculties/departments, but it was not done to determine the financial sustainability of each faculty/department—rather, it was for the purpose of guiding resource-allocation decisions, such as whether a department needs to hire additional faculty, purchase new equipment or expand facilities. As well, the audit found that universities did not perform a financial contribution analysis at the program level, which limits the university's knowledge when allocating resources or adjusting the structure of programming to support sustainability. Moreover, most universities audited had not adjusted or restructured programs to improve financial sustainability, despite certain faculties or departments that had experienced losses.

Recommendation 8: Action Items 1, 2 and 3

To have a comprehensive picture of the financial contribution of programs in order to offer a sustainable suite of programs, we recommend that as part of its programming considerations the university:

- complete an analysis of profitability at the academic program level;

Status:  **Algoma University – Fully implemented.**

 **Nipissing University & Ontario Tech University – Little or no progress.**

 **University of Windsor – In the process of being implemented by November 2025.**

- determine whether there are programs that can be reduced or restructured to provide a better financial contribution to the university while still retaining overall academic credibility with department course offerings;

Status:  **Algoma University – In the process of being implemented by February 2028.**

 **Nipissing University – In the process of being implemented by February 2026.**

 **Ontario Tech University & University of Windsor – Little or no progress.**

- reduce or restructure program offerings based on the results of its program profitability analysis and academic need, in consultation with its academic departments and with the approval of its Board and Senate/Academic Council.

Status:  **Algoma University, Nipissing University, Ontario Tech University & University of Windsor – Little or no progress.**

Details

In our follow-up, we found:

Algoma University: The university completed an analysis of profitability at the program level, for the year ended April 2023. The analysis showed that about 20% (seven of 32) of the university's academic programs were unprofitable. At the time of our follow-up, we were told a similar analysis for the year ended April 2024 was still underway and therefore was not available for our review.

The university informed us that three unprofitable programs (Music, Visual Arts and Anishnaabemowin) were undergoing various stages of a cyclical program review; these reviews are multi-phased and long-term in nature. In addition, in early 2023, the university contracted a third-party consulting firm to provide market research/analysis to review existing programs as well as determine the feasibility of introducing new programs, courses or curricula, as determined by the university from time to time. This contract is for a maximum of five years and is expected to inform the university on the viability and possible options for restructuring by February 2028.

The university told us that the decision to reduce or restructure program offerings would be taken in the future, once action 1 and action 2 of this recommendation were addressed.

Nipissing University: The university was in the process of developing a program review template. One area of assessment under the review is the economic viability of each program. However, we noted that the assessment of economic viability does not explicitly assess program profitability, but rather enrolment levels. Profitability would involve looking at both enrolment, from the perspective of the amount of revenue generated, and the costs of delivering a program. In addition, the university told us that it was considering conducting a financial analysis at the faculty level, instead of the program level.

As well, the university informed us that, in December 2023, it had developed suspension guidelines that allow it to temporarily suspend admissions to programs with fewer than six incoming students declaring themselves a major in the program, for every one student that graduated from the program. The purpose of the suspension guidelines is to allow the university time to retool the program and ensure sustainability. The university told us that it had temporarily suspended admission into three programs due to low enrolment – Ancient Studies, Economics and Religions & Culture. At the time of our follow-up, the university was still determining what data will be used to make decisions on program changes, for example, if the university will be weighing profitability versus academic need for programming. According to the minutes of a committee of the Board, work was still underway in this area. However, the university told us that it expected to refine its academic program review process, to identify programs that could be reduced and restructured, by February 2026. The decision to reduce or restructure program offerings would be taken in the future, once Action 1 and Action 2 of this recommendation were addressed.

Ontario Tech University: The university had taken little action to address any of the recommended actions in this recommendation.

University of Windsor: The university was in the process of establishing an advisory committee to develop an academic program profitability scorecard. Once developed, the university is expecting to pilot the scorecard on the largest faculties—namely Arts, Humanities, and Social Sciences in the 2024/25 fiscal year. The university stated that it expects to have all academic programs evaluated before November 2025.

4. Capital Planning

Our 2022 audit found that universities did not always prepare and present to the Board a comprehensive business case for major capital projects that included a financial feasibility assessment, to help the Board make decisions on whether capital investments would be beneficial, before approving the project to move forward.

Recommendation 9: Action Items 1, 2 and 3

To determine whether major capital projects are financially feasible and beneficial, we recommend that the university:

- update its capital approval policy to clearly define the nature and cost of projects that will require Board approval before financial expenditure commitments are in place;

Status:  **Nipissing University – Fully implemented.**

- prepare a business case for each capital project that includes a financial feasibility assessment to help both management and then the Board make decisions on major capital expenditures, prior to approval;

Status:  **Algoma University – Little or no progress.**

 **Nipissing University, Ontario Tech University & University of Windsor – Fully implemented.**

- obtain Board approval on major capital investments before moving forward with planned projects.

Status:  **Nipissing University – Fully implemented.**

Details

In our follow-up, we found:

Algoma University: The university was in the early stages of developing a capital project policy which it expects will include the requirement for a business case for all major capital projects, defined as large capital projects with a cost over \$25 million.

Nipissing University: In February 2023, the university updated its signing authority policy to require the Board of Governors to provide prior approval for capital projects in excess of \$1 million. The policy also outlines which and how many senior members of management could enter into capital construction and renovation contracts on behalf of the university.

Since our 2022 audit, the university had undertaken one capital project. The university had prepared a business case for this project, which included a list of project costs and funding sources. In addition, the Board approved funding for the project prior to the design and construction phase.

Ontario Tech University: The university implemented a new Capital Projects Policy in April 2024, which requires construction and renovation projects budgeted to cost \$4 million or more to have a business case that would include, among other things, an assessment of risks and a cost-benefit analysis, sign-off by the university Vice President and approval by the Board of Governors.

University of Windsor: In January 2023, the university implemented a new standard template for the approval by the Board of Governors, of major capital projects over \$2.5 million. The university informed us that two major capital projects were submitted for approval since our 2022 audit. For both projects, we noted that the new template was completed to obtain Board approval.

5. Board Governance

During our audit, we found that the size of the board of governors at each of the universities we audited was large, since the boards included members both internal and external to the university as well as administrative and academic staff. A risk to having a large board is the likelihood that an executive (or other) committee becomes a “board within a board,” where decisions are made in the committee and are brought to a board for ratification only, rather than inclusive review, discussion and decision. We also found that universities had shorter than ideal term limits for their board members; universities were missing one or more internal oversight functions (i.e., risk management, compliance and internal audit); boards were missing at least one of five competencies essential for a university board (i.e., finance, accounting, executive management, risk management and cybersecurity); and universities did not have a permanent plan for presidential succession, and in some cases did not have an emergency succession plan in place for the president in the event of an unplanned replacement.

Recommendation 10: Action Items 1, 2 and 3

To improve Board effectiveness and minimize the risks posed by large Board sizes and low term limits for Board members, we recommend that the university:

- reduce and limit the size of the Board, including the number of internal members;

Status:  **Algoma University – Will not be implemented. The Office of the Auditor General continues to support the implementation of this recommendation to avoid the likelihood of an executive (or other) committee becoming a “board within a board” that makes decisions and brings them to a board for ratification only.**

 **Nipissing University, Ontario Tech University & University of Windsor – Little or no progress.**

- reduce the number of committees to accommodate a smaller Board size;

Status:  **Algoma University – Fully implemented.**

 **Nipissing University & University of Windsor – Little or no progress.**

- increase the term limits of Board members, including current members.

Status:  **Algoma University, Nipissing University & Ontario Tech University – Little or no progress.**

Details

In our follow-up, we found:

Algoma University: The university's Governance Committee prepared a position paper to address our 2022 audit recommendations, where it recommended to its Board of Governors that it:

- reduce the size of the Board from 18 to 15 members, comprised of four internal members (President, teaching staff, non-teaching employee and student) and 11 external members (three legislated through Order-in-Council and seven selected by the Board);
- reduce the number of standing committees from seven to six – namely, risk and finance, governance, audit, board-senate liaison, human resources and ad-hoc board executive.
- increase Board term limits from six to nine years, and the student member be elected to serve for two years instead of one;

In fall 2024, we were informed that the size of the Board would not be reduced, as the Governance Committee determined that the internal member perspectives were critical to the bi-cameral model of governance and special mission of the university. In addition, we noted that the number of board committees and subcommittees was reduced from seven to five; but the term limits of board members and students serving on the Board would not be increased.

Nipissing University: The university had not taken any steps to implement any of our three recommended actions.

Ontario Tech University: The university told us that it would review best practices and processes as they relate to governance within the sector and then determine if a change is warranted.

University of Windsor: The university told us that it would be performing a cost-benefit analysis to weigh the benefits of implementing the first two recommended actions against both the complexities and needed competencies of the Board, as well as considerations and priorities related to Equity, Diversity, Inclusion, and Indigeneity.

Also, in March 2024, the Ministry of Colleges and Universities, through the *Less Red Tape, More Common Sense Act, 2023*, amended the respecting Acts of Algoma, Nipissing and Ontario Tech universities, to permit only the Chair of the Board to serve up to eight years; all other Board members were still limited to serve a maximum of six years. However, as noted in our 2022 audit report, longer term limits are desirable for other Board members as well, to permit them enough time to become proficient on a number of committees and to have them keep senior management accountable.

Recommendation 11: Action Item 1

To provide for an effective future transition of the university president position, we recommend that the Board of the university develop, and annually review and approve, both permanent and emergency presidential succession plans.

Status:  **Algoma University – In the process of being implemented by December 2024.**

 **Nipissing University, Ontario Tech University & University of Windsor – Little or no progress.**

Details

In our follow-up, we found:

Algoma University: The university had drafted steps to develop a succession plan. This involved identifying potential candidates within the university for the permanent replacement of a president by assessing their knowledge, skills, qualifications and personal qualities against a competency profile; creating a development plan for each potential successor to address any competency gaps identified; and implementing the development plans for each potential successor, monitoring their progress and revising development plans as needed. The university informed us that a Presidential Succession Planning Framework and associated procedures, as well as an Interim and Acting Delegation of Authority for the President, were under review by the Board's Human Resources Committee and expected to be approved by December 2024.

Nipissing University: The university has put in place an emergency succession plan that identifies an interim president in the event of an unplanned replacement, but has no plans for a permanent presidential succession plan.

Ontario Tech University: The university had identified a successor who would replace the President on a short-term basis and developed a presidential search process. However, the university had no plans to put in place a permanent presidential succession plan.

University of Windsor: The university had taken little action on this recommendation.

Recommendation 12: Action Items 1, 2 and 3

To have a Board with essential skills and competencies for effective oversight, and to promote effective Board member succession planning, we recommend the Board of the university:

- prioritize and track competencies using competency matrices and other competency tracking tools;

Status:  **Algoma University, Ontario Tech University & University of Windsor– Fully implemented.**

 **Nipissing University – In the process of being implemented by December 2024.**

- confirm the Board and its committees possess demonstrably requisite competencies, in order to fulfill its terms of reference;

Status:  **Algoma University, Ontario Tech University & University of Windsor – Fully implemented.**

 **Nipissing University – In the process of being implemented by December 2024.**

- strengthen university financial and accounting literacy among Board members by providing them with either an internal or external training opportunity to increase the effectiveness of their oversight of the operations of the university.

Status:  **Algoma University, Ontario Tech University & University of Windsor – Fully implemented.**

 **Nipissing University – Little or no progress.**

Details

In our follow-up, we found:

Algoma University: The university has reduced the number of competencies required for its board members from 21 to seven. Among the seven revised competencies, the university added the skills of executive management, risk management and cybersecurity.

In addition, Board members at Algoma University performed a self-assessment of their competencies in March 2023 and March 2024. Based on the self-assessment of the core competencies, we noted improvement in three board core competencies—finance, executive management and risk management. More than half of the Board members rated themselves as having at least a high level of knowledge or experience in these three areas.

Since our 2022 audit, Algoma University arranged for an accounting firm to deliver two training sessions to its Board of Governors. The sessions included a component on understanding financial statements; best practices in financial management, including a review of the Ministry of Colleges

and Universities' financial health indicators for universities; board governance; risk management; and internal controls.

Nipissing University: The university developed a skills/knowledge matrix and in fall 2024 surveyed its Board members to determine their knowledge/experience gaps. At the time of our follow-up, the university was still compiling the results of the survey. The university expected to have the results compiled by December 2024.

In September 2023, the Board received a presentation on very basic financial terminology and a description of the funds the university holds. At the time of our follow-up, the university told us that it had not yet contracted with an accounting firm to deliver training, as it was reviewing what other universities have in place.

Ontario Tech University: In April 2023, the university revised the list of competencies required of its board members from 37 to 16. Among the 16 revised competencies, the university added the skills of "risk management" and "cybersecurity," which it did not have at the time of our 2022 audit. Soon after, Board members were asked to self-assess themselves on a scale of 1–4 in each competency.

On average, Board members scored themselves below 3 on their knowledge of accounting and cybersecurity. The university recognizes that, as a whole, the Board of Governors would also benefit from additional accounting education, but noted that scores for the Audit and Finance Committee were significantly higher at 3.6/4, demonstrating a higher level of strength in this skill on the Committee.

Also, in May 2023, the university had an accounting firm deliver a financial literacy course to Board members titled, *Understanding the Financial Reporting Process*.

University of Windsor: The university has highlighted 10 core competencies required of the Board of Governors, these being the five core competencies we recommended during our 2022 audit (namely, accounting, finance, executive management, risk management and cybersecurity), plus an additional five competencies (i.e., governance, human resources, legal and regulatory, real estate development and facilities management, and strategic planning). In May 2024, each Board member was asked to assess themselves on a scale of 1–4 in each competency.

On average, Board members scored themselves below 3 on four of the five core competencies we recommended—accounting, finance, risk management and cybersecurity. However, the university considers the board and committees of the board to have the required competencies and skills if one-third of Board members and half of committee members, respectively, rated themselves as a 3 or 4. Based on this benchmark, the university considers that the Board as a whole has the required competencies, except in the area of cybersecurity (core competency) and real estate/facility management/environmental sustainability. As well, each committee as a whole had the required competencies.

Since our audit, the university has offered three training sessions on financial literacy for Board and committee members, and staff in senior administration positions. As of February 2024, 88% of Board members had attended a session on financial literacy. The university indicated that the financial literacy training would be offered again, over the next few months, for those who were unable to attend and those who wanted a refresher.

Recommendation 13: Action Items 1 and 2

To have and promote effective oversight of the university's finances and operations, we recommend that the Board of the university:

- implement internal oversight functions (i.e., risk management, compliance and internal audit) where they do not exist, and have them report regularly to the Board;

Status:  **Algoma University & Nipissing University – Little or no progress.**

 **Ontario Tech University – Fully implemented.**

 **University of Windsor – In the process of being implemented by March 2025.**

- annually review and approve a written risk appetite framework, which includes identification and defining of material financial and non-financial risks, and independent assurance of internal controls to mitigate each of these risks.

Status:  **Algoma University & Nipissing University – Little or no progress.**

 **Ontario Tech University – Fully implemented.**

Details

In our follow-up, we found:

Algoma University: The university hired a Manager of Enterprise Risk, Policies and Insurance in May 2023, and informed us that it also plans to hire a Chief Risk Officer. The university had not taken action to implement a compliance function and internal audit function.

Although at the time of our 2022 audit, Algoma University had developed a draft Risk Appetite Statement, it did not include a list of all material financial and non-financial risks to the university. Since our audit, the university has periodically prepared an Emerging Risks Update. However, the updates do not consistently report on all risks and do not include solid mitigation plans for each risk.

Nipissing University: The university informed us that it has not taken steps to implement risk management, compliance and internal audit functions.

Also, the university had not taken action to identify and mitigate material financial and non-financial risks.

Ontario Tech University: The university contracted with an external accounting firm to perform the internal audit functions for the university for the period April 1, 2024 to March 31, 2027. It also had both a risk management and a compliance function at the time of our audit.

In addition, the university had developed a risk register describing various risks to the university, as well as their causes, consequences, likelihood and mitigation strategies.

University of Windsor: The university was in the process of implementing a compliance function. The university's Human Resources group identified related legislative requirements impacting human resources functions and subsequently, in October 2023, reported on its compliance with those requirements. The university informed us that its legal services team was in the process of identifying and consolidating other legislative obligations centrally as well as identifying the current responsible entity and person for each requirement. It expects to complete the checklist and reporting schedule (for non-Human Resources legislative requirements) by the end of October 2024, and to develop a process for updating and monitoring changes to legislative and regulatory requirements by March 2025. The university had both a risk management and internal audit function at the time of our 2022 audit.

Recommendation 14: Action Item 1

To enable the Senate/Academic Council at the university to make well-informed decisions with regard to academic programming, and that consider the financial sustainability of the university, we recommend that the Senate/Academic Council be provided with regular costing information on the financial contribution of individual program offerings, by campus and the university as a whole.

Status:  **Algoma University – In the process of being implemented by September 2025.**

 **Nipissing University, Ontario Tech University & University of Windsor – Little or no progress.**

Details

In our follow-up, we found:

Algoma University: At the time of our follow-up, the university was providing the Senate with profitability information (revenue and expenditures) by program and faculty, but not by campus. The university contracted with a third-party technology company to implement a new information system for the 2024/25 academic year which would allow for tuition reporting by both program

and by campus. The university informed us that it expects profitability reporting by program and campus to be in place by September 2025.

Nipissing University: The university informed us that it had not taken any action on this recommended action.

Ontario Tech University: The university had not taken any action to implement this recommended action. The university informed us that it did not believe such an analysis would be useful due to the small size of the institution and the interdisciplinary nature of its programs.

University of Windsor: The university informed us that it would try to address this recommended action following the development and testing of an academic program profitability scorecard, as noted in **Recommendation 8: Action Item 1**.

6. University Partnerships and Collaborations

Our 2022 audit identified examples of mutually beneficial partnerships the universities we audited had entered into with either their host city, local health units or other partners and organizations. However, we also noted examples of partnerships that were unfavourable to the reputation of a university and/or did not act in the best interest of the students. Our report also noted that the Canadian Security Intelligence Service (CSIS) warned that since the onset of the pandemic, Canadian universities are among those facing an elevated level of risk to their cybersecurity. CSIS noted that adversaries have increased interest in intellectual property and advanced research held on computer systems in small start-ups, corporate boardrooms or university labs across the country.

Recommendation 15: Action Items 1, 2, 3 and 4

To only form academic partnerships that are both beneficial to the university's reputation and in the best interests of students and/or researchers, we recommend that the university:

- set goals for the type of relationships it plans and then enters into, such as revenue-generating academic relationships;

Status:  **Algoma University – In the process of being implemented by December 2024.**

 **University of Windsor – In the process of being implemented by December 2024.**

- have such arrangements approved by its Board and/or Senate;

Status:  **Algoma University – In the process of being implemented by December 2024.**

 **University of Windsor Will not be implemented. The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.**

- ensure that arrangements will be and continue to be aligned with the academic and financial interests of students;

Status:  **Algoma University – Little or no progress.**

- consult national security agencies such as the Canadian Security Intelligence Service for information, advice or support before engaging in international collaborations and partnerships.

Status:  **University of Windsor – Fully implemented.**

Details

In our follow-up, we found:

Algoma University: The university created a guideline to outline the possible goals of academic agreements related to collaborations or partnerships with third parties. The university also developed a partnership qualification checklist to, among other things, consider how well the partnership aligns with the university's strategic goals and priorities; identify potential risks associated with the partnership, including financial, reputational and operational risks; and consider what metrics or benchmarks will be used to evaluate the success of the partnership. In addition, the university's draft Signature Authority Policy requires that all contracts for partnerships have a risk assessment done and be signed/approved by the Vice President, the university President and/or the Board of Governors, depending on the value of the contract and its duration. Academic agreements for research partnerships would also require approval by the Senate. The guideline and checklist are expected to come into effect in December 2024.

University of Windsor: The university had prepared an initial summary of the types of academic partnerships it has in place, and provided details as to how the risks associated with each type of partnership would be managed and mitigated. Windsor expected to finalize the document by the end of 2024.

Also, we were informed that the university will not require partnership agreements be approved by the Board and/or Senate due to the volume. Although various members of the senior leadership team are involved in reviewing the various types of agreements, final approval will remain with the

Vice President of Research and Innovation for research agreements, the Director of Legal Services for international student recruitment agreements, and the university President for all other types of academic partnerships.

The university told us that it shared with CSIS, the document described above which summarizes the types of academic partnerships in place, as well as the associated risks and methods used to manage and mitigate the risks. The university told us that CSIS reviewed the document and provided verbal input at a high level on the assurance processes the university has put into place for its academic and research partnerships. The university had not documented what was discussed and the advice provided by the federal agency.

7. Ministry of Colleges and Universities

Our 2022 audit found that the Ministry of Colleges and Universities has been operating without a clear strategy or long-term vision for the post-secondary education sector that distinguishes programming between colleges and universities. Some colleges offer degree programs and some universities offer certificate programs to generate more revenue, and over time the originally intended purposes of Ontario's post-secondary institutions have blurred and overlapped. This has created confusion in differentiating between these two types of institutions, and could impact their ability to sustain themselves in the long term.

We also found that universities convert grades obtained in other jurisdictions to their equivalent in the Ontario system using conversion charts developed separately in-house by each university. As a result, we found significant differences in the conversion standards between the universities audited.

In addition, we reported that SMAs, which the Ministry uses to fund universities, do not include elements that can be used to provide the Ministry with comfort that value for money is being achieved. For instance, SMAs do not include: a clause that allows the Ministry or authorized auditors to enter the institution to review the progress on projects using funding and the allocation and expenditure of funds, by inspecting records and documentations or conducting an audit or investigation in respect of expenditures of the funds; a clause that allows the Ministry to request additional information outside of reporting the SMA metrics; or a mechanism that allows the Ministry to take control of any operation if the institution fails to comply with the SMA requirements.

Recommendation 16: Action Items 1, 2, 3 and 4

To support the financial and operational sustainability of post-secondary educational institutions in Ontario and to provide clarity for Ontarians about university and college

programming within the context of a long-term vision for the post-secondary sector, we recommend that the Ministry of Colleges and Universities:

- develop a strategic plan and actions to be taken to achieve it;

Status:  **Little or no progress.**

- establish an implementation timeline for the actions;

Status:  **Little or no progress.**

- monitor the implementation of the actions and the achievement of the strategic plan over a defined period of time; and

Status:  **Little or no progress.**

- modify or update the strategic plan and actions as needed.

Status:  **Little or no progress.**

Details

We found that in March 2023, the Ministry of Colleges and Universities (Ministry) announced the creation of a blue-ribbon panel of experts to review and provide advice and recommendations in key areas to ensure Ontario's post-secondary sector is financially sustainable over the long run. The blue-ribbon panel released its report in November 2023, and recommended encouraging differentiation within the post-secondary sector and maintaining the difference between colleges and universities wherever and whenever mandates are distinctive. The recommendations of the panel did not provide further clarity with regard to university and college programming.

Other key recommendations of the panel were to:

- to increase government funding per student and increasing tuition rates;
- phase in, at a slower pace, previously announced changes in government funding of postsecondary institutions from enrolment-based to performance-based;
- increase the Northern Ontario Grant for universities;
- review the Ontario Student Assistance Program to increase grants for low-income students;
- ensure each institution's Board members follow best practices in governance, including requiring financial literacy training for newly appointed board members; and

- instruct the board of each Ontario university to review its own financial sustainability score relative to every other Ontario university.

At the time of our follow-up, the government was continuing to evaluate the blue-ribbon panel's advice.

Recommendation 17: Action Item 1

To promote financial sustainability while reducing financial dependence on international student tuition, we recommend that the Ministry of Colleges and Universities:

- complete an assessment of the cost of instruction and operation of universities;

Status:  **Little or no progress.**

Details

We found that the Ministry has no plans to complete an assessment of the cost of instruction and operation of universities. Instead, in February 2024 it announced \$1.3 billion in new funding to the post-secondary sector over three years (2024/25–2027/28); of which \$704 million is for the university sector. Funding to universities is to be provided through various initiatives, the most significant being:

- an increase to each institution's operating funding (excluding special purpose funding) of 3% in 2024/25 and an additional 2% in each of 2025/26 and 2026/27 (\$520 million in total);
- \$159 million in top-up funding to medium- and high-risk universities of 10% and 15% respectively in 2024/25, and an unconfirmed top up in each of 2025/26 and 2026/27; and
- \$84.5 million in capital repairs through a 5% increase in Facilities Renewal Program Funding, and extending the time-limited funding through the Training Equipment and Renewal Fund.

The Ministry is also providing universities with \$5 million in total through the Efficiency and Accountability Fund for 2024/25 to support third-party reviews to identify actions institutions can take to drive long-term cost savings and positive outcomes for students. The total amount of funding available to universities for the following two fiscal years had not been determined at the time of our follow-up. The Ministry told us that it expects these reviews to target both structural issues (such as, reviewing effective financial governance and academic program offerings) and operational policies (such as, IT systems, space utilization and procurement) to improve sustainability and student experiences.

Recommendation 17: Action Item 2

- determine whether universities will be financially sustainable at current funding levels and under the domestic tuition fee reduction and current freeze;

Status:  **Fully implemented.**

Details

The Ministry informed us that it would continue to monitor the financial health of the sector through a new University Financial Accountability Framework developed jointly with the Council of Ontario Universities and implemented in April 2023. The framework requires that universities be assessed on their liquidity, sustainability, performance and credit ratings. During our follow-up, the Ministry informed us that it had received and reviewed the financial health information for all Ontario universities for 2022/23, and had identified two universities at high risk. This information is based on universities' financial statements and credit rating, but does not include forward-looking information on the universities' health (e.g., budget information, projected enrolment). These universities will be required to develop an action plan to return to financial sustainability, as discussed further in **Recommendation 21: Action Item 2**.

According to a document the Ministry prepared in February 2024, it presented decision-makers with the cumulative annual loss of revenue for institutions since the freeze and noted that institutions' financial health is expected to decline further if international student enrolment declines. The information presented to decision-makers did not include a forward-looking assessment of the impact of the tuition freeze on institutions or assess the variation of impacts across universities to highlight those most vulnerable to the freeze in the sector. Since then, the federal government announced the cap on study permits for undergraduate international students, which is likely to decrease international enrolment in Ontario universities.

We encourage the Ministry to provide decision-makers with a forward-looking assessment of the impact of the tuition freeze on institutions and assess the variation of the impacts across universities to highlight those most vulnerable to freezes in the sector.

Recommendation 17: Action Item 3

- assist universities in developing risk mitigation plans, where necessary.

Status:  **Fully implemented.**

Details

According to the University Financial Accountability Framework, a university that receives a high action plan rating in any of the four areas previously listed, is responsible for procuring an independent advisor to help it develop a recovery plan. In such cases, the framework states that the university may seek Ministry support for the cost of the third-party review. This funding would come from the Efficiency and Accountability Fund mentioned in **Recommendation 17: Action Item 1**.

Recommendation 18: Action Item 1

To reduce the risk to universities of overreliance on international students from a single or few geographic regions, and to determine whether there is a need for guidance on the recruitment and education of international students, we recommend that the Ministry of Colleges and Universities revise its International Postsecondary Education Strategy to:

- include measurable targets and goals for levels of international student enrolment;

Status:  **Fully implemented.**

Details

In January 2024, the federal government imposed a two-year cap on study permits for undergraduate international students in universities, colleges and private institutions. The new federal cap is expected to result in approximately 360,000 study permit approvals for Canada as a whole, a decrease of 35% from 2023 levels. Ontario's allocation was 235,000 study permit applications for 2024; this is down from approximately 352,000 study permit applications from Ontario submitted to the federal government in 2022. In allocating study permit applications to institutions, the Ministry prioritized programs in high-demand areas, including skilled trades, health human resources, and STEM (science, technology, engineering, mathematics); ensured total applications per institution did not exceed its 2023 levels; and limited the ratio of estimated international permits to no more than 55% (exclusive of high-demand areas) of an institution's 2023 first-year total enrolment.

Recommendation 18: Action Item 2

- assess the status of tuition fees for international students to determine whether any policies are needed;

Status:  **Little or no progress.**

Details

We found that the Ministry would not be considering policies related to international tuition at this time because universities are autonomous institutions with the responsibility to set international tuition levels based on their ability to attract international students, the cost to deliver programming, and other considerations. The Ministry informed us that it would continue to monitor international student enrolments and tuition and assess if any policies are required.

Recommendation 18: Action Item 3

- assess the methods and use of international student recruitments to determine whether any policies are needed such as developing a standard grade-conversion chart for the admission of international students;

Status:  **Will not be implemented. The Office of the Auditor General of Ontario continues to support this recommendation, to prevent differences in conversion standards between Ontario universities when converting grades obtained by international students in other jurisdictions who are applying to study in Ontario.**

Details

At the time of our follow-up, the Ministry told us that universities are autonomous with respect to academic decisions, such as admissions, as outlined in their individual founding Acts of the Legislature, and therefore it does not plan to intervene in academic matters, which are overseen by university Senates.

Recommendation 18: Action Item 4

- provide guidance on global markets to target or on how to mitigate the risks of becoming over-reliant on one country or reliant on international students in general.

Status:  **Little or no progress.**

Details

We found that the Ministry had taken little action on implementing this recommended action. The Ministry informed us that it continues to assess the impact of the federal government's cap on the number of international student study permit applications over the next two years. As part of its permit allocation, the Ministry limited the ratio of international permits to no more than 55% (exclusive of high-demand areas) of an institution's 2023 first-year enrolment.

Recommendation 19: Action Items 1 and 2

To foster and support continuous improvement of university performance under future Strategic Mandate Agreements, 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 universities and do not further increase dependency on international enrolments without a longer-term strategy to address the risks of this approach for financial sustainability;

Status:  **Little or no progress.**

- work with universities to reassess their performance target-setting formulas in future Strategic Management Agreements so that targets are not set lower than the prior year's target and/or actual performance achieved;

Status:  **Little or no progress.**

Details

The Ministry informed us that it has launched consultations on the next round of Strategic Management Agreements (SMAs) and would consider these recommendations as part of the design of the metrics and model.

Recommendation 19: Action Item 3

- use data-driven measures, such as tracking student graduation by student number to assess students' educational pathway to graduation and the labour-market contribution and return they realize following graduation.

Status:  **Little or no progress.**

Details

We found that the Ministry has made little progress in implementing this recommended action. The Ministry informed us that it was working on a tool that tracks student graduation by using the student's individual Ontario Education Number. The Ministry informed us that the new tool would be ready for implementation for the 2025/26 fiscal year.

Recommendation 20: Action Item 1

To provide for a mechanism of greater oversight and accountability of universities, we recommend the Ministry of Colleges and Universities use Transfer Payment Agreements as the funding agreement for universities in place of Strategic Mandate Agreements.

Status:  **Will not be implemented. The Office of the Auditor General of Ontario continues to support this recommendation. As noted in our 2022 audit report, SMAs do not include elements that can be used to provide the Ministry with comfort that value for money is being achieved.**

Details

The Ministry informed us that it will continue to fund universities through SMAs. The Ministry noted that Transfer Payment Agreements would impose an additional administrative burden for institutions.

Recommendation 21: Action Item 1

To provide the Ministry of Colleges and Universities (Ministry) with the tools and authority it needs to ensure the financial viability of universities approved under legislation to deliver post-secondary education in Ontario, we recommend that the Ministry:

- develop criteria to assign a risk rating to each university annually;

Status:  **Fully implemented.**

Details

We found that the Ministry released the University Accountability Framework in September 2023 that included eight financial metrics against which to assess a university's financial viability. These included primary reserve days, working capital ratio, viability ratio, debt ratio, debt-to revenue ratio, interest burden ratio, surplus ratio and net operating ratio. The framework also included the requirement for a third-party credit rating from select prominent credit rating agencies.

Recommendation 21: Action Item 2

- proactively monitor identified high-risk universities.

Status:  **Fully implemented.**

Details

In May 2024, the Ministry had completed a financial health risk assessment on Ontario universities for the 2022/23 fiscal year, using the metrics described in **Recommendation 21: Action Item 1**. Two universities were rated high risk and, as a result, are required to develop a recovery plan within three months (end of August 2024) to take corrective action.

The recovery plan is expected to include: multi-year budgets and cash flow projections, an in-depth explanation and analysis of the causes of the financial metric results, and the steps to be taken by the university to improve results to restore the elevated financial health metrics to an acceptable level.

The universities rated as high risk are also required to provide status reports to the Ministry every six months over a three-year period, or until all financial health categories are not in the high action bands.

// Appendix

Recommendation Status Overview

	# of Action Items	Fully Implemented 	In the Process of Being Implemented 	Little or No Progress 	Will Not Be Implemented 	No Longer Applicable 
Recommendation 1	4	4				
Recommendation 2	2	1		1		
Recommendation 3	2	1.34		0.33	0.33	
Recommendation 4	6	3.75	1	1.25		
Recommendation 5	3	1.33		1.67		
Recommendation 6	2		0.5	1.5		
Recommendation 7	1		0.25	0.5	0.25	
Recommendation 8	3	0.25	0.75	2		
Recommendation 9	3	2.75		0.25		
Recommendation 10	3	0.33		2.42	0.25	
Recommendation 11	1		0.25	0.75		
Recommendation 12	3	2.25	0.5	0.25		
Recommendation 13	2	0.58	0.25	1.17		
Recommendation 14	1		0.25	0.75		
Recommendation 15	4	1	1.5	1	0.5	
Recommendation 16	4			4		
Recommendation 17	3	2		1		
Recommendation 18	4	1		2	1	
Recommendation 19	3			3		
Recommendation 20	1				1	
Recommendation 21	2	2				
Total	57	23.58	5.25	24.84	3.33	0
%	100	41	9	44	6	0

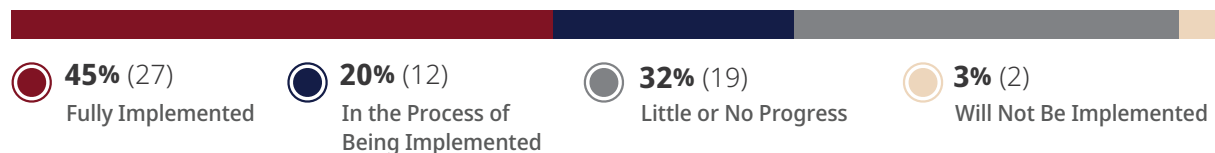
Follow-Up on the 2022 Performance Audit:

Ministry of Finance
Financial Services Regulatory Authority

Regulation of Private Passenger Automobile Insurance, Credit Unions and Pension Plans

// Overall Conclusion

60 Recommended Actions



The Ministry of Finance (Ministry) and the Financial Services Regulatory Authority of Ontario (FSRA), as of August 31, 2024, have fully implemented 45% of actions we recommended in our 2022 audit **Financial Services Regulatory Authority: Regulation of Private Passenger Automobile Insurance, Credit Unions and Pension Plans**. The Ministry and FSRA made progress in implementing an additional 20% of the recommended actions.

The Ministry and FSRA have fully implemented recommendations such as establishing an information-sharing agreement between FSRA and the Ministry of Transportation to collect data on how tow truck operators are involved in the automobile insurance system and the costs associated.

FSRA also started to regularly collect information to assess the key governance processes of credit unions, such as board operations, internal auditing and audit committee functions. This includes procedures related to issuing and monitoring loans. As part of its credit union inspections, FSRA now collects and reviews documentation to ensure that credit unions have implemented corrections addressing the issues identified in inspection results.

Additionally, to ensure pension plans comply with the *Pension Benefits Act*, protect member benefits and are well-administered, FSRA has introduced new inspection guidelines and processes for both defined benefit and defined contribution plans. These guidelines include verifying data in regulatory filings and identifying issues with member communications, governance and compliance.

However, the Ministry and FSRA have made little progress on 32% of the recommendations, including to work with relevant industry associations and ministries to develop an accreditation regime for automobile repair shops in Ontario, and require shop accreditation. As well, little progress was made to ensure that private passenger automobile insurance companies, adjusters and agents are efficiently and fully reviewed for eligibility and suitability, and that necessary information is considered before making any automobile insurance-related licensing decisions. Additionally, ss. 98.1(1) Duty to Notify re Disclosable Event of the *Pension Benefits Act* remains unproclaimed; the amendment would require certain events to be disclosed to FSRA and allow for the negotiation of financial protections related to such events.

The status of actions taken on each of our recommendations is described in this report (see **Appendix** for more details).

// Status of Actions Taken on Recommendations

We conducted assurance work between April 2024 and August 2024. We obtained written representation from the Ministry of Finance and the Financial Services Regulatory Authority that effective October 3, 2024, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

1. Ontario's Private Passenger Automobile Insurance System Is Complex and Costly

In our original audit, we found that Ontarians pay the highest premiums for private passenger automobile insurance in Canada, including when compared to provinces that also operate privately delivered insurance sectors, such as Alberta and the Atlantic provinces.

The average private passenger automobile insurance premium increased almost 14% to \$1,642 per year between 2017 and 2021. Neither the Ministry nor FSRA had done significant work to address past recommendations to reduce costs, including standardizing medical care for accident victims and requiring accreditation for repair shops.

The territorial framework used by FSRA that outlines how insurers can provide different private passenger automobile insurance premiums to individuals based on where they live in Ontario had not been updated since 2005. We obtained 10 quotes for private passenger automobile insurance for a consumer where the only factor about the person we changed was where they lived in Ontario. Insurance rates for this individual ranged from \$1,200 per year (when the individual lived in London) to \$3,350 per year (when the person lived in Brampton) driving the same automobile.

FSRA requested additional authority from the Ministry, including the ability to collect details of fraudulent activity identified by automobile insurance companies, to better understand and be able to address these issues. However, we found that the Ministry had only started to take action on these requests.

Recommendation 1: Action Items 1 and 2

To lead automobile insurance reforms in the province and reduce the cost of private passenger automobile insurance for Ontarians, we recommend that the Financial Services Regulatory Authority of Ontario, and where necessary, the Ministry of Finance take the lead to:

- develop and implement up-to-date programs of care for injuries such as sprains, strains and whiplash to standardize the treatment provided to clients after an accident and the costs of such treatment, beyond just those of minor injuries;
- assess the cost of implementing a centralized medical assessment process, and if beneficial and cost-effective, implement that process while requiring both insurers and consumers to use the process to reduce the amount of medical assessments and disputes related to those assessments;

Status:  **Little or no progress.**

Details

We found that the Ministry led consultations with the automobile insurance sector in summer and fall 2023, during which it discussed various potential reforms to private automobile insurance. FSRA also participated in these consultations, but told us that the decision to implement any reforms ultimately rests with the government. Following the consultations, the Ministry outlined six initiatives to reform automobile insurance in the *2024 Ontario Budget*.

The Ministry plans to implement these initiatives in the coming years. However, these initiatives do not explicitly include the development and implementation of an updated program of care or the establishment of a centralized medical assessment process, as we recommended.

Recommendation 1: Action Item 3

- work with relevant industry associations and ministries to develop an accreditation regime for automobile repair shops in Ontario, and require shop accreditation;

Status:  **Little or no progress.**

Details

The Ministry informed us that it has been collaborating with the Ministry of Public and Business Service Delivery and Procurement (MPBSDP) and the Ministry of Transportation (MTO) to explore accreditation opportunities for automobile repair shops. The previous *Consumer Protection Act, 2002* did not grant MPBSDP the authority to implement a licensing or accreditation system for automobile repair shops in Ontario, nor does the newly enacted *Consumer Protection Act, 2023*. Additionally, the government did not include the regulation of automobile repair shops and collision reporting repair centres in the scope of the *Towing and Storage Safety and Enforcement Act, 2021*, and it has no plans to regulate these sectors under this Act. The Ministry told us it will continue to engage with MPBSDP and MTO.

Recommendation 1: Action Items 4 and 5

- implement an information-sharing agreement with the Ministry of Transportation (MTO) to collect data on how tow truck operators are involved in the automobile insurance system and the costs associated with that; and
- undertake enforcement action, when necessary, in collaboration with MTO, against automobile repair shops and tow truck operators to reduce instances of fraudulent, unreasonable services or poor repairs being performed that result from an automobile accident.

Status:  **Fully implemented.**

Details

We found that MTO approved FSRA as an authorized data requester in January 2024. An agreement between FSRA and MTO was signed on April 29, 2024, and the first data transfer, which included some tow truck information, was completed at the end of July 2024. FSRA informed us that it is now in the process of evaluating the data to establish a process for monitoring trends among tow truck operators that are involved in automobile accidents.

Additionally, the *Towing and Storage Safety and Enforcement Act, 2021*, which received royal assent in June 2021, provided provincial oversight of the towing and vehicle storage sectors as of January 1, 2024. With the Act's final phase of implementation completed on July 1, 2024, tow truck drivers are required to obtain certification to continue operating. FSRA informed us that it will continue to take enforcement action against bad actors in the automobile insurance system within the bounds of its authority, when necessary.

In October 2023, FSRA took enforcement actions against a body shop and its employees by imposing fines and prohibiting the body shop from performing insurance claim repair work.

Recommendation 2: Action Items 1 and 2

To make headway on previous reports' recommendations that will improve the private passenger automobile insurance industry in Ontario, we recommend that the Financial Services Regulatory Authority of Ontario, and where necessary, the Ministry of Finance:

- perform a comprehensive review of the automobile insurance reform reports in Ontario (such as those identified in **Appendix 9**) and the recommendations made in those reports;
- identify and prioritize the recommendations and reforms that can most reduce costs and premiums in the Ontario automobile insurance industry, strengthen industry oversight and increase consumer protection;

Status:  **Fully implemented.**

Details

The Ministry and FSRA have reviewed and prioritized the recommendations from previous reports on the reforms of the automobile insurance industry in Ontario, noted in **Appendix 9** of our audit in our *2022 Annual Report*, and considered them in developing the six initiatives to reform automobile insurance announced by the government in the *2024 Ontario Budget*. The Ministry expects to begin rolling out these initiatives within a few years. The Ministry and FSRA also stated that they will continue to incorporate recommendations from the previous reports in future efforts to improve the automobile insurance sector.

Recommendation 2: Action Item 3

- develop and execute on a plan to implement those recommendations.

Status:  **Little or no progress.**

Details

We found that neither the Ministry nor FSRA has set a timeline to develop and execute on a plan to implement the previous reports' specific recommendations on reforms of the automobile insurance industry in Ontario; however, the Ministry and FSRA did inform us that they will continue to consider recommendations from the Office of the Auditor General of Ontario as part of ongoing efforts to ensure the automobile insurance sector is modernized.

Recommendation 3: **Action Item 1**

To improve the tools the Financial Services Regulatory Authority of Ontario (FSRA) uses to oversee Ontario's private passenger automobile insurance sector, we recommend that the Ministry of Finance (Ministry):

- review whether FSRA can better oversee more entities in the insurance system (including automobile repair shops and tow truck operators);

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

The Ministry informed us that it does not plan to conduct a review to assess whether FSRA can better oversee more entities, including automobile repair shops in Ontario. The Ministry told us that the government's work on introducing the *Towing and Storage Safety and Enforcement Act, 2021* addressed the part of this recommendation that relates to tow truck operators.

Recommendation 3: **Action Item 2**

- work with FSRA to develop a co-ordinated assessment process for both entities of any legislative or rule-related requests that FSRA makes, including regular updates on the status and timing of a decision;

Status:  **Fully implemented.**

Details

We found that the Ministry, in collaboration with FSRA, launched a new intake process for FSRA's legislative requests on May 1, 2023. This new intake process provides more structure and transparency to FSRA's requests for more legislative powers or authority, and is designed to

enhance team collaboration, clarify the information and lead time required for decision-making, and improve overall efficiency. Key features of this new process include a streamlined intake form and a standardized process that will improve the tracking and reporting of legislative requests. The Ministry received FSRA's first round of legislative requests under the new process on May 23, 2023.

Recommendation 3: Action Item 3

- prioritize the further review of FSRA's already proposed fraud reduction initiatives and recommendations, and if warranted, approve them.

Status:  **In the process of being implemented by winter 2026.**

Details

The Ministry informed us that it is considering FSRA's already proposed fraud-reduction initiatives and recommendations to determine their relevance and alignment with the government's policy objectives. This includes establishing a Fraud Reporting Service aimed at collecting automobile insurance fraud data from insurers that will quantify the amount of automobile insurance fraud in Ontario, create a baseline for fraud detection and identify trends throughout the industry. FSRA plans to begin developing the Fraud Reporting Service in summer 2025, with an anticipated implementation date of winter 2026.

Recommendation 4: Action Items 1, 2 and 3

To improve the oversight of insurance brokers and brokerages, and to offer consumers better protection and information about these entities, we recommend that the Financial Services Regulatory Authority of Ontario (FSRA):

- collaborate with the Ministry of Finance and the Registered Insurance Brokers of Ontario (RIBO) to improve and refine requirements for brokerages, brokers and insurance companies to disclose information (such as the degree of financial interest an insurance company has in a brokerage, including ownership, and the commission structure of each insurance company a brokerage works with) to consumers prior to providing them with all available quotes including on their website and over the phone;
- collect information from insurance brokerages (such as on the commission structure), or require RIBO to systematically collect and provide to FSRA such information as part of its annual inspection of RIBO, and prioritize conducting inspections of brokerages identified as higher-risk (such as those brokerages who receive higher commissions than usual and/or brokerages who insurance companies have a financial interest in and sell insurance for); and

- incorporate an assessment of RIBO's proposed actions, or recommend actions to improve RIBO's compliance with its own insurance broker and brokerage inspection targets, as part of its annual inspection of RIBO.

Status:  **In the process of being implemented by December 31, 2027.**

Details

We found that on April 29, 2024, RIBO published new mandatory disclosure guidance that clarifies brokers' and brokerages' obligations to disclose conflicts of interest according to section 14 (7.1) of Regulation 991 made under the *Registered Insurance Brokers Act*, as well as the RIBO Code of Conduct. This guidance also specifies that disclosures must be provided no later than when a client receives a quote. FSRA informed us that RIBO intends to enforce compliance with the guidance beginning October 1, 2024. As part of its 2024 statutory examination of RIBO, FSRA intends to review the new disclosure guidance along with how RIBO plans to supervise and enforce the guidance; it plans to subsequently follow up on RIBO's actual supervision and enforcement activities in future statutory examinations.

FSRA informed us that it also plans to review insurers' outsourcing relationships with P&C Managing General Agencies (MGAs) during 2024/25. Some of the insurers reviewed may outsource to MGAs with brokerage arms that interact directly with consumers. FSRA expects to publish its findings sometime in fall 2024, including sharing any relevant findings with RIBO.

We also found that as part of its 2023 statutory examination of RIBO, FSRA made three recommendations aimed at addressing the recommendations we made in our *2022 Annual Report*. FSRA recommended that RIBO:

- explore additional oversight measures that may be needed to ensure brokers/brokerages adequately disclose any conflict or potential conflict (including financial ownership by insurers) and compensation structures when transacting with consumers;
- consider mechanisms to collect and risk-assess data on commission structures with respect to automobile insurance transactions; and
- establish meaningful targets related to its supervisory reviews (spot checks) of brokerages and ensure that adequate supports (for example, resources) are available to achieve these targets within the context of its statutory mandate.

FSRA intends to review, as part of its 2024 statutory examination, RIBO's progress on implementing these recommendations, including requesting estimated completion dates from RIBO for any outstanding aspects of the recommendations. It also plans to review the work RIBO has completed on identifying sources of information regarding commission structures. FSRA intends to work with RIBO to determine an appropriate method and frequency for RIBO to report this information to FSRA for its review. Once this work is completed and RIBO has implemented the three

recommendations, FSRA plans to start reviewing the commission structure data during its annual examinations of RIBO. FSRA will then recommend that RIBO prioritize its inspections based on risk, which includes an assessment of the commission structure data collected and disclosures. FSRA expects this to happen sometime before the end of 2027.

FSRA will also start to risk-assess RIBO's proposed and implemented actions regarding their modernization of information systems. This, among other things, will support its transition to a risk-based approach for brokerage reviews. In turn, FSRA expects that this will influence RIBO's brokerage inspection targets. FSRA will review RIBO's progress on these changes as part of its 2024 statutory examination.

Recommendation 5: Action Item 1

To improve regulatory oversight of health-care service providers (HSPs) who provide medical treatment to individuals involved in private passenger automobile accidents, we recommend that the Financial Services Regulatory Authority of Ontario (FSRA):

- determine under what conditions should further review of an unlicensed HSP occur;

Status:  **Fully implemented.**

Details

We found that FSRA has determined to conduct reviews of unlicensed HSPs on a case-by-case basis only if its analysis of data from the Health Claims for Auto Insurance (HCAI) billing system identifies irregularities or if it receives public complaints about fraudulent or abusive conduct related to goods and services provided by an unlicensed HSP. FSRA informed us that unlicensed HSPs still represented a small percentage (0.28%) of all invoices processed through the HCAI billing system in 2022. As a result, FSRA determined that proactive reviews of unlicensed HSPs are not necessary.

Recommendation 5: Action Item 2

- return to on-site inspections of HSPs as soon as operationally possible;

Status:  **Fully implemented.**

Details

We found that in January 2023, FSRA began supplementing its virtual inspections with on-site inspections tailored to address specific risks that virtual inspections could not address. Between January 2023 and April 30, 2024, FSRA conducted 37 on-site inspections and 80 virtual inspections

of HSPs. Looking ahead, FSRA has indicated that its on-site inspections will primarily target higher-risk HSPs to ensure compliance with regulatory requirements.

Recommendation 5: Action Item 3

- require HSPs to provide evidence (such as through attestation) that they have corrected all issues identified during an inspection, and conduct follow-up examinations or desk reviews to confirm this on a risk basis.

Status:  **Fully implemented.**

Details

We found that as of October 2022, FSRA started requiring HSPs to initial next to each finding on inspection reports to confirm their understanding of the regulatory requirements. Additionally, HSPs must complete an attestation for each warning letter, verifying that they have addressed all issues identified during desk reviews or on-site inspections. FSRA also informed us that it uses identified risks and supplementary information, such as Health Claims Data, to determine whether follow-up examinations are needed. However, from the time of our 2022 audit until April 30, 2024, FSRA did not identify any instances that required follow-up inspections.

FSRA informed us that it will continue to monitor HSPs for compliance using several tools. These include the Professional Credential Tracker (to verify that the HCAI roster is current), the HSP's Annual Information Return, data from the Health Claims Database and information from Attestation forms. FSRA will use these resources to ensure compliance and take additional enforcement actions when necessary.

Recommendation 6: Action Items 1, 2, 3 and 4

To reduce the number of claims brought forward to the Licence Appeal Tribunal (LAT) and to provide the public with more information about such cases, we recommend that the Financial Services Regulatory Authority of Ontario:

- expand its information-sharing agreement with the LAT to request information about automobile accident disputes, including which companies were involved and how long cases took to resolve;
- expand its quarterly analysis of data received from the LAT to determine which companies may be over-appearing at the Tribunal (such as relative to their market size) and/or which types of claims are most frequent;

- follow up, by way of discussion, or if necessary inspection, on the market conduct of insurance companies that have a disproportionately high number of LAT disputes relative to their market size, or a high volume of specific types of disputes, and identify necessary action items for the companies to take to reduce the occurrence of such cases going forward; and
- study the reasons for the most frequent types of disputes.

Status:  **Little or no progress.**

Details

FSRA informed us that it was in the process of analyzing treatment plan disputes that were referred to the LAT, and expects to complete this review by March 2025. FSRA also informed us that it has engaged with Tribunals Ontario to update their existing information-sharing agreement to support FSRA's review. By March 2026, FSRA expects to expand its quarterly analysis of data from LAT to identify insurance companies that may be disproportionately represented at the Tribunal, relative to their market size, and to determine the most frequently disputed types of claims. Once this analysis is complete, FSRA plans to follow up on the market conduct of insurance companies with a high number of LAT disputes and investigate the common reasons behind these disputes by March 31, 2027.

Recommendation 7: Action Items 1, 2 and 3

To ensure that private passenger automobile insurance companies, adjusters and agents are efficiently and fully reviewed for eligibility and suitability, and that necessary information is considered before making any automobile insurance-related licensing decisions, we recommend that the Financial Services Regulatory Authority of Ontario:

- implement an automated licensing system that includes improved information-capture capabilities (such as an online information system for the registration and licensing of all regulated automobile insurance sector participants), and enhanced controls (such as a hard-coded watchlist), to prevent individuals deemed ineligible and/or unsuitable for licensing from being licensed;
- review the current licensing requirements with internal staff and external stakeholders and strengthen them where the review concludes it would be appropriate to do so; and
- identify and perform a pre-determined number of criminal background checks and other licensing requirements, such as checks with other regulators, before renewing an insurance licence, using a risk-based approach.

Status:  **Little or no progress.**

Details

FSRA informed us that it was in the process of procuring an advisory services firm to conduct market research and recommend technology solutions, and to help procure a new licensing system. This system will be designed to enhance information capture and incorporate improved controls and automation to prevent ineligible or unsuitable individuals from obtaining licences. As part of this process, FSRA also plans to review the current licensing requirement with internal staff and external stakeholders. FSRA anticipates that the new system will be operational by March 2028, subject to detailed planning with the implementation company.

Following the implementation of this system, FSRA plans to introduce mandatory criminal record checks during the licensing renewal process for insurance agents. FSRA estimates that it will take an additional 10 months after the new system is implemented to fully implement the criminal record checks.

Recommendation 8: Action Items 1 and 2

To maintain a regulatory environment where private passenger automobile insurance rates are based on equitable factors in determining insurance premiums to be paid by Ontarians, we recommend that the Financial Services Regulatory Authority of Ontario:

- conduct a review (including consultation with the Ministry of Finance, relevant stakeholder groups and the public) of the objectivity and fairness in insurance companies' use of certain rating variables to determine insurance premiums, such as the insurance purchaser's address, sex/gender and age;
- analyze the impact of removing or changing existing rate variables in insurance premium calculations;

Status:  **Little or no progress.**

Details

We found that during 2023 and in early 2024, FSRA reviewed certain rating variables, namely territory- and credit-based insurance scores (the latter is prohibited for auto insurance in Ontario) that insurers use to determine premiums and analyzed the impact of removing or changing existing rate variables in insurance premium calculations. FSRA informed us that it is developing a strategy to reform automobile insurance rating and underwriting regulations that aims to set regulatory expectations for achieving fairness for consumers. FSRA expects to complete the first phase of work related to the strategy by March 2025.

Recommendation 8: Action Items 3, 4, 5 and 6

- complete the review of its territory-based framework, and if necessary, update current territory definitions, identify the impact to average premiums of having both fewer and/or more territories in Ontario and make related recommendations;
- provide the results of the above reviews to the Ministry;
- publicly report on the results of the reviews; and
- implement the recommended changes to how automobile insurance companies can determine and charge for insurance premiums.

Status:  **Fully implemented.**

Details

We found that an external consultant completed two reviews on territory studies for FSRA. The first review was published on FSRA's website in December 2022, and the second followed in December 2023. FSRA shared the results with the Ministry on August 2, 2023. The consultant recommended that eliminating existing territorial constraints could improve rating accuracy and reduce subsidization of insurance premiums. Following these recommendations, FSRA began testing territory rating changes in the Greater Toronto Area (GTA) for personal passenger automobile insurance. The GTA was selected as the test region because, according to FSRA, territory rating issues are largely limited to this region, and it would increase insurers' participation, especially small insurers that only offer coverage in the GTA. Starting January 3, 2024, FSRA allowed insurers to implement territory rating changes in the GTA; as of the end of July 2024, FSRA approved 10 insurer applications for territory rating changes in the GTA.

2. Credit Union Sector Oversight Needs Improvement

In our original audit, we found that FSRA did not identify and resolve credit union governance concerns in a timely manner. For example, FSRA did not always collect comprehensive evidence to evaluate key governance processes, or ensure that findings from its inspections had been addressed.

FSRA had only just completed an independent inspection of the root cause of the issues at PACE Savings and Credit Union Limited (a credit union that was found to contravene legislation and engage in inappropriate activities, such as paying secret commissions to senior management), but had not implemented any changes to prevent similar issues from occurring at other credit unions.

We also found that the Deposit Insurance Reserve Fund (DIRF), which serves as insurance to protect depositors' eligible deposits in the event of a credit union's insolvency, did not set fees for credit

unions based on a comprehensive set of factors, and was funded at a lower rate than what FSRA targeted. Also, there had been limited communication of a 2018 legislative change that identified that insured deposits could only be claimed by depositors up to the total value of assets available in the DIRF, so existing credit union members would likely be surprised to learn that their deposits may not be fully protected in certain scenarios where the DIRF is insufficiently funded.

Recommendation 9: Action Items 1 and 2

To ensure that it provides effective oversight of credit unions to protect members' deposits, we recommend that the Financial Services Regulatory Authority of Ontario:

- regularly collect information to conduct assessments of all key governance processes of credit unions (such as board operations, internal auditing, and functions of the audit committee of the board as well as processes related to the issuing and monitoring of loans), as part of its inspections of the credit unions;
- implement a process to collect and review documentation that shows credit unions implemented corrections to address each issue in its inspection results;

Status:  **Fully implemented.**

Details

We found that, since April 2022, FSRA has been conducting credit union assessments according to its Risk Based Supervisory Framework (RBSF) for Credit Unions. FSRA informed us that it continues to prioritize and regularly collect information to assess all key governance processes of credit unions as part of its supervisory assessments. By December 2023, FSRA had completed the RBSF Operational Manual and all supervisory staff had been trained on the new assessment process. The manual provides detailed procedural guidance on supervisory processes and practices to implement the RBSF.

In May 2024, FSRA also established a new process for collecting and reviewing documentation to ensure that credit unions have corrected the issues FSRA identified through its supervisory work. While this information is stored along with other assessment documents, FSRA launched a dedicated system on August 1, 2024, to help it monitor the credit unions' action plans and remediation progress.

Recommendation 9: Action Item 3

- levy penalties for credit unions that provide inaccurate or misleading information on actions taken to address inspection findings;

Status:  **Fully implemented.**

Details

We found that FSRA has developed a system of monetary penalties for credit unions that provide inaccurate or misleading information about the corrective actions they have taken to address supervisory assessment findings. On May 31, 2023, FSRA completed its consultation on proposed guidance for administrative monetary penalties. On March 11, 2024, FSRA published its *Enforcement: General Administrative Monetary Penalties Guidance*, which sets out how FSRA interprets and applies the law when it imposes general administrative monetary penalties and how it determines the appropriate penalty amounts.

Recommendation 9: Action Item 4

- re-evaluate the methodology used to determine the rate of insurance credit unions are required to pay into the Deposit Insurance Reserve Fund in order to determine a more appropriate weighting for the governance score;

Status:  **Fully implemented.**

Details

We found that in 2023, FSRA revised the differential premium score methodology used to calculate the deposit insurance rates that credit unions are required to contribute to the DIRF. The new methodology expands the scope of measuring the riskiness of the credit union by including the risk ratings from assessments under the RBSF (introduced in April 2022), and includes capital metrics that are consistent with FSRA's Capital Adequacy Rule. The new methodology was introduced on December 31, 2023.

Recommendation 9: Action Items 5 and 6

- complete an assessment to determine the optimal number of qualified inspection staff based on a targeted frequency of credit union inspections; and
- develop and execute a plan to achieve this frequency of credit union inspections.

Status:  **Fully implemented.**

Details

Under the Risk Based Supervisory Framework for Credit Unions, FSRA transitioned from a fixed frequency of credit union assessments to a risk-based schedule. Consequently, FSRA has redefined the roles and responsibilities of its staff involved in inspections and confirmed that it possesses the optimal number of qualified staff to conduct all necessary inspections under the new framework.

Recommendation 10: Action Item 1

To better safeguard credit union member deposits and to improve consumer confidence in the credit union sector and how it is regulated, we recommend that the Financial Services Regulatory Authority of Ontario develop a plan and implement the necessary changes identified in its root cause analysis.

Status:  **In the process of being implemented by March 2025.**

Details

We found that FSRA was making changes based on the findings of its root cause analysis report from October 2022. Notably, 11 of the 12 recommendations from that report have been addressed. For example:

- In August 2023, FSRA updated its Supervision and Administration Operational Manuals. By December 2023, it had finalized the Risk Based Supervisory Framework – Credit Unions Operational Manual and conducted training sessions on the new methodologies and templates outlined in the manual.
- In May 2024, FSRA established a new process to collect and review documentation showing that credit unions have implemented corrective actions in response to issues identified through supervisory work. Training for its supervisory staff on this new process took place on July 31, 2024, which is a component of the RBSF.

FSRA plans to address the last outstanding recommendation by March 2025, and to assess the extent to which the risk rating methodology successfully identified instances of elevated risk.

Recommendation 11: Action Item 1

To ensure the Deposit Insurance Reserve Fund (DIRF) is adequately funded to protect eligible credit union member deposits, we recommend that the Financial Services Regulatory Authority of Ontario work with the Ministry of Finance to:

- identify and implement multiple financial factors in the DIRF insurance premium calculation charged to credit unions;

Status:  **Fully implemented.**

Details

We found that FSRA has developed a new Differential Premium Score Determination methodology that integrates risk ratings from the RBSF as well as additional quantitative financial metrics. Under this new approach, when determining a credit union's Overall Risk Rating under the RBSF, FSRA now also calculates and assesses various quantitative financial metrics, including liquidity ratios; earnings; lending portfolio metrics such as total debt service ratio, gross debt service ratio, delinquencies and loan losses; as well as a comparative analysis of balance sheets and income statements. The new DIRF insurance premium calculation methodology came into effect on December 31, 2023.

Recommendation 11: Action Item 2

- identify under what circumstances the Province would provide funding to cover DIRF claims that exceed the assets of the DIRF;

Status:  **In the process of being implemented by March 2025.**

Details

The Ministry informed us that it is actively analyzing scenarios under which FSRA, through its access to the Bank of Canada Emergency Lending Assistance facility, would provide financial support for DIRF claims that exceed the fund's assets. The Ministry expects to complete this work by March 2025.

Recommendation 11: Action Item 3

- regularly assess if insurance premiums are sufficient to keep the DIRF at a level of funding comparable with that in other provinces.

Status:  **Will not be implemented.**

Details

FSRA told us it will not implement this recommendation because comparing the DIRF's funding level to that in other provinces does not account for differences in the credit union systems. Instead, FSRA will determine the appropriate target for the DIRF based on the results of scenario-based stress testing of the Ontario credit union system.

Recommendation 12: Action Item 1

To ensure that credit union members are aware of the change that was made that impacted the protection of their deposits, we recommend that the Financial Services Regulatory Authority of Ontario communicate directly to credit union members through their credit unions that a 2018 legislative change to the *Credit Unions and Caisses Populaires Act, 1994* resulted in the credit union deposit guarantee being limited to the assets of the Deposit Insurance Reserve Fund.

Status:  **Fully implemented.**

Details

We found that in August 2022, FSRA updated its deposit insurance brochures and website to include information on the limitations of deposit insurance coverage. FSRA electronically distributed these updated brochures to all Ontario credit unions, which were then required to distribute them to their members.

3. Improvements Needed to Sector Oversight by FSRA

In our original audit, we found that FSRA and the Ministry had not clearly communicated the risk to over one million Ontarians who are members of multi-employer pension plans (MEPPs) that they may not receive their full targeted pension benefits. Around 2007, MEPPs were on average 93% funded on a solvency basis, but the Ministry changed the funding rules so that many MEPPs could choose to no longer be funded on a solvency basis. At the time of our audit, MEPPs had, on average, only 74% of the necessary assets to pay all future expenses.

Also, FSRA performed fewer inspections of pension plans than its predecessor, the Financial Services Commission of Ontario (FSCO), did. In the six years prior to its dissolution on June 8, 2019, FSCO performed about 55 on-site inspections of pension plans each year, whereas FSRA performed in-depth reviews of only 18 pension plans in 2021/22. FSRA's reviews did not verify the accuracy of information reported to them by pension plan administrators, despite FSCO doing this and finding that over a quarter of inspected plans reported inaccurate information.

We also found that, in each of the three fiscal years from 2019/20 to 2021/22, about 718 pension plans submitted a total of 1,058 required filings late, each year. However, despite having the regulatory authority to levy administrative monetary penalties, FSRA opted not to charge penalties of approximately \$47 million that it could have imposed against late filers.

Also, FSRA did not sufficiently track and report on its performance to better help the public assess how effectively it is achieving its mandate in regulating the private passenger automobile insurance, credit union and provincially registered pension plan sectors.

Recommendation 13: Action Item 1

To improve the benefit stability of multi-employer pension plans (MEPPs) and to increase awareness among members of how the funding status of their plans can impact their future pension benefits, we recommend the Financial Services Regulatory Authority of Ontario (FSRA) work with the Ministry of Finance to:

- assess MEPP best practices;

Status:  **Fully implemented.**

Details

We found that, since our 2022 audit, FSRA conducted a benchmarking exercise with each of the 67 MEPPs in Ontario. This exercise aimed to evaluate the extent to which MEPPs adhere to established leading practices, and involved meeting with representatives from all MEPPs and analyzing their survey responses.

Recommendation 13: Action Item 2

- complete the MEPP benchmarking exercise and act on any rule changes or other remedies deemed as needed;

Status:  **In the process of being implemented by March 31, 2025.**

Details

In August 2024, FSRA published a report summarizing the results of the MEPP benchmarking exercise. The results of this exercise are aligned with the Ontario Ministry of Finance's proposal for a permanent framework for target benefit pension plans. Beyond the new legislation or regulations to come into force as part of this new Target Benefit Framework, FSRA does not plan to consider any further rule changes or remedies at this time. As of August 31, 2024, FSRA began drafting a

Supervisory Guidance document to support the Ministry's proposed regulations necessary for implementing a permanent framework for target benefit pension plans in Ontario. FSRA expects this Supervisory Guidance to be implemented by March 31, 2025.

Recommendation 13: Action Item 3

- consider requiring member disclosures to include an explanation of how a plan's level of funding impacts pension benefits, and that benefits may be reduced at any time if needed to satisfy the level of funding required by the *Pension Benefits Act*.

Status:  **In the process of being implemented by January 2025.**

Details

We found that during spring and fall 2023, the Ministry engaged with MEPPs regarding proposals for a permanent framework for target benefit plans. These proposals included measures concerning member disclosures. The *2024 Ontario Budget* included an update on the progress toward establishing this permanent framework, with a planned implementation date of January 1, 2025. At the time of our follow-up, the Ministry was developing the necessary regulations to implement this framework, which will incorporate specific regulations regarding disclosures to members.

Recommendation 14: Action Item 1

To strengthen its knowledge that pension plans are compliant with the *Pension Benefits Act*, member benefits are protected and plans are being well administered, we recommend that the Financial Services Regulatory Authority of Ontario:

- complete its pilot project to set up an inspection framework for pension plans;

Status:  **Fully implemented.**

Details

We found that in 2023, FSRA completed a pilot of its new inspection framework for pension plans. During the pilot, FSRA inspected 15 different pension plans, which varied in terms of asset size and the number of members.

Recommendation 14: Action Item 2

- finalize and implement new inspection guidelines and an inspection process (including staffing considerations) that incorporates a process for plan selection (including both defined benefit and defined contribution plans); verification of data in regulatory filings; and identification of insufficient member communications, governance and compliance issues, and any other relevant risk factors learned through the pilot project for inspections of pension plans.

Status:  **Fully implemented.**

Details

We found that FSRA began using a new process to inspect both types of pension plans (defined benefit and defined contribution) on April 1, 2024. The new inspection process involves assessing various risks including compliance with regulatory filings. In addition, as part of a preliminary risk assessment of a pension plan, inspectors look for insufficient member communications, governance and compliance issues, and any other relevant risk factors it learned through its pilot project for pension plan inspections. On May 16, 2024, FSRA hosted a webinar to introduce pension stakeholders to its new inspection process, and on July 31, 2024, it posted detailed materials on its website about the process. FSRA informed us that it currently employs a team of eight individuals to inspect pension plans, a number it considers adequate to meet the demands of the new inspection process.

Recommendation 15: Action Items 1 and 2

For the timely collection of accurate and complete information required from pension plans to effectively regulate the sector and protect pension plan members, we recommend that the Financial Services Regulatory Authority of Ontario (FSRA):

- update its technological capabilities to facilitate automatic identification and notification to its own staff and to pension plan administrators of missed reporting deadlines;
- develop a plan to improve pension plan administrators' compliance with information submission deadlines;

Status:  **In the process of being implemented by fall 2025.**

Details

We found that FSRA has taken steps to automate its process for handling regulatory submissions from pension plans as part of its plan to improve pension plan administrators' compliance with information submission deadlines. Beginning on March 31, 2023, FSRA's information system

started automatically sending out the first and second late filing notices to pension plans. Further automation was implemented on May 11, 2023, when the system began to automatically approve extended filing deadlines, in accordance with the regulations. Additionally, FSRA has enhanced its system to automatically send filing reminders to all pension plan administrators, regardless of whether they had already commenced the filing process. This was a departure from the previous protocol where reminders were not sent if a filing had been initiated. On May 11, 2023, FSRA updated its system interface to display all outstanding filings first rather than categorizing them across several pages, where administrators could overlook them.

FSRA informed us that it is assessing whether it can enable the system to automatically identify missed reporting deadlines and send notifications to FSRA staff. If the automated notification is feasible, it is scheduled to be completed by fall 2025. Currently, FSRA's existing system does not support sending internal push notifications.

Recommendation 15: Action Items 3 and 4

- develop and implement guidelines for FSRA staff on when to initiate enforcement actions against pension plan administrators who miss key information reporting deadlines; and
- as required by the to be implemented guidelines, consistently issue warning letters, compliance orders and levy penalties.

Status:  **Fully implemented.**

Details

We found that since our 2022 audit, FSRA has updated its enforcement action guidelines. Starting on October 24, 2022, according to the updated guidelines, FSRA began initiating enforcement actions against pension plan administrators who miss information filing deadlines. As a result, it has imposed financial fines on nine pension administrators for late filings. Additionally, as of March 31, 2023, FSRA has proactively reached out to 254 defined contribution (DC) pension plans to understand the reasons behind their late filings and to educate them about their filing obligations. In efforts to educate the plan administrators, FSRA also developed an at-a-glance document that outlines the DC pension plan administrator's responsibilities. In 2023, FSRA mailed this document to all the DC pension plans it regulates, and provided it to insurance companies to distribute to their clients with an Ontario DC plan; FSRA also posted the document on its website.

Recommendation 16: Action Items 1, 2 and 3

To strengthen the Financial Services Regulatory Authority of Ontario's (FSRA) oversight of pension plans for the benefit of Ontario pension plan members, we recommend that the Ministry of Finance work with FSRA to address FSRA's desire to:

- have the unproclaimed amendment (ss. 98.1(1) Duty to Notify re Disclosable Event) of the *Pension Benefits Act* proclaimed so that it would require certain events to be disclosed to FSRA and allow for the negotiation of financial protections related to such events;
- have greater access to plan sponsor information, in line with the Canadian federal pension regulator and the Pension Benefit Guarantee Corporation in the US, and develop a proposal for FSRA to gain such access; and
- have the authority to work with plan sponsors on payment plans without requiring legislative or regulatory changes.

Status:  Little or no progress.

Details

The Ministry informed us that it is collaborating with FSRA to assess the broader implications of proclaiming Section 98.1. Additionally, they are working together to identify any gaps in FSRA's current supervisory framework. However, the Ministry was unable to provide a timeline for when the Act would be proclaimed. The Ministry also informed us that it is reviewing FSRA's requests for greater access to plan sponsor information, and for the authority to collaborate with plan sponsors on payment plans without necessitating legislative or regulatory changes. The Ministry aims to complete its review by March 2025, at which point it will determine the next steps.

Recommendation 17: Action Items 1 and 2

To balance the needs of pension plan sponsors, the needs of members, and the financial risks to the Pension Benefits Guarantee Fund (PBGF) and the Province, we recommend the Financial Services Regulatory Authority of Ontario (FSRA), working with the Ministry of Finance:

- establish a funding target for the PBGF and assess the PBGF's actual funds against this target regularly (at least annually);
- identify and implement mitigating actions that should be taken when the fund is assessed as not being adequate to cover the estimated amount of future claims under normal conditions;

Status:  Fully implemented.

Details

We found that in fall 2021, FSRA began working on a funding target for the PBGF. The initial step was completed on March 31, 2023, when FSRA finalized the modelling and testing of PBGF's financial outlook. This analysis assumed no changes in assessments and benefits coverage and explored various what-if scenarios. In fall 2023, FSRA's model was successfully audited by an external firm. The results of this work informed the development of a risk appetite statement for PBGF, which includes a funding target and was approved by the PBGF administrator (FSRA's CEO) on October 12, 2023, and supported by the FSRA Statutory Funds Advisory Committee of the Board.

As of the most recent assessment (March 31, 2024), the PBGF is funded above its target. FSRA informed us that establishing mitigating actions when the fund falls short of the target depends on the Ministry's decisions regarding any related assessment and benefit policies, including whether there should be a change in benefits covered by the PBGF or increased assessments paid by sponsors of the plans covered by the PBGF, amongst other options.

Recommendation 17: Action Items 3, 4 and 5

- assess whether the PBGF's oversight and operating structure is effective for the PBGF to remain financially sustainable and to meet the needs of pension plan members (to receive a suitable level of coverage);
- assess whether coverage of the fund should be increased to match comparable funds, like those in the United Kingdom and the United States; and
- based on the results of the assessments, implement an updated framework to better protect pension beneficiaries.

Status:  **Little or no progress.**

The Ministry informed us that during the next legislated review of the PBGF, it will consider the work completed by FSRA. The remaining recommendations (assess whether the PBGF's oversight and operating structure is effective, assess what coverage the fund should provide and update the framework accordingly) are being considered as the Ministry develops the scope of the next legislated review, scheduled for 2026.

4. Useful Performance Measures to Evaluate FSRA's Performance as a Regulator Are Lacking

Recommendation 18: Action Items 1 and 2

To enable members of the legislature and the public to fully assess the effectiveness of the Financial Services Regulatory Authority of Ontario (FSRA) in meeting its mandate, we recommend that FSRA:

- develop and track informative specific performance measures and targets for the private passenger automobile insurance, credit union and provincially registered pension plan sectors that better align with its overall mandate; and
- report on progress against these targets (including the reason the target for any performance measure was missed) on an annual basis.

Status:  In the process of being implemented by April 1, 2025

Details

We found that since the 2022 audit, FSRA has developed 28 draft performance measures, of which 22 have been accepted through internal beta testing. The 22 performance measures include four that are specifically related to sectors including HSPs, pensions and credit unions, among others. FSRA informed us that it plans to consult with its stakeholders during the fiscal year 2024/25 to assess whether these draft measures and targets are meaningful and appropriately calibrated with the approach of a principles-based regulator.

// Appendix

Recommendation Status Overview

	# of Action Items	Fully Implemented 	In the Process of Being Implemented 	Little or No Progress 	Will Not Be Implemented 	No Longer Applicable 
Recommendation 1	5	2		3		
Recommendation 2	3	2		1		
Recommendation 3	3	1	1		1	
Recommendation 4	3		3			
Recommendation 5	3	3				
Recommendation 6	4			4		
Recommendation 7	3			3		
Recommendation 8	6	4		2		
Recommendation 9	6	6				
Recommendation 10	1		1			
Recommendation 11	3	1	1		1	
Recommendation 12	1	1				
Recommendation 13	3	1	2			
Recommendation 14	2	2				
Recommendation 15	4	2	2			
Recommendation 16	3			3		
Recommendation 17	5	2		3		
Recommendation 18	2		2			
Total	60	27	12	19	2	0
%	100	45	20	32	3	0

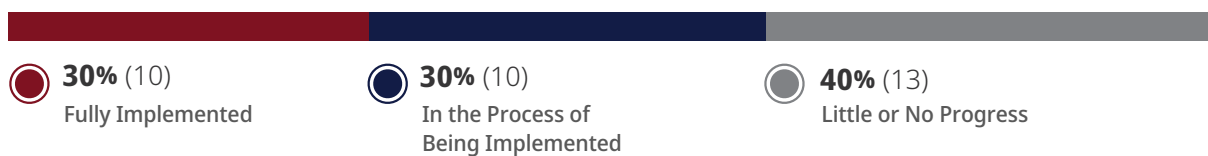
Follow-Up on the 2022 Performance Audit:

Ministry of Transportation

Highway Planning and Management

// Overall Conclusion

33 Recommended Actions



The Ministry of Transportation (Ministry), as of June 12, 2024, has fully implemented 30% of actions we recommended in our 2022 audit **Highway Planning and Management**. The Ministry has made progress in implementing an additional 30% of the recommendations.

The Ministry has fully implemented recommendations such as reviewing and updating its Pavement Condition Assessment Manual to only utilize manual assessments of pavement to support assessments completed using automatic road analyzers (ARANs). The Ministry also issued a policy memo that sets a target for the frequency and proportion of the provincial highway network it expects to assess using ARANs. In addition, the Ministry has trained additional staff on how to operate ARANs in order to achieve its target. The Ministry has also established a process to review whether manual assessments at its regional offices are completed in accordance with Ministry requirements.

The Ministry is in the process of implementing 30% of the recommendations such as configuring its information systems to record and track the condition of other highway assets (such as noise barriers, traffic signals and overhead signs). The Ministry has also worked with the University of Toronto to review its existing performance indicators for highway planning and management, and to develop new potential performance indicators that are being considered for implementation.

The Ministry has made little progress on 40% of the recommendations, including inputting inspection results for other highway assets (such as noise barriers, traffic signals and overhead signs) into its asset management system and using this information to make rehabilitation decisions.

The status of actions taken on each of our recommendations is described in this report (see **Appendix** for more details).

// Status of Actions Taken on Recommendations

We conducted assurance work between April 2024 and June 2024. We obtained written representation from the Ministry of Transportation that effective October 24, 2024, it has provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

1. Transportation Plans

In our original audit, although the Ministry had finalized and published a transportation plan for one of the province's regions, it had not established timelines to finalize plans for the entire province. For the one transportation plan it had finalized, the Ministry had not established short-term and long-term priorities, nor had it disclosed the estimated costs and a time frame to implement the plan.

The external consultants that had either developed or updated the Ministry's travel demand forecasting models also performed the periodic validation of the models' accuracy. Despite the potential conflict of interest that this arrangement posed, the Ministry did not independently review the validation work.

Recommendation 1: Action Item 1

To realize the goals of having an overall provincial transportation strategy to effectively meet the transportation needs of Ontarians, we recommend that the Ministry of Transportation (Ministry):

- establish a targeted time frame to finalize and complete transportation plans for the entire province;

Status:  Little or no progress.

Details

The Ministry advised us that it expects to include a targeted time frame to finalize and complete transportation plans for the entire province in the draft Ontario transportation plan. The Ministry plans to proceed with public engagement to support the development of the draft Ontario

transportation plan during 2024/25 but could not provide a targeted time frame for the release of the Ontario transportation plan.

The Ministry has released separate transportation plans covering all four of the province's planning regions. These include draft plans for Eastern, Southwestern and Northern Ontario, and a finalized transportation plan for the Greater Golden Horseshoe (GGH).

Recommendation 1: Action Item 2

- establish short-term, medium-term and long-term project priorities for each regional transportation plan;

Status:  In the process of being implemented by December 2025.

Details

We found that the Ministry established draft short-term (2031), medium-term (2041) and long-term (2051) project priorities for the GGH transportation plan. The Ministry advised us that it is also in the process of developing short-, medium- and long-term project priorities for the transportation plans for Eastern, Southwestern and Northern Ontario as they are being finalized. The Ministry anticipates completing all project priorities in this recommendation by December 2025.

Recommendation 1: Action Item 3

- estimate and publicly communicate the cost and time frame to achieve the goals of each regional transportation plan;

Status:  Little or no progress.

Details

We found that the Ministry has made limited progress toward implementing this recommendation. The Ministry advised us that estimating the costs of achieving the goals of each regional transportation plan is difficult to do because of the large number of diverse projects and the lengthy time frames over which they are being completed (30 years).

The Ministry indicated that projects are identified in transportation plans as conceptual connections that are to be refined through project-specific planning and feasibility studies, which it expects will identify critical factors for costing.

In addition, the Ministry advised us that some of the projects are not entirely funded by the Province, and costs for some projects will be shared with municipalities, the federal government and the private sector.

To date, the Ministry has estimated total costs and time frames for the individual projects in the GGH transportation plan. The Ministry advised us that it will strive to publicly communicate cost estimates of the provincial components once short-, medium- and long-term project priorities have been determined for each regional transportation plan.

Recommendation 1: Action Item 4

- require the Ministry to co-ordinate its planning and implementation to align with the Greater Golden Horseshoe transportation plan;

Status:  **Fully implemented.**

Details

We found that the Ministry was co-ordinating its planning and implementation to align with the GGH transportation plan, and indicated that it will continue to do so over the life of the plan: a 30-year horizon. This includes prioritizing highway projects and seeking funding approvals for highway projects to achieve the goals of the GGH plan.

Recommendation 1: Action Item 5

- require the Ministry to co-ordinate its planning and implementation to align with the other regional plans, once developed and approved for implementation;

Status:  **Little or no progress.**

Details

We found that the Ministry has not made progress toward implementing this recommendation as the transportation plans for the other three provincial regions outside the GGH have not yet been finalized and approved. As noted in **Recommendation 1: Action Item 1**, the Ministry has not yet established a timeline for completion of these three regional transportation plans. The date for releasing the final versions of these plans will be subject to government direction, which the Ministry has not yet received.

The Ministry advised us that it still intends to co-ordinate its planning and implementation to align with them in a manner similar to its efforts to align with the GGH transportation plan.

Recommendation 1: Action Item 6

- measure and report on the Ministry's progress in achieving the goals of each transportation plan;

Status:  Little or no progress.

Details

We found that the Ministry has not made significant progress toward implementing this recommendation. To date, the Ministry has developed draft key performance indicators to measure and report on the progress of each transportation plan in meeting its goals. To implement this recommendation, the Ministry needs to finalize the project priorities for each transportation plan (described in **Recommendation 1: Action Item 2**), which it anticipates doing by December 2025.

The Ministry advised us that it will include in the draft Ontario transportation plan a proposed framework to measure and report on the progress of each regional transportation plan in achieving its goals. The Ministry indicated that once all four regional transportation plans have been finalized and published, it plans to begin regularly monitoring their implementation.

Recommendation 1: Action Item 7

- periodically reassess whether each regional plan continues to meet the emerging needs of the province and adjust the plans accordingly.

Status:  Little or no progress.

Details

We found that the Ministry has made little progress toward implementing this recommendation. Three of the Ministry's four regional transportation plans remain in draft. The Ministry indicated that once all four of the regional transportation plans have been finalized and published, regular monitoring on implementation will begin, and plans will be reviewed and updated periodically, informed by progress reporting on implementation.

Since the GGH transportation plan's release, as part of its work to implement the plan, the Ministry has undertaken further detailed evaluation and refinement of elements of the GGH transportation plan. For example, the East-West transit connection identified in the GGH transportation plan is being refined through feasibility work by Metrolinx as well as engagement and analysis through the Metrolinx Regional Transportation Plan update.

Recommendation 2: Action Item 1

To demonstrate that the Ministry of Transportation (Ministry) effectively validates its travel demand forecasting models, we recommend that the Ministry:

- analyze the costs and benefits of hiring an independent subject-matter expert to perform the validation instead of using the same consultants that developed the models;

Status:  Little or no progress.

Details

We found that the Ministry has made little progress toward implementing this recommendation. The Ministry advised us that it will consider the costs and benefits of hiring an independent subject-matter expert to perform the validation on its travel demand forecasting models, instead of using the same consultants that developed the models, while planning for procurement in 2025. This will be done as part of the next cycle of redevelopment, which will include model calibration and validation of the Transportation and Regional Economic Simulation of Ontario (TRESO) model, which covers all of Ontario.

Recommendation 2: Action Item 2

- have validation work performed by internal Ministry staff on external subject matter experts.

Status:  In the process of being implemented by December 2024.

Details

We found that the Ministry worked with the external consultant to develop a validation plan for the GGH model.

The Ministry documented model calibration issues for the external consultant to address and confirmed these issues have been addressed. The Ministry plans to complete the validation of the GGH model by the end of December 2024.

2. At the Direction of the Government, the Ministry Prioritized the Construction of Lower-Ranked Highway Projects, Resulting in the Deferral of Higher-Ranked Projects

In our original audit, we found that in 2019, the Ministry proposed deferring six previously approved highway expansion projects and recommended funding the construction of four other highway projects identified as government priorities, even though these projects were ranked lower in priority by the Ministry's technical and engineering staff. The Ministry prioritized the four highway projects at the direction of the Minister's office. The Ministry's proposal to the Treasury Board/Management Board of Cabinet did not communicate that the direction from the Minister's office was inconsistent with the recommendations of the Ministry's subject-matter experts. The Ministry was subsequently directed by the Minister's office to prioritize another four highway expansion projects that the Ministry's subject-matter experts would not have recommended at the time, including the Greater Toronto Area West (Highway 413) and Bradford Bypass projects.

Recommendation 3: Action Items 1, 2, 3 and 4

To support accountable and transparent decision-making when selecting highway expansion projects, we recommend that the Ministry:

- request official written Ministerial direction when the provincial government's objectives do not align with the recommendations of the Ministry's subject-matter experts;
- submit business cases to the Treasury Board Secretariat and Treasury Board/Management Board of Cabinet that include the Ministerial direction received; an explanation that clearly indicates why the Ministerial direction does not align with the Ministry's subject-matter experts; and the actions that the Ministry's subject-matter experts would otherwise recommend; and
- provide a copy of the written Ministerial direction to the Standing Committee on Public Accounts, the Auditor General, and the Comptroller General of Ontario; and
- make the written Ministerial direction public on its website.

Status:  Little or no progress.

Details

The Ministry has made little progress toward implementing this recommendation. However, the Ministry advised us that, since the release of our audit report in November 2022, few situations have arisen where the provincial government's objectives did not align with the recommendations of the Ministry's subject-matter experts.

The Ministry also advised us that it intends to develop general guidance for preparing business cases in order to support its staff should such circumstances arise. The Ministry acknowledged that in addition to general guidance, it may take additional actions on a case-by-case basis based on circumstances that arise, including consulting with Treasury Board Secretariat and Cabinet Office as needed.

3. Road Condition Assessment

In our original audit, the Ministry was duplicating the work of its ARANs by continuing to also perform manual inspections of the same pavement on highways. Ministry management told us that ARAN-based assessments of pavement are more efficient than manual assessments, and provide results that are more complete and less subjective. However, the Ministry's Pavement Condition Assessment Manual (Manual) still required regional staff to conduct manual assessments of the complete highway network within each region at least once every two years.

The Ministry had not set a formal target for the proportion of the province's highway network that it expects to scan and assess annually. Since ARANs were introduced in 2013, the Ministry scanned and assessed about 80% of the province's highway network annually, inspecting every section of highway at least once every two years. Ministry management told us that increasing the proportion of the highway network that it scanned annually would increase the accuracy and currency of assessment results. The Ministry had trained staff in 2016 at two of its five regional offices to operate vehicles equipped with ARANs. It had not trained additional staff at the Ministry's three remaining regional offices to use ARANs to increase its capacity to scan highways using ARANs and reduce regional office reliance on manual assessments.

Neither the Ministry's head office nor its regional offices could demonstrate that they assessed whether inspectors completed manual highway condition assessments effectively in accordance with the Ministry's Manual. In addition, Ministry inspectors at one of the three regional offices we audited could not provide documentation to support the deficiencies they found in their inspections, nor could they support the Pavement Condition Rating they had determined for the condition of the highway network in their region. The Ministry also did not require its inspectors to take photographs of the pavement to support their assessments.

Recommendation 4: Action Items 1 and 2

To efficiently and effectively assess the condition of the provincial highway network, we recommend that the Ministry of Transportation (Ministry):

- review and update the requirements of its Pavement Condition Assessment Manual to

only utilize manual assessments of pavement in order to support assessments completed using vehicles equipped with automatic road analyzers (ARANs);

- set a target for the frequency and proportion of the provincial highway network it expects to assess using ARANs;

Status:  **Fully implemented.**

Details

We found that in August 2023, the Ministry issued a policy memo, instead of updating the requirements of its Pavement Condition Assessment Manual, that clarifies the purpose and permitted scenarios where manual pavement condition assessments are to be used. It highlights, for example, that manual pavement condition assessments are needed to fill any gaps where up-to-date ARAN data is not available such as ongoing construction at the time of the ARAN-based assessment. The memo also set the Ministry's target to assess the condition of highways annually, and 50% of secondary roads every two years, using ARANs.

Recommendation 4: Action Item 3

- train additional staff at the Ministry's regional offices to be able to meet this target.

Status:  **Fully implemented.**

Details

We found that in September 2023, the Ministry held a training session on the use of ARANs for completing pavement condition assessments and on interpreting the results of such assessments.

As of May 2024, the Ministry has nine staff across its regional offices (compared to five at the time of our audit in 2022) who are able to operate an ARAN in order to scan and examine the provincial highway network. 400-series and the King's Highways are scanned and examined every year, and other highways every two years. These individuals received both in-class training as well as hands-on training to operate the ARAN.

Recommendation 5: Action Item 1

So that manual assessments of highway pavement conditions are completed effectively and contain sufficient documentation to support the assessed pavement condition rating, in cases where manual assessments are still needed, we recommend that the Ministry of Transportation (Ministry):

- establish a process to review whether manual assessments at each of its five regional offices are completed and documented in accordance with the Ministry's requirements;

Status:  **Fully implemented.**

Recommendation 5: Action Item 2

- take corrective action where its review of assessments identifies deficiencies;

Status:  **In the process of being implemented by December 2024.**

Details

We found that, in February 2024, the Ministry created a new version of the pavement condition assessment form for inspectors to use to document manual assessments. The pavement condition assessment forms, which can be filled out and completed electronically, are to be reviewed and signed off by the inspector's supervisor.

The Ministry advised us that it began using the revised form in May 2024. The Ministry noted that supervisors are to review the completed pavement condition assessment forms and ensure that inspectors correct any deficiencies before supervisory sign off. The Ministry expects that supervisors will have reviewed completed forms, and that deficiencies will have been corrected where identified, by December 2024.

Recommendation 5: Action Item 3

- require inspectors to take photographs of pavement deficiencies to support their manual assessment.

Status:  **In the process of being implemented by December 2024.**

Details

We found that starting in May 2024, the Ministry's inspectors began using a revised pavement condition assessment form to document their manual assessments. The revised form also includes the ability to store photos. Inspectors are instructed to attach an image of the pavement condition when filling out the form. The Ministry expects to fully implement the recommendation as inspections are completed by December 2024.

4. Rehabilitation Capital Planning

In our original audit, we found that manual inspections are more subjective and less comprehensive, yet the majority of regional offices still relied on them to determine rehabilitation plans instead of using results determined by ARANs. Also, once regional offices submitted their rehabilitation plans to the Ministry's head office, head office largely accepted the plans as-is, without reviewing them relative to the automated rehabilitation plan produced by the Asset Management System (AMS), which is based on data collected by ARANs, as long as the expected cost of the plans was within the anticipated budget for the region.

While AMS is used to record and analyze asset conditions and generate rehabilitation recommendations for pavements, bridges and large culverts, AMS was not used to record and analyze about \$2.6 billion of the Ministry's "other infrastructure assets" that support highway infrastructure, such as noise barriers, traffic signals, overhead signs, drainage systems, small culverts and lighting. The Ministry indicated that AMS could be configured to keep a record of these "other assets" and to make rehabilitation recommendations for these items using the results of manual inspections performed by regional offices.

Recommendation 6: Action Item 1

To improve the consistency and accuracy of regional highway pavement rehabilitation plans, we recommend that the Ministry of Transportation work with its technical and engineering staff in the five regional offices to develop and implement a consistent process for developing and reviewing such plans, including establishing guidelines for when it is and is not appropriate to use the results of manual assessments instead of assessments completed using the Ministry's automatic road analyzers.

Status:  In the process of being implemented by December 2024.

Details

We found that in September 2023, the Ministry issued a policy memo that clarified the role of pavement condition data collected by ARANs as well as the pavement condition data collected through manual assessments. The memo clarifies that network level pavement condition data shall be collected by ARANs and used to create highway pavement rehabilitation plans.

Manual pavement condition assessments will be used to fill any gaps where up-to-date network ARAN data is not readily available due to reasons such as ongoing construction at the time data was collected or any other factor that is expected to have materially changed the pavement condition since the last scan was completed.

The Ministry is also working on creating a guide that will establish a consistent process for developing and reviewing regional highway pavement rehabilitation plans, including the roles and responsibilities of Ministry teams involved. The Ministry expects to finalize this guide by December 2024.

Recommendation 7: Action Item 1

So that the Ministry of Transportation's (Ministry) information systems can generate more complete highway rehabilitation plans that incorporate all of the Ministry's highway assets, we recommend that the Ministry:

- have its information systems configured by the AMS vendor to record and track the condition of other highway assets (such as noise barriers, traffic signals, and overhead signs);

Status:  **In the process of being implemented by March 2027.**

Details

We found that in March 2024, the Ministry selected a vendor to develop a new Transportation Asset Management System (TAMS) that will have the capability to record and track information for all highway assets. The Ministry expects to begin using the new system to track information on the condition of pavement, bridges and culverts in March 2025, and to begin tracking information on the condition of other highway assets, including noise barriers, traffic signals and overhead signs, by March 2027.

Recommendation 7: Action Items 2 and 3

- input inspection results for other highway assets into its information systems; and
- use its information systems to make rehabilitation recommendations that include other highway assets.

Status:  Little or no progress.

Details

We found that the Ministry has not yet made progress toward implementing these recommendations. The Ministry hired a vendor in March 2024 to develop a new information system, TAMS, that when implemented, will enable the Ministry to record and track the condition of other highway assets. The Ministry expects to begin using TAMS to record and track other highway assets by March 2027. Thereafter, the Ministry plans to begin inputting the results of inspections of other highway assets completed during the 2027 construction season into TAMS. As a result, the Ministry expects to be able to use TAMS to make rehabilitation recommendations that include other highway assets by the end of 2027.

5. Engineering Contract Management

In our original audit, the Ministry did not assess the performance of all engineering consultants after each design assignment, as its policy requires. It had not evaluated over 40% of all engineering consultant design assignments between 2011 and 2020.

The Ministry did not record all of its highway project contracts in its contract management system, nor did it record all change orders, claims and time delays (including a meaningful description of what caused them) for these contracts. As a result, the Ministry could not efficiently analyze data to identify and address systemic issues and trends that can result in additional costs.

Recommendation 8: Action Item 1

So that the Ministry of Transportation (Ministry) only awards contracts to engineering consultants that meet the Ministry's performance expectations, we recommend that the Ministry complete timely performance appraisals for all consultants after each assignment.

Status:  In the process of being implemented by December 2024.

Details

We found that the Ministry conducted training sessions for its staff involved in engineering contract management in July 2022 and January 2023. Over 400 Ministry staff attended these training sessions, which covered topics such as steps for completing engineering appraisals as well as requirements that have to be followed to complete the appraisal. Attendees were reminded that engineering appraisals need to be completed within 60 days of project completion. The Ministry advised us that it expects that by December 2024, all performance appraisals will be completed on a timely basis.

Recommendation 9: Action Item 1

To manage its engineering consultant contracts more effectively, we recommend that the Ministry of Transportation:

- enhance its contract management system to capture details in a format that will enable systematic analysis of change orders, claims, and project delays;

Status:  Fully implemented.

Recommendation 9: Action Item 2

- record all engineering consultant contracts in its contract management system, as well as all change orders, claims, and project delays;

Status:  In the process of being implemented by December 2024.

Details

We found that on May 1, 2024, the Ministry transitioned to using a new Contract Management System (CMS) to manage engineering agreements with its service providers for newly awarded assignments. CMS has the functionality to produce the outputs required for systematic analysis of change orders, claims and project delays.

The Ministry advised us that it will begin inputting all new contracts into CMS starting May 2024, as new assignments commence. The Ministry expects to fully implement the recommendation, including inputting applicable change orders, claims and project delays for these new contracts as they occur, by December 2024.

Recommendation 9: Action Item 3

- periodically analyze change orders, claims, and project delays to identify systemic issues and trends, and to undertake follow-up and corrective action to address them.

Status:  Little or no progress.

Details

We found that the Ministry has not yet made progress toward implementing this recommendation. The Ministry implemented a new CMS that has the functionality to produce the outputs required to analyze change orders, claims and project delays to identify systemic issues and trends. The Ministry advised us that it will begin inputting all new contracts into CMS starting May 2024, as new assignments commence. The Ministry indicated that, as project data is populated over time in CMS, it will be able to undertake detailed analysis and systemic reviews.

6. The Ministry Does Not Have Sufficient Performance Indicators to Monitor the Effectiveness of Its Highway Initiatives

In our original audit, performance indicators were insufficient to monitor the effectiveness of the Ministry's highway planning and management operations. In particular, the Ministry did not have any indicators to measure the efficiency and effectiveness of its highway expansion initiatives, including whether they were completed on time and on budget, and whether they met the Ministry's transportation vision.

Recommendation 10: Action Items 1 and 2

So that the Ministry of Transportation (Ministry) can better measure and report on the effectiveness of its highway planning and management operations, we recommend that the Ministry:

- review its existing performance indicators to identify ways to improve their usefulness in measuring the effectiveness of the Ministry's operations and in communicating meaningful results to the public and the Board; and
- identify and implement additional performance indicators to measure and publicly report on additional areas of its highway planning and management operations, including

whether projects are completed on time and within budgets, and whether they meet the Ministry's transportation goals and published commitments.

Status:  **In the process of being implemented by December 2024.**

Details

We found that at the end of 2022, the Ministry started working with the University of Toronto to review its existing performance indicators for highway planning and management operations and to identify new potential performance indicators. The University of Toronto reviewed the Ministry's existing performance indicators, as well as best practices for performance indicators in other jurisdictions. The University of Toronto submitted a draft jurisdictional scan of best practices for performance indicators to the Ministry in November 2023, and subsequently provided the Ministry with a proposed list of new potential performance indicators for the Ministry's consideration in April 2024. The University of Toronto will finalize their report with these new potential performance indicators and then the Ministry will consider and implement appropriate new performance indicators by December 2024.

7. The Ministry's Business Cases for Toll and Licence Plate Sticker Removal Did Not Follow Guidelines and Requirements

In our original audit, the Ministry's business cases for discontinuing tolls and licence plate sticker fees did not follow government guidelines and requirements to support effective decision-making. The business cases did not provide adequate review time for decision-makers and their analysts, include all relevant information, and identify all key risks or their mitigation strategies.

Recommendation 11: Action Item 1

To provide the government with the necessary information to make informed decisions, we recommend that the Ministry of Transportation prepare future business cases in accordance with Treasury Board/Management Board of Cabinet's Business Case Guide, which includes guidelines for timeliness, presenting all required options, and identifying and addressing risks.

Status:  **Fully implemented.**

Details

We found that in 2023, the Ministry established a new process to send email reminders annually to key Ministry contacts (such as the Deputy Minister and Assistant Deputy Ministers offices) identifying key Treasury Board/Management Board of Cabinet (TB/MBC) requirements for business

cases, including requirements relating to timeliness, robust options analysis, and identifying and addressing risks. We also obtained the Ministry's Winter 2023–24 submission to TB/MBC for highway infrastructure, and found that these business case requirements were met. In addition, the Ministry provided us the review and sign-off on the submission by senior management also confirming that these business case requirements were met.

8. The Absence of a Ministry Tolling Strategy Has Contributed to Inconsistent Tolling Practices in Highway Planning

In our original audit, the absence of a Ministry tolling strategy had contributed to inconsistent tolling practices in highway planning. While the Ministry was asked by the government to explore tolling opportunities to lower the costs of a proposed highway project, it was also asked by the government to build a business case to remove tolls from Highways 412 and 418 before their costs were recovered.

Recommendation 12: Action Items 1, 2 and 3

To provide consistent analysis and advice to government decision-makers on the funding of proposed provincial highways, we recommend that the Ministry of Transportation:

- review leading practices in other jurisdictions on the use of tolls and setting toll rates;
- develop an information paper that includes the circumstances where tolling may be appropriate and beneficial to facilitate commerce and the movement of Ontarians, if needed in the future; and
- provide the government with the information paper should circumstances arise where tolling could be considered.

Status:  Fully implemented.

Details

We found that in early 2023, the Ministry completed jurisdictional research and analysis on the use of tolls and toll pricing strategies. Thereafter, in June 2023, the Ministry prepared an information paper that includes the circumstances where tolling may be appropriate. This information paper is available to government decision-makers should the circumstances arise where tolling could

// Appendix

Recommendation Status Overview

	# of Action Items	Fully Implemented 	In the Process of Being Implemented 	Little or No Progress 	Will Not Be Implemented 	No Longer Applicable 
Recommendation 1	7	1	1	5		
Recommendation 2	2		1	1		
Recommendation 3	4			4		
Recommendation 4	3	3				
Recommendation 5	3	1	2			
Recommendation 6	1		1			
Recommendation 7	3		1	2		
Recommendation 8	1		1			
Recommendation 9	3	1	1	1		
Recommendation 10	2		2			
Recommendation 11	1	1				
Recommendation 12	3	3				
Total	33	10	10	13	0	0
%	100	30	30	40	0	0

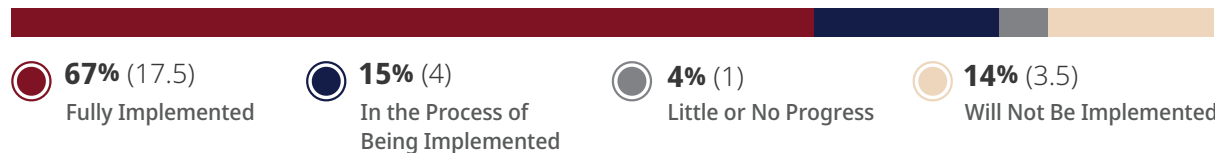
Follow-Up on the 2022 Performance Audit:

Liquor Control Board of Ontario

Information Technology Procurement

// Overall Conclusion

26 Recommended Actions



The Liquor Control Board of Ontario (LCBO), as of September 13, 2024, has fully implemented 67% of actions, was in the process of implementing 15% of actions, and made little or no progress on 4% of actions we recommended in our 2022 audit **Liquor Control Board of Ontario: Information Technology Procurement**.

The LCBO has fully implemented recommendations such as reporting on the progress and expenditures of the Future State Modernization project to the Information Technology Sub-committee of the Board of Directors and the Ministry of Finance at least quarterly, and establishing a consistent process for competitively selecting information technology (IT) contract employees.

The LCBO was in the process of implementing recommendations such as creating centralized functions for both contract management and vendor management, and developing processes to consistently establish contractual performance measures, assessing vendor performance and recording vendor issues.

The LCBO has made little or no progress in updating vendor evaluation scoring sheets to incorporate a bidder's past performance with the LCBO.

The LCBO has determined that it will not implement 14% of the recommended actions such as requiring business cases to be presented to the appropriate approval body prior to commencing the procurement process, and making it mandatory to include the minutes from final consensus

meetings in all vendor selection documentation packages. Our Office continues to support the implementation of these recommendations.

The status of actions taken on each of our recommendations is described in this report (see **Appendix** for more details).

// Status of Actions Taken on Recommendations

We conducted assurance work between April 2024 and July 2024. We obtained written representation from the Liquor Control Board of Ontario (LCBO) that effective September 13, 2024, it has provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

1. Better IT Expenditure Planning and Monitoring Needed

In our original audit, IT business units did not prepare annual procurement planning documents as required by the LCBO's own procurement policy. The LCBO did not have a process to support proactive and regular IT procurement reporting to senior management or the Board of Directors.

Almost all of the business cases we reviewed lacked important details around costs and benefits, information required by the LCBO's own procurement policy. Estimated project costs were based on vendor estimates after the vendor had been chosen; internal estimates were not generated before a procurement project was initiated. Senior management and the Board of Directors at the LCBO approved contracts, including their costs, only at the contract awarding stage rather than earlier, during the project approval stage.

Recommendation 1: Action Item 1

To improve the completeness and effectiveness of its IT strategic and expenditure planning process, we recommend that the LCBO:

- develop a process to monitor that all IT projects, including associated planned expenditures, are considered in its periodic prioritization exercise;

Status:  **Fully implemented.**

Details

We found that since March 2023, the LCBO has held its portfolio planning workshop annually to identify and prioritize IT projects for the upcoming year. Following the workshop, the LCBO's Project Management Office maintains details of projects planned for the fiscal year, including their estimated overall costs; holds weekly calls with project owners to monitor the status of projects; and provides updates for all projects to senior management, including all of LCBO's C-suite executives, on a monthly basis.

Recommendation 1: Action Item 2

- require IT business units to prepare annual IT procurement plans and provide the plans to IT procurement service team, as per LCBO's internal policy.

Status:  Fully implemented.

Details

We found that the LCBO does not require business units to submit annual procurement plans to the IT procurement service team. Instead, it has integrated its procurement services team into its existing project intake process so that the team can participate in the review and planning of proposed and approved IT projects.

In May 2023, the LCBO's Vendor Management Office (VMO) ran a procurement planning workshop with internal staff to review IT contracts expiring in 2023/24 and identify potential agreements that would be needed for 2023/24 projects. This planning could result in new agreements for services or licences, or extensions or amendments to existing agreements.

In October 2023, VMO leadership communicated updated processes and provided supporting documents to internal staff, including those from IT, legal and procurement services. The updated processes support a timelier review of projects that require the VMO's input. For example, new IT procurement and legal request trackers indicate in advance when contracts are to expire, and outline when each department needs to act on the project. The VMO maintains these trackers in partnership with the procurement services team, the legal team and all business units affected by the contract.

Since the May 2023 session, the LCBO has implemented weekly meetings involving VMO and the procurement and legal departments to review and prioritize contracts, procurement documentation and purchase orders. As well, the LCBO has instituted monthly review sessions that also include additional participants such as senior leadership from IT and legal. These processes replaced the need for an annual planning workshop.

Recommendation 2: Action Item 1

So that procurement needs are appropriately assessed and documented prior to contracting to procure IT goods and services, we recommend that the LCBO:

- require business cases to be presented to the appropriate approval body, as per the LCBO's internal policies, prior to commencing the procurement process;

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that the LCBO does not plan to implement this recommendation because it believes it is not always feasible to present a full business case with cost estimates to the appropriate approval body prior to commencing the procurement process. For example, some contracts and request for proposal terms can be complex, making it challenging for staff to independently estimate the costs involved. In such cases, staff relies on the bidding process itself to help determine potential costs.

The LCBO has integrated its procurement services team into its existing project intake process so that the team can participate in the review and planning of proposed and approved IT projects.

The LCBO chose to strengthen its Board approval process at the point of contract award. In March 2023, the LCBO's Board approved an updated process and document, called a Contract Approval Resolution, to address the increasingly complex nature of the commercial contracts required to support the LCBO's operations. This document clarifies how IT-related contracts, including software contracts, are approved at the Board level.

Recommendation 2: Action Item 2

- require the procurement services team to review these business cases prior to presenting them to senior management to ensure that appropriate procurement planning and strategy have been considered.

Status:  **Fully implemented.**

Details

We found that the LCBO has integrated the procurement services team into its existing project intake process. During this process, the procurement services team reviews a project's business case, which includes preliminary decisions on whether a competitive process will be followed,

a list of vendors involved, an estimate of the vendor costs, the contractual process required and an anticipated start date for the vendors. The procurement services team then makes recommendations on appropriate procurement planning and strategy prior to commencing the procurement process, and documents its recommendations in the project's intake assessment form. This form also documents the recommendations and decisions of the legal and finance teams reviewing the business case.

Recommendation 3: Action Item 1

To improve governance and oversight of IT expenditures and procurement, we recommend that the LCBO:

- develop information reports that provide key insights on IT procurement and expenditures, such as an overview of planned and in-progress IT procurement projects, project progress, and actual versus budgeted project expenditure;

Status:  **Fully implemented.**

Details

We found that the LCBO developed two information reports aimed at providing insights on IT procurement and expenditures, and submits these reports to the senior management team on a regular basis.

The first report is a quarterly update of budgeted versus actual expenditures for the LCBO's IT project portfolio. This provides senior management with a transparent view of the portfolio and individual projects' progress and financial information, including forecasts, enabling them to make informed decisions and address challenges or opportunities.

The second report is a monthly update on the status of all IT projects in the LCBO's portfolio. This report provides an overview of projects by department and the number of projects in the various stages (such as initiation, planning and execution), and identifies projects that are on track versus those that are at risk and require attention. It also provides detailed dashboards for each significant IT project, showing information such as the percentage completed so far and the actual cost so far versus budget.

Recommendation 3: Action Item 2

- establish a process to present these reports to LCBO senior management and its Information Technology Sub-committee of the Board of Directors at least quarterly.

Status:  Will not be implemented.

Details

We found that the LCBO does present these reports to senior management, as detailed in **Recommendation 3: Action Item 1**. However, it does not plan to present them to its Information Technology Sub-committee of the Board of Directors because it is not part of the sub-committee's mandate. According to the sub-committee's charter, which was updated in December 2023, its mandate is to assist the Board in fulfilling its oversight responsibilities with respect to major (not all) technology investments and cybersecurity. For example, the LCBO's senior management had provided regular updates, such as in October 2023 and December 2023, to the Board and its IT Sub-committee for the LCBO's most significant IT project—the Future State Modernization project, a multi-year project aimed at improving the organization's IT systems and processes.

Recommendation 4: Action Item 1

To better realize the value from expenditures for the preparation of its IT Future State Modernization Plan, we recommend that the LCBO:

- examine the estimated costs for the Future State Modernization Plan;

Status:  Fully implemented.

Details

We found that the LCBO has estimated that the Future State Modernization Plan will cost \$220 million over four years between 2022/23 and 2025/26. The LCBO signed an agreement with a fixed ceiling price with a professional services company as its "business transformation partner" in December 2023. As well, as of May 1, 2024, the LCBO has signed agreements with four of 10 IT solution vendors as "technology partners" to provide integration and technology platform supports and services.

Recommendation 4: Action Item 2

- establish a step-by-step project plan that specifies the deliverables and milestones and a project accountability mechanism with corresponding ownership;

Status:  **In the process of being implemented by February 2027.**

Details

We found that the LCBO established a project plan for the first stage of the Future State Modernization project, which spanned the period from January 2024 to June 2024. The project plan includes key tasks and task owners, and shows the percentage of completion for each task and indicates whether the task is complete, on schedule or late.

The project has six additional stages for a total of seven stages, each with anticipated start and end dates. The LCBO expects to have all required capability by October 1, 2025, new capability by January 1, 2026, and warehouse capability by the end of 2026. The LCBO expects the entire project to be completed by February 2027 and indicated that it will establish detailed project plans for these stages before each stage begins.

Recommendation 4: Action Item 3

- report project progress and expenditures to the Information Technology Sub-committee of the Board of Directors and the Ministry of Finance at least quarterly.

Status:  **Fully implemented.**

Details

We found that the LCBO's IT Sub-committee of the Board met eight times between March 2023 and May 2024 to discuss the Future State Modernization project's progress and expenditures. Also, the LCBO presented the project's actual and planned spending in 2023/24 to the Ministry of Finance in May 2024. The LCBO indicated that its Chief Executive Officer has provided verbal updates on the status of the project to the Ministry of Finance at their regular meetings; they met six times between January 2023 and May 2024.

2. Non-competitive Procurements Not Sufficiently Justified

In our original audit, we found that none of the business cases we sampled provided sufficient information to justify the decision to procure without a competition. There was limited documented evidence that only one supplier met business requirements, as per the LCBO's internal policy.

Recommendation 5: Action Item 1

To better comply with the Ontario Public Service Procurement Directive requirement to conduct procurements in a fair and transparent manner, we recommend that the LCBO thoroughly document the reason for each non-competitive procurement.

Status:  Fully implemented.

Details

We found that in May 2023, the LCBO updated its procurement policy and procedures for direct award procurement projects. A business unit that uses the direct award method needs to complete a Direct Award (Sole/Single Source) Business Case & Approval Form to provide the details and justification explaining why only one vendor met the business requirements.

3. Continuous Reliance on Consultants and Contract Employees

In our original audit, from 2019/20 to 2021/22, about 33% of the LCBO's IT workforce were consultants. IT contract employees were overall more expensive than IT permanent staff. For example, one contract employee in a business analyst position was paid \$155 per hour, compared to about \$68 per hour for a similar permanent position at the LCBO. External consulting firms sometimes led procurement planning and business case development work on major IT projects, resulting in the LCBO relinquishing control over ceiling price and design quality.

Recommendation 6: Action Item 1

To retain a stronger control over IT projects and to mitigate the risks of inefficient spending and project delays, we recommend that the LCBO:

- use qualified internal staff to lead the planning and design phase of IT projects, with defined scope prior to outsourcing to an implementation partner;

Status:  Fully implemented.

Details

We found that as of February 2024, the LCBO's IT leadership group—made up of managers, directors, vice-presidents and the senior vice-president—consisted of mostly internal staff, with the exception of a program director who was a contractor.

The LCBO indicated that it uses internal staff to execute, manage and guide the completion of its IT work. For example, for an IT project related to the LCBO's corporate gifting program that was active in summer 2023, internal staff were responsible for championing, managing and leading the project, and for reporting testing activities and writing test cases.

The LCBO indicated that some projects require specific technical expertise or niche skills that are only available through contractors, and that it may need to hire contractors during part or all of a project for these skills, but not need the contractors after the project is completed. The LCBO indicated that it uses a flexible project model that allows it to flex resources up and down to ensure it is neither understaffed nor overstaffed. As well, it may need to engage contractors as the only option because IT skills are in high demand and the government compensation structure is not competitive for attracting full-time talent for specific roles.

Recommendation 6: Action Item 2

- employ separate procurement processes for design and build, if external expertise is required for the design phase;

Status:  Fully implemented.

Details

We found that in February 2024, the LCBO updated its procurement policy and procedures to state that “where possible, for IT related procurements, employ separate procurement processes for discovery and for the design and build phases.” The LCBO communicated this update to procurement staff in December 2023. The LCBO indicated that it has not had an appropriate project on which to implement this new process as of June 2024.

Recommendation 6: Action Item 3

- establish contract ceiling prices through independent market research and analysis;

Status:  Fully implemented.

Details

We found that in May 2023, the LCBO updated its procurement policy and procedures to state that “where necessary, market research should be conducted with a view to ensuring that input from a wide variety of suppliers is considered. Input from suppliers obtained through market research must not unduly influence the development of the specifications and requirements.... Business Units must ensure that once the development of the RFP [request for proposal] is underway, all vendor communications related to the RFP cease.”

We noted one IT project for which the LCBO established a ceiling price in a contract with a vendor in October 2023 after identifying typical unit pricing through its market research.

Recommendation 6: Action Item 4

- supplement all time-and-materials contract pricing with a fixed-cost ceiling price as well as milestones and deliverables.

Status:  **Fully implemented.**

Details

We found that in February 2024, the LCBO updated its procurement policy and procedures to state that “pricing structures should also consider price increase formulas, extension options and ceiling price, where applicable. Business Units should confer with the Procurement Services department for recommendations and advice on developing appropriate pricing structures.”

We noted one IT project for which the LCBO established a ceiling price in a contract with a vendor in June 2023 that supplemented a per-hour rate with the vendor.

Recommendation 7: Action Item 1

To improve the cost-effectiveness of IT resources and to enhance business continuity, we recommend that the LCBO:

- develop and implement a plan with timelines to increase the proportion of permanent staff versus contract employees working in IT, focusing on reducing the use of long-term contract employees for positions that are more suitably held by permanent employees;

Status:  **Fully implemented.**

Details

According to the LCBO, it reduced its use of contractors from 16% in April 2022 to 9% in May 2024, compared to its target of 25%.

In August 2023, a vice-president in the LCBO's IT Division communicated to other leaders within the group to remind managers to thoroughly assess the necessity of hiring contractors for upcoming work by evaluating existing resources and consulting with relevant teams, while considering project scopes and time frames, in order to control costs and optimize workforces.

The LCBO indicated that some projects require specific technical expertise or niche skills that are only available through contractors, and that it may need to hire contractors if it requires these skills during part or all of a project, but not after the project is completed. As well, it may need to engage contractors as the only option because IT skills are in high demand and the government compensation structure is not competitive for attracting full-time talent for specific roles.

The LCBO noted that it will aim to keep the number of contractors as a percentage of the overall IT Division headcount below the industry average and include the status of internal versus external IT resources in the monthly IT operations dashboard.

Recommendation 7: Action Item 2

- establish a consistent process for competitively selecting IT contract employees;

Status:  Fully implemented.

Details

We found that in August 2023, the LCBO shared with IT leaders a template consisting of standard interview questions for IT contract employees; it subsequently saved this information on the intranet for ease of access. In the LCBO's documented process for hiring contractors, internal staff are instructed to use this template to record the responses provided by potential candidates and to keep this in the interview file for future reference or audit.

Recommendation 7: Action Item 3

- require those positions that are accountable for key project outcomes in major projects, such as project managers, be LCBO permanent staff.

Status:  Will not be implemented.

Details

The LCBO indicated it will not implement this recommendation. It noted that its use of contractors in positions that are accountable for key project outcomes, such as project managers, is primarily driven by two factors:

- the need for professionals with specialized capabilities that in many cases cannot be hired because the LCBO's below-market pay-bands for specific roles make it difficult to attract qualified staff; and
- the need to deliver on a temporary surge in work that would not justify the hiring of a permanent employee.

4. Vendor Selection Mostly Defendable but Does Not Consider Past Experience

In our original audit, vendor evaluation forms were incomplete in 10 of the 13 files we reviewed. They were missing information such as rationale for scores given and documentation of a final consensus meeting. One consulting firm under-delivered on a previous contract in 2019 but still won multiple contracts in 2020 and 2021, due in part to the LCBO not incorporating a review of its vendors' past performance when assessing new bids.

Recommendation 8: Action Item 1

To clearly justify and document the selection of vendors and improve transparency in doing so, we recommend that the LCBO:

- develop and implement a process that promotes independent and transparent scoring by all panel members when evaluating IT projects;

Status:  **Fully implemented.**

Details

We found that in May 2023, the LCBO updated its procurement policy and procedures to state "...an evaluation plan will be developed to promote independent and transparent scoring by all evaluation team members. Vendor evaluations may incorporate a bidder's past performance with the LCBO. It will also be mandatory for important information such as rationale for scores given, to be included for final consensus meetings and vendor selection documentation."

The LCBO subsequently updated the tool that stores its vendor evaluation information such that each evaluator who assigns their score on vendor-submitted information does so independently through their own unique log-in. The LCBO also made it mandatory to fill out certain fields, such as the primary reason for scores and evaluator comments.

Recommendation 8: Action Item 2

- update vendor evaluation scoring sheets to incorporate a bidder's past performance with the LCBO;

Status:  Little or no progress.

Details

We found that the LCBO includes the following clause in its request-for-proposal templates: "In the evaluation process, the LCBO may consider the proponent's past performance or conduct on previous contracts with the LCBO or other institutions." However, at the time of our follow-up, it did not observe this practice when evaluating IT projects. The LCBO indicated that by March 2025, it plans to implement and leverage a module that tracks and reports on vendor performance for strategic IT vendors against key metrics, and will look to include aspects of past performance in its evaluation criteria and score sheets for IT projects.

Recommendation 8: Action Item 3

- make it mandatory for important information, such as rationale for scores given and meeting minutes for final consensus meetings, to be included in all vendor selection documentation packages.

Status:  Rationale for scores – Fully implemented.

 Meeting minutes – Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of the recommendation to include the minutes for final consensus meetings in all vendor selection documentation packages.

Details

We found that, as evidenced by a review of a sample of IT projects that underwent a competitive process subsequent to the policy update in May 2023, the LCBO has documented the rationale for scores given in the vendor selection process to help facilitate consensus meetings. The LCBO indicated that the documented rationale forms the basis of the conversation in subsequent

consensus meetings. However, the LCBO noted that formal meeting minutes are not captured during these consensus meetings.

5. Performance of IT Vendors Not Centrally Monitored

In our original audit, performance indicators and targets were not established for consultants in 20 of the 25 contracts we examined to allow the LCBO to track consultants' progress in completing their projects. Neither the IT business units nor the LCBO's vendor management office verified if vendors had completed satisfactory deliverables and met milestones prior to making payments as set out in the contracts.

Recommendation 9: Action Items 1 and 2

To better hold IT vendors, including all IT contract employees, consulting firms and IT hardware or software suppliers accountable for their performance and to protect the financial interest of the LCBO, we recommend that the LCBO:

- require invoices and an indication that goods and services have been delivered to be included in the payment system prior to payment processing;
- verify vendor progress and/or performance documentation as part of the approval for contract payments;

Status:  Fully implemented.

Details

We found that in December 2022, the LCBO updated its DocuSign process such that its staff would need to sign a statement validating services or deliverables that have been or will be received outlined in the invoice. The statement reads "I...confirm payment can be released to the vendor for the attached invoice(s) and the goods/services in the attached invoice(s) meet one of the following conditions: goods and/or services have been received or completed, or goods and/or services will be received and there is a contractual obligation to pay for services upfront." Following this, the LCBO would process the receipt in its financial information system, update actual and forecast expenditures and remit payment.

Recommendation 9: Action Items 3, 4 and 5

- create centralized contract management and vendor management functions;
- update its internal policy to recognize the vendor management office's role in monitoring and managing vendor performance and clearly define the office's role vis-à-vis the IT business units' roles in contract management;
- develop processes to consistently establish contractual performance measures, assess vendor performance and record vendor issues.

Status:  **In the process of being implemented by December 2025.**

Details

Regarding contract management, we found that in October 2023, the LCBO received advice from a consulting firm to centralize contract management. The consulting firm quantified the potential savings, outlined the benefits and proposed the resources needed to support this new central function. At the time of the follow-up, the LCBO was reviewing this advice and was updating its procurement tools to implement a contract management application as part of the Future State Modernization project, which is expected to go live by the end of December 2025.

Regarding vendor management, we found that the LCBO was putting in place a vendor management framework to ensure that staff follow a consistent approach to manage vendor performance across the IT Division. This framework will include standard performance measurements and related tracking that will be used for all third-party vendors that support the LCBO's operations. At the time of our follow-up, the LCBO was in the process of defining roles and responsibilities and updating related policies and procedures. It expects these to be completed by December 2025.

6. LCBO's Administration Manual Does Not Fully Reflect Ontario Public Service Procurement Directive Requirements

In our original audit, the LCBO's administration manual was not updated to reflect the Ontario Public Service Procurement Directive's interim measures.

Recommendation 10: Action Item 1

To properly guide its internal procurement practices, we recommend that the LCBO include any new measures introduced in the Ontario Public Service Procurement Directive in its

administration manual.

Status:  **Fully implemented.**

Details

We found that in May 2023, the LCBO updated its procurement policies and procedures to include:

- 1) detailed instructions for completing direct award approval forms; and
- 2) requirements to document evidence that only one vendor met the business requirements and that staff considered alternatives to non-competitive procurement.

The policy further states: “Effective September 2020 the Ministry of Public and Business Service Delivery (MPBSD) has introduced new interim measures to support opportunities for collaborative purchasing. These measures include not having contract terms exceeding two years for the fixed term for any new contract and providing a cost for each deliverable in any consulting service contract. It also requires the submission of a Procurement Rationale Report to MPBSD before the procurement is released to the vendor community.” Although the interim measures also included a requirement to submit planned procurement reports to the MPBSD, the LCBO obtained confirmation from MPBSD in November 2022 that this reporting requirement was never implemented.

// Appendix

Recommendation Status Overview

	# of Action Items	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	1			1	
Recommendation 3	2	1			1	
Recommendation 4	3	2	1			
Recommendation 5	1	1				
Recommendation 6	4	4				
Recommendation 7	3	2			1	
Recommendation 8	3	1.5		1	0.5	
Recommendation 9	5	2	3			
Recommendation 10	1	1				
Total	26	17.5	4	1	3.5	0
%	100	67	15	4	14	0

Follow-Up on the 2022 Performance Audit:

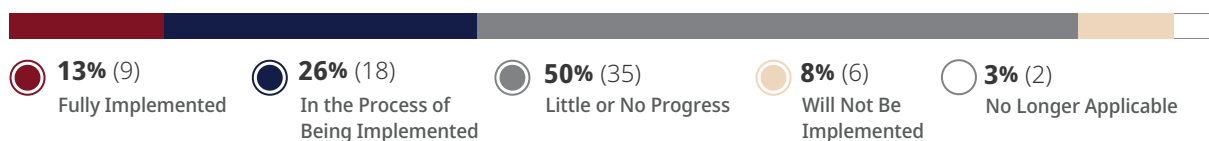
Ministry of Mines

Ministry of Natural Resources

Management of Hazards and Emergencies in the Environment

// Overall Conclusion

70 Recommended Actions



As of November 20, 2024, the Ministry of Mines and Emergency Management Ontario (EMO) and as of November 21, 2024, the Ministry of Natural Resources have collectively fully implemented 13% of the actions we recommended and have made progress in implementing an additional 26% of the recommended actions. However, for 50% of our recommended actions there has been little or no progress. In addition, a further 8% of our recommended actions will not be implemented, but we continue to believe that these recommended actions should be implemented. Finally, 3% of recommended actions were no longer applicable.

The Ministry of Natural Resources, with 55 recommended actions in total, has fully implemented 9% of the recommended actions, made progress in implementing an additional 24% of recommended actions, made little or no progress on 58% of recommended actions, and will not be implementing 9% of our recommended actions. Recommended actions fully implemented by the Ministry related to weather stations and included establishing a formal policy clarifying how often weather stations should be inspected, conducting inspections in accordance with policy, and tracking inspection dates and results of inspections for all weather stations using a database that flags upcoming

inspections. Recommended actions the Ministry will not be implementing relate to mitigating risks of dam hazards, erosion and sinkholes, and include:

- developing and maintaining a registry of all dams, both public and privately owned;
- developing a program to identify all high-risk dams, and conducting timely inspections accordingly;
- working collaboratively with other government ministries, agencies and environmental experts to identify and map properties located in areas susceptible to erosion, and developing a provincial map to assist in developing priorities and strategies;
- identifying and implementing community-based erosion-awareness and education programs, especially for residents in high-risk areas; and
- developing prevention and mitigation measures to prioritize and address at-risk areas for sinkholes, in conjunction with foresters and other experts.

The Ministry of Mines, with 11 recommended actions in total, has fully implemented 9% of recommended actions, made progress in implementing 36% of recommended actions, made little or no progress on 46% of recommended actions and will not be implementing 9% of recommended actions. The Ministry has fully implemented our recommendation to determine the status of all abandoned mines. Examples of recommended actions where progress has been made include following a risk-based approach to selecting both abandoned and operational mines for inspection, and taking steps to ensure mine owners notify the Ministry when owners have fully rehabilitated their abandoned mines. The Ministry will not be implementing our recommended action to review online videos that encourage exploring abandoned mines in Ontario and then to take steps to have them removed from online access.

EMO, with six recommended actions in total, has fully implemented 9% of recommended actions, made progress in implementing 36% of recommended actions, made little or no progress on another 46% of recommended actions, and the remaining 9% of recommended actions were no longer applicable. Examples of fully implemented recommended actions include putting in place contingency arrangements to deal with the future potential that additional capacity will be needed in host communities, and implementing an oversight process that routinely assesses the quality and sufficiency of the emergency management programs in place.

The status of actions taken on each of our recommendations is described in this report (see **Appendix** for more details).

// Status of Actions Taken on Recommendations

We conducted assurance work between April 2024 and September 2024. We obtained written representation from the Ministry of Natural Resources (which was previously named the Ministry of Natural Resources and Forestry), the Ministry of Mines and EMO that effective November 20, 2024, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Under OIC 1739/2022 (OIC 1039/2022, at the time of our audit), the Ministry of Natural Resources is assigned responsibility for managing risks and responding to emergencies resulting from floods, forest fires, dam failures, oil and gas wells, drought/low water, erosion, and soil/bedrock instability. The Ministry of Mines is assigned responsibility for abandoned mine hazards.

1. Floods

Flooding in Ontario is often the result of heavy or prolonged rainfall, rapid snowmelt, ice jams formed in rivers and streams, and lake/stream surges. Our 2022 audit found that the location of some First Nation communities in Ontario exposes them to recurring floods and evacuations. For example, Kashechewan First Nation, located on the northern shores of the Albany River near James Bay, experiences significant flooding almost annually. There have been several commitments by the federal government as far back as 2005 to relocate the Kashechewan First Nation community.

We also found that the then-Ministry of Natural Resources and Forestry did not track or maintain a centralized repository of floodplain (flood-prone areas near rivers and streams) maps that have been completed across the province, which prevented the Ministry from carrying out effective mitigation and preparation measures. Also, since the Ministry stopped providing funding for floodplain mapping since 1993, there has been no floodplain mapping nor any mechanism to fund mapping efforts in areas that fall outside the jurisdiction of a conservation authority or municipality. We also noted that, contrary to its Emergency Response Plan, the Ministry did not complete after-action reports after each significant event and all exercises to identify areas for improvement; the Ministry prepared after-action reports for only three of the seven flood emergencies it responded to from 2017 to 2021.

Further, we found components of some natural hazards technical guides and associated standards were outdated, and in some cases, not publicly available online. Also, the Ministry did not have standing contracts with air carriers to secure pricing and availability of air transportation needed in emergency evacuations.

We also found that the Ministry owns and operates 126 weather stations across Northern Ontario and collects information to model and forecast weather conditions, as well as predict forest fires.

However, the Ministry did not have a policy on how often weather stations should be inspected, was not tracking inspection dates for all their weather stations, and some weather stations were not being inspected on a timely basis.

Recommendation 1: Action Items 1 and 2

To prevent high-risk First Nations communities from repeatedly flooding and needing to be evacuated on a frequent basis, we recommend the provincial government (Treasury Board Secretariat/Emergency Management Ontario):

- work with the federal government to permanently relocate the Kashechewan First Nation community to higher, drier ground as soon as possible;
- evaluate whether other First Nations communities at risk of recurrent flooding and evacuations, such as Fort Albany and Attawapiskat, also need to be relocated or whether any dykes or floodways should be built.

Status: ☐ No longer applicable.

Details

At the time of our follow-up, EMO, within the Treasury Board Secretariat, reiterated its initial response to our recommendation in 2022, which was that it does not have the authority to enforce the relocation of the Kashechewan First Nation. It is for the community to determine whether it wishes to relocate and it is the federal government's responsibility to provide all possible support for the relocation. EMO also stated that any relocation decision of the Kashechewan First Nation requires engagement with Fort Albany First Nation, as both communities are legally recognized as one Band under the *Indian Act*. While the federal and provincial governments have committed to supporting any community-driven decision, consensus has not yet been reached between the two First Nation communities.

EMO also stated that, in relation to the Kashechewan relocation project, the Ministry of Indigenous Affairs and the Ministry of Natural Resources, not Treasury Board/EMO, represent Ontario on consultations with the federal government, Kashechewan First Nation and Fort Albany First Nation.

EMO further stated that structural mitigation infrastructure on reserves, including dykes and floodways, is based on community-identified needs and is the jurisdiction of the federal government.

The Office of the Auditor General agrees with this response and as such we now consider this recommendation to be not applicable.

Recommendation 2: Action Items 1 and 2

So that lessons learned from past flooding events are incorporated into emergency response plans to improve future emergency response efforts, we recommend that the Ministry of Natural Resources and Forestry:

- document after-action reviews related to flooding incidents in a formal and standardized report in a timely manner;
- take timely action to address areas needing improvement and ensure that progress is tracked, followed up and reported on until fully implemented.

Status:  Little or no progress.

Details

We found that, in 2023, the Ministry of Natural Resources and Forestry assembled an internal team to review its after-action review process for all seven of the Ministry's OIC hazards. The Ministry told us that the review will be conducted in stages over a two-year period. The goals and outcomes of the project include providing clarity around roles, responsibilities, and accountability for the after-action review process; setting clear direction and policy for completing standardized and timely after-action reviews following emergency incidents and practice exercises; tracking and reporting on lessons learned to full implementation; and, ensuring follow-through on continuous improvements. As part of the project, the Ministry indicated that a jurisdictional review (i.e., provincial, territorial and federal) of after-action reviews was completed to obtain information on approaches and best practices used in other emergency management jurisdictions. In August 2024, the Ministry prepared a draft policy, which includes roles and responsibilities for the after-action review process, criteria for triggering an after-action review, and a draft implementation plan. However, at the time of our follow-up, the policy and plan were still under review by management for endorsement and approval. The Ministry was also investigating the viability of potential software tools to aid in the after-action review process.

Recommendation 2: Action Item 3

We also recommend that Emergency Management Ontario continue to strive to put in place contingency arrangements to deal with the future potential that additional capacity will be needed in host communities.

Status:  Fully implemented.

Details

Since our audit, EMO entered into formal agreements with three organizations to host up to 3,500 evacuees in the event of an incident in a community. These agreements currently expire on January 31, 2025.

Further, EMO worked with Supply Ontario to establish a vendor-of-record arrangement, effective November 1, 2024 to October 31, 2030. This contract allows the province to prequalify suitable service providers that have the capability to provide services to host evacuees in the event of an incident in a community. The contract did not set a limit on the hosting capacity.

Recommendation 3: Action Item 1

To protect Ontarians and critical infrastructure, and better understand flood risks across the province, we recommend that the Ministry of Natural Resources and Forestry increase floodplain mapping efforts to better support municipalities, conservation authorities, First Nations and unorganized territories.

Status:  In the process of being implemented by March 2028.

Details

In our follow-up, the Ministry of Natural Resources informed us that in August 2022, it applied for funding under the federal Flood Hazard Identification and Mapping Program to create/update local floodplain maps. The Ministry was subsequently approved for 55 floodplain mapping projects in Ontario. The funding began to flow to recipient municipalities and conservation authorities in March 2023.

As of July 18, 2024, 31 of the 55 floodplain mapping projects were showing as “in process” according to the website of the federal funding agency Natural Resources Canada (NRCan). Further, all of the 55 floodplain mapping projects occurred in municipalities and conservation authorities; none of the projects occurred in a First Nation or unorganized territory, as indicated in our recommendation. The Ministry informed us that the federal government has provided funding directly to some First Nation communities for floodplain mapping, through the First Nation Adapt Program.

The Ministry informed us that it will once again apply for funding under the federal Flood Hazard Identification and Mapping Program, which was extended to March 2028, to further enable floodplain mapping activities across the province.

Recommendation 4: Action Items 1, 2 and 3

To confirm that weather stations are in good working order and operating as intended, we recommend that the Ministry of Natural Resources and Forestry:

- establish a formal policy clarifying how often weather stations should be inspected;
- conduct inspections in accordance with policy;
- track inspection dates and results of inspections for all weather stations using a database that flags upcoming inspections.

Status:  **Fully implemented.**

Details

We found that in March 2023, the Ministry released a policy and procedure manual pertaining to weather station operations and maintenance. This document includes guidance and direction on routine site maintenance, including when and how often weather stations in the Northeast and Northwest regions should be inspected, noting that, if feasible, site visits should be conducted at each weather station early in the fire season, which runs from April to October. The policy also requires a repair and maintenance record sheet to be completed for each weather station field visit, as well as a job safety analysis and bear hazard assessment, with an electronic copy of the assessment maintained by the weather technical specialist.

We noted that as of July 18, 2024, about 70% of the 133 operational weather stations had been visited so far in the 2024 fire season for annual maintenance.

Weather technicians track target inspection dates for each weather station, with the dates ranging from April through July, using a “live” document that is maintained by the weather technicians to flag issues with weather stations and help plan and track visits to the weather stations. A file with target dates for planned inspections of weather stations is maintained in the Aviation, Forest Fire and Emergency Services Weather Instrumentation SharePoint site database that was developed and implemented for the 2025 fire season. This database is in use and allows for the tracking of weather station maintenance progress.

Recommendation 5: Action Item 1

In order to be prudent with taxpayers’ funds and to ensure timely access to air carriers at competitive rates in the event of an emergency evacuation, we recommend that the Ministry of Natural Resources and Forestry conduct a competitive tender and enter into fixed price contracts with air carriers.

Status:  **Fully implemented.**

Details

We noted that in April 2024, the Ministry issued an open request for bids for air transportation services to assist with emergency evacuations in 2024 and 2025. The Ministry informed us that it only received a bid from one carrier. This carrier was awarded a fixed price contract effective from June 2024 to October 2025. The Ministry told us that it will assess the benefits of long-term contracts with private carriers or other alternatives, for future hazard seasons.

Recommendation 6: Action Item 1

So that local governments and conservation authorities have technical guides and bulletins that reflect current provincial standards and best practices with respect to flooding, erosion, soil and bedrock instability, and dam failures, we recommend that the Ministry of Natural Resources and Forestry review and update its technical guides and bulletins regularly, as needed, and make all guides publicly available.

Status:  **In the process of being implemented by December 2028.**

Details

We found that the Ministry had finalized and released one new technical bulletin in December 2023 titled, Technical Bulletin – Flooding Hazards: Data Survey and Mapping Specifications. This document is a partial update to the existing Technical Guide – River and Stream Systems: Flooding Hazard Limit (last updated in 2002), and is intended for use by municipalities, conservation authorities, and other parties involved in undertaking flood hazard surveying and mapping in Ontario.

The Ministry told us that it will continue to update its natural hazard guidance on a prioritized basis, based on the risks associated with the hazards. The next technical guides it expects to update by December 2026 are titled:

» <i>Great Lakes St. Lawrence River System and Large Inland Lakes</i> (2001);	» <i>River and Stream Systems: Flooding Hazard Limit</i> (2002); and
» <i>Technical Guide: Special Policy Areas</i> (2009);	» <i>River and Stream Systems: Erosion Hazard Limit</i> (2002).

The Ministry anticipates that a review and first update of each of the remaining 12 technical guides (see **Appendix 8** of our 2022 audit report) would take until 2028.

2. Forest Fires

The forest fire season in Ontario typically occurs from April to October. Our 2022 audit found that the then-Ministry of Natural Resources and Forestry did not track and fully document the reasons for delays in dispatch time, nor calculate and track the average time it took to dispatch a crew to extinguish a fire.

We also noted that the Ministry had prepared after-action reports for only two of the 11 declared emergencies for forest fires from 2017–2021. Furthermore, for the after-action reports that were prepared, the recommended improvements were not assigned to specific individuals, and the status and completion of recommendations were not formally tracked.

In addition, we found that there had been little focus on the FireSmart recognition program in Ontario, with few communities receiving provincial funding to help them reduce the risk of wildfires. Funding was also not targeted to districts that were assessed as having an extreme or high risk of fires, and no funding was allocated to unorganized territories.

Further, we found that the Ministry's Personnel Information Management System, which is used to store training records electronically, was not up to date for 20% of the fire crew members we sampled, and the system did not automatically alert the firefighters or their supervisors when a firefighter's training was about to expire.

There were also discrepancies in the evacuation data reported to the Treasury Board Secretariat and a detailed breakdown we later obtained from EMO. In addition, we found that EMO did not maintain statistics on the method of evacuation and related costs.

Recommendation 7: Action Items 1, 2 and 3

So that forest fires are responded to under the maximum target times, we recommend that the Ministry of Natural Resources and Forestry:

- track whether required response times are met based on alert levels;
- where response times are not met, identify and fully document the reasons for delays;
- take corrective actions to improve future response times.

Status:  Little or no progress.

Details

We found that the Ministry has made little progress implementing this recommendation. According to the Ministry, monitoring response times occurs at the local district headquarters. However, the

Ministry did not provide any supporting documentation to demonstrate how it is tracking whether the required response times are being met based on the alert levels, documenting the reasons for delays, or taking corrective actions to improve future response times. The Ministry indicated that it is in the process of forming a task team to address the recommended actions.

Recommendation 8: Action Item 1

To improve future response to forest fires, we recommend that the Ministry of Natural Resources and Forestry:

- develop criteria to identify which forest fires are considered “significant” for the purpose of performing an after-action review;

Status:  **In the process of being implemented by April 2025.**

Details

We found that in January 2023, the Ministry formed an internal team to review its after-action review process for all seven of the Ministry’s OIC hazards (including forest fires). The Ministry indicated that the review will occur in stages over a two-year period. As part of this project, the Ministry is planning to define general criteria that will trigger a formal after-action review, rather than develop a definition for a “significant” forest fire event. At the time of our follow-up, the Ministry had prepared a draft policy, which includes criteria for triggering an after-action review, and a draft implementation plan; both were under review by management for endorsement and approval. The Ministry is planning to update its Ministry Emergency Response Plan by April 2025 to reflect these new policies.

Recommendation 8: Action Items 2, 3 and 4

- conduct after-action reviews for “significant” forest fires and formally document the findings in a standardized and timely manner;
- conduct practice exercises with fire crews and emergency management staff on an annual basis, and complete an after-action review after each exercise;
- take timely action to address areas needing improvement from past forest fires and practice exercises, and ensure that progress is tracked, followed up and reported on until fully implemented.

Status:  **Little or no progress.**

Details

In our follow-up, we found that the Ministry has made little progress in implementing the last three recommended actions. As noted in **Recommendation 2: Action Item 1**, the Ministry is performing an internal review of its after-action review process; this review is expected to occur in stages over a two-year period, and be completed in April 2025.

We also found that the Ministry has drafted a policy that will require the fire program to complete an annual exercise and subsequently complete an after-action review. This was under review by management at the time of our follow-up. The Ministry plans to update its Ministry Emergency Response Plan by April 2025 to reflect this policy after it is approved.

As part of its internal review, the Ministry is also investigating potential software tools to aid in the after-action review process, but has not determined whether the tools available on the market are a viable solution to accommodate this process.

Recommendation 9: Action Item 1

To align its fire prevention activities with best practices, we recommend that the Ministry of Natural Resources and Forestry:

- broaden the scope, awareness and adoption of FireSmart initiatives at the local community level;

Status:  Fully implemented.

Details

We found that the Ministry has increased investment in FireSmart Canada's Community Preparedness Day Grant Program so that more Ontario communities are successful recipients of the grant. In 2024, 39 Ontario communities received \$18,500 in total in grants, which was significantly higher than the \$3,750 in total received by 19 communities in 2023 and the \$3,000 in total received by six communities in 2022. The Ministry indicated that it is planning an increased investment of \$31,250 in total in 2025.

The Ministry has also increased its offering of the Ontario FireSmart Communities course to increase awareness; this course provides training and information on completing Wildfire Protection Plans, the FireSmart program, and completing local wildland fire hazard assessments.

In addition, the Ministry has worked with other provincial and territorial programs across Canada as part of the Canadian Council of Forest Ministers to develop a national strategy for wildfire prevention and mitigation efforts across Canada. This strategy was published in June 2024. The

strategy has identified action items to increase awareness and understanding of wildland fire prevention and mitigation, including seeking opportunities to promote community awareness, identifying gaps in community knowledge related to prevention and mitigation, and participating in training to improve knowledge. The Ministry told us that it is in early stages of planning for the implementation of this strategy.

Recommendation 9: Action Items 2 and 3

- engage communities, especially unorganized territories, in FireSmart programs such as the FireSmart Neighbourhood Recognition;
- prioritize and target funding to communities and unorganized territories in districts that are assessed as having an extreme or high risk of fires.

Status:  **Little or no progress.**

Details

At the time of our follow-up, no additional communities in Ontario have been granted FireSmart neighbourhood recognition status since our audit in 2022; the last community to receive similar recognition was Elliot Lake in 2016.

In December 2023, the Ministry initiated a pilot project with funding available to help municipalities implement their Wildland Fire Protection Plans. However, this pilot project offers funding to only two to four recipients per year. Unorganized territories and First Nation communities are not eligible for this funding.

Recommendation 10: Action Item 1

So that the Ministry of Natural Resources and Forestry's prevention and mitigation strategy for forest fires reflects and meets emerging needs, we recommend that the Ministry update its Wildland Fire Management Strategy and FireSmart Strategy and Implementation Plan with input from experts, community stakeholders, and best practices employed by other provinces.

Status:  **In the process of being implemented by April 2027.**

Details

At the time of our follow-up, the Ministry was undergoing a broad Natural Hazard Emergency Management modernization project that includes the Wildland Fire program and its prevention and mitigation activities, including the Ministry's FireSmart programs. In July 2024, the Ministry

released a discussion paper, and conducted 45 days of consultation with the public, emergency management partners, Indigenous representatives, municipalities, industry and other wildland fire agencies. The Ministry expects to implement the modernization project by April 2027.

In addition, the Ministry told us that Ontario was a key lead in the development of a National Prevention and Mitigation Strategy under the Canadian Council of Forest Ministers. This national strategy and ongoing review work are developing goals and commitments for future prevention and mitigation work.

Recommendation 11: Action Items 1 and 2

So that firefighters are compliant with required training, we recommend that the Ministry of Natural Resources and Forestry:

- track all required training courses taken by wildland firefighters within the Personnel Information Management System;
- have the IT system alert firefighters and their supervisors when a firefighter's training is approaching expiry.

Status:  **Little or no progress.**

Details

We found that the Ministry has made little progress in tracking course completion by wildland firefighters within the Personnel Information Management System.

The Ministry is performing an internal review of its Personnel Information Management System in order to meet its business needs for effective and efficient personnel management, training records and certifications, and assignment-related employment data and reporting for aviation, fire and emergency response staff for the next 10–15 years. This project is currently in the early stages. The Ministry has completed a jurisdictional scan of other wildfire programs in Canada and has completed user research. This modernization project is expected to be completed and implemented by spring 2026.

However, as part of its user research, the Ministry identified that training records are all captured on paper first, and then manually entered into the Personnel Information Management System. This redundant process leads to delays in updating records and creates reliance on an “honour system,” which can cause confusion and potential liability risks if fire crews lack the required training. The Ministry has also confirmed that the current IT system does not actively notify supervisors when a firefighter's training is approaching expiry.

Recommendation 12: Action Item 1

To improve the decision-making process for future evacuations during emergency situations, we recommend that Emergency Management Ontario:

- collect additional data on evacuees, including the method of evacuation and related costs;

Status:  In the process of being implemented by December 2025.

Details

According to EMO, it currently faces challenges in collecting data on evacuees and the related evacuation costs, as it does not have the authority to gather this information from other ministries and host municipalities. As a result, EMO is aiming to modernize Ontario's emergency management legislative framework, the *Emergency Management and Civil Protection Act*.

In July 2024, EMO released a discussion paper to engage partners, stakeholders and members of the public on the proposed modernization. EMO informed us that the feedback and input received during engagement sessions and from public submissions on the discussion paper will help inform how the government can modernize the emergency management legislative framework. One of the focus areas of this work has been looking at opportunities to enhance provincial coordination and information-sharing through EMO as the one window. Once the legislative framework is updated, EMO expects to collect and analyze evacuation data by December 2025.

Recommendation 12: Action Item 2

- review data in submissions to senior management and the Treasury Board Secretariat to ensure that factually accurate and complete information is submitted.

Status:  Fully implemented.

Details

EMO noted that one of the goals identified in the Provincial Emergency Management Strategy and Action Plan released in February 2023 includes enhancing data, knowledge, and analytic capacity to support proactive planning and monitoring of potential emergencies province-wide. In May 2023, EMO launched a platform called The Information Terminal for Emergency Management that contains various dashboards that allow EMO and Ministry Emergency Management Coordinators to obtain, share and analyze data in order to support evidence-based decision-making. We were informed that all EMO program areas have dedicated leads to ensure data quality.

3. Abandoned Mines

In our 2022 audit, we found that of the 3,942 abandoned mine sites with hazards in Ontario, only 3% had been partially rehabilitated, 59% had not been rehabilitated, and the status of the remaining 38% of mines was unknown. Further, mine site closure plans were in place for only 41 of the 2,335 mine sites that had not yet been rehabilitated.

We also found that the Ministry of Mines did not have a standardized process for selecting abandoned mines for inspection, and mines were instead inspected based on complaints, prior knowledge of hazards onsite, or whether an inspector was inspecting another abandoned mine site in the same area.

In addition, we found that the Ministry of Mines did not have a public awareness program to educate Ontarians on the dangers of abandoned mines, to minimize the health and safety impacts, as required by the *Mining Act*. It also had not taken any steps to counter potentially dangerous information available online that promoted exploring abandoned mines in Ontario.

Recommendation 13: Action Item 1

To protect public health, safety and the environment from abandoned mine hazards that have not been rehabilitated, we recommend that the Ministry of Mines:

- determine the status of all abandoned mines;

Status:  Fully implemented.

Details

Since our audit, the Ministry of Mines updated its Abandoned Mines Information System (AMIS) database with a new field to record the rehabilitation status for all its abandoned mines. The Ministry informed us it confirmed the status of all abandoned mines with mine owners. As of September 30, 2024, there were 4,395 abandoned mine sites with hazards that fall under the Ministry's jurisdictions. Of these, almost 2% were reported as fully rehabilitated, 5% were partially rehabilitated, and 93% were not rehabilitated. There were no abandoned mines sites with an unknown status.

Recommendation 13: Action Item 2

- prioritize and rehabilitate abandoned mines with hazards;

Status:  In the process of being implemented. This is an ongoing process.

Details

The Ministry told us that it has a 10-year rolling workplan to guide and direct the rehabilitation of certain abandoned mines, based on priorities. The Ministry provided us with its 10-year workplan for the period 2019–2029. This workplan indicated that at least nine contaminated Class A and Class B mine sites, and a further 13 other public safety mine sites, have been prioritized for rehabilitation by 2029. Since the time of our audit in 2022, three sites have been rehabilitated (Rond Lake Mine, Gopher Mine and Kirk Mine).

Recommendation 13: Action Item 3

- take steps to ensure mine owners notify the Ministry when owners have fully rehabilitated their abandoned mines.

Status:  In the process of being implemented by December 2024.

Details

In our follow-up, we found that the Ministry of Mines has prepared a draft one-page Mine Hazards Information Sheet, referencing the appropriate sections of the *Mining Act* that require owners of abandoned mines to rehabilitate and notify the Ministry of any mine hazards on their property. The Ministry informed us that once this draft document has been approved and finalized, it intends to start distributing it to mine site owners in December 2024 to remind them of their responsibility with respect to rehabilitation under the *Mining Act*.

Recommendation 14: Action Item 1

To enable inspectors to carry out their duties and responsibilities efficiently and effectively, we recommend the Ministry of Mines:

- follow a risk-based approach to selecting both abandoned and operational mines for inspection;

Status:  In the process of being implemented by December 2024.

Details

In our follow-up, we found that the Ministry has drafted a revised risk-based model (the Revised AMIS Risk Prioritization model) to provide a consistent approach to evaluating the risks posed by abandoned mines, and assist with prioritizing inspections and abandoned mines rehabilitation work planning. The draft model's risk matrix assesses the risk to public safety and the risk to the

environment based on relevant criteria. According to the Ministry, this revised model was presented to the Mine Rehabilitation Section in April 2024 and to the Mineral Development Branch in June 2024 for feedback. Once feedback has been collected and considered, the Ministry expects that it will be able to present the risk prioritization approach for management review and approval, and then for implementation by December 2024.

Recommendation 14: Action Item 2

- properly document the result of the selection process;

Status:  **Little or no progress.**

Details

In our follow-up, we found that the Ministry of Mines has made little progress in implementing this recommended action. Implementation of this recommended action is dependent on the completion of **Recommendation 14: Action Item 1**. The Ministry noted that it recently adopted a Digital Compliance Platform to improve the process for tracking, documenting and reporting on inspections through a centralized platform with data querying and automation capabilities.

Recommendation 14: Action Item 3

- conduct planned inspections on a timely basis.

Status:  **Little or no progress.**

Details

In our follow-up, we found that the Ministry of Mines has made little progress implementing this recommended action. The Ministry completed 145 inspections between January 1, 2023, and July 5, 2024. However, the Ministry was not able to provide us with the number of planned inspections for the same time period, and the expected inspection dates for the remaining abandoned mines in AMIS. The Ministry noted that the timeline for the remaining mine site inspections is subject to a review of staff resources and prioritization under the Revised AMIS Risk Prioritization model, mentioned in **Recommendation 14: Action Item 1** (pending approval of the new model).

Recommendation 15: Action Item 1

To protect and better educate the public on the dangers of abandoned mines, we recommend the Ministry of Mines:

- review and update the Stay Out! Stay Alive! program for current relevance and ways to publicly communicate the dangers of abandoned mines;

Status:  **In the process of being implemented by December 2024.**

Details

Since our audit in 2022, as part of its Stay Out! Stay Alive! program, the Ministry of Mines has prepared and posted on its website a one-page bulletin (fact sheet) outlining the risks and dangers of abandoned mines. We also noted that the Ministry established an internal working group in 2023 to review its public awareness program and identify ways to increase public awareness on the dangers of exploring abandoned mines, as well as to review online videos that encourage exploring abandoned mines and take steps to have them labelled as dangerous and/or to have them removed. In addition, the Ministry met with representatives from the State of Nevada in June 2023 to discuss best practices and approaches to public education and outreach used in its jurisdiction.

Based on its review and research, the Ministry prepared a communication plan that outlines a strategy to promote the Stay Out! Stay Alive! message and aims to increase public awareness on the dangers of abandoned mine sites. The communication plan, which was approved in February 2024, outlines the deliverables the working group is undertaking to complete by December 2024. These deliverables include an updated brochure to share with the public, first responders, and other ministries and agencies; creating a landing page on www.Ontario.ca to share information on the dangers posed by abandoned mines; creating content on the relevant dangers to be posted on the EMO webpage; developing staff training materials to educate them on the dangers posed by abandoned mines; and developing an ad to be featured on social media or YouTube on the dangers posed by abandoned mines.

Recommendation 15: Action Item 2

- review online videos that encourage exploring abandoned mines in Ontario and take steps to have them removed from online access;

Status:  **Will not be implemented.**

Details

We found that the Ministry conducted a scan of videos posted on YouTube of people entering abandoned mines in Ontario, and found at least 23 such videos posted online. The Ministry told us that it has no legal authority to remove harmful online content, and is considering alternative options, such as becoming part of the “YouTube Priority Flaggers” program—a program that allows government agencies and non-governmental organizations to flag and report harmful or dangerous content that violates YouTube guidelines. If feasible, this would allow the Ministry to report online videos, livestreams and other YouTube products that encourage exploration of abandoned mines in Ontario. The Ministry is also investigating the possibility of implementing YouTube ads that would “pop-up” before videos play. Parameters can be set up to have ads run before certain content will play. YouTube allows for trusted organizations to add ads when certain key words are typed in by video users. The Ministry intends to complete these actions by December 31, 2024.

Recommendation 15: Action Item 3

- measure and report on the effectiveness of the Stay Out! Stay Alive! program.

Status:  **Little or no progress.**

Details

We noted that the Ministry has developed a draft set of potential indicators (metrics) to measure the effectiveness of the Stay Out! Stay Alive! program. These proposed metrics include tracking the number of brochures issued, tracking views of online videos posted by the Ministry to counteract existing harmful videos posted online, and tracking the number of booths set up annually at Stay Out! Stay Alive! tradeshows. At the time of our follow-up, we found that these metrics were still under development. We also noted that all of the proposed metrics were still pending approval and/or not yet implemented. The Ministry told us that once the public-facing materials, as described in **Action Item 1** of this recommendation are completed, the metrics will be approved, finalized and monitored. However, none of these metrics measure the effectiveness of the Stay Out! Stay Alive! program to determine whether they have been successful in deterring entry to or incidents related to abandoned mines.

4. Dam Hazards

Our 2022 audit found that almost half the dams owned by the then-Ministry of Natural Resources and Forestry would be reaching the end of their serviceable life within 20 years, and would need to be replaced, rehabilitated or decommissioned. However, the Ministry had assessed the replacement value of only 31% of those dams, valuing the cost of replacement to be \$321 million, meaning actual replacement costs may be three times that amount.

We also found that several dams were missing key information that measures the estimated cost to rehabilitate them, the likelihood of dam failure, and the impact of a dam failure—specifically, 65% of dams were not assigned a Facility Condition Index, 45% did not have a Total Failure Index, and 32% had an unknown Hazard Potential Classification Score. The Ministry was also not tracking whether dams were rehabilitated or replaced, or whether they were divested or decommissioned.

In addition, we found that the Ministry was not regulating or inspecting dams that were privately owned, even though it has broad regulatory authority and enforcement powers to do so under the Lakes and Rivers Improvement Act. The Ministry had limited its regulatory role to only providing approvals for the construction of new dams and making changes to existing dams.

We also noted that the Ministry has not updated most technical bulletins for dams since their development in 2011.

Recommendation 16: Action Item 1

In order to prevent and address the risk of dam failure proactively, we recommend that the Ministry of Natural Resources and Forestry:

- complete the assessment of dams that will reach the end of their serviceable life within 20 years to determine the amount that will be needed to rehabilitate, reconstruct or decommission these dams;

Status:  **In the process of being implemented by December 2029.**

Details

At the time of our follow-up, the Ministry informed us that it was planning to inspect 20% of its dams annually over a five-year period in order to prioritize the rehabilitation, reconstruction or decommissioning of dams. In 2023, the Ministry had inspected 56 or 19% of its 297 dams, and was planning to inspect an additional 234 or 79% of dams between 2024 and 2029.

Recommendation 16: Action Item 2

- prioritize and rehabilitate, reconstruct or decommission dams approaching the end of their serviceable life.

Status:  **Little or no progress.**

Details

We found that the Ministry's capital plan for the period 2023/24 to 2033/34 identified 78 dams totalling \$179 million for capital work, be it design, construction or both. The Ministry told us that dams were prioritized for capital work based on their likelihood of failure (identified by a high Total Failure Index rating) and the consequences of their failure (identified by a high Hazard Potential Classification rating developed in 1999). However, at the time of our follow-up, we noted that:

- the Total Failure Index rating had not been calculated for 42% of dams; and
- the Hazard Potential Classification rating was unknown for 24% of dams.

We also noted that projects with both a higher risk of failure and larger consequences of failure have not been scheduled for capital work, while other lower-rated dams have been scheduled for capital work.

The Ministry also told us that it has been moving toward using a more up-to-date model for calculating the Hazard Potential Classification (HPC) rating for each dam (2011 model instead of the 1999 model). However, when we analyzed the data, we found that 76% of dams did not have an HPC rating calculated using the 2011 model. The Ministry told us that it anticipates completing the HPC 2011 reclassification in one to two years, but did not have a formal plan in place.

Recommendation 17: Action Item 1

In order to better plan for, prioritize and manage the capital spent on rehabilitation, reconstruction and/or other capital projects for all of its dams, we recommend that the Ministry of Natural Resources and Forestry, on a regular basis:

- evaluate the condition of each dam, or as per industry best practices;

Status:  **In the process of being implemented by December 2029.**

Details

As noted in **Recommendation 16: Action Item 1**, the Ministry informed us that it was planning to inspect 20% of its dams annually over a five-year period ending December 2027, in order to prioritize the rehabilitation, reconstruction or decommissioning of dams. In 2023, the Ministry had inspected 56 or 19% of its 297 dams, and was planning to inspect an additional 234 or 79% of dams between 2024 and 2029.

Recommendation 17: Action Item 2

- determine and update the Facility Condition Index, Total Failure Index and Hazard Potential Classification score for each dam;

Status:  Little or no progress.

Details

At the time of our follow-up, we found that the Facility Condition Index used to determine the condition of a dam was unknown for 55% of dams (compared to 65% at the time of our audit). The Total Failure Index used to measure the likelihood of a dam failure was unknown for 42% of dams (compared to 45% at the time of our audit). The Ministry had not updated or recalculated the Hazard Potential Classification score used to measure the impact of a dam failure since 2011, as mentioned in **Recommendation 16: Action Item 2**. The Ministry told us that it anticipates completing the HPC 2011 reclassification in one to two years.

The Ministry also told us that it was in the process of drafting a Request for Proposal to have hydrology and hydraulics services performed on all unassessed dams in order to determine their Total Failure Index parameter. The Ministry told us that, once this missing data is compiled, it would recalculate its Dam Long-Term Infrastructure Plan and update the Dam Inventory Master list.

Recommendation 17: Action Item 3

- update the Long-Term Infrastructure Plan based on the new information;

Status:  Little or no progress.

Details

The Ministry told us that updating its Long-Term Infrastructure Plan is an annual, ongoing exercise. However, as we noted previously, a large percentage of dams are missing information related to the Total Failure Index parameter and the HPC rating.

Recommendation 17: Action Item 4

- track the status of each dam, that is, whether the dam has been rehabilitated, replaced, divested or decommissioned.

Status:  Little or no progress.

Details

At the time of our follow-up, we noted that the Ministry was only recording whether dams had been divested or decommissioned, and not when they were last rehabilitated and/or replaced.

Recommendation 18: Action Items 1 and 2

To reduce the risk of unexpected dam failure and to better warn the public about potential dam failures, and prevent dam-related emergencies, we recommend that the Ministry of Natural Resources and Forestry:

- develop and maintain a registry of all dams, both public and privately owned;
- develop a program to identify all high-risk dams and conduct timely inspections accordingly.

Status:  Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

At the time of our follow-up, the Ministry informed us that it would not be implementing this recommendation. Similar to its response in our 2022 audit report, the Ministry reiterated its position that dam owners are responsible for the safe operation and maintenance of their structures and for ensuring they remain in compliance with the *Lakes and Rivers Improvement Act* (Act), and any approvals issued thereunder. As we noted in our 2022 report, a legal opinion we obtained at the time of our audit informed us that the Ministry has broad regulatory authority and enforcement powers under the Act that allow it to inspect privately owned dams, and to audit dam owners and review their records. The Ministry also has powers to issue binding orders to ensure that dam owners are complying with all applicable laws, approvals, plans and agreements, not only during the design and construction phases, but also on an ongoing basis after a dam has been built.

Recommendation 19: Action Item 1

So that the Ministry's guidance for dam owners reflects best practices, we recommend that the Ministry of Natural Resources and Forestry regularly review the Technical Bulletins that support the construction, operation, safety and removal of dams, and if required, update them to reflect new changes in industry standards and best practices.

Status:  Little or no progress.

Details

At the time of our follow-up, the Ministry had not updated any of the Technical Bulletins that support the construction, operation, safety and removal of dams. We confirmed that these existing technical bulletins were developed between 2011 and 2016. The Ministry informed us that the technical bulletins, related to the *Lakes and Rivers Improvement Act*, will be reviewed on an as-needed basis and will be updated, if warranted, as new information becomes available including technical advancements and/or changes to industry standards and best practices.

5. Petroleum Industry Activities

Our 2022 audit found that the then-Ministry of Natural Resources and Forestry had not assessed the risk of all 27,000 oil and gas wells in the province, and was therefore unable to determine whether it was focusing its proactive inspection efforts on the highest risk wells. We found that only 19% of all oil and gas wells in the province had been inspected by the Ministry since 2005.

We also found that high-risk and leaking wells had not been plugged, and several were plugged prior to 1970 when materials used to plug them could lose integrity over time. As a result, almost 36% of wells could pose a danger. The Ministry was unable to provide information on the number of high-risk wells that still needed to be plugged.

Recommendation 20: Action Items 1, 2 and 3

To prevent oil and gas well emergencies, we recommend that the Ministry of Natural Resources and Forestry:

- establish a policy on how often high-risk oil and gas wells should be inspected;
- review inspection capacity to ensure high-risk wells are inspected on a timely basis, according to plan;
- conduct more inspections.

Status:  Little or no progress.

Details

At the time of our follow-up, the Ministry told us that it had six inspectors. However, it had not established a policy on how often high-risk oil and gas wells should be inspected. Also, the Ministry did not have a list of all oil and gas wells, including the risk rating for each well and the last date inspected. As a result, we could not verify the number of inspections being conducted annually and whether the Ministry had adequate capacity to ensure high-risk wells were being inspected on a

timely basis. The Ministry informed us that it was currently focused on identifying undocumented wells and will be reviewing its inspection framework for high-risk wells over the next three years.

Recommendation 21: Action Item 1

To minimize the risk to public safety and the environment from leaking oil and gas wells, we recommend that the Ministry of Natural Resources and Forestry:

- proactively identify high-risk wells, including previously plugged wells;

Status:  **Little or no progress.**

Details

At the time of our follow-up, the Ministry told us that it was taking a risk-based approach to prioritizing wells that are candidates for the Abandoned Works Program to ensure eligible high-risk wells are plugged first. These wells are identified and brought to the Ministry's attention by landowners who apply to the Abandoned Works Program to get the wells on their property plugged. The Ministry also told us that it recently completed a desktop exercise using the Ministry's Ontario Petroleum Data System, to identify wells that require further validation by the Ministry to verify if they pose public and environmental concerns. The Ministry told us that these assessments were in process.

The Ministry further said it was validating results with respect to 93 potentially high-risk wells identified during the desktop exercise by visiting 11 of the wells located in "urban settlement areas" to conduct an assessment. The Ministry verified that there was no visible infrastructure at the surface nor any public environmental safety concern.

Recommendation 21: Action Item 2

- establish an up-to-date registry of high-risk wells;

Status:  **Little or no progress.**

Details

The Ministry told us that it held two open tenders to seek a vendor to complete a Thermal, Magnetic and Gas Detection Survey. The goal of the survey was to locate and map hidden and buried legacy wells, as well as map, record and quantify gas migrations from active and legacy oil and gas wells and domestic and drinking water wells, that pose a risk to human health and the environment in Ontario. However, both tenders were cancelled because of low-quality bids.

In response, the Ministry initiated a study to explore the most appropriate and cost-effective approaches to identify high-emitting natural gas wells.

Recommendation 21: Action Items 3 and 4

- immediately plug leaking wells;
- plug other wells in a timely manner in order of their risk rating, or take other mitigative measures.

Status:  **In the process of being implemented by March 2026.**

Details

The Ministry told us that as part of the Abandoned Works Program, 37 wells have been plugged since 2022. The Ministry plans to plug an additional 20 wells in 2024/25, and is evaluating an additional 30 wells as potential candidates for plugging in 2025/26.

Recommendation 22: Action Items 1 and 2

To address oil well risks both provincially and by district, we recommend that the Ministry of Natural Resources and Forestry:

- arrange for inspectors from its Petroleum Operations Section to meet annually with district office staff to assess the risk of oil wells in each district, collaboratively assign risk ratings and maintain documentation that supports each rating;
- educate district staff on the signs of abandoned wells and potential leaks, and have them contribute to enhancing an up-to-date inventory of oil wells;

Status:  **In the process of being implemented by March 2025.**

Details

At the time of our follow-up, the Ministry informed us that an inventory of wells on Crown Land was shared in May 2023 with the staff of the Ministry's Aylmer-Guelph District. Subsequently, an information and awareness session for Aylmer-Guelph District staff was held in June 2024 that was focused on petroleum wells emergency management. This meeting included an educational tour of petroleum wells/operations, an overview of safety requirements/hazards, and a review of existing emergency management plans. The Ministry told us that future educational sessions to facilitate increased awareness across the remaining eight districts would be conducted by spring 2025.

Recommendation 22: Action Item 3

- based on the assessed risk, establish timely mitigation strategies that can be carried out provincially and at the district level, such as targeted public safety messaging and local response plans.

Status:  **In the process of being implemented by December 2025.**

Details

At the time of our follow-up, we noted that the Ministry had established two working groups to support the development of a comprehensive action plan to help address the risks from legacy oil and gas wells and subsurface gas-migration hazards. The two working groups were:

- an Assistant Deputy Ministers Steering Committee to guide the project; and
- the Technical Working Group to co-ordinate and report on work undertaken by three focused multi-ministry technical working groups:
 - Geoscience/Engineering – addressing gas-migration risks and available tools;
 - Planning Emergency Management – reviewing municipal requests for additional guidance and direction; and
 - Emergency Management – developing toolkit/playbook for municipalities.

The Ministry told us that mitigation strategies would include:

- making the Ministry of the Environment, Conservation and Parks' Spills Action Centre the one window for receiving petroleum well notification of incidents;
- gaining an understanding of the resources and equipment available within the industry and within provincial ministries, to support or respond to petroleum incidents and emergencies;
- clarifying roles and responsibilities for provincial ministries, emergency responders and other stakeholders when it comes to preventing, mitigating, preparing, responding and recovering from a petroleum well emergency; and
- providing funding to prioritized municipalities to assist them in preparing for petroleum emergencies (funding of \$7.5 million over three years was announced in January 2024 to address risks associated with old and inactive oil and gas wells).

In addition, the Ministry of Natural Resources told us that it was undertaking a review of selected aspects of the petroleum program to identify potential program and policy changes that could reduce current and future risks from legacy wells.

According to the Ministry, most initiatives are to be completed by winter 2025.

6. Drought

In our 2022 audit, we found that parts of the Ministry's 2010 Ontario Low Water Response Strategy were outdated or no longer relevant, leaving local authorities (municipalities, conservation authorities and First Nations) without a clear strategy for managing water supply and demand, and for response efforts in the event of a drought/low-water event. We also found that some of the district risk assessments for drought/low water did not reflect recent low-water activity in the district watersheds.

Recommendation 23: Action Item 1

In order to strengthen the province's preparedness in case of drought or low-water conditions, we recommend that the Ministry of Natural Resources and Forestry review and update the current Ontario Low Water Response strategy to reflect current objectives and best practices.

Status:  Little or no progress.

Details

At the time of our follow-up, we found that the Ministry was in the early stages of beginning its review of the Ontario Low Water Response strategy to ensure it is relevant and reflects current objectives and best practices. The Ministry was scoping the review and developing a multi-stage work plan. The Ministry advised us that it will communicate the revised plan to municipalities, conservation authorities and First Nation communities once the updates are complete.

Recommendation 24: Action Items 1 and 2

So that measures are developed to prepare for and mitigate drought/low-water emergencies, we recommend that the Ministry of Natural Resources and Forestry:

- work with District Offices to review district risk assessments on an annual basis, taking into consideration drought and low-water conditions experienced in recent years;
- leverage risk assessments to set priorities and implement best practice mitigation strategies.

Status:  Little or no progress.

Details

At the time of our follow-up, the Ministry indicated that it would be considering our recommended actions during the review of the Hazard Identification Risk Assessment (HIRA) process as outlined in Recommendation 27.

7. Erosion and Soil/Bedrock Instability

Our 2022 audit found that the then-Ministry of Natural Resources and Forestry had not taken steps to reduce the risks to residents and properties by identifying areas exposed to erosion risk, particularly around Lake Erie where there was significant coastal erosion and wave action. We also noted there were no provincial hazard maps for shoreline erosion.

In addition, despite the occurrence of sinkholes in Ontario in recent years, the Ministry indicated to us that it did not consider its responsibility for “soil and bedrock instability” to include sinkholes, and therefore had no plans to undertake land subsidence and sinkhole risk assessments, revisit its existing risk assessments or to identify mitigation measures.

Recommendation 25: Action Item 1

To mitigate the risk to properties located in areas susceptible to erosion, we recommend that the Ministry of Natural Resources and Forestry:

- work collaboratively with other government ministries, agencies and environmental experts to identify and map properties located in areas susceptible to erosion, and develop a provincial map to assist in developing priorities and strategies;

Status:  Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommended action, as under Order-in-Council 1739/2022 the Ministry of Natural Resources is assigned responsibility for managing risks and responding to emergencies resulting from erosion, and soil/bedrock instability.

Details

In our follow-up, the Ministry informed us that it does not intend to implement this recommended action. The Ministry considers that its role is limited to providing technical guidance to municipalities and conservation authorities in identifying areas prone to erosion hazards. It further believes that conservation authorities are responsible for identifying and mapping areas susceptible to erosion as part of administering their permits for development, interference with wetlands, and alterations to shorelines and watercourses, as well as making hazard mapping available to the public. In addition, the Ministry believes that conservation authorities are responsible for identifying areas prohibited for development due to natural hazard risks, including erosion.

Recommendation 25: Action Item 2

- identify and implement community-based erosion-awareness and education programs, especially for residents in high-risk areas.

Status:  Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommended action, as under Order-in-Council 1739/2022 the Ministry of Natural Resources is assigned responsibility for managing risks and responding to emergencies resulting from erosion, and soil/bedrock instability.

Details

During our follow-up, the Ministry informed us that it does not collect information about areas at potential high risk for erosion, or direct local-level communication programs. The Ministry asserts that this is the role and responsibility of municipalities and conservation authorities.

Recommendation 26: Action Item 1

To reduce the risks associated with sinkholes and other land-subsidence incidents, we recommend that the Ministry of Natural Resources and Forestry, in conjunction with Treasury Board Secretariat/Emergency Management Ontario:

- clarify the Ministry's responsibilities under the Order-in-Council (1039/2022) as it relates to sinkholes;

Status:  Little or no progress.

Details

In June 2022, the previous Ministry of Northern Development, Mines, Natural Resources and Forestry was split into three ministries—the Ministry of Northern Development, the Ministry of Natural Resources and Forestry, and the Ministry of Mines. A new OIC (1739/2022) was issued in December 2022 (after our audit report was released) to reflect the types of emergencies each new ministry is now responsible for. However, similar to the previous OIC (1039/2022), the new OIC (1739/2022) does not define or clarify the types of emergencies that would fall under “soil and bedrock stability” hazards. The Ministry of Natural Resources and Forestry, now called the Ministry of Natural Resources, noted that while the OIC does not distinguish between naturally occurring and non-naturally occurring soil and bedrock stability hazards, it considers naturally occurring sinkholes to be a component of its OIC.

The Ministry of Natural Resources met with EMO in October 2023 to define each of their respective responsibilities for soil and bedrock instability under OIC 1739/2022. According to the Ministry,

both parties verbally agreed that the Ministry is responsible for responding to naturally occurring sinkholes. However, the Ministry maintains that it is not responsible for responding to non-naturally occurring sinkhole emergencies, such as sinkholes as a result of infrastructure collapse in developed areas. The Ministry asserts that infrastructure is not within its mandate or expertise, and municipalities are responsible for responding to these kinds of sinkholes. However, the OIC has not been revised to indicate which Ministry would then be responsible for non-naturally occurring sinkholes.

Recommendation 26: Action Item 2

- collect the data needed to properly assess the risk for soil and bedrock instability, including sinkholes and other land-subsidence incidents, across all districts;

Status:  Little or no progress.

Details

The Ministry told us that it intends to implement this recommended action as part of the HIRA review that will be undertaken, as described in **Recommendation 27**. The current risk assessment for soil and bedrock instability has not been updated since 2018. The Ministry told us that once the HIRA guidelines are finalized and approved, it expects to conduct an assessment and update all relevant documents and materials accordingly.

Recommendation 26: Action Item 3

- develop prevention and mitigation measures to prioritize and address at-risk areas for sinkholes, in conjunction with foresters and other experts.

Status:  Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommended action, as under Order-in-Council 1739/2022 the Ministry of Natural Resources is assigned responsibility for managing risks and responding to emergencies resulting from erosion, and soil/bedrock instability which includes sinkholes.

Details

The Ministry informed us that it would not be implementing this recommended action because it sees its role as only to provide technical guidance to municipalities and conservation authorities in identifying areas prone to soil erosion and bedrock instability. The Ministry believes that it is up to each municipality and conservation authority to determine what steps are required to mitigate identified risks within their jurisdiction, including through land use planning.

8. Hazard Identification and Risk Assessments

Our 2022 audit found that the hazard identification and risk assessment processes of the then-Ministry of Natural Resources and Forestry were outdated, incomplete and not co-ordinated across the province. Specifically, we found that 16 of the 25 districts had not updated their district risk assessments for the Ministry's assigned hazards since 2018. Further, hazard experts, municipalities, First Nations and local stakeholders were not included in the risk assessment process. In addition, districts in Northern Ontario used a different rating system than southern Ontario, thus preventing provincial comparability. We also noted inconsistencies between the Ministry's provincial risk assessment ratings for districts and districts' own self-assessed ratings.

Recommendation 27: Action Item 1

So that risk assessments for assigned hazards are updated periodically and are consistently completed at all levels using a co-ordinated approach, we recommend the Ministry of Natural Resources and Forestry:

- update district risk assessments at least every three years in consultation with hazard experts, First Nations communities, conservation authorities and local stakeholders. These assessments should consider impacts of climate change and population growth, and include documenting progress on mitigation strategies, developing new mitigation strategies, and revising ratings as appropriate;

Status:  Little or no progress.

Details

We found that the Ministry had made little progress on updating district risk assessments on a regular basis (at least every three years). The Ministry told us that it is planning to undertake a thorough review of the HIRA processes (last reviewed in 2012). The review will aim to develop an effective and consistent hazard identification and risk assessment process to ensure the Ministry's OIC hazards are properly assessed for potential risks and impacts, in order to better position the Ministry to prevent, prepare, mitigate and respond to emergencies. The Ministry prepared a draft project charter in December 2022, outlining the various phases and target completion dates for the project, but it has not yet been finalized or approved. Our review of the project charter identified that none of the phases were completed or well underway. The Ministry informed us that EMO is also currently in the process of determining the need for a provincial HIRA review, which may have implications on the Ministry's approach and templates developed through its own HIRA review. As a result, the Ministry was advised by EMO to consider delaying any enhancements to its own HIRA program until EMO had released its guidelines.

Recommendation 27: Action Item 2

- provide training to district staff, local stakeholders and First Nations communities on how to complete a standardized risk assessment according to the Ontario Hazard Identification and Risk Assessment process and how to develop specific, measurable mitigation strategies;

Status:  Little or no progress.

Details

The Ministry of Natural Resources told us that, once provincial and Ministry HIRA processes have been reviewed and updated, the Ministry will consider appropriate training, tools, guidance, and other support products for staff, stakeholders and Indigenous communities, as required.

Recommendation 27: Action Item 3

- revise current practices so that provincial risk assessments are compiled from district risk assessments in a bottom-up approach with local input.

Status:  Little or no progress.

Details

At the time of our follow-up, the Ministry had not taken any action on this recommended action, but indicated that district risk assessments will be compiled with local input and rolled up to the Ministry-level risk assessment.

9. Unorganized Territories

In our 2022 audit, we noted that the legislative requirements under the *Emergency Management and Civil Protection Act* did not apply to unorganized territories (a geographic area not governed by a municipality), and thus, the Province may be called upon for emergency response support in these areas. Further, we found there was an overall lack of clarity among both the then-Ministry of Natural Resources and Forestry and EMO in regards to their respective legal roles and responsibilities for emergency response in unorganized areas, including arranging for evacuations and securing host communities and related supports.

Recommendation 28: Action Items 1 and 2

In order to provide an effective and co-ordinated response to emergencies and evacuations in unorganized territories, we recommend that the Ministry of Natural Resources and Forestry, in conjunction with Emergency Management Ontario:

- clarify and formalize legal roles and responsibilities for emergency response and evacuations in unorganized territories;
- determine whether existing regulation, policies and plans (for example, the Ministry's Emergency Response Plan) contain gaps that should be addressed for improved clarity and understanding of respective roles and responsibilities for emergency response and evacuations in unorganized territories.

Status:  **In the process of being implemented by December 2025.**

Details

During our follow-up, we were informed that the Ministry of Natural Resources and EMO have held meetings to discuss their respective roles and responsibilities related to evacuations in unorganized territories. According to the Ministry, the two parties are working on formulating an emergency response plan for unorganized territories, identifying any critical gaps that require attention. The Ministry advised us that EMO has developed a draft Emergency Response Plan for unorganized territories and intends to schedule follow-up discussions with the Ministry to review, discuss and collaborate on the Plan, and have it finalized by December 2025. As part of this planning, EMO developed profiles of nine unorganized territories in Northern Ontario (Algoma, Cochrane, Kenora, Manitoulin, Nipissing, Parry Sound, Sudbury, Thunder Bay and Timiskaming) for use by local and provincial emergency management partners. These profiles are expected to help ensure that unique considerations and vulnerabilities in those areas are well understood in advance of incidents.

We also noted that the Ministry drafted a Community Evacuation Support Plan (CESP), which defines roles and responsibilities within the Ministry of Natural Resources for emergency response and evacuations in unorganized territories. The Ministry noted that, while the CESP is an internal Ministry document intended to outline response roles and responsibilities in support of an unorganized territory, it is not a public document intended for distribution to unorganized territories, and the Ministry does not consider it to be legally binding. The CESP is a document for the Ministry to use when evacuations and returns of evacuees are required by a community, First Nation or unorganized territory.

10. Performance Indicators

Our 2022 audit found that the then-Ministry of Natural Resources and Forestry had only four key performance indicators to assess and evaluate its Emergency Management program. While there was one indicator to measure success for each of floods, forest fires, and petroleum operations, there were no indicators to evaluate the other hazards that the Ministry had the responsibility for (namely, drought/low water, erosion and soil and bedrock instability, and dam failures). In addition, we found that the Ministry lacked measures and targets to evaluate progress on key program initiatives, such as promoting the FireSmart program or implementing Ontario's Flooding Strategy. Also, the Ministry did not measure the quality of its Emergency Management program.

We also found that EMO did not assess whether the Ministry's emergency management plans contain all critical components, or if the practice tests focused on high-risk areas and included all relevant parties.

We also noted the Ministry of Mines had not developed performance measures to evaluate and report on its efforts in managing abandoned mine hazards.

Recommendation 29: Action Items 1 and 2

So that management and other stakeholders are informed on the progress of the emergency management program, and whether program objectives are being achieved, we recommend that the Ministry of Natural Resources and Forestry and the Ministry of Mines:

- establish appropriate key performance indicators and targets for all hazards for which it is responsible, as well as its key programs and initiatives;
- compile indicator results annually to assess whether the targets have been met and, in the case where a target was not met, implement actions for improvement.

Status: Ministry of Natural Resources:  Little or no progress.

Ministry of Mines:  Little or no progress.

Details

We found that the Ministry of Natural Resources had made little progress in implementing this recommendation. That is, it still did not have indicators to measure success for the following hazards: drought/low water, erosion, soil and bedrock instability, and dam failures. It also had not established measures and targets to evaluate progress toward the following initiatives: promoting its FireSmart program, providing active emergency management training, and implementing Ontario's Flooding Strategy.

The Ministry told us that it intends to review this recommendation as part of its broader Natural Hazard Emergency Management Modernization Program, which was started in 2023 and is expected to be completed by December 2025. One of the actions of this project includes implementing a revised strategic model for natural resource hazards management, which considers the current and future state outcomes and indicators of success. The Ministry also told us that it is working toward establishing a performance measurement framework through the Ministry's strategic plan for 2020–2025, which includes demonstrating the Ministry's performance on its strategic goal of public safety. Further, the Ministry informed us that it had discussions with the Emergency Management program area on enhancing key performance indicators related to emergency management and hazards. The Ministry expects that improved and revised key performance indicators will take up to three years, until December 2027, to complete (this includes time spent for the Cabinet Office Submission process). The Ministry noted that it continues to review and report on the key performance indicators that are already established.

We found that the Ministry of Mines, with regard to abandoned mine hazards, still had not developed performance measures to evaluate and report on its efforts in managing this type of hazard. The Ministry indicated that it has established an internal working group to address this recommendation and will be seeking further advice from Internal Audit and external parties for developing appropriate key performance indicators.

Recommendation 30: Action Item 1

So that the emergency management programs in place at Ontario's ministries include all delegated responsibilities and are sufficiently preparing ministries to respond to emergencies, we recommend that Emergency Management Ontario implement an oversight process that routinely assesses the quality and sufficiency of the emergency management programs in place.

Status:  **Fully implemented.**

Details

We found that, since our 2022 audit, EMO has enhanced its annual review, evaluation, and assessment of ministries through several initiatives. Through its project entitled, "Improving the Quality of Emergency Management Programs in Ontario" (started in 2022), EMO has improved its oversight process from being focused solely on compliance with legislative requirements (such as the *Emergency Management and Civil Protection Act*, the Standards (Ontario Regulation 380/04) under this Act, and OIC 1739/2022, toward also ensuring the quality and sufficiency of these programs. For example, EMO upgraded its review process to ensure that Deputy Ministers receive

an annual summary of the assessment results and status of their respective Ministry's Emergency Management program for the year. Other key improvements and changes made to EMO's oversight process include:

- The assessment template used by EMO to assess each Ministry's Emergency Management program submission has been revised to include updated measures such as a scored assessment grade (percentage) replacing the prior pass/fail system, a year-over-year comparison allowing ministries to identify trends and gaps, and feedback/evaluation from EMO's subject-matter experts to identify program strengths and weaknesses and inform improvements. All requirements and standards must be met by December 31 of each year.
- EMO now requires Deputy Ministers to approve their annual Emergency Management program report and supporting documentation.
- Also, EMO has started to distribute the annual ministry assessment reports for a ministry's Emergency Management program to the appropriate Deputy Minister (in previous years, assessment reports were distributed to the Assistant Deputy Minister responsible for the Emergency Management program).

EMO provided us with copies of the relevant completed documentation for both the Ministry of Natural Resources and the Ministry of Mines. The 2023 program assessment report for the Ministry of Natural Resources indicated a 100% score in completing the 15 legislative requirements (compared to an average of 99% across all 29 ministries in the OPS), and 100% in completing the 15 recommended practices (compared to an average of 75% across all 29 ministries in the OPS), such as having an incident management system, providing additional training/exercises, collaborating with another ministry and/or partner on an annual exercise, and supporting mental health and wellness in emergency management.

Similarly, the 2023 program assessment report for the Ministry of Mines indicated a 100% score in completing the 15 legislative requirements, and 93% in completing EMO's 15 recommended practices.

The Ministry's Emergency Management Program Guidance document was updated in 2023. Key updates include new or improved guidance on after-action reports for simulated exercises and emergency incident response, including criteria for when they should be done, and guidance on incorporating lessons learned from past emergencies into Ministry Emergency Management programs and plans, to improve future emergency responses.

// Appendix

Recommendation Status Overview

	# of Action Items	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	3	1		2		
Recommendation 3	1		1			
Recommendation 4	3	3				
Recommendation 5	1	1				
Recommendation 6	1		1			
Recommendation 7	3			3		
Recommendation 8	4		1	3		
Recommendation 9	3	1		2		
Recommendation 10	1		1			
Recommendation 11	2			2		
Recommendation 12	2	1	1			
Recommendation 13	3	1	2			
Recommendation 14	3		1	2		
Recommendation 15	3		1	1	1	
Recommendation 16	2		1	1		
Recommendation 17	4		1	3		
Recommendation 18	2				2	
Recommendation 19	1			1		
Recommendation 20	3			3		
Recommendation 21	4		2	2		
Recommendation 22	3		3			
Recommendation 23	1			1		

Recommendation 24	2			2		
Recommendation 25	2				2	
Recommendation 26	3			2	1	
Recommendation 27	3			3		
Recommendation 28	2		2			
Recommendation 29	2			2		
Recommendation 30	1	1				
Total	70	9	18	35	6	2
%	100	13	26	50	8	3

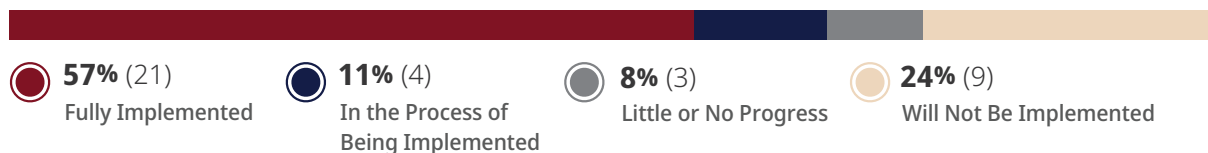
Follow-Up on the 2022 Performance Audit:

Ministry of Natural Resources

Management of Invasive Species

// Overall Conclusion

37 Recommended Actions



The Ministry of Natural Resources (MNR, or Ministry), as of August 26, 2024, has fully implemented 57% of actions we recommended in our **2022 Management of Invasive Species audit**. The Ministry was in the process of implementing an additional 11% of the recommended actions.

The Ministry has fully implemented recommended actions, such as developing and employing a standardized risk-assessment tool for terrestrial (plant) species, assessing the need to work with federal departments and agencies to develop collaborative and timely responses to specific threats, requesting federal funding and resources to support the Ministry and its partners in managing invasive species, exploring approaches to expand eDNA sampling and other emerging tracking technologies, and developing invasive species program funding agreements with a long-term view.

The Ministry has made little progress on 8% of the recommended actions, including assessing and ensuring the sufficiency of enforcement resources, developing a performance measurement framework for the Province's overall invasive species program, and publicly reporting on the status of performance measures as part of an annual report.

The Ministry will not be implementing 24% of the recommended actions, including providing municipalities and conservation authorities with the guidance and direction they need to develop and implement their own invasive species strategic and implementation plans.

The status of actions taken on each of our recommendations is described in this report (see **Appendix** for more details).

// Standing Committee on Public Accounts

On April 24, 2023, the Standing Committee on Public Accounts held a public hearing on our Management of Invasive Species audit. In October 2024, the Committee tabled a report in the Legislature resulting from this hearing. The Committee endorsed our findings and recommendations, and made three additional recommendations.

// Status of Actions Taken on Recommendations

We conducted assurance work between April 2024 and July 2024. We obtained a written representation from the MNR that effective October 24, 2024, it has provided us with a complete update of the status of the recommendations we made in the original audit two years ago. Note that, since our original audit, the Ministry's name was changed from the Ministry of Natural Resources and Forestry (MNRF) to the Ministry of Natural Resources (MNR).

1. Invasive Species Are Not Assessed and Regulated in a Timely Manner

In our original audit, we found that the regulated list of invasive species (Regulation 354/16 made under the *Invasive Species Act, 2015*) had only been updated once in seven years, increasing the risk of invasive species introduction and spread. Risk assessments for the 12 species that were newly regulated in January 2022 (excluding wild pigs, which were assessed and regulated through a separate process) were completed on average four years before they were regulated under the Act.

The Ministry had also left at least 30 harmful terrestrial invasive plants (plants that grow on land) and their pathways unassessed and unregulated. We found at least six of these 30 terrestrial invasive plants (specifically, creeping jenny, goutweed, Norway maple, periwinkle, spearmint and wintercreeper) were available for purchase at local garden centres, nurseries and/or home improvement retailers.

Recommendation 1: Action Items 1, 2 and 3

So that harmful invasive species are more promptly regulated, and to help prevent their introduction and spread, we recommend that the Ministry of Natural Resources and Forestry:

- track the duration and ongoing status of various steps in its risk assessment and listing processes;

- determine and document the reasons for delays in assessments and listings and implement effective actions to avoid these delays;
- establish a timely and consistent schedule for regulatory updates to Ontario Regulation 354/16 and submit regulatory proposals accordingly;

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that the Ministry does not plan to track the duration and ongoing status of steps to assess and list invasive species for regulation under the *Invasive Species Act*. Rather, the Ministry indicated that it continues to take a risk-based approach to the development of regulatory proposals under the *Invasive Species Act*. The Ministry noted that, because risk assessments are an evidence and science-based process, timelines for completing them are affected by multiple factors, including the availability of species data.

The Ministry asserted that setting timelines for completing assessments would not benefit the risk-assessment process and that the Ministry has taken steps to address timeline issues within the program/Ministry's control. These steps include streamlining consultation by, for example, using a single consultation period rather than two and adopting risk-assessment tools (for example, for aquatic invasive species and for terrestrial invasive species).

During our follow-up, the Ministry told us that, rather than proceed with a regular schedule of updates to Ontario Regulation 354/16 under the *Invasive Species Act*, regulatory proposals will be prepared following the completion of a group of risk assessments for multiple species to streamline internal review, public consultation and approval processes. For example, in December 2023, the Ministry made amendments to Ontario Regulation 354/16 to classify 10 species and four genera as either prohibited or restricted invasive species (see Environmental Registry #019-7360). These regulatory changes took effect on January 1, 2024.

Our Office continues to support the implementation of this recommendation. We recognize that the time it takes to complete a species' risk assessment is variable due to multiple factors, including data availability. We believe that even without setting target timelines for completing assessments, tracking the duration and status of steps in the assessment and listing process, plus determining and documenting the reasons for any hold ups, would help the Ministry identify and address delays so that harmful species are more promptly regulated.

As Ministry staff indicated to us during our 2022 audit, a predictable and consistent schedule for updating Ontario's list of regulated species could help ensure that completed high-risk assessments translate into the regulation of invasive species on a regular basis.

The Ministry indicated that it will continue to assess the current risk assessment and regulatory development process to identify opportunities for improvement.

Recommendation 1: Action Item 4

- maintain a list of invasive species pending risk assessment to determine the size of the backlog and implement measures to reduce the backlog.

Status:  **Fully implemented.**

Details

We found that the Ministry has maintained an internal list of non-regulated invasive species to support the prioritization of species risk assessments, and to inform decisions to proceed with species-specific regulation proposals.

The Ministry does not, however, consider this list as a backlog of species, noting that regulation is one of several approaches to address invasive species. The Ministry noted that it provides funding to the Invasive Species Centre to maintain a database of risk assessments completed by relevant jurisdictions to determine whether new risk assessments are required.

Recommendation 2: Action Item 1

So that harmful terrestrial species and their pathways are promptly regulated, in line with the goals and objectives of Ontario's Invasive Species Strategic Plan (2012), we recommend that the Ministry of Natural Resources and Forestry:

- develop and employ a standardized risk-assessment tool for terrestrial species;

Status:  **Fully implemented – but only for terrestrial plant species.**

Details

In 2016, the Ministry developed an ecological risk-assessment tool to evaluate the probability of invasion and ecological impacts of aquatic invasive species in Ontario. During our follow-up, we found that the Ministry adapted this tool to assess the ecological risk of terrestrial invasive species—though only for terrestrial plants. This tool is therefore unable to assess the likelihood of the arrival, survival, establishment and spread of other terrestrial species, like invasive insects and mammals.

The Ministry has employed this new risk-assessment tool to evaluate the tree-of-heaven, which is the favoured host of the spotted lanternfly, a federally regulated invasive pest that threatens the grape, fruit tree and forestry industries. The outcome of this risk assessment was used to support the regulation of the tree-of-heaven under the *Invasive Species Act* in January 2024.

Recommendation 2: Action Item 2

- collaborate with stakeholders to identify potential terrestrial plant invasive species for regulation;

Status:  **Fully implemented.**

Details

We found that the Ministry continues to work with the Invasive Species Centre and other partners and stakeholders to identify emerging terrestrial invasive plant species for risk assessment and potential regulatory consideration. As a result of this work, the tree-of-heaven was regulated under the *Invasive Species Act* in January 2024.

In February 2024, with funding support from the Ministry, the Invasive Species Centre held the annual Invasive Species Forum, with sessions highlighting priority and emerging invasive species.

The Ministry indicated that it has also enhanced relationships with stakeholders, such as Landscape Ontario (which represents Ontario's horticultural industry), to increase communications to growers, landscapers and nursery retailers about invasive plant regulations, and to obtain industry perspectives on potential invasive plant species for regulation.

The Ministry also noted that it is engaging directly with the Canadian Food Inspection Agency to discuss provincial versus federal roles with respect to the regulation of terrestrial invasive plants. The Ministry's continued participation in federal-provincial-territorial committees, such as the Invasive Alien Species National Committee and the Ontario Critical Plant Pest Management Committee, also increases its understanding of federal and provincial roles in the identification and regulation of new invasive plant threats.

The Ministry noted that its continued monitoring of work by other binational working groups, such as the Midwest Invasive Plant Network, also provide the Ministry with valuable information on terrestrial invasive plant risks being identified in the United States.

Recommendation 2: Action Item 3

- assess and address the need to regulate pathways for terrestrial invasive species.

Status:  **Fully implemented.**

Details

Although the Ministry has not assessed the need to regulate pathways for terrestrial invasive species, it indicated that it is addressing this need by collaborating with the federal government.

The Ministry noted that the regulation of the primary pathways for terrestrial invasive species must be addressed at the national level to be effective and address international obligations. The Ministry informed us that it has engaged with the Canadian Food Inspection Agency to discuss roles and responsibilities regarding biosecurity and import pathways, and that it continues to be an active participant in key federal-provincial-territorial committees to address specific terrestrial invasive species threats.

2. Province Lacks Information to Detect and Monitor Potentially Harmful Invasive Species

In our original audit, we found that the Ministry did not track at least 33 invasive species that are present in Ontario and considered high-risk in other nearby jurisdictions. Rather, invasive species monitoring has mainly relied on incidental observations rather than systematic, targeted monitoring, preventing the reliable analyses of trends. In addition, the Ministry did not consolidate and store invasive species data collected by different organizations.

Recommendation 3: Action Item 1

So that Ontario's invasive species are effectively monitored to inform management actions and policies, we recommend that the Ministry of Natural Resources and Forestry (Ministry):

- require staff to adhere to the Ministry's Response Framework for New Invasive Species for all known instances of species that are likely to cause harm to the environment and are new to Ontario or regions of Ontario;

Status:  **Fully implemented.**

Details

The Ministry informed us that it continues to apply its *Response Framework for New Invasive Species* to assess the risk of new invasive species to Ontario's natural environment, and to identify and implement relevant response actions for effective control of invasive species. In 2022 and 2023, the Ministry used the Framework to guide response actions on species that are new to Ontario (for example, grass carp, hydrilla) as well as species already found in Ontario but are new to parts of the province (for example, European water chestnut, water soldier).

Recommendation 3: Action Item 2

- regularly review and consider risk assessments from other jurisdictions when determining which species sightings need to be tracked;

Status:  Fully implemented.

Details

The Ministry indicated that it continues to review and consider risk assessments from ecologically and geographically relevant jurisdictions, such as Great Lakes-adjacent states and neighbouring provinces, as appropriate.

In our follow-up, the Ministry noted that tools, like the Invasive Species Centre's Risk Assessment Database and the Great Lakes Aquatic Nonindigenous Species Information System, provide valuable data to support these reviews.

Recommendation 3: Action Item 3

- work with relevant invasive species partners, including municipalities and conservation authorities, to obtain and consolidate available invasive species monitoring and surveillance data;

Status:  Fully implemented.

Details

The Ministry indicated that, through its transfer payment agreement with the Ontario Federation of Anglers and Hunters (OFAH), the Invading Species Awareness Program has consolidated invasive species monitoring and surveillance data within the Early Detection and Distribution Mapping System (EDDMapS) that it receives from invasive species partners and the public.

We found that activities in the OFAH's transfer payment agreement include:

- working with the national EDDMapS working group to maintain and update EDDMapS to ensure the tracking of key invasive species threatening and/or impacting Ontario; and
- ensuring that Ontario data from the iNaturalist network (an online social network for recording and sharing biodiversity observations and information) is uploaded to EDDMapS.

The Ministry informed us that it encourages other transfer payment recipients that support tracking and monitoring of invasive species to use the OFAH's reporting tools. According to the Ministry, since April 1, 2023, the OFAH has released or updated 21,739 EDDMapS reports from bulk data directly received from organizations, such as conservation authorities, and iNaturalist bulk data transfers.

Recommendation 3: Action Item 4

- where no suitable data exists, develop and implement risk-based monitoring programs that systematically detect and monitor potentially harmful invasive species within each Ministry district;

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

At the time of our 2022 audit report, the Ministry responded to this recommendation stating that it would explore opportunities to develop and enhance monitoring for invasive species. During our follow-up, however, we found that the Ministry now will not be implementing this recommendation.

The Ministry stated that it remains confident in its continued, ongoing monitoring programs for forest health, Great Lakes and inland fisheries, and wildlife to detect and monitor potentially harmful invasive species at the provincial scale. The Ministry noted that targeted monitoring programs are being implemented for high-risk species in relevant locations, and the Ministry continues to promote the use of community science to detect new occurrences of invasive species through ongoing education awareness efforts and tools (for example, EDDMapS and iNaturalist).

Our Office continues to support the implementation of this recommendation. Community science, while helpful, is generally limited to voluntary reports submitted by concerned organizations and members of the general public. Also, due to the higher population density in southern Ontario, there is an inherent bias in having more people reporting from this area relative to the rest of the province. While it may be impractical for the Ministry to expand from fragmented monitoring

efforts to measuring all invasive species across the entire province (especially given Ontario's large size and limited resources), steps in this direction, based on risk, are needed so that the Ministry has crucial information on the spread and impacts of invasive species to inform the prioritization of management activities.

3. Levels of Ministry Engagement with Program Partners Are Insufficient to Combat Invasive Species

In our original audit, we found that gaps in collaboration between the Ministry and federal partners had led to inadequate invasive species management. For example, staff at the Canadian Food Inspection Agency (CFIA) told us that Ministry leadership was lacking with respect to inventorying and organizing an immediate response to known infestations of the hemlock woolly adelgid, an invasive insect that kills hemlock trees. According to the CFIA, the Ministry had not responded to or undertaken the CFIA's recommendations or calls to action.

Our audit also found that, despite being the dedicated lead on implementing Ontario's Invasive Species Strategic Plan (2012), the Ministry lacked an implementation plan for executing invasive species work, and did not provide comprehensive and organized direction to municipalities, conservation authorities and stakeholder organizations across the province to combat invasive species threats. With few exceptions, the Ministry had not defined roles and responsibilities for managing invasive species and had provided minimal direction to others to guide and co-ordinate invasive species work. As a result, these stakeholders have been left to develop and implement their own strategies, but this has rarely actually happened. We found that 70% of the municipalities that responded to our survey had not developed any invasive species management plans to guide relevant activities.

The Ministry had also not leveraged existing reporting tools (like the Early Detection and Distribution Mapping System) nor planned for widespread use of emerging monitoring methods (like environmental DNA sampling).

Recommendation 4: Action Item 1

To effectively prevent harmful invasive species from entering and establishing in Ontario, we recommend that the Ministry of Natural Resources and Forestry (Ministry):

- assess the need to work with federal departments and agencies to develop collaborative and timely responses to specific invasive species threats;

Status:  Fully implemented.

Details

We found that the Ministry has assessed the need to work with federal departments and agencies to develop collaborative and timely responses to specific invasive species threats. The Ministry indicated that it is an active member of federal-provincial working groups to respond to invasive forest pests, wild pigs, invasive carp, and other invasive alien species. Further, the Ministry reported that it has used the forum of the Aquatic Invasive Species Annex Committee under the Canada-Ontario Agreement on Great Lakes Water Quality and Ecosystem Health to increase collaboration on response efforts and funding opportunities, resulting in new membership/participation in 2023 from the federal Department of Fisheries and Oceans on working groups for water soldier and the marbled crayfish.

Recommendation 4: Action Items 2 and 3

- provide a written response when solicited to support federal invasive species efforts;
- document the Ministry's justification for whether and how it plans to provide support for federal invasive species efforts;

Status:  Fully implemented.

Details

The Ministry indicated that, though no formal requests have been received since the completion of our 2022 audit, the Ministry is committed to providing a written response to federal government requests to support invasive species efforts. The Ministry noted that, in response to the May 2023 detection of oak wilt (a tree disease) in Niagara Falls, Ontario, the Ministry collaborated with the federal government and relevant municipalities through existing working groups on surveillance and the removal of infected trees.

Recommendation 4: Action Item 4

- request federal funding and resources to support the Ministry and its partners in the management of invasive species within the province.

Status:  Fully implemented.

Details

We found that, in January 2024, the Ministry requested meetings with relevant federal agencies (the Canadian Food Inspection Agency, the Department of Fisheries and Oceans, Environment

and Climate Change Canada, and Natural Resources Canada), to discuss, amongst other things, opportunities to leverage federal funding and resources to support the Ministry and its partners in the management of invasive species. These discussions were held in February and March 2024. As of July 2024, there was no indication that this request had resulted in federal funding and resources to support the Ministry and its partners.

Recommendation 5: Action Item 1

To have an effective and co-ordinated approach to preventing and managing invasive species in Ontario, we recommend that the Ministry of Natural Resources and Forestry (Ministry):

- specify the roles and responsibilities of program partners and key stakeholders, including the responsibility for developing and updating best management practices;

Status:  **Fully implemented.**

Details

We found that the Ministry's transfer payment agreements with program partners (for example, the Invasive Species Centre, the Green Shovels Collaborative, Ontario Federation of Anglers and Hunters, and the Nature Conservancy of Canada) specify the projects, activities, and deliverables expected to result from funding recipients. The Ministry noted that, through transfer payment agreements and annual meetings, it works collaboratively with these partners to develop co-ordinated workplans and establish agreement on roles and responsibilities to address invasive species in the province. According to the Ministry, part of these discussions include prioritizing updates to best management practices, which are then jointly promoted by the program partners and shared through their networks.

The Ministry, however, has not specified the roles and responsibilities of other key stakeholders, such as municipalities and conservation authorities. In response to a survey we sent as part of our audit in 2022, 79% of 135 municipality respondents and 89% of 27 conservation authority respondents indicated that roles and responsibilities related to Ontario's invasive species response were not clearly defined. While the Ministry recognizes the important role of municipalities, conservation authorities, and other stakeholders in addressing invasive species within their regions, it noted that it does not have authority to define their activities, roles and responsibilities on invasive species beyond requirements set out in the *Invasive Species Act* or other Ministry legislative requirements.

While our Office understands the Ministry's limitations in specifying the roles and responsibilities of municipalities and conservation authorities outside of legislative requirements, we encourage the Ministry to work with these and other stakeholders to clarify what each party should be doing

to ensure an effective and co-ordinated approach to preventing and managing invasive species in Ontario.

Recommendation 5: Action Item 2

- establish and formalize an accountability framework where the Ministry leads, co-ordinates and collaborates with all levels of government and a wide variety of program partners for invasive species prevention and management activities;

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that the Ministry will not be implementing this recommended action, given that the Government of Canada (Canadian Food Inspection Agency and Department of Fisheries and Oceans) has the primary mandate for preventing the introduction and establishment of invasive species in Canada. The Ministry believes that any further actions to define accountability should be led by the relevant federal agencies.

The Ministry noted that it will continue to apply a risk-based approach in responding to invasive species occurrences and will seek opportunities to collaborate with others as appropriate.

Our Office continues to support the implementation of this recommended action. While the federal government is responsible for preventing the entry of invasive species into Canada and their movement between provinces, Ontario is responsible for minimizing the movement and impacts of invasive species within the province.

Ontario's Invasive Species Strategic Plan identifies that the Ministry, with support from other ministries, will lead Ontario's invasive species response. The Ministry administers the *Invasive Species Act*, the main piece of legislation regulating the management of invasive species in the province.

As the provincial lead on invasive species, the Ministry should establish and formalize an accountability framework with other levels of government and partners on the eradication, containment, and long-term control of invasive species that are already present in Ontario, as well as the movement of invasive species from one part of Ontario to another.

Recommendation 5: Action Item 3

- work with municipalities and conservation authorities to provide the guidance and direction they need to develop and implement their own invasive species strategic and implementation plans;

Status:  Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that the Ministry will not be implementing this recommended action, as it does not direct municipalities or conservation authorities to develop invasive species plans or to undertake management actions for invasive species.

Our Office continues to support the implementation of this recommended action. Given the frontline role that municipalities and conservation authorities play in managing invasive species in their jurisdictions, and given that the Ministry is the lead on Ontario's invasive species response, we believe the Ministry should provide municipalities and conservation authorities the guidance and direction they need to effectively combat invasive species threats. This includes providing the guidance and direction for them to develop and implement their own invasive species strategic and implementation plans.

Recommendation 6: Action Item 1

To avoid missed opportunities to find and eradicate invasive species before they become established, we recommend that the Ministry of Natural Resources and Forestry:

- provide guidance on steps the public can take on the spot to manage invasive species when they report sightings;

Status:  Fully implemented.

Details

We found that steps have been taken to provide additional guidance to the public on what they can do on the spot to manage invasive species when they report sightings.

The Ministry supports the OFAH's Invading Species Awareness Program, which has worked with EDDMapS developers so that auto-reply emails are sent when a report is made for a species listed under the *Invasive Species Act*. For example, when reports of an invasive carp are received through

EDDMapS, reporters are instructed to follow the steps in the online factsheets, which include gutting and keeping any positively identified invasive carp in a cooler (with its head above the ice) for analysis by the federal Department of Fisheries and Oceans.

Recommendation 6: Action Item 2

- explore and implement approaches to expand eDNA sampling and other emerging technologies across the province to systematically track the introduction and spread of invasive species.

Status:  **Fully implemented.**

Details

We found that the Ministry noted that technologies and resources are not yet at a stage where widespread systematic monitoring for invasive species is technically or financially feasible. However, the Ministry indicated that it would assess and expand eDNA and other technologies for broader invasive species detection and monitoring as technologies allow.

The Ministry reported that eDNA is currently being used in Ontario to support the detection of specific species subject to active management, and the Ministry is performing research to optimize eDNA monitoring for high-risk species. Further, the Ministry indicated that it is developing a plan to scale up eDNA monitoring for oak wilt by improving its ability to interpret the results of eDNA tests.

4. Ministry Funding for Invasive Species Work Is Neither Sufficient Nor Timely

In our original audit, we found that the Ministry did not provide funding to several program partners named in its strategic plan, such as municipalities and conservation authorities. While invasive species-related costs incurred in 2021/22 by Ontario municipalities and conservation authorities were estimated to be over \$50 million, the Ministry dedicated less than \$4 million annually to invasive species programming.

We also found that the Ministry was regularly delayed in approving annual funding for transfer payment recipients, limiting the invasive species planning and work that could be done in the spring and summer, when many management activities are most effective. Due to the lack of multi-year funding agreements and certainty of funding, organizations had difficulty planning long term and retaining staff to conduct invasive species work.

Recommendation 7: Action Items 1, 2 and 3

To improve the sufficiency of financial resources available for actions to prevent and manage invasive species, we recommend that the Ministry of Natural Resources and Forestry, with input from relevant stakeholders and experts, as applicable:

- assess and prioritize the activities that are needed to eradicate, control and prevent the introduction or spread of harmful invasive species;
- estimate the costs and make funding available to organizations and/or individuals to perform prioritized activities;
- guide, support and monitor the implementation of those activities.

Status:  **Fully implemented.**

Details

We found that the Ministry has funded and participated in assessments to better understand the economic impacts, estimated costs of, and spending by municipalities, conservation authorities and provincial ministries on, invasive species, as well as a cost-benefit analysis on the management of phragmites (an invasive plant) in Ontario. These assessments clarified for the Ministry that the greatest costs and priorities for invasive species expenditures are for control and management.

In response to these assessments, the Ministry has committed increased funding to support the Invasive Species Action Fund (ISAF) and the Invasive Phragmites Control Fund, which directly enable municipalities, conservation authorities, Indigenous communities and other organizations to take action on invasive species management. Specifically, in 2023, the Ministry announced an additional investment of \$1 million in the Invasive Species Centre (ISC) and Nature Conservancy Canada toward these funds, representing an increase in spending on invasive species from \$3.7 million in 2021/2022 and 2022/2023 to \$5.0 million in 2023/2024. In June 2024, the Ministry further committed an additional \$16 million of new funding over three years for these management funds, thereby increasing funding for priority community-led invasive species management actions.

The Ministry noted that it works with the ISC to set the annual project priorities for ISAF funding, including eligible activities and detailed assessment criteria for evaluating project applications. Relatedly, we found that the ISAF's applicant guidelines specify priority species and themes for submitted projects.

To support the evaluation of the ISAF, including future priority setting and funding allocations, funding recipients are required by ISC to provide final reports that include performance indicators. The Ministry reported that, as a condition of the ISC's transfer payment agreement, it provides

regular summary updates of performance via quarterly reports to the Ministry, allowing the Ministry to help guide, support and monitor the implementation of prioritized activities.

The Ministry asserted that it is confident that these increased investments, focused on the highest risk species to the province's natural environment, are the most efficient means of enabling effective response and management actions.

Recommendation 8: Action Items 1 and 2

So that transfer payment recipients can effectively plan, staff up and implement invasive species work that is needed during critical times of each year, we recommend that the Ministry of Natural Resources and Forestry:

- develop invasive species program funding agreements with a long-term view, where appropriate;
- approve and transfer funds under agreements prior to the beginning of the funding year.

Status:  **Fully implemented.**

Details

We found that the Ministry has established multi-year funding agreements with the Invasive Species Centre and the Nature Conservancy of Canada for fiscal years 2024/2025, 2025/2026, and 2026/2027. The Ministry noted that it is in the final year of existing multi-year agreements with Ducks Unlimited Canada and the Ontario Federation of Anglers and Hunters, and that decisions on the renewal of these agreements will be made as part of the 2025/2026 budget planning.

5. Invasive Species Strategy is Outdated and Does Not Enable Sufficient Implementation of Needed Activities

In our original audit, we found that there was no implementation plan associated with the Ontario Invasive Species Strategy, which itself required updating to incorporate the administration of the *Invasive Species Act* and modern detection tools. Our audit also found that, while the Ministry funds a number of public outreach and education activities, Ontario's invasive species public education and awareness programs have not reached most people across the province.

Recommendation 9: Action Item 1

To effectively, efficiently and accountably achieve successful outcomes for invasive species prevention and management, we recommend that the Ministry of Natural Resources and Forestry:

- develop a detailed implementation plan that lists specific action items, responsible parties, required human and financial resources, outcome measures and implementation timelines for each goal and objective identified in the Ontario Invasive Species Strategic Plan (Strategic Plan);

Status:  In the process of being implemented.

Details

We found that the Ministry considers this a future action. As such, the Ministry indicated to us that a decision on the development of a detailed implementation plan will be guided by the renewal of the Ontario Invasive Species Strategic Plan (Strategic Plan), which the Ministry anticipates will be posted to the Environmental Registry for public comment in 2024/2025.

Recommendation 9: Action Item 2

- regularly update the Strategic Plan, through public consultation, to keep it current and relevant;

Status:  In the process of being implemented by fall 2024.

Details

We found that the Ministry had initiated consultation with the public on updating the Strategic Plan. In November 2023, the Ministry posted a review of progress on implementing the Strategic Plan on the Environmental Registry (#019-7582) for public consultation. The Ministry indicated that the feedback received on this review of progress will inform the development of a draft renewed Strategic Plan, which is anticipated to be posted for public consultation in fall 2024.

Recommendation 9: Action Item 3

- publicly report on the progress toward the implementation of the Strategic Plan on an annual basis.

Status:  In the process of being implemented.

Details

We found that the Ministry had initiated reporting to the public on progress toward the implementation of the Strategic Plan. In November 2023, the Ministry posted a review of progress on implementing the Strategic Plan on the Environmental Registry (#019-7582) for public consultation.

The Ministry has not yet committed to annual public reporting on progress, noting that decisions on future progress reporting will be guided by a renewed Strategic Plan.

Recommendation 10: Action Item 1

To improve public awareness of invasive species, and to have effective education and outreach activities that achieve intended outcomes, we recommend that the Ministry of Natural Resources and Forestry work with partners, including the Ontario Federation of Anglers and Hunters and the Invasive Species Centre, to develop and implement a strategy for public education and outreach, and for tracking the effectiveness of efforts to raise public awareness on how to report invasive species sightings.

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that the Ministry will not be drafting a strategy for public education and outreach, or for tracking the effectiveness of efforts to raise public awareness on how to report invasive species sightings. The Ministry noted that developing and implementing effective public education and outreach campaigns for invasive species is an ongoing, adaptive and iterative process that depends on the audience and type of information being relayed. Considering it inappropriate to develop a singular and static “strategy” for all public education and outreach needs, the Ministry noted that it works with its partners to continually adapt its approach based on emerging issues, innovative communication tools, and new information.

The Ministry indicated that it continues to work with its partners, including the Invasive Species Centre, the Federation of Ontario Cottagers’ Associations, and the OFAH, to improve the implementation of individual outreach strategies for target audiences that are involved in key invasive species pathways.

The Ministry has also established relationships with new partners, including Pets Canada, Landscape Ontario, and Boating Ontario, to reach target audiences within the aquarium and nursery/horticulture and landscaping sectors, and to develop appropriate education and

awareness strategies for those potential pathways of invasive species spread. In addition, the OFAH has reportedly initiated target audience surveys, for example, among trail users, boaters, and anglers, to learn more about motivations for preventing the spread of invasive species, track effectiveness of public education and outreach activities, and inform adaptive approaches to future outreach programming.

Our Office continues to support the implementation of this recommendation. While the Ministry funds a number of public outreach and education activities, a survey we had conducted as part of our original audit found that 74% of 1,001 surveyed Ontarians had never heard of the Invasive Species Centre and only 3% of respondents correctly identified that the Centre educates the public and shares information about invasive species, which represents a substantial portion of the Centre's work. In addition, 70% of survey respondents had never heard of the Ontario Federation of Anglers and Hunters' Invading Species Awareness Program. While individual education and outreach campaigns can provide flexibility to target specific audiences, invasive species, and issues, an overarching strategy as part of or under the Ontario Invasive Species Strategic Plan can help ensure co-ordination and overall progress in improving general public awareness.

6. Enforcement Resources and Activities Are Limited

In our original audit, we found that Ministry staffing was insufficient to administer the *Invasive Species Act*. The Ministry had repeatedly recognized the need for additional human resources to administer the Act, and requested resources from Treasury Board/Management Board of Cabinet (TB/MBC). TB/MBC denied the Ministry's requests in 2014/15 and again in 2017/18, and directed the Ministry to reallocate resources to invasive species work—which the Ministry did not do.

We found that, despite being responsible for administering the *Invasive Species Act*, conservation officers were doing very little compliance and enforcement work. As of March 31, 2022, conservation officers had laid zero charges, issued zero warrants, and issued only 11 warnings under the Act. We found there was no standard across the province for how officers should track their enforcement work to show that prioritized activities were being performed. Further, conservation officers were not well trained to identify invasive species, requiring expert assistance that was not available within the Ministry. Without internal support for identification, it could take weeks to find an expert to accompany officers on inspections. We also noted some deficiencies in inspectors' powers that limited their effectiveness in preventing the introduction and spread of aquatic invasive species. For example, unlike other provinces, Ontario had not made watercraft inspections for invasive species mandatory.

Recommendation 11: Action Item 1

So that the *Invasive Species Act, 2015* is effectively enforced to detect invasive species and reduce their spread, we recommend that the Ministry of Natural Resources and Forestry:

- assess and ensure the sufficiency of enforcement resources, including training requirements, the availability of specialist support and the number of field conservation officers;

Status:  Little or no progress.

Details

We found that the Ministry has not yet conducted an assessment of the sufficiency of its enforcement resources, including training, availability of specialist support, and the number of field conservation officers, to detect invasive species and reduce their spread. Rather, the Ministry noted that invasive species compliance continues to be part of regular field inspections, and the Ministry remains committed to following up on any tips received.

The Ministry noted that, despite the lack of assessment, conservation officers have been provided additional training, information sessions and new tools to support the detection and identification of invasive species. The training time dedicated to invasive species was increased, and invasive species aspects were also incorporated into fisheries training sessions. The Ministry reported that it is beginning to see the results of this work. In 2023-24, conservation officers reportedly detected 803 violations associated with invasive species. This is almost double the number detected in the previous year with 178 of these being violations under the *Invasive Species Act*.

The Ministry asserts that its efforts to improve training and tools ensure that existing enforcement resources are sufficient and that conservation officers are equipped with the information they need to effectively ensure compliance. Yet, as found in our original audit, the Ministry had repeatedly (in 2014/15 and again in 2017/18) requested funding from the Treasury Board/Management Board of Cabinet (TB/MBC) to address inadequate staffing levels for invasive species work. Although TB/MBC denied these requests and directed the Ministry to divert the necessary funding from other programs to address this shortage, the Ministry did not follow this instruction and did not fill these positions.

Recommendation 11: Action Item 2

- develop and implement a risk-based approach to inspections, focusing on high-risk species, pathways and activities;

Status:  Fully implemented.

Details

We found that, in February 2023, the Ministry issued a policy directive, Risk-based Strategic and Operational Planning, to update the Enforcement Branch's risk-based planning approach and to create an integrated and outcomes-based process for setting priorities and planning work.

At the same time, the Ministry issued the Risk-Based Priority Setting Manual to provide instructions to staff on using the branch's Risk-based Priority Setting Tool, which evaluates risks associated with achieving planned outcomes or results. Following the identification and approval of branch priorities, each branch is to create a multi-year action plan for each priority, followed by respective work planning.

The Ministry reported that it uses this risk-based approach to priority setting, including to identify enforcement operational plans based on geography (for example, co-ordinating food fish market and baitfish inspection blitzes in Ontario's southern region).

Recommendation 11: Action Item 3

- assign, track and review hours assigned to conservation officers for invasive species work to make sure relevant work is performed;

Status:  Fully implemented.

Details

We found that, as described above, the Ministry uses a risk-based approach to priority setting to identify enforcement priorities, develop action plans, and set annual work plans and assignments. The Ministry indicated that officers' hours are tracked and reviewed through the annual work plan, including time dedicated to invasive species work, to ensure relevant work is performed.

In 2022/2023, through invasive species work, the Ministry reported that conservation officers detected a total of 456 violations associated with aquatic invasive species in Ontario.

Recommendation 11: Action Item 4

- explore and implement cost-effective ways to ensure compliance with Ontario's watercraft laws, particularly in high-risk areas;

Status:  In the process of being implemented by April 2025.

Details

We found that the Ministry reported dedicating funding in 2023/2024 to implement education actions to increase awareness and compliance with Ontario's watercraft laws, including producing 375 boat launch signs for posting at Crown Land boat launches across Ontario in 2024/2025.

The Ministry also indicated that new collaborations with Boating Ontario (which represents local marinas, boat dealers, brokers, boat and engine service centres and suppliers to the marine industry) and the Federation of Ontario Cottagers' Associations will engage directly with boaters through webinars, in-person outreach (for example, at boat shows, boat ramps), and these organizations' communications to their memberships.

Recommendation 11: Action Item 5

- update licence requirements for baitfish retailers and harvesters to include disclosure of where bait is stored;

Status:  Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that the Ministry will not be implementing this recommendation. The Ministry noted that requiring baitfish retailers and harvesters to disclose bait storage locations was considered as part of the provincial bait review (2013–2020) but was not recommended as an ongoing requirement, except for storage locations in the Lake Simcoe watershed.

The Ministry explained that, because the bait framework is designed to limit species movement between zones, the location of stored bait within the same zone would have limited reduction of risk for either invasive species or disease at the zone level. Still, we note that requiring licensed parties to disclose where their offsite bait is stored could allow inspectors to visit these locations and take appropriate actions if they detect any invasive species not previously found and removed during harvesting/transport to the location.

Recommendation 11: Action Item 6

- require baitfish retailers to adhere to the steps outlined in their Hazard Analysis and Critical Control Point Plans to prevent the spread of invasive 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 that the Ministry will not be requiring baitfish retailers to adhere to the steps outlined in their Hazard Analysis and Critical Control Point Plans to prevent the spread of invasive species. The Ministry asserted that the value of these plans is that they make harvesters aware of the ecological and legal risks of moving invasive species, and that they are a tool to help achieve compliance without the need for extensive licence conditions. The Ministry noted that existing legislation and licence conditions are already enforceable mechanisms to address the spread of invasive species.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation. While the Hazard Analysis and Critical Control Point Plans submitted by baitfish harvesters may be helpful in making them aware of the risks of moving invasive species, the effectiveness of these plans at preventing the spread of invasive species could be enhanced by requiring harvesters to actually adhere to the commitments outlined with the plans.

7. Ministry Lacks Performance Measurement and Reporting for Invasive Species Work

In our original audit, we found that the Ministry had not developed a performance measurement framework, or established targets and collected information, to assess the effectiveness and efficiency of activities to prevent and manage the spread of invasive species.

Recommendation 12: Action Item 1

To measure the effectiveness of its invasive species program at preventing and controlling the spread of invasive species and its impacts, we recommend that the Ministry of Natural Resources and Forestry:

- develop a performance measurement framework for the Province's overall invasive

species program, including meaningful, measurable, and outcome-oriented performance indicators with targets and timelines;

Status:  Little or no progress.

Details

We found that the Ministry reported little progress on this action item as it considers this a future action. The Ministry noted that the development of a performance measurement framework for the Province's overall invasive species program will be considered as part of the renewal of the Ontario Invasive Species Strategic Plan in 2024/2025 (see **Recommendation 9**).

Recommendation 12: Action Item 2

- document invasive species management and outcomes, and publicly report on the status of the performance measures as part of an annual report.

Status:  Little or no progress.

Details

We found that the Ministry reported little progress on this action item as it considers this a future action. The Ministry noted that the documentation of invasive species management and outcomes, and the public reporting on the status of performance measures, will be considered as part of the renewal of the Ontario Invasive Species Strategic Plan in 2024/2025 (see **Recommendation 9**).

// Appendix

Recommendation Status Overview

	# of Action Items	Fully Implemented 	In the Process of Being Implemented 	Little or No Progress 	Will Not Be Implemented 	No Longer Applicable 
Recommendation 1	4	1			3	
Recommendation 2	3	3				
Recommendation 3	4	3			1	
Recommendation 4	4	4				
Recommendation 5	3	1			2	
Recommendation 6	2	2				
Recommendation 7	3	3				
Recommendation 8	2	2				
Recommendation 9	3		3			
Recommendation 10	1				1	
Recommendation 11	6	2	1	1	2	
Recommendation 12	2			2		
Total	37	21	4	3	9	0
%	100	57	11	8	24	0

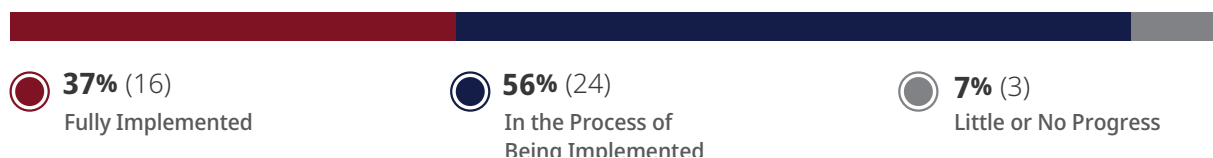
Follow-Up on the 2022 Performance Audit:

Ministry of Public and Business Service Delivery
and Procurement

Office of the Corporate Chief Information Officer

// Overall Conclusion

43 Recommended Actions



The Ministry of Public and Business Service Delivery and Procurement, as of August 20, 2024, has fully implemented 37% of actions we recommended in our 2022 audit of the **Office of the Corporate Chief Information Officer**. The Ministry has made progress in implementing an additional 56% of the recommended actions.

The Ministry has fully implemented recommendations such as acquiring a secondary, back-up network provider for its critical IT operations, ensuring a minimum of two candidates are interviewed by at least three evaluators for each IT consultant position and reassessing its compliance targets to ensure they are in accordance with industry standards.

The Ministry has made progress on recommendations such as enforcing IT clusters to follow the required security standard of applying robust cybersecurity controls, such as encryption, and extending mandatory cybersecurity training courses to all OPS staff, including contract employees.

However, the Ministry has made little progress on 7% of the recommendations, including assessing whether all IT systems require a disaster recovery plan on an ongoing basis, and reviewing and assessing IT clusters' compliance with the disaster recovery plans at least annually, and whenever there is a significant change to the OPS IT environment.

The status of actions taken on each of our recommendations is described in this report (see **Appendix** for more details).

// Status of Actions Taken on Recommendations

We conducted assurance work between March 2024 and August 2024. We obtained written representation from the Ministry of Public and Business Service Delivery and Procurement that effective October 15, 2024, it has provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

1. Reporting Structure Prevents the CCIO from Ensuring Clusters Have Effective and Efficient Delivery of IT Systems

In our audit, we found that IT clusters report to their respective deputy ministers, not to the Office of the Corporate Chief Information Officer (CCIO). As a result, CCIO is not always aware of key IT decisions about procurement under \$2 million or the safeguarding of Ontarians' data as collected by the clusters, nor can it measure performance outcomes for IT cluster systems.

Recommendation 1: Action Items 1 and 2

To ensure there is a clear alignment of operations amongst the IT clusters and so that the Office of the Corporate Chief Information Officer (CCIO) can appropriately oversee and enforce accountability of day-to-day IT operations to ensure the IT clusters effectively and efficiently deliver IT systems, we recommend that the Treasury Board Secretariat:

- work with the IT clusters and their respective ministries so that the right level of governance, oversight, and accountability is in place; and
- re-evaluate the criteria to review IT systems based on impact and risk rather than the current financial threshold of \$2 million.

Status:  In the process of being implemented by January 2025.

Details

We found that in April 2023, CCIO redefined job responsibilities for Chief Information Officers (CIOs) of IT clusters through a competency model. These new competencies include a requirement for CIOs to identify opportunities for cross-ministry collaboration such as sharing of performance scorecards for IT vendors to assist in future procurements. In addition, throughout 2024, the Treasury Board Secretariat (TBS), in collaboration with IT partners, continued work to refresh the IT project gateway policy, including updating the review process for IT projects based on impact and risk. This updated review process requires input and communication from IT partners,

including CCIO, the IT clusters and the corporate architecture group, and redefines the roles and responsibilities for each. The refreshed policy is pending submission to and approval by the Treasury Board and Management Board of Cabinet by January 2025.

We reviewed feedback TBS had received from the clusters on the policy refresh and noted that criteria such as project significance or overall risk will be considered alongside the existing \$2 million threshold (financial risk). The policy also provides guidance for projects valued at less than \$2 million.

2. The CCIO Does Not Compile a List of IT Risks Across the Ontario Public Service, Nor Do They Identify IT Risks within the CCIO

In our original audit, we found that CCIO does not have an overarching strategy across the OPS to identify enterprise IT risks and implement mitigation and remediation strategies.

Recommendation 2: Action Items 1 and 2

To ensure IT-related risks for the Ontario Public Service (OPS) are identified, reported and mitigated appropriately, we recommend that the Office of the Corporate Chief Information Officer work with the Office of the Chief Risk Officer to:

- develop and implement an overarching strategy that encompasses all IT risks impacting the OPS;
- put in place actions to mitigate IT risks that impact OPS-wide operations;

Status:  In the process of being implemented by March 2025.

Details

We found that in February 2024, CCIO had developed a plan to establish a timeline and action plan to modernize mission-critical IT systems to address IT risks at the individual system level. We reviewed the modernization plan and noted that it considers application support, infrastructure support and likelihood of failure, and identifies an investment plan for any upgrades or modernizations required. While this plan, to be implemented by March 2025, will help address IT system-specific risks, it is not expected to directly mitigate or help identify IT risks that could be applicable at the cluster level or OPS-wide, a problem noted in our 2022 audit. However, these IT system-specific risks, once identified and consolidated will be used as an input to identify and mitigate OPS-wide IT risks.

Recommendation 2: Action Item 3

- periodically compare its risk register to industry standards to ensure the risks listed are relevant and up-to-date.

Status:  **In the process of being implemented by December 2024.**

Details

We found that CCIO has conducted an analysis of the existing risk register, which logs all operational and IT risks identified by ministries. Through this analysis, CCIO noted that several IT risks in the risk register were incorrectly or insufficiently categorized under operational risk categories, as there was no standalone category for IT-related risks. It also found that IT risk has not been thoroughly defined for the OPS to appropriately identify, report and mitigate IT risks.

CCIO has used a globally accepted industry framework, the Information Systems Audit and Control Association's (ISACA's) Risk IT Framework, to map the existing IT risks on the risk register to four sub-categories of IT risk and provide a standardized methodology for identifying, reporting and mitigating these risks. However, CCIO still needs to engage the Office of the Chief Risk Officer (OCRO) to communicate this new approach to enterprise IT partners across the OPS and develop an action plan to mitigate already existing IT risks and identify new IT risks using the ISACA framework, which it is planning to complete by December 2024. Other than updating the categories of IT risks, CCIO did not compare its existing IT risk register to industry standards to compare and identify new IT risks.

3. Ontario's Highest Rated Data Centre is Significantly Underutilized

In our original audit, we found that Ontario's primary data centre was only 30% utilized, even though it has been awarded the highest rating available, indicating that its IT systems are able to withstand any type of failure. Usage had declined over the prior five years, during which time a \$31million loss was incurred for operating costs for the unoccupied space for power, cooling, maintenance and physical security.

Recommendation 3: Action Item 1

To increase Guelph Data Centre's utilization and strengthen its existing user access controls, we recommend that the Office of the Corporate Chief Information Officer:

- determine the cost recovery rate per square foot or by kWh to then perform a cost/benefit analysis of the most optimal charge out rate in order to attract and onboard more government entities;

Status:  **In the process of being implemented by December 2024.**

Details

We found that CCIO did not perform a cost/benefit analysis but instead engaged Infrastructure Ontario in August 2023 to perform an assessment of the Guelph Data Centre's (GDC's) utilization and to propose a future operating model. The assessment included feedback from the broader public service (BPS) and Crown agencies, other provincial governments, as well as private sector entities. The main reasons identified in the assessment for low utilization were the increased use of cloud solutions by BPS and Crown agencies, and a lack of interest or need for a Tier IV data centre and the associated premium cost of using one. At the time of our 2022 audit, we noted that the GDC was rated a Tier IV data centre, the highest possible rating for a data centre, indicating it can withstand any type of failure.

The assessment by Infrastructure Ontario proposed three options to address low utilization. One was to re-engineer the Tier IV GDC to a Tier III facility, which would reduce the need and cost of additional infrastructure to maintain the facility, thereby reducing the charge out rate for using the data centre. This would, in turn, reduce the cost to BPS and Crown agencies to onboard and use the facility. Another proposed option was to legally mandate BPS and Crown agencies to use the GDC. However, the assessment noted that many BPS and Crown agencies have either moved to cloud solutions or have expressed a desire to maintain their own data centres. The third proposed option was to sell part of the GDC and enter into a hybrid arrangement with other entities such as municipalities. CCIO and the Ministry of Public and Business Service Delivery and Procurement are expected to make their decision based on these options by December 2024.

Recommendation 3: Action Item 2

- assess if it is feasible to mandate that the broader public sector and Crown agencies move their data centre operations to the data centre at its cost recovery rate;

Status:  **Fully implemented.**

Details

We found that, as part of the assessment conducted by Infrastructure Ontario, one of the options considered was to legally mandate BPS and Crown entities to move their data centre operations to the GDC. The assessment noted that, while technically feasible, a mandated move would be unlikely to be approved by Treasury Board due to the low demand and high cost for BPS and Crown entities, making it the least preferred of the proposal's three options. Infrastructure Ontario engaged 33 different public organizations, including provincial agencies such as the Toronto District School Board, multiple universities, and the Ontario Lottery and Gaming Corporation. The feedback noted from these organizations was that there is an increased demand for cloud storage solutions and little to no demand for a Tier IV data centre. It was also noted that many BPS and Crown entities have either moved to cloud solutions or have expressed a desire to maintain their own data centres.

Recommendation 3: Action Item 3

- implement an outreach strategy to broader public sector and provincial agencies to increase the data centre adoption;

Status:  In the process of being implemented by December 2024.

Details

We found that the implementation of any potential outreach strategy with respect to the GDC's use depends on which option from Infrastructure Ontario's assessment is chosen by CCIO and the Ministry of Public and Business Service Delivery and Procurement. Infrastructure Technology Services (ITS), a division of CCIO, had developed a colocation strategy in December 2023 to be implemented if the decision to market to BPS entities is chosen. The decision is expected by December 2024.

Recommendation 3: Action Item 4

- review all proposed options for the future operating model of Guelph Data Centre so that the decision made is in due regard for economy and data security;

Status:  In the process of being implemented by March 2025.

Details

We found that the assessment performed in consultation with Infrastructure Ontario was detailed and included jurisdictional scans across multiple provinces and private and public entities, and

considered the costs of operation and costs charged for using the data centre. CCIO expects that after a full review of the proposed options, an option will be chosen by December 2024, followed by the preparation of a business case that it will submit for Treasury Board approval by March 2025.

Recommendation 3: Action Item 5

- similar to obtaining an attestation from those in the OPS, the data centre should establish a user access review process across all agencies to ensure that user access to the data centre is removed within 24 hours of an employee's termination.

Status:  **Fully implemented.**

Details

We found that in May 2023, the ITS division of CCIO defined a monthly attestation process that requires all vendors and non-OPS entities that use GDC for their data centre operations to provide an attestation to the ITS that they have been informed of any changes in employment status. This process is noted in the physical security access control policy and procedures guide. Additionally, a requirement has been added to the policy to notify data centre management of any termination of non-OPS employees within 24 hours. We noted that an attestation was completed in August 2024 and stored in a repository noting that any requests for access removal have been made.

4. Half of All Critical IT Systems Used by the OPS Do Not Have a Disaster Recovery Strategy

In our original audit, we found that almost half (44%) of all IT systems critical to the continuity of government services did not have a disaster recovery (DR) strategy.

Recommendation 4: Action Item 1

In order to minimize any interruptions to operations, we recommend that the Office of the Corporate Chief Information Officer:

- work with the IT clusters to develop an OPS-wide Disaster Recovery (DR) strategy and verify that all critical IT systems have a DR plan developed and in place;

Status:  **In the process of being implemented by March 2025.**

Details

We found that in March 2024, CCIO drafted a detailed OPS-wide DR strategy. The draft strategy proposes several working groups and committees that would hold weekly, biweekly or monthly meetings to specifically develop the capability to recover existing IT systems, as well as establish the capability for DR for systems hosted in the cloud in a disaster situation. In addition, the DR strategy identifies the roles and responsibilities for clusters, ministries and ITS for the design, implementation, testing and recovery of systems. The strategy has mapped each recommendation from our Office for DR to an action plan. CCIO is in the process of getting the strategy and proposed governance model approved and implemented by March 2025.

Recommendation 4: Action Items 2 and 3

- assess whether all IT systems require a disaster recovery plan on an ongoing basis;
- review and assess clusters' compliance with the DR plans on an annual basis, at minimum, and whenever there is a significant change to the OPS IT environment;

Status:  Little or no progress.

Details

We found that CCIO's assessment of IT systems to determine where a DR plan is required is a later stage of the OPS-wide DR strategy that can only be initiated once the strategy is approved and implemented. CCIO is in the process of creating a full inventory of critical IT systems to conduct this assessment.

Likewise, a process to review and assess annual compliance with DR plans can only be achieved once the DR plan has been approved and implemented.

Recommendation 4: Action Item 4

- periodically test its ability to ensure IT systems can recover on a timely basis in a disaster scenario.

Status:  Little or no progress.

Details

We found that periodic testing of IT systems to ensure timely recovery is also expected to be conducted as part of the not-yet-approved DR plans. We also noted that although the Children, Youth and Social Services Cluster and the Justice Cluster conducted their own DR tests in 2023 for

a sample of critical IT systems, this was done independently and was not incorporated into the overall DR strategy.

5. The OPS Has No Backup Network Provider to Ensure Continuity of Operations for Some Critical Services

In our original audit, we found that CCIO did not have a redundant secondary network provider for some of its critical operations, such as 44 contact centres.

Recommendation 5: Action Item 1

To ensure continuous operations of critical IT systems in OPS, we recommend that the Office of the Corporate Chief Information Officer:

- perform a cost/benefit analysis for acquiring a secondary, back-up network provider for its critical operations;

Status:  Fully implemented.

Details

We found that CCIO conducted a cost/benefit analysis across three different areas of operations to determine the need for a secondary, back-up network. CCIO subsequently signed contracts with Bell for the OPS data network in January 2023 (wired and wireless Internet access for OPS computers), as well as the voice services contact centres and mobility network (cell phone connectivity for OPS-issued mobile phones) in August 2023. The agreements have been implemented and Bell is operational as a back-up service provider for the OPS.

Recommendation 5: Action Item 2

- amend the existing contracts for all vendors to include a comprehensive penalty clause that could be imposed in the event that service level agreement performance targets are missed.

Status:  In the process of being implemented by March 2025.

Details

We found that CCIO has included new mandatory requirements in existing contracts for network resiliency, instead of adding a penalty clause to ensure business continuity of government operations.

Specifically, a requirement for additional redundancy has been added, such that if a certain portion of the network fails, all traffic can still be serviced on another portion of the network. This requirement will be implemented by March 2025.

6. OPS Cybersecurity Practices Need Improvement

In our original audit, we found that personal and sensitive data was not consistently secured through encryption in accordance with CCIO's security standard. We also found that approximately only 11,000 of 40,000 OPS staff completed the mandatory cybersecurity awareness course in 2021. The cybersecurity awareness training was not required for about 7,000 contract employees, nor was it provided annually to all OPS employees even though it is regarded as a best practice.

Recommendation 6: Action Items 1 and 2

To help ensure Ontarians' confidential and sensitive personal information is protected from unauthorized and accidental disclosure we recommend that the Office of the Corporate Chief Information Officer:

- enforce clusters to follow the required security standard of applying robust cybersecurity controls such as encryption; and
- monitor compliance with the security standard requiring encryption of sensitive data.

Status:  In the process of being implemented by November 2025.

Details

We found that in August 2023, CCIO engaged with the Office of the Chief Risk Officer (OCRO), Privacy, Archives, Digital and Data, a division of the MPBSDP, and the Ontario Provincial Security Advisor to create a critical value assets (CVAs) identification framework to identify mission and business-critical IT assets, such as IT systems that have a critical impact on the OPS or Ontarians if data is compromised.

We reviewed a draft of the CVAs identification framework, which includes a timeline to identify CVAs across the OPS and evaluate them for cybersecurity threats. The objective of the framework, once assets have been identified, is to enable protection mechanisms, such as encryption and monitoring compliance with encryption requirements. This framework was still in draft form at the time of our follow-up, and CVAs had not yet been identified in order to apply robust cybersecurity controls. Once the framework has been developed, the CVAs will be identified so that security controls such as encryption can be applied. The implementation of these security controls is targeted for November 2025.

Recommendation 7: Action Items 1 and 2

To reduce the risk of human error when handling sensitive data and thereby reduce the exposure of the OPS to cybersecurity threats, we recommend that the Office of the Corporate Chief Information Officer:

- extend mandatory cybersecurity training courses to all OPS staff, including contract employees;
- review reports on mandatory course completion rates and create an escalation process for incomplete mandatory courses;

Status:  **In the process of being implemented by March 2025.**

Details

We found that access to LearnON, the platform the OPS uses to provide cybersecurity training, has not been extended to contract employees, as they need an OPS WIN ID (employee ID number) to access the OPS IT network. CCIO conducted an assessment in March 2023 and noted that it is not possible to grant non-OPS staff access to LearnON and instead identified the need for a new training tool in order to do this. TBS is in the process of procuring a new training tool with the ability to grant access to contract employees and will implement it by March 2025.

We also found that in order to address and escalate incomplete trainings, CCIO has established regular reporting on course completion, with results presented to the Information Technology Executive Leadership Council committee on a quarterly basis. We reviewed the cyber intelligence report from February 2024 and noted that 44% of all OPS staff had already completed the mandatory information classification course.

Recommendation 7: Action Item 3

- provide cybersecurity training to all OPS staff at least on an annual basis;

Status:  **In the process of being implemented by March 2025.**

Details

We found that two mandatory cybersecurity courses, information classification and cybersecurity basics, have been developed and made available to all OPS staff through LearnON. The courses have been communicated to all OPS staff by the Deputy Minister of Public and Business Service Delivery and Procurement via email, as well as through an annual cybersecurity campaign in October of each year to provide additional resources on phishing best practices. However, as of

August 2024, these courses are not required to be completed annually, but rather just when staff are onboarded and when any significant change to the course is made. CCIO is in the process of exploring a mechanism to require these courses to be completed on an annual basis and will implement it by March 2025.

Recommendation 7: Action Item 4

- implement IT controls to restrict use of personal devices to prevent OPS employees who are working remotely from storing data on non-OPS devices;

Status:  **In the process of being implemented by December 2024.**

Details

We found that CCIO has implemented controls through Microsoft 365 to all OPS devices in order to restrict staff from downloading files to personal devices such as USBs or external drives. This is done through Microsoft Intune, an IT system that can disable USB ports on devices so that a removable storage device does not show up to users. This is also used to restrict unmanaged or unrecognized devices from downloading and printing documents. Staff are able to request an exemption to this process. CCIO is currently reviewing the list of exemptions to assess their appropriateness. In addition, in order to enable the functionality through Microsoft 365, some staff are required to update their computers to Microsoft Windows 11. Computers are being updated to Windows 11 into December 2024.

Recommendation 7: Action Item 5

- enforce a screensaver policy for all users.

Status:  **Fully implemented.**

Details

We found that since April 1, 2024, all new devices, such as end user computing devices/laptops, in the OPS are deployed with Windows 11 and all existing/in-use OPS devices will be upgraded from Windows 10 to 11 according to their refresh cycle. We reviewed the global Windows setting and noted that all Windows 10 and 11 devices have been set to have a 15-minute inactivity time limit before screens are locked and a password is required. This should increase compliance with the OPS's mandatory automatic screensaver policy. Any exemptions to this policy and the associated Windows screensaver setting will require staff to complete a deferral of risk treatment form that requires approvals from both their program areas and IT.

Recommendation 8: Action Item 1

To assist in responding to cyberattacks and increase engagement for preventative best practices for broader public sector entities that face cyberattacks, we recommend that the Office of the Corporate Chief Information Officer establish a Memorandum of Understanding with the broader public sector to share detailed reports of cybersecurity incidents and communicate about how to remediate any weaknesses.

Status:  **In the process of being implemented by November 2025.**

Details

We found that CCIO has worked with TBS to include cybersecurity provisions in updated amendments proposed for the Memorandum of Understanding template between ministries and BPS entities, and for use in any new memoranda of understanding. Specifically, CCIO has proposed a mandatory requirement for a dedicated role at ministries or BPS entities that is responsible for education and awareness of employees on cybersecurity best practices. In addition, the proposed amendments include the establishment and execution of a holistic cybersecurity program and reporting of critical cyber incidents to the entity's board of directors and to the cybersecurity division of CCIO. There are also proposed inclusions for the documentation of IT risks, frequent cybersecurity assessments and quarterly reporting of any IT threats to CCIO. The updated Memorandum of Understanding template is expected to be implemented by November 2025.

Recommendation 9: Action Items 1, 2 and 3

To identify any risks that Ontario government data may be exposed to, we recommend that the Office of the Corporate Chief Information Officer:

- establish a centralized process to mandate the receipt and review of third-party assurance reports from vendors that host or use OPS data;
- review IT weaknesses identified in third-party assurance reports to assess the impact to OPS operations and take corrective action where necessary; and
- work with IT clusters to identify any vendors that store data outside of Canada, assess the risk and take corrective action if that storage violates requirements related to the collection, retention, and disposal of sensitive information associated with storing data outside of Ontario.

Status:  **In the process of being implemented by October 2025.**

Details

We found that CCIO has established an interim IT Vendor Management Office. This office's responsibility is to provide oversight and monitoring of third-party IT vendors and any associated risks. IT clusters will be responsible for receiving and reviewing third-party system and organization control (SOC) assurance reports to identify any exceptions, address them directly with vendors and share results with the IT Vendor Management Office. In addition, the IT clusters are now responsible for the identification of vendors storing data outside of Canada, to assess the data residency risks and, where necessary, take corrective action. Further, the IT clusters and ministries can now contact the Cyber Security Division directly through a new OPS-wide service, the Cyber Procurement Advice, which was deployed in September 2023 to receive guidance on how to assess and address data residency risks. The mandate of the IT Vendor Management Office has been included as part of the Cyber Security Risk Management policy, approved in April 2023. Until a dedicated IT Vendor Management Office is established (expected October 2025), CCIO has put in place a pilot process for IT clusters to review the SOC assurance reports for the top five vendors by CCIO spending. The interim Vendor Management Office will review the IT clusters' reported findings and proposed mitigation plans to assess whether additional training on SOC reports is required for clusters.

7. Ontario Government's IT System Inventory is Incomplete and Inaccurate

In our original audit, we found that the IT system inventory did not have all relevant and critical information about each IT system recorded. We also found that the process to review the inventory lacked thorough, frequent and consistent criteria-based reviews to verify or ensure that information stored there was accurate and complete or current.

Recommendation 10: Action Items 1, 2 and 3

To improve the accuracy and completeness of the IT system inventory and to more easily identify aging IT systems, we recommend that the Office of the Corporate Chief Information Officer:

- develop a guideline for all employees that outlines a process to update the Configuration Management Database using a defined set of criteria;
- complete any empty, mandatory fields in the Configuration Management Database; and

- perform a systematic review of the database on an annual basis and whenever a system is onboarded or retired.

Status:  **Fully implemented.**

Details

We found that in June 2023, CCIO established training sessions on the configuration management database (CMDB), detailing how assets are managed within the CMDB and the necessary data required. The training was provided for configuration item owners, the individuals responsible for keeping information accurate in the CMDB for a particular IT system. The training specifies the data entry fields available in CMDB and what data should be provided in them, and common scenarios or errors that can be encountered in the CMDB and what additional information is needed.

We found that CCIO has established biweekly meetings to review overall data quality within CMDB through a data quality report that can be generated from a PowerBI dashboard and notes incorrect, outdated or empty fields. We reviewed data quality reports in both March and July 2024 and noted that the number of empty fields has significantly reduced, and overall data quality has improved from the time of our 2022 audit. Fields are not expected to be 100% filled as there is always a reasonable margin of error. The biweekly meetings to review data quality are comprehensive and would include any IT system that had been onboarded or retired on a continuous basis.

Recommendation 11: Action Items 1, 2 and 3

To ensure a robust software license management process and avoid underpayment or overpayment to vendors, we recommend that the Office of the Corporate Chief Information Officer:

- onboard its key IT systems into its software asset management system so that it is able to track utilization to assess optimal and economical use of resources;
- adopt a process to verify and confirm the licenses on hand match the fees being paid to vendors; and
- perform regular audits of installed software to identify the need to purchase or retire software licenses.

Status:  **In the process of being implemented by June 2025.**

Details

We noted that in January 2024, CCIO signed a contract with a vendor to manage the software license management process for the OPS. The vendor has specified a timeline of June 2025 to onboard existing software into Snow, the OPS's software license management tool, as well as to develop a process to perform reconciliations of software licenses to fees paid and audits of installed software.

8. Insufficient Due Diligence When Hiring IT Consultants

In our original audit, we found that CCIO was not performing internal capability assessments to determine whether an IT consultant was required before hiring one. We also found IT consultants were being paid above the recommended rate listed in the OPS People Placement Service Manual, without any rationale. We also noted that there were no requirements for the minimum number of candidates to be interviewed for a position or number of interview evaluators.

Recommendation 12: Action Items 1, 2, 3 and 4

To ensure that consultants are procured with the necessary due diligence and to maximize value for money, we recommend that the Office of the Corporate Chief Information Officer:

- ensure that when procuring additional services cost/benefit analyses are performed and the option of hiring a full-time employee is considered;
- pay consultants within the recommended rate ranges set out by the People Placement Service Manual, and that any deviation or exception from the Manual be formally documented and approved by the Office of the Corporate Chief Information Officer;
- ensure a minimum of two candidates, per position, are interviewed by at least three evaluators; and
- formally document and retain interview notes within the IT system.

Status:  Fully implemented.

Details

We found that CCIO has worked with Supply Chain Ontario (SCO) to implement a cost/benefit analysis template based on the requirement originally listed in the OPS Procurement Directive since 2018. Further, CCIO updated the Vendor Management System (VMS) in August 2023 to include a mandatory attestation noting that the ministry or cluster has completed the cost/benefit analysis as part of the approval process for a particular procurement. Managers filling out a procurement

form within the VMS are restricted from completing the form until the attestation is completed. A formal bulletin of these changes was sent to Central Agencies Cluster (CAC) staff in October 2023. CAC also conducts quarterly spot checks for compliance to the Procurement Directive and People Placement Service Manual and, as of August 2023, has included a new item to check if cost/benefit analyses were conducted. As of July 2024, CAC has not identified any non-compliance with the cost/benefit analysis requirement.

We also noted that CCIO has updated the VMS tool's configuration to prevent a pay rate outside of the recommended range from the People Placement Service Manual to be entered into the tool without selecting a new field that notes that an exception has been approved by the CCIO. The VMS also requires an additional reason to be selected from a dropdown menu as to why the exception was made, such as niche skill sets.

We noted that CCIO sent out a best practices bulletin in July 2023 to all hiring managers noting the requirement for at least two candidates and at least three evaluators for every IT consultant position. An attestation has also been added into the VMS to document that these requirements have been followed, and that interview notes have been uploaded to the VMS. The uploaded interview notes and attestations have also been added to the quarterly spot check performed by the CAC cluster.

Recommendation 13: Action Items 1, 2 and 3

To efficiently restore IT services with minimal interruption to Ontarians, and to accurately calculate and report on compliance with service delivery targets, we recommend that the Office of the Corporate Chief Information Officer:

- re-assess its compliance targets to ensure they are in accordance with industry standards;
- review the calculation of incident resolution time to ensure it aligns with industry best practices; and
- put in place remedies to improve the time taken to restore IT services.

Status:  **Fully implemented.**

Details

We found that CCIO collaborated on an extensive industry scan of service level agreements with Gartner, an industry-leading IT research firm, and concluded, based on the results of the scan, that its compliance targets are aligned with industry best practices and existing OPS requirements. CCIO informed us that it follows the best practices noted in the documentation provided with its IT service management software. In addition, CCIO has also conducted a

comparison of its calculation method with those used with other similar service management tools, and found its timelines for resolving IT incidents adequate or on par with industry standards. We also noted that CCIO performs analyses of historical and current performance data to identify any gaps for improvement, specifically regarding improvements in incident resolution time by IT service providers.

Recommendation 14: Action Items 1 and 2

Status:  Fully implemented.

Details

Due to the sensitive nature of cybersecurity, and so as to minimize the risk of exposure for the OPS, relevant details of this finding and recommendation were not published in our 2022 audit and were instead provided directly to CCIO for remediation. We received commitment from CCIO that it would address these findings in a timely manner, and we will track the status of this recommendation directly with CCIO. The detailed status of this recommendation will not be published in the follow-up report.

Recommendation 14: Action Item 3

Status:  In the process of being implemented by March 2025.

Details

Due to the sensitive nature of cybersecurity, and so as to minimize the risk of exposure for the OPS, relevant details of this finding and recommendation were not published in our 2022 audit and were instead provided directly to CCIO for remediation. We received commitment from CCIO that it would address these findings in a timely manner, and we will track the status of this recommendation directly with CCIO. The detailed status of this recommendation will not be published in the follow-up report.

// Appendix

Recommendation Status Overview

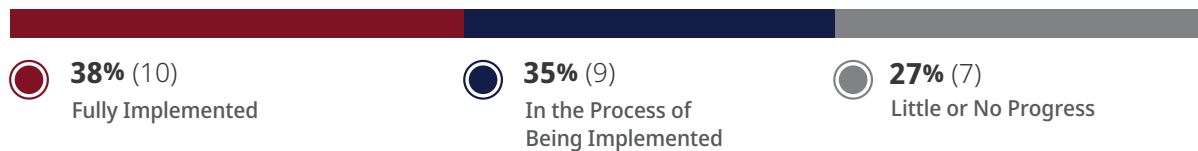
	# of Action Items	Fully Implemented 	In the Process of Being Implemented 	Little or No Progress 	Will Not Be Implemented 	No Longer Applicable 
Recommendation 1	2		2			
Recommendation 2	3		3			
Recommendation 3	5	2	3			
Recommendation 4	4		1	3		
Recommendation 5	2	1	1			
Recommendation 6	2		2			
Recommendation 7	5	1	4			
Recommendation 8	1		1			
Recommendation 9	3		3			
Recommendation 10	3	3				
Recommendation 11	3		3			
Recommendation 12	4	4				
Recommendation 13	3	3				
Recommendation 14	3	2	1			
Total	43	16	24	3	0	0
%	100	37	56	7	0	0

Follow-Up on the 2022 Performance Audit:

Ministry of Energy and Ontario Energy Board Electricity Oversight and Consumer Protection

// Overall Conclusion

26 Recommended Actions



The Ministry of Energy (Ministry) and the Ontario Energy Board (OEB), as of October 3, 2024, have fully implemented 38% of actions we recommended in our 2022 audit **Ontario Energy Board: Electricity Oversight and Consumer Protection**. They have made progress in implementing 35% of the recommendations. However, they have made little or no progress on 27% of the recommendations.

The Ministry and the OEB have fully implemented recommendations such as developing educational materials about Unit Sub-Meter Providers (USMPs) to help customers understand these providers; developing performance metrics and targets to evaluate the effectiveness of the low-income energy programs within their responsibility; developing procedures to continuously monitor the impact of relevant regulatory efficiency initiatives on very small Local Distribution Companies (LDCs); reviewing the OEB's customer service metrics and targets and updating them as needed; and developing performance metrics to measure the efficiency of the OEB's compliance activities.

The Ministry and the OEB have made progress in implementing recommendations such as performing an analysis to verify customer concerns and assess whether prices charged by USMPs are fair; completing the Distribution Rate Protection (DRP) program analysis to identify and evaluate options that can improve the robustness of the mechanism in determining program eligibility; and reviewing the deemed capital structure and return on equity formula and thereafter at defined intervals (for example, every three to five years).

The Ministry has made little or no progress on recommendations, including evaluating options to increase the OEB's oversight role over electricity procurement activities within an established timeline (for example, within a year); developing an expedited timeline to complete its review of the long-term energy planning process and releasing the next Long-Term Energy Plan within 12 months; including all major energy sources in the planning process; and recognizing and assigning the OEB a role in long-term energy planning.

The OEB has made little or no progress on developing and publishing performance metrics for USMPs to provide customers with insight into USMP performance.

The status of actions taken on each of our recommendations is described in this report.

// Status of Actions Taken on Recommendations

We conducted assurance work between April 2024 and August 2024. We obtained written representation from the Ministry and the OEB that effective October 3, 2024, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

1. Decisions Made Outside of the OEB's Regulatory Process Have Impacted Electricity Prices and Consumers

In our original audit, we found that while one of the primary objectives of the OEB is to protect consumer interests in electricity prices, the OEB has no authority to regulate almost 34% of charges on an average residential bill. Among all generating assets, the OEB only sets the rates for electricity generated by certain assets owned and operated by Ontario Power Generation. Rates for electricity from other generating assets are mostly governed by electricity supply contracts managed by the Independent Electricity System Operator (IESO); the OEB has no regulatory authority over those contracts.

Recommendation 1: Action Items 1 and 2

To enhance consumer protection over electricity prices and strengthen public trust in the regulatory system, we recommend that the Ministry of Energy:

- evaluate options within an established timeline (for example, within a year) that will increase the Ontario Energy Board's oversight role over electricity procurement activities so that future decisions impacting electricity rates are financially prudent and consistent with the anticipated demand for electricity; and
- consult with stakeholders during the evaluation process and implement the selected option with an established timeline.

Status:  **Little or no progress.**

Details

We found that the Ministry has not evaluated options that will increase the OEB's oversight role over electricity procurement activities. The Ministry also has not consulted with stakeholders and implemented the selected option with an established timeline.

The Ministry informed us that the Province will plan for an electrified future based on the advice of the Electrification and Energy Transition Panel (Panel), which released its final report, titled *Ontario's Clean Energy Opportunity*, in January 2024. The Panel undertook a consultation process with energy sector stakeholders, Indigenous partners and the public to develop its report with 29 recommendations. A number of the recommendations related to the OEB's role, including the potential for the OEB in overseeing the electricity procurement activities.

The Ministry advised us that it is reviewing the Panel's recommendations, exploring opportunities to move to a more integrated planning process later in 2024 and outlining their next steps to address our recommendation.

2. The Long-Term Energy Planning Process Lacks Independent Oversight and Does Not Include Non-Electricity Energy Sources

In our original audit, we found that the Ontario Power Authority, which merged with the IESO in 2015, was required by legislation to prepare a 20-year energy plan called an Integrated Power System Plan (IPSP) for the OEB to review and approve. However, the OEB was required to stop its review of the 2007 IPSP and no further IPSP was submitted to the OEB for review and approval. Instead, in 2010, 2013 and 2017 the Ministry issued Long-term Energy Plans (LTEPs) in place

of IPSPs. None were subject to the OEB's review to ensure they were financially prudent. The government still had not set a definite timeline for the next LTEP. The Ministry was required by a regulation under the *Electricity Act, 1998* to issue the next LTEP by February 2021. However, the regulation was revoked on January 1, 2021, and a new LTEP still has not been issued.

Recommendation 2: Action Items 1, 2, 3 and 4

So that energy planning better protects the interests of energy consumers, we recommend that the Ministry of Energy:

- develop an expedited timeline to complete its review of the long-term energy planning process within 12 months;
- develop an expedited timeline to release the next Long-Term Energy Plan within 12 months;
- include all major energy sources in the planning process; and
- recognize and assign the Ontario Energy Board (OEB) a role in long-term energy planning that reflects the OEB's role and expertise as the regulator of the energy sector, including protecting the interests of consumers.

Status:  **Little or no progress.**

Details

We found that the Ministry has not developed an expedited timeline to complete its review of the long-term energy planning process and, as a result, has not released the next long-term energy plan that includes all major energy sources. The Ministry also has not recognized and assigned the OEB a role in long-term energy planning that reflects the OEB's role and expertise as the regulator of the energy sector.

As previously noted in Recommendation 1, the Ministry informed us that the Province will plan for an electrified future based on the advice of the Panel, which released its final report, titled *Ontario's Clean Energy Opportunity*, in January 2024. A number of the recommendations related to the OEB's role, including the potential for the OEB in overseeing the electricity procurement activities.

The Ministry is reviewing the Panel's recommendations, exploring opportunities to move to a more integrated planning process later in 2024, and outlining next steps to address our recommendation.

3. Price and Service Protection for Local Distribution Companies and Unit Sub-Meter Provider Customers Varies

In our original audit, we found that multi-unit buildings in Ontario could obtain sub-metering services from USMPs to provide electricity meters to each unit, but the OEB had no oversight over USMP prices. Specifically, unlike rates charged by LDCs, USMP charges were not subject to the OEB's regulation. Instead, the rates to be charged to occupants were set by contracts with developers, building owners or condominium boards, and the contract terms could vary.

Occupants served by USMPs also had less protection against disconnection compared to LDC customers. In 2017, the OEB amended the LDCs' licence conditions to ban the disconnection of residential customers during winter months. USMPs, however, were not subject to this prohibition. About 12% of USMP customer complaints received by the OEB from 2016/17 to 2021/22 were related to winter disconnection.

The OEB did not provide sufficient information to educate electricity customers about USMPs, despite customer concerns about the lack of transparency on USMP charges.

Recommendation 3: Action Items 1 and 2

So that Unit Sub-Meter Provider (USMP) customers' interests are sufficiently protected, we recommend that the Ministry:

- perform its own analysis immediately to verify customer concerns and assess whether prices charged by USMPs are fair; and
- use results from these studies to develop and implement options to improve price protection and transparency for USMP customers.

Status:  **In the process of being implemented by December 2025.**

Details

We found that the Ministry has started performing its analysis to verify customer concerns and assess whether prices charged by USMPs are fair.

The Ministry has met with the OEB to discuss the available tools to collect data as well as the scope of the analysis. Specifically, the following actions were taken by the Ministry and the OEB:

- In November 2023, the Ministry issued a letter to the OEB, requesting the OEB to provide data on USMPs to the Ministry.

- In December 2023, the OEB notified USMPs that the OEB planned to start collecting data relating to their practices in 2024.
- In February 2024, the OEB issued a letter to USMPs, requesting them to provide pricing data by April 2024.

After collecting the pricing data from USMPs in April 2024, the Ministry will analyze the data, which includes assessing whether the prices charged by USMPs are fair. Following its analysis, the Ministry will prepare options and recommendations on next steps for the government's consideration.

The Ministry anticipated that this work will be completed by December 2025. The Ministry does not have a specific timeline for implementing any changes, as this would depend on the results of the Ministry's ongoing analysis.

Recommendation 4: Action Item 1

So that electricity customers are entitled to similar service levels and benefits regardless of their service providers, we recommend that the Ontario Energy Board identify mechanisms to align service standards that apply to Unit Sub-Meter Provider customers with those that apply to Local Distribution Company customers, especially with respect to protection against winter disconnections and reconnections.

Status:  **In the process of being implemented by March 2025.**

Details

We found that the OEB has not identified mechanisms to align service standards that apply to USMP customers with those that apply to LDC customers, especially with respect to protection against winter disconnections and reconnections.

However, the OEB did commence a review of customer service standards for USMPs in late 2023. The purpose of this review is to assess the potential for alignment with LDCs, having regard to the OEB's legislative authority and the role of USMPs in the energy sector, and to determine the next steps regarding potential changes on matters such as disconnection. As part of this review, the OEB has engaged USMPs and their customers by issuing an information request to USMPs in February 2024 (as noted in Recommendation 3). The OEB has also completed data collection, a survey of USMP customers and several stakeholder meetings. The OEB target to complete this review is by March 31, 2025.

Recommendation 5: Action Item 1

To educate the public about Unit Sub-Meter Providers (USMPs), we recommend that the Ontario Energy Board immediately:

- develop educational materials about USMPs to help customers understand their services, their commercial relationships with building owners and tenants, their billing practices, and the extent of regulation over their business practices and pricing;

Status:  Fully implemented.

Details

We found that the OEB has developed a webpage to help customers understand USMPs' services, their commercial relationships with building owners and tenants, their billing practices, and the extent of regulation over their business practices and pricing. The webpage includes the following sections:

- USMP arrangements in multi-unit residential buildings;
- What customers need to know;
- How the OEB protects customers; and
- Who to contact for assistance.

Recommendation 5: Action Item 2

- develop and publish performance metrics for USMPs to provide customers with insight into USMP performance.

Status:  Little or no progress.

Details

We found that the OEB has not developed and published performance metrics for USMPs to provide customers with insight into USMP performance.

In its management response to our audit in 2022, the OEB indicated that it would consider implementing an initiative to identify the kinds of performance reporting that should be obtained from USMPs and reported on by the OEB in order to support and enhance customer understanding of the USMP sector while balancing regulatory burden and cost.

At the time of this follow-up, the OEB has determined that this initiative can be most efficiently undertaken as part of the review of customer service standards for USMPs as previously discussed in Recommendation 4. Possible performance metrics were included in the information request to USMPs in February 2024, as noted in Recommendation 3 and Recommendation 4. Consistent with the timeline for completing the review of customer service standards for USMPs, the OEB target to complete this work is by March 31, 2025.

4. Eligibility Criteria and Cap-Setting Methodology for the Distribution Rate Protection Program Are Outdated

In our original audit, we noted that the DRP program was a subsidy program that capped the monthly base distribution charges for residential customers of the eight eligible LDCs with the highest distribution charges at the time when the program was initiated in 2017. However, in 2022, these eight LDCs no longer had the highest distribution charges. Some LDCs with distribution charges above the cap remain ineligible, while one LDC remained eligible even though its charge had fallen below the cap. Residential customers of certain LDCs with charges above the cap could be paying less if the list of LDCs was updated.

Recommendation 6: Action Items 1 and 2

So that the Distribution Rate Protection (DRP) program continues to meet the intent of protecting Local Distribution Company customers in areas with comparatively high distribution costs, we recommend that the Ministry of Energy, with input from the Ontario Energy Board, within the next year:

- complete the DRP program analysis to identify and evaluate options that can improve the robustness of the mechanism in determining program eligibility; and
- implement changes identified from the analysis.

Status:  **In the process of being implemented by December 2025.**

Details

We found that the Ministry has started analyzing the DRP program to identify and evaluate options that can improve the robustness of the mechanism in determining program eligibility, and to implement changes.

The OEB adjusts inflation parameters annually based on broader economic factors. In 2022, the Ministry amended O. Reg 198/17 to include an annual inflationary adjustment to the methodology for setting the DRP cap. A new cap was in effect as of July 1, 2024, in accordance with the regulation.

As the inflation rates have remained much higher than the historical trends, the Ministry intended to measure the impact of the 2022 regulatory amendment and inflationary trends for two to three more years to understand the full effect of the modified cap-setting methodology.

The Ministry will continue to monitor and assess the impact of the 2022 regulatory amendment on DRP costs and forecasting. The results of this assessment will form the basis of any DRP program analysis that we recommended in our audit. The Ministry anticipates that this work will be completed by December 2025. The Ministry does not have a specific timeline for implementing any changes, as this would depend on the results of the Ministry's ongoing analysis.

5. Use and Effectiveness of Low-Income and Emergency Subsidy Programs Are Not Sufficiently Evaluated

In our original audit, we noted that the OEB and the provincial government introduced a number of subsidy programs to assist customers who faced financial hardship to pay their electricity bills, including the Low-income Energy Assistance Program (LEAP), the Ontario Electricity Support Program (OESP) and the time-limited COVID-19 Energy Assistance Program (CEAP). However, the LEAP funding mechanism and eligibility criteria had not been sufficiently reviewed to optimize benefits to eligible customers. While certain LDCs have LEAP funds remaining at year-end, others depleted their funds and could no longer help their customers. For example, in 2019, two LDCs depleted their funds as early as February (only two months into the calendar year) and about 25% of LDCs ran out of funds by end of June.

Performance measures and targets were also not established to determine if these programs were targeting and helping those who needed it most.

Recommendation 7: Action Items 1 and 2

To assess and confirm whether the Low-income Energy Assistance Program (LEAP) effectively benefits those who need assistance most while containing program costs, we recommend that the Ontario Energy Board:

- evaluate LEAP's funding mechanism and historical trends in funding availability, and implement changes as warranted to ensure that the program is meeting its objectives; and
- review LEAP's eligibility criteria and implement changes as warranted, taking into consideration program objectives and implementation costs.

Status:  **Fully implemented.**

Details

We found that the OEB initiated a review of the LEAP on July 19, 2023. The review focused on the LEAP's funding mechanism, eligibility criteria, grant amounts and program awareness with a view to ensuring it provides an appropriate level of assistance to vulnerable consumers. The review also addressed the design of performance metrics and targets used to evaluate the LEAP's effectiveness in meeting its intended objectives.

The OEB also engaged with the Financial Assistance Working Group (FAWG), which is composed of distributors, community agencies and consumer representatives, for advice to inform the review. The OEB sought the FAWG's input on the current operation of the LEAP, potential improvements to the LEAP, as well as the development of performance metrics and targets.

After considering input from the FAWG, as well as analysis of relevant data collected through the OEB's Reporting and Record Keeping Requirements, OEB staff issued a report on November 21, 2023, which included developing recommendations to enhance the LEAP and performance metrics.

On February 12, 2024, OEB staff issued a letter to indicate that the performance metrics came into effect on March 1, 2024. We noted that all of the changes, including the performance metrics, have been implemented.

Recommendation 8: Action Item 1

To assess and confirm whether low-income energy programs effectively benefit those who need assistance most while containing program costs, we recommend that the Ministry of Energy and Ontario Energy Board:

- develop performance metrics and targets to evaluate the effectiveness of the programs within their responsibility;

Status:  **Fully implemented.**

Details

We found that both the Ministry and the OEB have developed performance metrics and targets to evaluate the effectiveness of the low-income energy programs.

The Ministry has included the following four outcome measures in the OESP's performance measurement framework:

- OESP controls electricity costs to an appropriate level of household income.
- OESP reduces the number of requests for emergency financial assistance through the LEAP and the number of residential accounts in arrears or disconnected.

- OESP effectively reaches low-income electricity consumers.
- OESP is accessible to social assistance recipients (that is, Ontario Works (OW), Ontario Disability Support Program (ODSP) and OESP assistance supplements for social assistance).

For the LEAP, in February 2024 the OEB adopted two performance measures as part of the LEAP's review as noted in Recommendation 7:

- No eligible LEAP application is denied due to lack of funding.
- LEAP applications are processed within 21 days.

Recommendation 8: Action Item 2

- measure program performance against established targets at defined intervals and develop action plans if performance targets are not met.

Status:  **In the process of being implemented by November 2025.**

Details

We found that this recommendation is in the process of being implemented.

For the OESP, the Ministry has measured performance using the four outcome measures in the OESP's performance measurement framework as noted in the previous recommended action. The Ministry will then use data from the OESP's performance measurement framework to inform policy and program decisions relating to OESP in 2025. The Ministry will also continue to assess the data collected for the OESP, update the OESP's performance measurement framework, measure the OESP's performance on a quarterly basis and use this information to identify opportunities to improve the OESP's delivery.

For the LEAP, the OEB has not measured the LEAP's performance, because once the two performance measures identified in the previous recommended action are put in place, the LEAP will need to operate for a minimum of two years in order to have the data necessary to measure its performance. The OEB expects that the first assessment of the LEAP's performance will be completed by the end of November 2025.

6. Regulatory Cost of Major Rate Applications for Very Small LDCs Is Disproportionately High

In our original audit, we found that the OEB's rate-setting process imposed disproportionately higher costs on the very small LDCs with fewer than 5,000 customers. Based on our review of the 20 major rate applications filed from 2019 to 2021, the costs of adjudicating applications from very small LDCs represented 25% of the estimated five-year customer savings resulting from adjudication (that is, the amount of rate increases sought by LDCs that the OEB disallowed). This was much higher than that from larger LDCs, where the costs of adjudication represented only 1–2% of the estimated savings.

Recommendation 9: Action Item 1

To help reduce the regulatory burden of filing major rate applications on very small Local Distribution Companies (LDCs), we recommend that the Ontario Energy Board:

- evaluate the impact of its relevant regulatory efficiency initiatives on very small LDCs as soon as sufficient information is available and identify areas for improvement within an established timeline;

Status:  Fully implemented.

Details

We found that the OEB has evaluated the impact of its relevant regulatory efficiency initiatives on very small LDCs.

The OEB established a Very Small Utilities Working Group (Working Group), consisting of representatives from eight very small utilities (those with fewer than 5,000 customers) across Ontario. The Working Group met eight times between September 2023 and January 2024 to identify areas for improvement and find solutions to the challenges faced by very small utilities in complying with the OEB's regulatory framework, especially in exploring opportunities for reducing the regulatory burden associated with the filing and review process of major rate applications.

The Working Group issued its final report in February 2024, containing recommendations such as those related to filing requirements and the monitoring process of the impact of regulatory initiatives on these utilities. The OEB generally accepted these recommendations and anticipated that many will be implemented commencing with the rate applications to be filed for 2025. For example:

- **Filing requirements regarding customer engagement:** The Working Group recommended that the OEB provide clarification on potential methods for obtaining customer feedback for a rate application, which will remove the perceived expectation of customer engagement

surveys. Examples of methods identified by the Working Group include hosting a one-day town hall meeting and developing a simplified customer survey or questionnaire. The OEB agreed that one or a combination of the proposed methods can be used to meet the customer engagement requirements.

- **Monitoring process of the impact of regulatory initiatives:** The Working Group proposed regular touchpoints in the future to assess the effectiveness of the changes made in response to its recommendations and to monitor regulatory costs associated with rate applications. The OEB agreed and will establish touchpoints with the Working Group, at a minimum bi-annually, over the next two years. The OEB will also track the impact of its regulatory process on very small utilities.

Recommendation 9: Action Item 2

- develop procedures to continuously monitor the impact of relevant regulatory efficiency initiatives on very small LDCs, and implement further actions as warranted.

Status:  **Fully implemented.**

Details

We found that the OEB has established a process to monitor the impact of relevant regulatory efficiency initiatives on very small LDCs based on its review of the recommendations by the Working Group. As noted in Action Item 1 under Recommendation 9, the OEB established the Working Group to assess opportunities for reducing the regulatory burden associated with the filing and review process of major rate applications for very small LDCs.

The OEB has planned to have regular touchpoints, at a minimum bi-annually, over the next two years with the Working Group to assess the effectiveness of the changes identified in the Working Group's report, which included filing requirements and a monitoring process for tracking the impact of regulatory approaches on these very small LDCs.

7. Review of Capital Structure and Rate of Return for Rate-Regulated Entities Is Overdue

In our original audit, the OEB set rates allowing regulated entities to recover their prudently incurred costs and to earn a fair, but not excessive, return on their invested capital. Two key inputs set by the OEB that determined the allowed return were the deemed capital structure (that is, debt-to-equity ratio) and the rate of return on equity (ROE). Two factors that helped the OEB determine the allowable return were last subject to comprehensive review by the OEB in 2006 and 2009 respectively.

Recommendation 10: Action Item 1

To regularly confirm that rate-regulated entities are financially viable and earn a fair—but not excessive—return, we recommend that the Ontario Energy Board:

- review the deemed capital structure and return on equity (ROE) formula and thereafter at defined intervals (for example, every three to five years);

Status:  In the process of being implemented by December 2024.

Details

We found that the OEB commenced a generic proceeding for the deemed capital structure and ROE formula in April 2024 to determine whether rate-regulated entities are financially viable and earn a fair, but not excessive, return. The OEB anticipates that the generic proceeding will be completed by December 2024.

Recommendation 10: Action Item 2

- adjust the deemed capital structure and ROE formula as informed by the review, so that they reflect the risk profile of rate-regulated entities.

Status:  In the process of being implemented by November 2025.

Details

We found that the OEB has not adjusted the deemed capital structure and ROE formula, pending the results of the generic proceeding noted in Action Item 1 under Recommendation 10. Once the generic proceeding is completed, the OEB will develop an implementation plan to phase in any changes. The OEB anticipates that this work will be completed by November 2025.

8. The OEB Does Not Sufficiently Monitor Performance of LDCs After Approving Consolidations

In our original audit, the OEB did not have a standard process to monitor post-consolidation activities of LDCs to confirm that those activities progress as planned to generate long-term benefits for customers and the electricity distribution sector. We identified cases relating to Hydro One's acquisitions where the acquisitions failed to demonstrate value (that is, lower electricity prices) to customers of the acquired LDCs. Once a consolidation transaction was closed, performance metrics of the acquired or merged LDCs were combined and reported as part of the consolidated entity, instead of separately tracked in individual scorecards. This resulted in reduced transparency for customers and the regulator.

Recommendation 11: Action Item 1

To protect electricity customers from negative impacts of Local Distribution Company (LDC) consolidations, and to facilitate the maintenance of a cost-effective and economically efficient electricity distribution sector, we recommend that the Ontario Energy Board:

- implement effective and timely monitoring of post-consolidation activities during deferred rebasing periods to obtain periodic status updates from LDCs on steps taken toward integration and to verify that consolidated entities are adhering to approval conditions for consolidations and maintaining necessary records;

Status:  Fully implemented.

Details

We found that the OEB has started the process of implementing effective and timely monitoring of post-consolidation activities of LDCs.

In July 2023, the OEB launched a consultation to engage stakeholders to review and update its Mergers, Amalgamations, Acquisitions and Divestitures (MAADs) policy. The OEB met with eight LDCs and intervenors in one-on-one meetings, and issued a staff discussion paper for broader comment in February 2024. The OEB issued the 2024 Handbook to Electricity Distributor and Transmitter Consolidations (Handbook) on June 18, 2024, including expectations for monitoring and reporting on certain consolidation activities. The Handbook reflects updates on OEB policies and filing requirements applicable to consolidations as well as rate-making considerations, accounting and other matters related to consolidating utilities.

Recommendation 11: Action Item 2

- require acquired and merged entities to continue to report on key performance measures (for example, reliability metrics) separate from the consolidated entities during deferred rebasing periods to create greater transparency.

Status:  **In the process of being implemented by November 2024.**

Details

We found that the OEB has not required the acquired and merged entities to continue to report on key performance measures (for example, reliability metrics) separate from the consolidated entities, pending the results of the review of its MAADs policy as noted in the previous recommended action. Once the review is completed, the OEB will develop an implementation plan to address this recommendation. The OEB anticipates that this work will be completed by November 2024.

9. Transparency and Performance Monitoring of the OEB's Compliance Program Can Be Improved

In our original audit, we found that the OEB's website provided information on the roles and responsibilities of the OEB, electricity service providers and customers, as well as the complaint resolution process. However, such information was fragmented and unclear in comparison to regulators in other jurisdictions, such as British Columbia and Manitoba. Our review of customer inquiries noted that some customers have mistakenly called the OEB when they meant to call their electricity service providers. The OEB neither updated the targets of the customer service metrics for its complaints and inquiries handling processes, nor established metrics to measure the performance of its compliance and enforcement function. Cycle times on compliance reviews and inspections were not tracked and assessed against targets to measure the efficiency of these activities.

Recommendation 12: Action Item 1

To improve the transparency and performance monitoring of its complaints and inquiries process, as well as its compliance and enforcement activities, we recommend that the Ontario Energy Board:

- reorganize and update its website to provide customers with clearer information regarding

the complaints process;

Status:  **Fully implemented.**

Details

We found that the OEB updated its website in August 2023 to make the complaints process clearer for consumers.

The website clarifies the OEB's role with respect to complaints. Specifically, it indicates that as the independent regulator of the energy sector, the OEB handles complaints and inquiries about the energy companies that the OEB regulates. These include the utilities that provide electricity or natural gas, the companies that provide metering and billing services in multi-unit buildings (called USMPs), and energy retailers that sell electricity or natural gas through signing contracts with consumers.

The website also includes a flowchart with details to illustrate the complaint process, which typically includes the following steps:

- Consumers contact the energy company first to resolve the issue, and contact the OEB if their complaint remains unresolved or they are not able to reach the energy company.
- The OEB will review the information about the complaint, and may request additional information such as copies of any correspondence and bills to ensure that the complaint is within the OEB's jurisdiction.
- The OEB will send consumers a written confirmation of the complaint within two business days that includes a reference number and a brief description of next steps. The energy company will contact the consumer within 10 business days to discuss the complaint and then provide a response to the OEB.
- If the energy company has addressed the concerns outlined in the complaint and no further action is required, the OEB will consider the complaint resolved and the file will be closed. If, after reviewing the complaint, the OEB believe the energy company did not follow the rules, the OEB will escalate the complaint for further review.

Recommendation 12: Action Item 2

- review the customer service metrics and targets and update them as needed to ensure they remain relevant and appropriate;

Status:  **Fully implemented.**

Details

We found that the OEB has undertaken a review of its customer service metrics and targets by benchmarking against industry peers and reviewing its own performance. The OEB has updated and approved the metrics and targets, and will start to measure its performance against the updated targets in fiscal year 2024/25. Examples of new metrics include:

- post-call consumer satisfaction survey with 90% satisfaction rate;
- answer incoming calls within 20 seconds, 90% of the time;
- send complaint follow-up letters to consumer within two business days, 90% of the time;
- send follow-up letter after receiving licensee response within two business days, 85% of the time; and
- send answer or acknowledgement letters within two business days, 95% of the time.

Recommendation 12: Action Item 3

- develop performance metrics to measure the efficiency of compliance activities.

Status:  **Fully implemented.**

Details

We found that the OEB launched the following two performance metrics on December 1, 2023 to assess its compliance and inspections activities:

- 70% of compliance cases must be completed within 180 business days; and
- 70% of inspection cases must be completed within 180 business days.

The OEB has tracked all new compliance reviews and inspections according to these two metrics and started a formal reporting of these metrics on April 1, 2024.

The OEB has also developed a Compliance and Inspections Framework Guide, which includes information on the metrics that have been developed, the process and procedure for managing those metrics, as well as information on the plans for continuous improvement.

// Appendix

Recommendation Status Overview

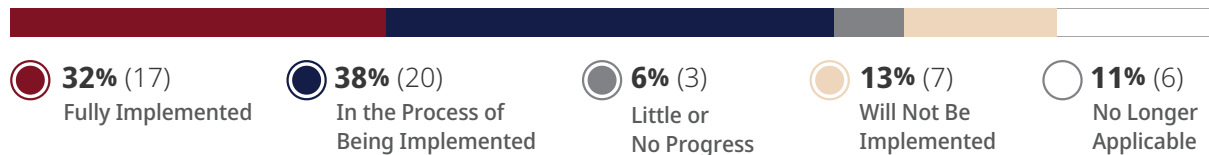
	# of Action Items	Fully Implemented 	In the Process of Being Implemented 	Little or No Progress 	Will Not Be Implemented 	No Longer Applicable 
Recommendation 1	2			2		
Recommendation 2	4			4		
Recommendation 3	2		2			
Recommendation 4	1		1			
Recommendation 5	2	1		1		
Recommendation 6	2		2			
Recommendation 7	2	2				
Recommendation 8	2	1	1			
Recommendation 9	2	2				
Recommendation 10	2		2			
Recommendation 11	2	1	1			
Recommendation 12	3	3				
Total	26	10	9	7	0	0
%	100	38	35	27	0	0

Follow-Up on the 2022 Performance Audit:

Ontario Lottery and Gaming Corporation Casinos, Lotteries and Internet Gaming

// Overall Conclusion

53 Recommended Actions



The Ontario Lottery and Gaming Corporation (OLG) and the Alcohol and Gaming Commission of Ontario (AGCO), as of November 15, 2024, have fully implemented 32% of actions we recommended in our 2022 **Ontario Lottery and Gaming Corporation: Casinos, Lotteries and Internet Gaming** audit. OLG has made progress in implementing an additional 38% of the recommendations.

OLG has fully implemented recommendations such as avoiding further reducing contracted revenue and capital commitments made by operators; developing a comprehensive strategy for the introduction of new Internet gaming products and the timeline for their introduction; assessing whether the number of its staff is reasonable in relation to OLG's current mandate and responsibilities; requiring compliance, internal audit and risk oversight functions to meet in camera with the Audit and Risk Management Committee; publishing on its website the composition of each Board committee; and each director of the Board assessing the performance of the CEO annually in writing.

However, OLG has made little or no progress on 6% of the recommendations, including seeking to obtain capital investment plan commitments as addenda to existing Casino Operating and Service Agreements and issuing casino cheques only when the funds are verified as a casino win.

Additionally, OLG will not be implementing 13% of our recommendations, including tracking and monitoring its employees' utilization and efficiency; and ensuring risk, compliance and internal audit functions have a direct reporting relationship to the Audit and Risk Management Committee. There are six recommended actions that are no longer applicable.

The status of actions taken on each of our recommendations is described in this report (see **Appendix** for more details).

// Status of Actions Taken on Recommendations

We conducted assurance work between April 2024 and September 2024. We obtained written representation from OLG and the AGCO that effective November 15, 2024, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

1. Casinos

In our original audit we found that in 2019, OLG renegotiated significantly reduced revenue commitments from certain casino operators despite signed contracts already in place. OLG had no obligation to re-negotiate these contracts and accept revenue reductions. As well, contracts did not require casino operators to make the capital investments and staffing commitments they proposed in their bids.

Additionally, we found that casino operators are required to follow the AGCO standards to ensure that slot machine payouts are set at 85% or above over the life of each machine. Both OLG and the AGCO are currently relying on casino operators to self-monitor slot payouts and self-report any issues. Based on our review of January 2017 to August 2022 slot payout data, for 27,732 slot machines, 639 slot machines were paying under 85% and 83 were paying under 80%. In addition, 250 slot machines were still paying under 85% after more than 100,000 games played. We also found that OLG's Gaming Management System, which allows for remote monitoring of slot payouts for eight gaming regions, has not been implemented at the Windsor casino, so neither the AGCO nor OLG is able to remotely monitor slot payouts at this location, relying instead on reports submitted by the casino operator.

Recommendation 1: Action Items 1 and 2

To hold private-sector casino operators accountable for their contracted minimum revenue commitments, we recommend that the Ontario Lottery and Gaming Corporation:

- avoid further reducing contracted revenue and capital commitments made by operators; and
- in the future re-procure casino operators if the current operators are unable to deliver on the revenue and capital investment commitments included in their existing contracts.

Status:  **Fully implemented.**

Details

We found that at the beginning of 2023, OLG updated its Business Case Template, which it will use to evaluate proposals from private-sector casino operators. According to the revised Business Case Template, if a casino operator's proposal includes adjustments to the minimum revenue commitments, an analysis is required to determine if re-procurement is a viable option.

OLG indicated that one of the main reasons for revising the Business Case Template was to prevent further reductions in contracted revenue and capital commitments made by casino operators.

OLG informed us that in the future, if casino operators fail to meet the revenue and capital investment commitments outlined in their existing contracts, it will evaluate whether any of them qualify for re-procurement. According to a written statement from OLG, since updating the Business Case Template in 2023, there have been no instances of casino operators requesting reductions in their minimum gaming revenue commitments.

Recommendation 2: Action Item 1

To maximize its casino revenues and the economic benefits to the Province of having casinos in Ontario, we recommend that the Ontario Lottery and Gaming Corporation:

- seek to obtain capital investment plan commitments as addenda to existing Casino Operating and Service Agreements and hold casino operators accountable for their proposed capital infrastructure investments;

Status:  **Little or no progress.**

Details

OLG told us that it does not have unilateral rights to amend contractual agreements without the casino operator's acceptance and therefore they can only update agreements if the casino operator agrees or when they expire.

In August 2022, OLG did include a capital investment plan as an amendment to its existing agreements with one casino operator.

We found that as of March 31, 2024, 74% of the planned capital investment initiatives had been completed by all the casino operators with about \$840 million still remaining.

Recommendation 2: Action Item 2

- incorporate capital expenditure commitments in any new agreements.

Status:  **In the process of being implemented by December 2025.**

Details

We found that on April 5, 2023, OLG released a Request for Pre-Qualification (RFPQ) to seek a casino operator for the Windsor region. When a casino operator is procured, OLG plans to include the capital expenditure commitment in the new agreement with the operator. The new agreement is expected to be finalized in late 2025.

Going forward, OLG told us that it plans to incorporate capital commitments in any new agreements with casino operators.

Recommendation 3: Action Item 1

To ensure that the Province and the Ontario Lottery and Gaming Corporation (OLG) transfer the costs of non-gaming related payments for Ontario First Nations (2008) Limited Partnership to casino operators, we recommend that the Ontario Lottery and Gaming Corporation:

- include this requirement in the casino operating and service agreements with operators when negotiating any future contract amendments;

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

OLG informed us that it attempted to negotiate the inclusion of the Gaming Revenue Sharing and Financial Agreement (Agreement) requirements into an existing contract with one of the casino operators. However, the casino operator did not agree to this change and wanted some form of financial value in exchange. OLG estimated the financial value requested by the operator could be higher than the 1.7% of the “aggregate gross revenue” commitment under the Agreement. Based on that, OLG informed us that it does not plan to pursue this recommendation further.

Recommendation 3: Action Item 2

- include this requirement in any future new agreement with private casino operators.

Status:  **In the process of being implemented by December 2025.**

Details

As noted earlier, on April 5, 2023, OLG released an RFPQ to seek a casino operator for the Windsor gaming region. Once a casino operator is selected, OLG intends to include the commitment to

share 1.7% of “aggregate gross revenues” with First Nations in the contract. The new contract is expected to be finalized by December 31, 2025. OLG also plans to incorporate this into all new casino operator agreements.

Recommendation 4: Action Item 1

To ensure that slot machines are paying out appropriate amounts to customers in line with the Alcohol and Gaming Corporation of Ontario’s (AGCO’s) Casino Electronic Gaming Devices and Gaming Systems Minimum Technical Standards we recommend that:

- the AGCO require credible explanations for all slot machine resets and allow resets only for software and hardware updates;

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

The AGCO informed us that it has assessed the slot machine payback and offline reporting data since our 2022 audit and found that requiring slot machine operators to provide explanations for all slot machine resets is not necessary because slot machine software prevents operators from setting the payout below 85%. Therefore, the AGCO does not plan to implement this recommendation.

Based on our review of slot machine data, we found that as of December 2023, 2,617 slot machines were paying out less than the required 85% payout and 378 of these slot machines had paid out less than 80%. For slot machines that had more than 100,000 games played, 542 slot machines were paying out less than 85% and 11 slot machines were paying out under 80%.

Recommendation 4: Action Item 2

- the Ontario Lottery and Gaming Corporation support the AGCO in monitoring slot machine payout reports on a regular basis and take any required corrective actions to ensure that minimum payout standards are met;

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that OLG plans to continue providing slot machine payout reports to the AGCO on a quarterly basis, to enable the AGCO to carry out its role as the regulator. As noted earlier, as of December 2023, for slot machines that had more than 100,000 games played, 542 slot machines were paying out less than 85% and 11 slot machines were paying out under 80%.

Recommendation 4: Action Item 3

- the Ontario Lottery and Gaming Corporation implement the Gaming Management System for the Windsor casino to allow for remote monitoring as soon as possible, instead of waiting until 2025;

Status:  **Little or no progress.**

Details

OLG informed us that the casino in Windsor currently operates on a proprietary system, and transitioning to the Gaming Management System would lead to removal of all data stored on the current system, including information pertinent to Responsible Gambling and Anti-Money Laundering efforts. Any new system implementation includes a plan to clean-up and transfer data from the legacy system.

OLG is in the process of securing a new long-term operating agreement for the Windsor location. As per terms of the current operating agreement with the operator, it must support the transition to OLG's Gaming Management System and connect to OLG's Central System prior to the end of the agreement.

OLG anticipates that the implementation of the Gaming Management System will be completed by March 31, 2026, under the new operating agreement. However, until such time neither the AGCO or OLG will be able to remotely monitor slot payouts at this location, relying instead on reports submitted by the casino operator.

Recommendation 4: Action Item 4

- the AGCO strengthen its oversight of electronic gaming machines in casinos, including payouts of slot machines, and conduct inspections of slot machines that are offline.

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

The AGCO informed us that it believes that its slot machine payout and offline monitoring processes are sufficient. The AGCO also told us that although it maintains the necessary capabilities to conduct in-person inspections of offline slot machines, it believes its risk-based monitoring is sufficient without the need for in-person inspections. However, we believe that the AGCO's offline monitoring is not sufficient.

As noted earlier, as of December 2023, for slot machines that had more than 100,000 games played, 542 slot machines were paying out less than 85% and 11 slot machines were paying out under 80%.

2. Internet Gaming

In our original audit, we found that OLG faced significant competition from Ontario's privately operated Internet gaming sites, and the growth of OLG's Internet gaming revenues had slowed with the introduction of private-sector gaming operators. The Province received approximately 45% of OLG's Internet gaming revenue as profit, compared to only 5.7% of gaming revenue from play on private Internet platforms registered with iGaming Ontario.

We also reviewed slot payouts at casinos between January 2017 and August 2022 and noted that they paid out, on average, around 91%, and about 2.3% of the slot machines were paying under 85%, which is below the minimum theoretical payout. In contrast, from January 2021 to August 2022, Internet slot machines on OLG's website paid out, on average, about 95%. We noted that slot machine payouts were not reported publicly by casino or by region.

Recommendation 5: Action Item 1

To achieve its projected growth rates and remain competitive within the new gaming model, which includes significant private-sector competition, we recommend that the Ontario Lottery and Gaming Corporation:

- develop a comprehensive strategy on the introduction of new products and the timeline for their introduction;

Status:  **Fully implemented.**

Details

We found that in 2023, OLG developed a comprehensive strategy on the introduction of new products and the timeline for their introduction. As part of this strategy since our 2022 audit, OLG began introducing games every week with new features to drive engagement. Between February 1, 2024 and April 30, 2024, OLG introduced 80 new games or about six new games per week.

Recommendation 5: Action Item 2

- continue to explore options to offer more real-time games (such as poker, blackjack, etc.) in collaboration with other provinces and then implement chosen options;

Status: ☒ **In the process of being implemented by April 2025.**

Details

In June 2023, OLG established a new team to explore potential new products, including real-time games. Live games are being offered from a studio shared with other provincial lotteries, encompassing a variety of table games.

As of June 2024, OLG is exploring options for new product offerings and whether to join a national network or keep the product within a specific region. A potential implementation of the new option is expected by April 2025.

Recommendation 5: Action Items 3 and 4

- maximize the advantage of its unique position as provider of lottery products to create a stronger customer base and integrate these players into other Internet offerings; and
- follow up regularly on progress toward projected growth and make necessary adjustments to respond to market conditions to retain and grow its customer base.

Status: ☐ **No longer applicable.**

Recommendation 6: Action Item 1

To provide greater accountability and transparency to casino and Internet patrons, we recommend that the Ontario Lottery and Gaming Corporation (OLG) publicly disclose game payout data by casino, and for OLG's Internet gaming, for slots and table games.

Status: ☐ **No longer applicable.**

Details

In March 2023, OLG consulted with its casino operators to request their input and consent to publicly disclose game payout data by Casino, on an annual basis. The casino operators were not in favour of publicly disclosing game payout data claiming that it would put them at a competitive disadvantage with online gaming and each other.

3. Lottery

In our original audit, we found that OLG was not ensuring that Ontarians were aware of whether any top instant scratch ticket prizes were still available at the time of purchase of open packets of scratch tickets.

We also found that that lottery retailers who sell lottery tickets won at a 40% greater rate when compared to the general eligible population of 18 years or above.

Recommendation 7: Action Item 1

To assist the Ontario Lottery and Gaming Corporation (OLG) in achieving its lottery product performance targets, we recommend that OLG implement a plan to lower the average age of its lottery customer base by:

- conducting a study to assess the level of interest in self-serve lottery products and the reasonableness of OLG's projections of their revenue impacts;

Status: ☐ No longer applicable.

Recommendation 7: Action Item 2

- introducing lottery products aimed at younger demographics eligible to play lotteries;

Status: ☐ No longer applicable.

Recommendation 7: Action Item 3

- cross-promoting lottery products with Internet casinos and sports wagering.

Status: ☐ No longer applicable.

Recommendation 8: Action Items 1 and 2

To prevent consumers who are unaware that the top prizes have all been won from continuing to purchase scratch tickets, we recommend that the Ontario Lottery and Gaming Corporation:

- implement a process to track instant scratch tickets more closely by requiring bar codes that retailers must scan for inventory tracking purposes; and

- disable bar codes once the top prizes have all been won to prevent the remaining tickets from being sold.

Status:  **In the process of being implemented by June 2027.**

Details

We found that to prevent retailers from selling open packets of scratch tickets after receiving notifications to cease sales, OLG will require the implementation of a single ticket barcode technology.

OLG informed us that it is currently in the planning stages to incorporate this technology into its new Lottery technology platform, which it aims to implement by June 2027. In the meantime, OLG informed us that it will continue with current practices of recalling the product from the market.

On May 29, 2024, the OLG's Board of Directors approved funding for the new lottery system that will include the single ticket barcode and on May 31, 2024, the OLG released the request for proposal to procure the system. Once implemented, this technology will enable OLG to closely track instant scratch tickets and stop further sales once the top prizes have all been won.

Recommendation 9: Action Item 1

In order to protect the integrity of its lottery products, we recommend that the Ontario Lottery and Gaming Corporation (OLG):

- regularly monitor the frequency and prize share amounts of insiders (including retailers) in comparison to the general public;

Status:  **In the process of being implemented by December 2024.**

Details

Lottery retailers are not allowed to play at their own location, but may participate at other stores or on OLG's website. OLG plans to start separately tracking retailer wins and comparing them to the general public starting in December 2024.

Recommendation 9: Action Item 2

- review its controls around OLG lottery retailer wins and take corrective actions.

Status:  **In the process of being implemented by December 2025.**

Details

We found that in August 2023, OLG's Internal Audit completed a review of OLG's controls around lottery retailer wins. Although the review did not identify any significant control gaps, it did note opportunities to strengthen controls and/or enhance their effectiveness.

The enhanced controls noted in the review included: better monthly prize share monitoring activities (retailer versus general public); a retailer training program with enhanced content surrounding retailer fraud and mandatory procedures; regularly updating of the insider database; and considering performing an audit of retailers' employee listings on a sample basis.

OLG informed us that it will review the recommendations made by OLG's Internal Audit Advisory review and take necessary actions as required by December 31, 2025.

4. Corporate Services

In our original audit, we found that in June 2021, OLG management engaged an external consultant to perform a capacity assessment and forecast OLG's optimal future workforce and team size to meet its business strategy. The consultant concluded that OLG has a lower number of Full-Time Equivalents (FTEs) per \$1 billion revenue than industry benchmarks. We noted, however, that the industry average used in the assessment was not an appropriate basis for comparison as it included data from other provincial gaming agencies such as Loto-Québec and the Atlantic Lottery Corporation, which operate their own casinos. In 2016, OLG outsourced the day-to-day operations of casinos to private operators and reduced direct personnel costs across all OLG divisions.

We also found that, while OLG has performance plans in place for employees, it did not track employee efficiency or utilization measures outside of its core operational areas (which account for about one-third of OLG's total staff) of its call centre (average time per call), distribution centre (packages per hour) and prize centre (cases closed per hour).

Recommendation 10: Action Item 1

To support the Ontario Lottery and Gaming Corporation's (OLG's) efforts in using its resources efficiently, we recommend that OLG:

- assess whether the number of its staff is reasonable in relation to OLG's current mandate and responsibilities;

Status:  Fully implemented.

Details

We found that in June 2023, OLG assessed the appropriateness of its staffing numbers relative to its mandate and responsibilities, with a recommendation to its Board of Directors to reduce its employees to 1,440 from its full complement of 1,592. A 152 FTE reduction. The recommendation was approved and as of June 2024, OLG has reduced its staffing to below the 1,440 FTE threshold.

Recommendation 10: Action Item 2

- track and monitor employee utilization and efficiency for all employees.

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

The OLG informed us that it is satisfied with its employee utilization tracking and monitoring processes, which includes an annual rating of employees based on their performance evaluations in relation to goals and objectives with measures defined at the beginning of the year. Therefore, it does not plan to make additional changes in response to our recommendation. As noted in our 2022 audit, OLG did not track employee efficiency or utilization measures outside of its core operational areas, which account for about one-third of OLG's total staff.

Without knowledge of employee workload and utilization, it is difficult for management to identify efficiencies or inefficiencies within its workplace.

5. Public Reporting

In our original audit, we found that OLG did not measure and publicly report on its progress on responsible gambling, job growth, capital investments by gaming regions and sites, integrity of gaming and anti-money laundering activities.

We also found that aside from reporting on the net profit to the Province, OLG did not report publicly on overall private capital investments in its latest annual report and did not measure progress of capital investments against capital plan projections of casino operators by gaming region or against OLG's privatization goals for capital investments.

Additionally, we found that prior to 2021/22, in OLG's audited financial statements, gross casino gaming revenue was shown separately before any deduction of casino operator fees. However, starting with the 2021/22 financial statements, casino gaming revenue was presented net of all casino operator fees.

We also noted that that OLG did not allocate its corporate costs to its three lines of business (Lottery, Land-based Gaming and Digital) when calculating net profit to the Province.

Recommendation 11: Action Items 1, 2 and 3

To effectively monitor its performance against its mandate and inform the public of its effectiveness and the impact of the privatization of casino operations, we recommend that the Ontario Lottery and Gaming Corporation:

- develop meaningful performance indicators on all key objectives (including integrity of gaming and anti-money laundering);
- set reasonable targets on all key objectives to compare actual results against; and,
- report the results publicly.

Status:  **In the process of being implemented by November 2025.**

Details

We found that since our 2022 audit, OLG plans to start publicly reporting three performance indicators with set targets, specifically, a customer satisfaction score, enterprise player health index (measuring risk of problem gambling) and an anti-money laundering health index (based on various reporting or regulatory issues). OLG plans to publish the measures and relevant targets in its 2025-2028 Business Plan, with the results to be reported starting in its 2025 annual report.

Recommendation 12: Action Item 1

To demonstrate the impact of its Modernization Plan (privatization) on the financial position of the Ontario Lottery and Gaming Corporation (OLG), we recommend that OLG summarize and publicly report the additional financial benefits to the Province that have been achieved through privatization.

Status:  **In the process of being implemented by January 2025.**

Details

We found that OLG plans to include information about the additional financial benefits to the Province achieved through privatization in its fiscal 2024 annual report, scheduled for publication in January 2025. This will include details such as overall private capital investments made by casino operators by gaming region, and job numbers.

Recommendation 13: Action Item 1

To inform Ontario taxpayers of the fees paid to private operators, we recommend that in its financial statements for the year ending March 31, 2023, and going forward, the Ontario Lottery and Gaming Corporation present gross casino gaming revenues before deducting fees to private casino operators and show the fees as a separate item under Expenses on the Consolidated Statement of Comprehensive Income.

Status:  **Fully implemented.**

Details

We found that in its consolidated financial statements for the years ended March 31, 2022, and March 31, 2023, OLG introduced the presentation of casino operator fees as a distinct line item. These fees are deducted from gross Gaming Revenue to determine Net Gaming Revenue. OLG informed us that it intends to maintain the separate presentation of casino operator fees in its financial statements moving forward.

Recommendation 14: Action Item 1

To accurately inform Ontario taxpayers of the net profit to the Province from the Ontario Lottery and Gaming Corporation's (OLG's) lines of business, we recommend that, in its financial statements for the year ending March 31, 2023 and going forward, OLG disclose an allocation of all corporate costs to its three lines of business when calculating net profit to the Province.

Status:  **In the process of being implemented by December 2025.**

Details

We found that OLG plans to include the allocation of its corporate costs among its three lines of business: Lottery, Land-based Gaming, and Digital in its fiscal March 31, 2025 financial statements, slated for publication by December 31, 2025.

6. Responsible Gambling

In our original audit, we found that OLG's self-exclusion program was not integrated with charitable gaming. Problem gamblers who self-exclude from casinos and Internet gaming would still be able to play at bingo halls.

We also found that the limit-setting tools were optional, and despite the significant increase in Internet players since 2019/20, new players were generally not using the limit options available.

Additionally, we found players who self-exclude from OLG's Internet gaming platform are not automatically self-excluded from casino gaming sites. They can still access Internet gaming platforms operated by iGaming's private Internet gaming operators.

Recommendation 15: Action Item 1

To effectively address and reduce problem gambling, we recommend that the Ontario Lottery and Gaming Corporation (OLG):

- integrate self-exclusion programs across OLG products, including charitable gaming;

Status:  **In the process of being implemented by December 2026.**

Details

We found that OLG is awaiting the establishment of a centralized self-exclusion platform for all iGaming sites by iGaming Ontario, including the OLG website. At the time of our follow-up, iGaming Ontario was planning to procure a new IT system for the centralized self-exclusion platform and informed us that it expects the new platform will be implemented by December 2026. As of September 2024, OLG has also started integration of its self-exclusion program with charitable gaming operations, such as bingo halls, and plans to have this implemented by December 2026.

In September 2023, OLG researched best practices to facilitate the next steps for integration of OLG's self-exclusion program across its different lines of business, including bingo halls and online gaming. In March 2024, OLG also completed an initial assessment of the impact that such integration will have on its IT systems.

Recommendation 15: Action Item 2

- encourage the use of limit-setting tools for players rated at high risk for problem gambling and monitor the use of limit-setting tools.

Status:  **In the process of being implemented by March 2025.**

Details

We found that during 2023 and 2024, OLG launched a series of targeted PlaySmart player education campaigns to increase PlaySmart awareness and encourage the use of responsible gambling tools, including loss limits.

OLG has also continued to monitor the use of limit-setting tools and the latest data shows that, as of March 31, 2024, the percentage of active players using the casino loss limits tool has increased from 11% in June 2022 to 18% in March 2024. In addition, in early 2024, OLG began a player education campaign that encourages use of limit-setting tools and targets high-risk digital players. Use of the loss limits tool has to continue to increase as at March 31, 2025, to assess this recommended action as being fully implemented.

Recommendation 16: Action Item 1

To support problem gamblers, we recommend that the Ontario Lottery and Gaming Corporation work with iGaming Ontario to share information to prevent self-excluded individuals on the OLG.ca site and iGaming Ontario-approved operators' sites from accessing gaming activities on each of the two sites.

Status:  **In the process of being implemented by December 31, 2026.**

Details

We found that since our 2022 audit, OLG is working with iGaming Ontario on a centralized self-exclusion platform. Specifically, in June 2023, OLG provided input into iGaming Ontario's centralized self-exclusion policy. In November 2023, OLG held three meetings with iGaming Ontario to determine OLG's input required to accelerate the establishment of the centralized self-exclusion platform. As mentioned, on August 1, 2024, (see **Recommendation 15**) iGaming Ontario announced that it has procured a new IT system for the centralized self-exclusion platform with implementation schedule by the end of 2026.

7. Money Laundering

In our original audit, we found that Ontario casinos do not verify the source of funds from patrons using large amounts of cash, which risks undetected money laundering activities. In contrast, British Columbia casinos are required to obtain proof of the source of funds for casino transactions, in cash and cash equivalents, of \$10,000 or more.

We also found that OLG's *Money Laundering/Terrorist Financing Risk Assessment Framework* notes that there is an inherent risk that casino cheques can give the appearance that the money comes from legitimate casino winnings. In its review of casino cheques issued between April 2018 and March 2020, OLG found 257 cheques for \$3,000 or more were issued without evidence of play verification in the OLG's anti-money laundering system.

We also found that resort casinos (Casino Rama, Casino Windsor, Casino Niagara and Fallsview Casino) are directly reporting transactions to FINTRAC. OLG's reporting team reviews and tracks all resort casino filings after they have been filed, and may require refiling where missing information or errors are found. Since June 2018, OLG had requested that 358 FINTRAC reports related to resort casinos be re-filed.

OLG's trespass program prohibits patrons from accessing gaming sites and services if it is believed that a patron presents a significant risk to OLG of fraud, money laundering or financial crime. In our original audit, we found that from July 2019 to June 2022, OLG issued 232 trespass orders.

The audit also noted that reporting of suspicious transactions is low and varies among casinos. We found that the value of suspicious transactions reported was less than 1% of revenues in 19 of 27 casinos. In comparison, the value of suspicious transactions reported for three Ontario casinos accounted for more than 15% of their revenues.

Recommendation 17: Action Item 1

To reduce the risk in Ontario of money laundering through casinos run by private sector operators, we recommend that the Ontario Lottery and Gaming Corporation, in conjunction with the Alcohol and Gaming Commission of Ontario, implement for all casino operators the requirements to:

- obtain proof of source of funds at buy-in for cash and cash-equivalent transactions for amounts of \$10,000 or more;

Status:  **In the process of being implemented by December 2025.**

Details

We found that in November 2023, OLG updated its casino IT system to prompt staff to request and document the source of funds whenever a cash transaction of \$10,000 or more occurs, or when the aggregate of cash transactions conducted by a patron totals \$10,000 or more within the same gaming day. Staff are required to document the source of funds before being able to proceed to the next step in processing the transaction. However, based on our review of the system data, the proof of funds was frequently not obtained or documented. To ensure proof of funds is obtained and documented, OLG will co-ordinate with private-sector partners to provide key site staff with training on investigation and interviewing techniques by December 31, 2025.

Recommendation 17: Action Item 2

- issue casino cheques only when the funds are verified as a casino win and clearly indicate on the cheques that the amounts are for verified casino wins.

Status:  **Little or no progress.**

Details

We found that in January 2024, OLG started to require that cheques issued by casino operators include either “Verified Casino Win” or “Verified Casino Play” to distinguish patron winnings from undetermined funds. However, the new OLG policy still allows casinos to issue cheques without verifying a casino win.

Recommendation 18: Action Item 1

To reduce the risk of money laundering in casinos and to provide accurate and reliable reporting to FINTRAC, we recommend that the Ontario Lottery and Gaming Corporation:

- collect suspicious transaction reports from resort casinos and file them as part of OLG’s reports to FINTRAC;

Status:  **In the process of being implemented by December 2027.**

Details

We found that OLG is in the process of procuring a new system for reporting all suspicious transactions to FINTRAC, including those that are currently directly reported by resort casinos to FINTRAC. OLG expects to procure and begin implementation of the new system by December 2025, with an estimated completion date of December 2027.

Recommendation 18: Action Item 2

- proactively investigate and issue trespass notices to individuals who have been involved in multiple suspicious transactions reported by casino operators.

Status:  **Fully implemented.**

Details

As of April 1, 2024, OLG has issued trespass notices to 113 patrons. Of these, 41 were issued in the last fiscal year between April 1, 2023, and March 31, 2024. Additionally, from June 2022 to April 30, 2024, OLG proactively identified 33 patrons for in-depth source of funds interviews with an OLG investigator and issued trespass orders to 12 patrons after the interviews.

According to OLG, some trespass notices are deferred at the request of law enforcement until charges are laid, as issuing a proactive trespass could interfere with ongoing investigations.

Recommendation 19: Action Item 1

To improve the controls that casinos have in place to reduce the risk of money laundering, we recommend that the Ontario Lottery and Gaming Corporation:

- monitor casino operator compliance with the anti-money laundering guidance for issuing cheques;

Status:  **In the process of being implemented by April 1, 2025.**

Details

We found that OLG introduced a new cheque issuance policy for casino operators, effective January 1, 2024. In addition to existing play verification for cheques above \$3,000, the new policy, for example, requires that when a cheque is issued to a patron it will be printed or stamped with either “Verified Casino Win” or “Verified Casino Play.” The new policy also requires that “Verified Casino Win” cheques require the operator to determine, with certainty, the amount of a patron’s win.

OLG informed us that, in fiscal 2025, it plans to conduct audits of casino operators as part of its mandatory two-year effectiveness review under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. As part of these audits, OLG plans to assess the processes and controls related to Anti-Money Laundering and compliance with cheque issuance policy for casinos selected using a risk-based approach.

Recommendation 19: Action Item 2

- work with the AGCO as the regulator, to have the AGCO inspect casinos that are found to be non-compliant with provincial anti-money laundering requirements, and conduct analysis around suspicious transaction report filings by casino site to identify outliers and

potential areas for training casino staff on the risks of money laundering.

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that in June 2023, OLG established a working group with the AGCO and the Ontario Provincial Police focused on discussing emerging anti-money laundering risks and mitigating strategies.

However, OLG has not established a plan to have the AGCO inspect casinos that are found to be non-compliant with provincial anti-money laundering requirements and analyze suspicious transaction report filings by casino site to identify potential areas for training casino staff on the risks of money laundering. According to OLG, it defers to the independent discretion of the AGCO, as the regulator, to determine what regulatory activities will be undertaken if casinos are found to be non-compliant with provincial anti-money laundering requirements.

8. Board Governance

Over the Last Five Years, OLG's Board Has Not Retained Direct Independent Advice on Any Matter

In our original audit, we found a number of instances where OLG's Board of Directors would have benefited from directly retaining an independent advisor, but instead relied on management or on advisors retained by management to assist on issues such as investigations involving executives, executive compensation reviews, and related-party transactions involving senior management or directors of the Board.

Recommendation 20: Action Item 1

To improve its Board's oversight with independent advice, we recommend that the Ontario Lottery and Gaming Corporation Board:

- directly hire its own independent advisors that report to the Board to facilitate the evaluation of the Board, and to assist on issues such as investigations, executive compensation reviews, and related-party transactions involving senior management or directors of the Board;

Status:  **Fully implemented.**

Details

We found that in 2023, OLG's Board of Directors directly engaged four independent advisors to assist on specific issues. In April 2023, an independent advisor was hired to assist with Human Resource matters, and in May 2023, two other independent advisors were engaged, one to assist with litigation oversight and another to address matters related to executive compensation. In November 2023, the Board also retained an independent consultant to evaluate its own performance.

Recommendation 20: Action Items 2 and 3

- review OLG staffing needs and consultant use to assess why internal senior management and staff rely heavily on external consultant advice; and
- oversee the implementation of staffing plans to strengthen OLG's ability to conduct their own operational projects.

Status:  **In the process of being implemented by December 2024.**

Details

As noted earlier, in June 2023, OLG assessed the appropriateness of its staffing numbers relative to its mandate and responsibilities, with a recommendation to its Board of Directors to reduce its employees to 1,440. OLG informed us that its Board has mandated Internal Audit to review OLG's consulting spend. The Board will then determine next steps in response to these recommendations in December 2024.

Recommendation 21: Action Item 1

To ensure independent financial auditing advice is received from its external auditor, we recommend that the Ontario Lottery and Gaming Corporation Board:

- discontinue contracting for non-audit related services with the incumbent external auditor;

Status:  **Fully implemented.**

Details

We found that in February 2023, OLG established a policy defining permitted services for the external auditor in accordance with the rules regarding auditor independence as outlined in the Chartered Professional Accountants Code of Professional Conduct. As part of the policy, OLG has added an annual maximum fee of \$200,000 for non-audit services for their external auditor.

Additionally, OLG confirmed to us that during fiscal year 2023, it did not engage their external auditor for any consulting services.

Recommendation 21: Action Item 2

- to address over-tenuring for external audit services, direct its Audit and Risk Committee, prior to the expiration of the current agreement with their incumbent external auditor, to issue a request for proposal for audit services to be provided by an external auditor with the necessary independence, breadth, resources and capabilities, in the judgment of the Audit and Risk Committee.

Status:  **Fully implemented.**

Details

We found that in October 2023, OLG issued a public request for proposal for external auditor; and noted that the incumbent auditor was the sole applicant. As a result, in February 2024, OLG awarded the incumbent auditor to once again provide external audit services.

According to OLG's new policy outlining permitted services for the external auditor, the external audit partners (Lead Engagement partner, Engagement Quality review partner, or the Key Audit Partner) responsible for OLG's financial statement audit cannot serve in that role for more than seven years, unless approved by the Audit and Risk Committee.

Oversight Functions Not Properly Reporting Directly to the Board

In our original audit, we found that OLG's assessment of its financial and non-financial risks and the related risk mitigation policies were not formally reviewed and approved by the Board.

We also found that the compliance function did not have a direct reporting relationship to the Audit and Risk Management Committee of the Board.

Recommendation 22: Action Item 1

To improve risk governance, we recommend that Ontario Lottery and Gaming Corporation (OLG) Board:

- review and annually approve the Risk Appetite Framework, including risk assessment and mitigation for all material financial and non-financial risks;

Status:  **Fully implemented.**

Details

We found that in June 2023, the OLG Board reviewed and approved the Risk Appetite Framework. We also found that on a quarterly basis the Audit and Risk Management Committee of the Board receives reports on the risk assessment and mitigation for all material financial and non-financial risks.

OLG informed us that moving forward, its Board will conduct an annual review and approval of the Risk Appetite Framework.

Recommendation 22: Action Item 2

- ensure that risk, compliance, and internal audit functions, on a go-forward basis, have a direct reporting relationship to the Audit and Risk Management Committee and to the OLG Board;

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

While the internal audit function reports directly into the Audit and Risk Management Committee, the risk and compliance functions continue to report into the President and CEO of OLG.

Recommendation 22: Action Item 3

- require compliance, internal audit and risk oversight functions to meet in camera with the Audit and Risk Management Committee at each regularly scheduled meeting to provide updates on risks, compliance and internal controls.

Status:  **Fully implemented.**

Details

Since May 2023, the OLG's compliance, internal audit and risk oversight functions meet in camera with the Audit and Risk Management Committee on a quarterly basis. In addition, the Chief Financial and Risk Officer has in camera sessions with the Board on a quarterly basis.

OLG Board Competencies Not Validated and Board Continues to Lack Certain Skills

In our original audit, we found that OLG maintains a board competency/skills matrix, but the matrix does not include relevant operational experience in, for example, cybersecurity or anti-money laundering.

We also found that the disclosure of governance standards and practices on OLG's public website was inadequate. The website did not include any information about Board committee membership or who chairs each committee.

Recommendation 23: Action Item 1

For the Ontario Lottery and Gaming Corporation Board to have the level of expertise needed to be effective in its oversight, we recommend that the Board update the Board director competency/skills matrix to include cybersecurity, anti-money laundering and other relevant operational experience.

Status:  **Fully implemented.**

Details

We found that OLG updated its director competency/skills matrix. The matrix now mentions cybersecurity, anti-money laundering and other relevant operational experience, such as digital and information technology. These key competencies/skills are presented separately on the matrix to ensure the Board has the necessary expertise in each of these areas.

Recommendation 24: Action Items 1 and 2

To improve the transparency and accountability of Ontario Lottery and Gaming Corporation (OLG) Board governance, we recommend that OLG publish on its website:

- the composition of each committee, including the names of each Committee Chair and the Committee members; and
- the areas of expertise for each committee and Board member.

Status:  **Fully implemented.**

Details

We found that in June 2023, OLG updated its website (OLG.ca) to showcase the composition of each of its Board committees, including the chairs and members. The respective areas of expertise for each member is included in their individual profiles.

CEO Evaluation, and Executive Compensation and Bonus Awarding

Fall Short of Best Practices

In our original audit, we found that there was no documented evidence that each Board director assesses the CEO's performance annually.

We also found that from 2019/20 to 2021/22, all OLG executives (vice-presidents, senior vice-presidents and the CEO) received bonuses without a direct link to outstanding performance. In addition, our audit noted that independent risk, compliance and internal audit functions were compensated based on company results, which is against best practice.

Recommendation 25: Action Item 1

To enable the Ontario Lottery and Gaming Corporation (OLG) Board to provide effective oversight for OLG's Chief Executive Officer (CEO) and executive compensation structure, we recommend that:

- each director assesses the performance of the CEO annually in writing;

Status:  Fully implemented.

Details

We found that in March 2023, OLG implemented a new Chief Executive Officer (CEO) performance evaluation process. This revised process requires each Board member to conduct a written assessment of the CEO's performance. For fiscal year 2023, all Board members completed their evaluations and submitted them to the Board chair.

Recommendation 25: Action Item 2

- the OLG Board set appropriate incentive pay for executive employees based on exceptional performance;

Status:  Fully implemented.

Details

We found that in mid-2023, an external expert consultant completed a review of the Executive Variable Pay Plan. The consultant recommended a new performance ratings system for setting incentive pay for executive employees with better alignment and allocation to overall financial, divisional and individual performance.

In December 2023, the OLG Board adopted the new performance ratings system and for fiscal 2024 to set incentive pay for executive employees based on exceptional performance.

Recommendation 25: Action Item 3

- the risk, compliance and internal audit functions be compensated primarily on the basis of base salary, and that any incentive compensation be based solely on assurance responsibilities.

Status:  **Fully implemented.**

Details

We found that during the review of OLG's Executive Variable Pay Plan, as previously mentioned, the consultant recommended reducing, but not eliminating, the weighting of financial measures for independent risk, compliance, and internal audit staff.

In December 2023, the OLG Board approved these recommendations. Commencing in fiscal year 2024, compensation for OLG's independent risk, compliance, and internal audit staff will primarily be based on their base salary, which will constitute 85 to 94% of their total compensation, depending on the position.

// Appendix

Recommendation Status Overview

	# of Action Items	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		1	1		
Recommendation 3	2		1		1	
Recommendation 4	4			1	3	
Recommendation 5	4	1	1			2
Recommendation 6	1					1
Recommendation 7	3					3
Recommendation 8	2		2			
Recommendation 9	2		2			
Recommendation 10	2	1			1	
Recommendation 11	3		3			
Recommendation 12	1		1			
Recommendation 13	1	1				
Recommendation 14	1		1			
Recommendation 15	2		2			
Recommendation 16	1		1			
Recommendation 17	2		1	1		
Recommendation 18	2	1	1			
Recommendation 19	2		1		1	
Recommendation 20	3	1	2			
Recommendation 21	2	2				
Recommendation 22	3	2			1	
Recommendation 23	1	1				
Recommendation 24	2	2				
Recommendation 25	3	3				
Total	53	17	20	3	7	6
%	100	32	38	6	13	11

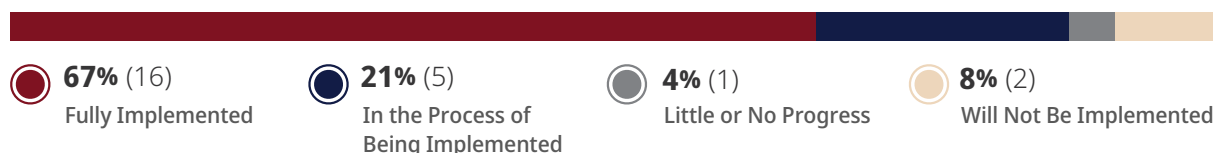
Follow-Up on the 2022 Performance Audit:

Ontario Power Generation

Management and Maintenance of Hydroelectric Generating Stations

// Overall Conclusion

24 Recommended Actions



Ontario Power Generation (OPG), as of October 3, 2024, has fully implemented 67% of actions we recommended in our 2022 audit **Ontario Power Generation: Management and Maintenance of Hydroelectric Generating Stations**. OPG has made progress in implementing an additional 21% of the recommendations. However, OPG made little or no progress on 4% of the recommendations and will not implement 8% of the recommendations.

OPG has fully implemented recommendations such as consulting all potential partners regularly, including Hydro One, the Independent Electricity System Operator (IESO) and third-party vendors, to assess the ongoing viability of project development. OPG has also fully implemented recommendations such as establishing procedures that require staff to include due dates for work orders and conducting comprehensive post-projects review on all large projects to identify lessons learned and/or best practices.

OPG has made progress in implementing recommendations such as working with the IESO to develop a strategy to allow for open communication during the selection of new development projects, and measuring and overseeing all work orders against due dates to identify whether work orders are being completed on a timely basis.

OPG made little or no progress on documenting the rationale and approvals for recommended work that is delayed or not completed by expected timelines.

OPG will not implement two of our recommendations, which are: collaborating with the IESO and the Ontario Energy Board (OEB) to assess options for more cost-effective ways to be compensated for surplus baseload generation conditions; and working with the OEB, the IESO and the Ministry of Energy (Ministry) to complete a fulsome review of the rate-setting processes for rate-regulated stations and non-rate-regulated stations.

The status of actions taken on each of our recommendations is described in this report (see [**Appendix**](#) for more details).

// Status of Actions Taken on Recommendations

We conducted assurance work between April 2024 and August 2024. We obtained written representation from OPG that effective October 3, 2024, it has provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

1. OPG Has Not Fully Utilized Its Hydroelectric Generating Capacity

In our original audit, we noted that there are numerous factors that can impact the actual amount of electricity a generating station can produce, such as water availability and flow, demand for electricity, and planned outages that result in generating units being out of service for periods of time. We found that OPG could have generated approximately 269 million megawatt hours (MWh) of electricity but only generated 226 million MWh, meaning about 43 million MWh of generating capacity went unused. In 2021 alone, OPG could have generated an additional 4.6 million MWh of electricity, or enough to power over 540,000 Ontario households for a year.

We also found that in January 2022, the government asked OPG to examine opportunities for new hydroelectric development in Northern Ontario, and asked the IESO to identify related transmission infrastructure and costs. While potential unbuilt capacity of about 3,000–4,000 megawatts (MWs) in Northern Ontario and up to an additional 1,000 MW in southern Ontario could provide opportunities for new stations, there were many challenges and uncertainties in terms of timing and costs. For example, it could take over 10 years (including assessments, construction and installation of transmission lines) with significant cost (ranging from \$5 million to \$22 million per MW of power capacity), depending on location and site conditions. It could cost even more after considering additional transmission-related costs.

Recommendation 1: Action Item 1

To maximize the use of current hydroelectric generating stations and prepare for increased energy demands in the future, we recommend that Ontario Power Generation work with the Ministry of Energy and the Independent Electricity System Operator to develop both a short-term and long-term strategy to utilize the unused production capacity that exists within its current hydroelectric generating stations while also pursuing new hydroelectric opportunities.

Status:  In the process of being implemented by May 2025.

Details

We found that OPG has supported the IESO regarding the use of OPG's existing hydroelectric capability and the development of new hydroelectric opportunities. One example of this support is demonstrated through OPG's ongoing participation in the IESO's Market Renewal Program (MRP), which aims to modernize Ontario's electricity markets by addressing inefficiencies as well as supporting the integration of emerging and new technologies. In 2023, OPG attended all five meetings of the MRP's Implementation Working Group.

OPG will continue to provide support to the Ministry and the IESO through participating in the IESO's MRP, which has an estimated "Go-Live" date of May 2025.

Recommendation 2: Action Item 1

To economically and efficiently pursue new hydroelectric energy projects in the future, we recommend that Ontario Power Generation:

- work with the Independent Electricity System Operator (IESO) to develop a strategy to allow for open communication during the selection of new development projects;

Status:  In the process of being implemented by December 2024.

Details

We found that OPG has worked with the IESO to ensure open communication during the selection of new hydroelectric projects. For example:

- OPG collaborated with the IESO in its work to identify potential transmission corridors to enable future clean energy generation.
- OPG engaged with the IESO to explore potential new hydroelectric opportunities such as the Little Jackfish Project north of Thunder Bay. Specifically:

- OPG met with the IESO on October 27, 2023, to provide it with an update on proposed hydroelectric projects and requested feedback from the IESO.
- OPG subsequently met with IESO on February 26, 2024, to share information about the Little Jackfish Project's cost optimization and system value.
- OPG contacted the IESO on February 27, 2024, to reinforce the need to collaborate better on exploring new hydroelectric development by recommending the establishment of an OPG-IESO working group that would meet regularly to respond back to the Ministry and to ensure further collaboration.
- OPG developed a Stakeholder Relations Engagement Plan to maintain open communication between OPG and the IESO in various areas, which includes informing the IESO of OPG's broader plans.

OPG will continue to advocate for a more streamlined approach with both the IESO and the Ministry and achieve a closer collaboration with them on long-term energy and transmission planning by December 2024.

Recommendation 2: Action Item 2

- consult all potential partners, including Hydro One, the IESO and third-party vendors, regularly to assess the ongoing viability of project development.

Status:  Fully implemented.

Details

We found that OPG has consulted with all potential partners, including Hydro One, the IESO, Indigenous communities and other relevant third-parties, in exploring new hydroelectric development projects and assessing the ongoing viability of project development. For example, OPG has:

- developed a Stakeholder Relations Engagement Plan with the IESO and Hydro One;
- worked with the IESO in December 2022 on its Pathways to Decarbonization report, which explores opportunities to decarbonize the electricity sector, including the potential for new hydroelectric development;
- met with the IESO to discuss future hydroelectric development of the Little Jackfish Project that included an Indigenous update;
- participated in standing meetings with the IESO's Chief Executive Officer to discuss common issues such as transmission planning and OPG projects that require assistance from the IESO;

- provided feedback to the Ministry of Energy's proposed actions to support critical transmission infrastructure in the Northeast and Eastern Ontario; and
- met with Hydro One regularly to discuss progress, alignment, risks and opportunities related to new hydroelectric development.

In February 2023, OPG also issued its Made-in-Ontario Northern Hydroelectric Opportunities report, which included input and advice from Indigenous communities and stakeholders such as the Ontario Waterpower Association (OWA), industry representatives and regulators. This report made four recommendations regarding new hydroelectric generation opportunities:

- accelerate the Little Jackfish Project as Ontario's most advanced new build hydroelectric generation opportunity;
- begin the process of exploring the Moose River Basin, in collaboration with Indigenous communities;
- leverage OPG's existing assets to deliver more value to the electricity system; and
- collaborate with the IESO, Indigenous communities, local utilities and the OWA to effectively and efficiently plan for the long-term development of potential hydroelectric generation.

2. OPG Recorded Approximately \$730 Million in Revenue Since 2015 for Spilled Water without Generating Any Electricity Due to Excess Power Supply in Ontario

In our original audit, we found that when electricity supply exceeded demand in Ontario, OPG might be directed by the IESO to reduce generation by spilling (or releasing) water, because there were no practical options to store hydroelectric energy for future use. For 54 of 66 hydroelectric stations, OPG was compensated at a fixed rate for spilling water. In 2021, the amount of electricity lost as a result of spilling was 1.9 million MWh, enough to power about 220,000 households for a year. Since 2015, OPG had spilled water that could have generated 25 million MWh of electricity. It recorded approximately \$730 million in revenue without generating any power. The current compensation method (which took both OPG's fixed costs and variable costs of operating stations into account) did not appear to be achieving value-for-money for ratepayers. When spilling water without generating any power, OPG incurred limited variable costs for operating the stations. Therefore, the compensation method should consider fixed costs while variable costs should be limited.

Recommendation 3: Action Item 1

To protect the interests of Ontario ratepayers, we recommend that Ontario Power Generation collaborate with the Independent Electricity System Operator and the Ontario Energy Board to assess options for more cost-effective ways to be compensated for surplus baseload generation conditions, such as covering only fixed costs when hydroelectric generating stations are requested to spill water in order to curtail production.

Status:  Will not be implemented.

The Office of the Auditor General of Ontario continues to support the importance of assessing options for more cost-effective ways to be compensated for surplus baseload generation.

Details

We found that OPG has not collaborated with the IESO and the OEB to assess options for more cost-effective ways to be compensated for surplus baseload generation conditions. This is because, outside of an OEB proceeding, OPG has no means to engage with the IESO and the OEB on the appropriate compensation mechanisms for forgone electricity production due to surplus baseload generation conditions. These conditions result in excess power supply when OPG has to spill water to reduce or stop its hydroelectric generation by allowing water to bypass a station without generating electricity.

While OPG anticipates that the OEB will review the methodology for calculating the Hydroelectric Surplus Baseload Generation Variance Account, this review will not include an assessment that will address this recommended action. This is because the methodology review is intended to assess options to reduce amounts recorded in the Hydroelectric Surplus Baseload Generation Variance Account instead of assessing options to adjust the compensation methodology.

3. Aging of Hydroelectric Stations and Equipment Has Led to a Continuous Backlog of Work Orders Which Could Result in Increased Maintenance Costs

In our original audit, we found that between 2015 and 2021, the number of maintenance work orders for OPG's hydroelectric stations increased by 83% (from 18,400 to 33,800). Most work orders were for preventative maintenance to avoid equipment failures that can lead to unplanned outages. We also found that OPG has had a continuous backlog of work orders over the last five years, and the backlog was approximately 9,500 work orders at the end of 2021.

Recommendation 4: Action Item 1

To better monitor, track and complete maintenance work on its hydroelectric generation fleet, we recommend that Ontario Power Generation:

- establish procedures requiring staff to include due dates for work orders;

Status:  Fully implemented.

Details

We found that OPG has reviewed and revised its work management procedures to ensure appropriate work prioritization and completion by due dates. For example:

- The Work Management—Master Data procedure was revised in June 2023 to incorporate additional details about critical equipment identification, which will be used to support work prioritization criteria. This procedure defines the process to maintain work management data (such as equipment records, bill of materials and master equipment list) consistently across OPG's Renewable Generation division.
- The Work Management—Assess, Plan and Schedule Work procedure was revised in February 2024 to incorporate stronger process direction regarding the requirement to use due dates when scheduling work and managing backlog. The due date field must be filled in for preventative maintenance work orders.

Recommendation 4: Action Item 2

- measure and oversee all work orders against due dates to identify whether work orders are being completed on a timely basis and implement corrective action when needed;

Status:  In the process of being implemented by December 2024.

Details

We found that OPG has taken actions to measure and oversee all preventative maintenance work orders against due dates to identify whether work orders are being completed on a timely basis. For example, OPG publishes a monthly work management dashboard that shows preventative maintenance beyond its due date so as to highlight work orders that are intended to be executed within their required frequency range.

OPG has also explored options and plans to implement one of the following proposed solutions:

- enhancing the functionality of the work management dashboard; or
- re-programming the enterprise asset management software to incorporate due dates in the Preventative Maintenance Requirements, which are a set of rules to trigger or activate work orders.

OPG will implement the proposed solution by December 2024.

Recommendation 4: Action Item 3

- develop a strategy with a risk-based work prioritization methodology to address increasing maintenance work orders and the work order backlog.

Status:  In the process of being implemented by December 2024.

Details

We found that OPG has improved its work management program to address the increasing number of maintenance work orders and the work order backlog. For example:

- OPG scheduled Joint Maintenance Prioritization meetings regularly to support the prioritization and re-prioritization of maintenance work, incorporate stakeholder feedback into schedules, and monitor work order backlog.
- OPG developed a key performance indicator for monitoring the backlog of work orders to gauge the significance of the backlog in relation to scheduled work.
- OPG revised its Work Management—Assess, Plan and Schedule Work procedure (as noted in the first action item of **Recommendation 4**), which includes a Prioritization Table that has been updated to include equipment criticality and consequence ratings as factors to prioritize work orders. OPG will monitor the work order priority against the Prioritization Table. This work is expected to be completed by December 2024.

4. OPG Did Not Always Assess the Conditions of its Hydroelectric Stations and Address Engineering Recommendations on a Timely Basis

In our original audit, we found that conditions of hydroelectric stations were not always assessed at regular intervals. OPG did not complete assessments for approximately 20% (or 13) of its 66 stations within the last 10 years. The timing between assessments was inconsistent. For example, for Sir Adam Beck I and II Stations (two of OPG's largest stations), 18 years passed between their most recent assessment and the previous one, but for Cameron Falls Station, the gap was 10 years.

OPG also did not always address engineering recommendations of what work is required to maintain its generating stations and address any issues found in a timely way. For example, for Abitibi Canyon Station, of 37 major recommendations made in 2016, only three were fully addressed, another three were in the process of being addressed, and 31 had either been scheduled only or not yet addressed in the 2021 assessment.

Recommendation 5: Action Item 1

To comprehensively monitor hydroelectric generating station conditions as part of its updated assessment process, we recommend that Ontario Power Generation:

- develop and document criteria on how often assessments must be completed and include any rationale for situations where stations are subject to different timelines based on risk factors, if applicable;

Status:  Fully implemented.

Details

We found that OPG has taken the following actions to determine how often assessments must be completed and include any rationale for situations where stations are subject to different timelines based on risk factors.

- OPG implemented an Equipment Reliability Program to assess the health of system structure components and to issue health reports using a graded approach based on the level of the component being monitored.
- OPG's Health Group Teams defined performance indicators to measure the condition of various system structure components (for example, turbine and runner of turbines) for its inspection work, and set the frequency of updating these indicators.

Recommendation 5: Action Item 2

- include a comprehensive assessment aspect that allows senior management to periodically assess the conditions and risks of the stations in a more fulsome and timely manner.

Status:  Fully implemented.

Details

We found that OPG has taken the following actions that allows senior management to periodically assess the conditions and risks of the stations in a more fulsome and timely manner.

- OPG initiated Plant Health Committee (PHC) meetings to review the health and risks of system structure components. PHC meetings for large flagship generating stations, such as R.H. Saunders Hydroelectric Generating Station in Cornwall (Ontario's second largest hydroelectric station), will occur at least once a year.
- OPG initiated annual Renewable Generation Fleet Health Review meetings with the executive team to discuss the existing and emerging risk trends with respect to equipment reliability and system health.

Recommendation 6: Action Item 1

To efficiently address required work as per engineering recommendations made during its hydroelectric generating station inspections and assessments, we recommend that Ontario Power Generation:

- develop timelines for follow-up on the completion of recommendations made;

Status:  Fully implemented.

Details

We found that OPG has developed timelines for following-up on the completion of engineering recommendations made during its hydroelectric generating station inspections and assessments.

As noted in **Recommendation 5**, OPG has initiated PHC meetings. The PHC is designed to look at the health of the facility along with developing action plans to address declining health or risks in an appropriate time frame. Action plans include strategies to mitigate risks until the permanent solution is executed. The PHC also provides a forum for the engineers and OPG's management to challenge decisions and effectiveness of the strategies.

Recommendation 6: Action Item 2

- document the rationale and approvals for recommended work that is delayed or not completed by expected timelines;

Status:  Little or no progress.

Details

We found that OPG has not documented the rationale and approvals for recommended work that was delayed or not completed by expected timelines. However, OPG has started taking some actions to address this recommendation, such as:

- revising the Change Request Authorization (CRA) form to identify the need for the Senior Manager of Station Engineering to be included as “Reviewed By” for any CRAs that reflect a change in schedule;
- updating the Regional Programming Best Practices Guide; and
- establishing means of evaluating risks, which include the risk of work delayed or not completed by expected timelines.

Currently, OPG uses a risk-based approach to make decisions and changes during business planning while taking into consideration various risks (for example, safety, environment and financial). However, the process for documenting these risk assessments when making adjustments to planned work has not been formalized. The process is expected to be implemented by December 2024. This process will be standardized and have an approval workflow.

Recommendation 6: Action Item 3

- investigate and document the rationale for why cost estimates have increased significantly from previous assessments and regularly report that information to its Board of Directors.

Status:  Fully implemented.

Details

We found that OPG has developed the following mechanisms to investigate and document the rationale for why cost estimates have increased significantly from previous assessments and regularly reported that information to its Board of Directors.

- OPG has issued a Renewable Generation C55 Guide. The purpose of this document is to provide guidance to the users of the OPG Asset Investment Planning and Management (AIPM) software tool, called Copperleaf C55. Our review of this document noted that preliminary cost estimates (for class 4 or 5) should be included in investment requests.
- OPG has established a Renewable Generation Asset Management Oversight Committee (AMOC), which is a forum to challenge investment costs and schedules. The AMOC meets quarterly, or subject to business needs.
- Our review of sample reports noted that OPG has provided updates to the Major Projects Board Committee via its Enterprise Project Portfolio Performance reports. The committee is responsible for overseeing matters related to the planning and execution of major projects. The committee consists of seven Directors, meets quarterly, and monitors and reports to the Board on the progress of the major projects against Board-approved budgets and schedules.

5. OPG Can Further Improve the Reliability and Performance of Its Hydroelectric Generating Stations

In our original audit, our review of the amount of electricity production loss due to both planned and forced outages found that losses generally increased up to 2019, then decreased in 2020 and 2021. The loss in 2021 due to outages amounted to 623,000 MWh, more than three times higher than the loss in 2012 (198,000 MWh). This lost electricity would have been enough to power approximately 73,000 homes for a year in Ontario.

Recommendation 7: Action Item 1

To further improve and maximize the reliability of its generating stations, we recommend that Ontario Power Generation:

- review why various reliability metrics, such as availability and outage factors, have shown fluctuating results;

Status:  Fully implemented.

Details

We found that OPG has reviewed why various reliability metrics, such as availability and outage factors, have shown fluctuating results. For example, OPG performed various analyses to:

- identify major contributors to the Renewable Generation's Equivalent Forced Outage Rate (which is measured by the ratio of time a generating unit is forced out of service by

unplanned events, compared to the amount of time the generating unit was available to operate) and to explain if and how adding more sensors for online monitoring would avoid the same failure happening in the future; and

- review two major 2023 events caused by defective or malfunctioning components.

OPG has also held monthly Equipment Failure Review meetings between different groups within its Renewable Generation division, including Station Engineering, Central Engineering, Monitoring and Diagnostic Centre, Operations, and Maintenance.

Recommendation 7: Action Item 2

- identify learning opportunities and adopt best practices for improving the reliability of generating stations through, for example, its participation in various peer groups.

Status:  Fully implemented.

Details

We found that OPG has identified learning opportunities and adopted best practices for improving generating station reliability. For example, OPG has:

- participated in the cost and performance benchmarking conducted by the Hydroelectric Productivity Committee within the Electric Utility Cost Group (EUCG), which is a forum for various international utility companies to share data and network with industry peers;
- collaborated with other utilities and research institutes to develop, adapt and implement technologies and systems to improve equipment reliability in the hydroelectric fleet, such as participating in the Hydropower Research Institute (HRI) Innovation Day to share innovative projects;
- participated in the generating unit performance benchmarking conducted by Electricity Canada (formerly the Canadian Electricity Association), which is the national forum and voice of the evolving and innovative electricity business in Canada; and
- signed a non-disclosure agreement with the Idaho National Laboratory funded by the US Department of Energy to collaborate on developing asset models to enhance equipment reliability.

OPG also plans to continue its membership with EUCG, HRI and Electricity Canada for the foreseeable future in order to identify learning opportunities and best practices from peer groups.

6. OPG Does Not Always Complete Capital Projects and Assessments in a Cost-Effective and Timely Manner

In our original audit, our review of large hydroelectric capital projects completed over the last 15 years found that OPG experienced delays of some projects and cost overrun of one project as a result of insufficient planning. For example, for the Niagara Tunnel Project, sub-surface geotechnical investigations carried out before the project started did not adequately note the rock conditions and work required. This resulted in a 62% increase in project cost (from \$985 million to \$1.6 billion) and a three-year delay in project completion (from 2010 to 2013).

OPG also did not always complete post-project reviews in a timely way. For example, for the Lower Mattagami River Redevelopment Project completed in 2014, OPG did not complete the post-project review until 2020, six years later.

Recommendation 8: Action Item 1

To plan and complete capital projects efficiently and cost-effectively, we recommend that Ontario Power Generation (OPG):

- work with potential vendors to conduct more thorough pre-project assessments to identify and reduce the risk of possible issues arising that could result in cost increases or project delays;

Status:  Fully implemented.

Details

We found that OPG has implemented a Project Excellence Initiative, including more front-end planning with vendors, to enhance its project management, risk management and controls. Specifically, OPG has put the following mechanisms in place to identify and reduce the risk of possible issues arising that could result in cost increases or project delays.

- The Risk Management Manual describes early involvement of vendors in project planning.
- The Renewable Generation Overhaul Program document recommends vendor engagement four years in advance of overhaul commencement.
- The Intelligent Requirements Process Guide describes vendor involvement in collaborative design planning.
- The Renewable Generation Programmatic Partnership Approach aims to secure vendors' capacity for hydroelectric generating stations' development and overhauls.

- The Front-End Planning for Programs and Strategic Projects Guide has a section that outlines the importance of relationships with key stakeholders and building engagement into the strategic project's lifecycle.

OPG has also engaged and involved vendors early during the planning stage of the projects. For example:

- The Coniston-Stinson Redevelopment project is currently in the planning phase. Contracts have been awarded to a turbine and generator supplier and a general contractor. The OPG project team has been working collaboratively with both the supplier and the general contractor to optimize the design. Financial incentives have been included in the general contractor's agreement to promote cost optimization.
- The Kakabeka Falls Redevelopment project has engaged the contractors in the front-end planning process. The OPG project team has completed four days of technical workshops to kick off the Front-End Engineering and Design (FEED) phase of the project.
- The Matabitchuan Redevelopment Project engaged key vendors early in the front-end planning phase to optimize the design and constructability of the project.

Recommendation 8: Action Item 2

- oversee and monitor project work more closely on a regular basis to identify and correct any potential delays as soon as reasonably possible;

Status:  **In the process of being implemented by March 2025.**

Details

We found that OPG enhanced its oversight and monitoring on project work more closely on a regular basis to identify and correct any potential delays as soon as reasonably possible. For example:

- OPG's Construction Centre of Excellence launched a pilot training program, called Cons-Pro, in September 2023. The pilot program included various topics related to project oversight and monitoring, including conflict and negotiation, contract management fundamentals, safety awareness, and labour relations. OPG has started conducting a review of the pilot program and will incorporate revisions to its training program accordingly.
- OPG initiated Renewable Generation Regional Projects Level 1 to Level 4 meetings to document a project review in a hierarchical model. Level 4 meetings report daily progress and tactical issues attended by Project Leads, while Level 1 meetings report project status, forecasts and risk mitigation plans on a monthly basis and are attended by various Directors and the Finance Controller.

OPG will complete its review of the pilot training program and start training all construction supervisors. This work is expected to be completed by March 2025.

Recommendation 8: Action Item 3

- review its contract terms (such as warranty conditions) to ensure they protect OPG in the event of issues caused by vendors.

Status:  Fully implemented.

Details

We found that OPG's Law Division has reviewed the contract terms and confirmed that those terms adequately protect OPG in the event of issues caused by vendors.

It was determined that no change to the warranty provisions in OPG's standard terms and conditions are required to address the vendor's obligation to cover the costs to correct defective work. OPG's standard warranty provisions in its contract templates set out that the vendor is required to pay all costs related to the correction of any defective work, including:

- all costs and charges respecting correction or replacement of any defective part of the work;
- all incidental costs of the corrective services, including, as may be required for disassembly, removal, re-installation, re-erection, re-assembly, transportation, insurance and any applicable taxes; and
- all of OPG's reasonable out-of-pocket fees and charges of third-party engineers, architects, accountants, lawyers and other professionals advising OPG with respect to the correction of the defect.

While there may be certain circumstances under which OPG may agree to minimize the vendor's obligation to cover certain correction costs (for example, disassembly and re-assembly of equipment), this occurs only on a case-by-case basis.

While OPG has decided to keep the contract terms, on May 3, 2023, it rolled out a training program for its Supply Chain staff with the goal of preventing issues caused by vendors from re-occurring in the future.

Recommendation 9: Action Items 1 and 2

To evaluate capital projects and apply lessons learned to ongoing and future projects in a timely manner, we recommend that Ontario Power Generation:

- complete post-project reviews within one to two years after a project has been substantially completed using techniques such as monitoring ongoing record-keeping and/or completing project close-outs in steps throughout the project; and
- conduct comprehensive post-project reviews on all large projects to identify lessons learned and/or best practices, and then apply them to ongoing and future projects accordingly.

Status:  **Fully implemented.**

Details

We found that as part of its ongoing Project Excellence Initiative (as noted in **Recommendation 8**), OPG has incorporated post-implementation and lessons learned reviews from ongoing and past projects into future project work.

In late 2022, OPG revised and improved its Post-Implementation Review (PIR) process. Changes to the process included:

- digitizing the PIR form in OPG's Project Management Information System (ePMX);
- creating a PIR tracker report to better monitor the status of ongoing PIRs;
- implementing a PIR guide to outline the principles and processes, required documentation, and roles and responsibilities for completing PIRs;
- establishing target PIR completion timelines (12 months after the project completion date); and
- establishing a scaled approach to PIR requirements based on the cost and complexity of the project.

These changes to the PIR process have been communicated to OPG staff via website announcement, newsletters and email. A memorandum has also been issued with instructions detailing the transition to the new PIR process.

7. Rate-Setting Process is Not Regulated for 12 OPG Hydroelectric Generating Stations

In our original audit, we found that of OPG's 66 hydroelectric stations, 12 stations were not subject to the OEB's rate regulation because they contracted directly with the IESO. Their rates were significantly higher than those for rate-regulated stations. The rates for non-rate-regulated stations varied (from \$65 to \$250 per MWh), meaning that they were at least 1.5 to almost six times higher than the rate for rate-regulated stations (\$43.88 per MWh).

Recommendation 10: Action Item 1

To consistently and fairly set rates for hydroelectric generation, we recommend that Ontario Power Generation work with the Ontario Energy Board, the Independent Electricity System Operator and the Ministry of Energy to complete a fulsome review of the rate-setting processes for rate-regulated stations and non-rate-regulated stations, and determine whether the current methods of rate-setting are appropriate and in the interests of ratepayers.

Status:  Will not be implemented.

The Office of the Auditor General of Ontario continues to support a fulsome review of the rate-setting processes for rate-regulated stations and non-rate-regulated stations to determine whether the current methods of rate-setting are appropriate and in the interests of ratepayers. We encourage OPG to work with the Ministry on this recommendation.

Details

We found that OPG has no authority to establish or change the rate-setting process for its generation assets. OPG indicated that it can only provide input into a public consultation on the rate-setting process, and that the Ministry determines which OPG hydroelectric generating stations will be regulated and which will be contracted. As such, any request to review or reassess the treatment of the currently contracted stations can only be made by the Ministry; to date, no such request has been made.

OPG will continue to provide support to the Ministry when requested, and engage in any public consultations put forward by the IESO and the OEB that are relevant to hydroelectric generation.

8. OPG Has Followed Dam Safety Best Practices, but Should Continue Working to Reduce Public Safety Events

In our original audit, we found that over the last seven years, while dam safety (involving the dam structure or station itself) incidents decreased (from 41 events in 2015 to 19 events in 2021), events related to public safety increased and remained high in recent years (145 events in 2021). Most of these public safety issues arose because the public either ignored or did not notice warning signs.

Recommendation 11: Action Item 1

To protect its hydroelectric generating stations, dams and the public, we recommend that Ontario Power Generation:

- complete all dam inspections and reviews on a timely basis in accordance with policies and best practices to assess the safety and operations of its dams;

Status:  Fully implemented.

Details

We found that OPG has completed all dam inspections and reviews on a timely basis in accordance with policies and best practices to assess the safety and operations of its dams. Specifically, OPG has completed 202 dam safety general inspections and 44 dam safety reviews as planned in 2023. All these inspections and reviews were completed within the scheduled timelines.

OPG has also taken actions to streamline the dam safety review process in order to ensure timely completion and eliminate rework or change orders to the contracts, which can create delays while awaiting approvals. OPG has:

- revised its standard Request for Proposal document to clarify the full requirements of the dam safety review; and
- initiated bi-weekly meetings to verify that progress was being made, and that any requests for information were being addressed in a timely manner.

Recommendation 11: Action Item 2

- continue to review safety processes across its hydroelectric assets to raise public awareness and identify opportunities to implement additional safety measures, such as buoys or alarm systems, where necessary and feasible.

Status:  Fully implemented.

Details

We found that OPG has continued to review the safety processes across its hydroelectric assets to raise public awareness and identify opportunities to implement additional safety measures. Specifically:

- OPG updated 23 Public Safety Risk Assessments and 23 Public Safety Management Plans with corrective actions plans.
- OPG collaborated with stakeholders on public safety initiatives and completed Water Safety Campaign initiatives in 2023 to maintain public awareness of hazards associated with hydroelectric stations and dams.

For example, according to the Public Safety Management Plan for Caribou Falls Generating Station, its safety measures include an annual Public Education Plan, outlining the annual schedule or targets for:

- public safety media programs, including radio, television and newspaper spots;
- community events for OPG participation (for example, trade shows, regattas);
- school programs for educating children; and
- specific communications or presentations to community groups (for example, Campers Associations).

In order to facilitate public education work, OPG's Northwest Operations Corporate Relations Officer maintains lists of community contacts for each site, including government groups and agencies, local businesses and associations, recreation associations and clubs (for example, hiking, snowmobile and camping), schools, and other stakeholders.

9. OPG Needs to Continue to Monitor and Report on Its Foreign Acquisition and Investment Activities

In our original audit, we found that in addition to owning generating stations in Ontario, OPG had invested in generation assets in the US through a series of subsidiaries operating as Eagle Creek. OPG's rate of return on investment from its US-based hydroelectric generation assets was about 1.2% lower than expected at the time of acquisition in 2019.

Recommendation 12: Action Item 1

To protect the Province and by extension Ontario taxpayers and ratepayers, we recommend that Ontario Power Generation:

- complete an annual strategic review of its foreign investments and potential investment opportunities in Ontario and provide this information to both its Board of Directors and the Province;

Status:  Fully implemented.

Details

We found that OPG has assessed the potential for investment opportunities and engaged its Board of Directors and the Province as necessary. Specifically:

- OPG provided its Corporate Strategic Plan, which contains updates on foreign investment performance, to the Ministry as approved by the OPG Board in its annual forward-looking assessments of growth in November 2023.
- OPG provided the Ministry, through its existing quarterly financial reporting meetings at the end of each quarter, with updates on OPG financials with a specific focus on foreign investment performance as part of the meeting in the third quarter held on November 21, 2023.

Recommendation 12: Action Item 2

- regularly assess its acquisition framework, including a forward-looking risk analysis and potential investments (in both Ontario and other jurisdictions), and report those results to the Province.

Status:  Fully implemented.

Details

We found that OPG has discussed the effectiveness of its acquisition framework with the Ministry in its scheduled monthly meeting on June 6, 2023, with respect to the acquisition and divestment opportunities associated with OPG's international investments. The Ministry confirmed the effectiveness of OPG's existing framework. OPG updated the Ministry that it would reflect the June 6 meeting as the first annual assessment of the effectiveness of its acquisition framework. OPG intends to reassess its existing framework in June annually going forward.

// Appendix

Recommendation Status Overview

	# of Action Items	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	3	1	2			
Recommendation 5	2	2				
Recommendation 6	3	2		1		
Recommendation 7	2	2				
Recommendation 8	3	2	1			
Recommendation 9	2	2				
Recommendation 10	1				1	
Recommendation 11	2	2				
Recommendation 12	2	2				
Total	24	16	5	1	2	0
%	100	67	21	4	8	0

Follow-Up on the 2022 Performance Audit:

Ministry of Public and Business Service Delivery and Procurement

Real Estate Council of Ontario

// Overall Conclusion

63 Recommended Actions



The Real Estate Council of Ontario (RECO), as of August 19, 2024, had fully implemented 86% of the recommendations that were specifically directed toward it alone. Combined, RECO and the Ministry of Public and Business Service Delivery and Procurement (formerly the Ministry of Public and Business Service Delivery), as of August 19, 2024, had fully implemented 79% of actions we recommended in our 2022 audit of the **Real Estate Council of Ontario**. RECO and the Ministry of Public and Business Service Delivery and Procurement (Ministry) have made progress in implementing an additional 2% of the recommendations.

RECO has fully implemented recommendations such as updating its registration policy to help registration staff determine when it is appropriate to approve and refuse to register applicants that have a history of criminal offences. RECO has also implemented a system to assign a descriptive complaint category to each complaint it receives in order to improve its capacity to identify systemic issues and trends. In addition, RECO has developed a brokerage risk framework so that brokerages with a higher risk of non-compliance with the *Trust in Real Estate Services Act, 2002* (Act) and its regulations (previously the *Real Estate and Business Brokers Act, 2002*) are inspected more frequently. As well, RECO has entered into a Memorandum of Understanding with the Financial Transactions and Reports Analysis Centre of Canada to share information to facilitate enforcement targeting money laundering. The Ministry has fully implemented recommendations to make changes to RECO's Board governance. For example, in January 2024, the Minister issued an order to limit the percentage of Board members who can be drawn from the real estate services sector to no more than 34%. This change was implemented in May 2024.

However, little progress has been made toward implementing 19% of the recommendations, including establishing a maximum time frame during which unclaimed deposits on real estate transactions can be held. RECO has also made little progress on implementing a process to periodically collect transaction information from brokerages that can be used to make evidence-based policy recommendations to the Ministry. In addition, the Ministry and RECO have made little progress on revising the performance indicators the Ministry uses to monitor RECO's performance.

The status of actions taken on each of our recommendations is described in this report (see **Appendix** for more details).

// Status of Actions Taken on Recommendations

We conducted assurance work between April 2024 and August 2024. We obtained written representation from the Real Estate Council of Ontario and the Ministry of Public and Business Service Delivery and Procurement that effective October 28, 2024, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

1. Registration of Brokers and Salespersons

In our original audit, we found that RECO did not have a formal policy, guidelines or a consistent process to assess whether to refuse to register applicants who had a criminal history. In 20 of 25, or 80% of the registered salespersons and brokers we reviewed who self-disclosed a criminal charge or conviction, RECO did not have a documented rationale for why it did not pursue action to refuse or revoke registration. In addition, with few exceptions, RECO did not require salespersons and brokers to undergo a criminal background check on a periodic basis after they are registered.

We also found that a lack of exam protocols contributed to a major breach in the integrity of exams offered in the real estate education program. Despite major breaches in the integrity of real estate exams administered by Humber College, RECO had not taken steps to independently verify whether the issues that led to the breaches had been satisfactorily addressed.

Recommendation 1: Action Items 1, 2 and 3

So that the Real Estate Council of Ontario (RECO) is able to meet the requirement of the *Real Estate and Business Brokers Act, 2002* to approve applications only if individuals seeking to register or renew their registration as a salesperson or broker can be expected to carry on business lawfully and with integrity, we recommend that RECO:

- develop a policy and guidelines to help registration staff determine when it is appropriate to approve and refuse the registration of applicants that have a history of criminal offences;
- require registration staff to document their rationale, consistent with the policy and guidelines, for recommending that the registration and renewal of registration of applicants be approved or refused;
- disclose the policy and guidelines publicly so that prospective applicants can self-assess their eligibility prior to completing the real estate education program;

Status:  **Fully implemented.**

Details

We found that in October 2023, RECO updated its registration program policy to assist registration staff to determine when it is appropriate to approve and refuse the registration of applicants that have a history of criminal offences. The policy states that registration staff are required to review an applicant's criminal history and outlines 10 factors that staff should consider in their review. For example, the review should consider the date of the charges or convictions, extent and nature of criminal conduct, relevance to duties performed by the registrant, and the individual's co-operation with RECO's review. RECO also developed a case analysis training guide for staff that outlines the process and instructions for assessing and documenting the suitability of registering individuals who have disclosed a criminal conviction or pending charges. In addition, RECO's policy also requires its staff to provide a documented rationale for action (approval or refusal) on files where an individual has disclosed a criminal conviction or pending criminal charges. Lastly, RECO published its updated registration program policy on its website.

Recommendation 1: Action Item 4

- introduce a requirement for registrants to periodically obtain an updated criminal background check as a condition of renewing registration.

Status:  **Little or no progress.**

Details

We found that RECO has not made progress toward implementing this recommendation. RECO plans to seek input from the industry on this requirement and update its policy accordingly by December 2024.

Recommendation 2: **Action Item 1**

So that the integrity of real estate exams is protected, we recommend that the Real Estate Council of Ontario (RECO):

- take steps to independently review the exam protocols and the proctoring software for deficiencies;

Status:  **Fully implemented.**

Details

We found that RECO met with third-party firms that specialize in exam security auditing and security consulting to gain an understanding of exam auditing services. RECO determined that a System and Organization Controls (SOC) 2 report that includes an independent audit opinion would be satisfactory to test the controls of the exam software system. This includes controls related to security, availability, processing integrity, confidentiality and privacy of personal information that the exam software collects. In 2024, RECO received a SOC 2 report, as well as a secret shopper audit report that tested exam protocols (commissioned by RECO's education service provider).

Recommendation 2: **Action Item 2**

- work with the education service provider to take immediate corrective action to address the issues identified;

Status:  **Fully implemented**

Details

We found that RECO completed a review of the SOC 2 and independent third-party security audit reports (described in Recommendation 2: **Action 1**) and concluded that the SOC 2 report provided a satisfactory level of compliance with RECO's expectations for secure examinations. RECO advised us that it confirmed that the issues that were identified had been addressed.

Recommendation 2: Action Item 3

- establish a formal protocol to be followed by the education service provider and RECO to identify and analyze future exam breaches;

Status:  Little or no progress.

Details

We found that RECO has made little progress toward implementing this recommendation. RECO indicated that it has engaged a new examination service provider who will begin to deliver examinations in July 2025. RECO indicated that it expects the provider to deliver customized exam protocols to RECO by December 2024 that will deter, detect and enable the analysis of future exam breaches.

Recommendation 2: Action Item 4

- maintain the ability to move exams to in-person administration should software integrity issues arise necessitating in-person exams.

Status:  Fully implemented.

Details

We found that RECO received a commitment from the education service provider to continue to allow exam writers the option of choosing a virtual or in-person setting for exams. In January 2023, the education service provider increased in-person capacity by 550 seats per week. As a result, if a need should arise for in-person exams, the education service provider would be able to move to full in-person delivery of exams.

2. RECO Does Not Analyze Complaints to Identify Systemic Issues or Trends

In our original audit, we found that RECO did not track the complaints it received by type, and thus did not analyze them to identify and address systemic issues and trends, including with respect to violations of the Act and its regulations.

Recommendation 3: Action Items 1, 2, 3 and 4

So that the Real Estate Council of Ontario (RECO) improves its capacity to identify systemic issues and trends that require improvement, we recommend that RECO:

- implement a system to assign a descriptive complaint category to each complaint it receives;
- periodically analyze complaints data to identify systemic issues and trends over time;
- address and resolve identified systemic issues; and
- publicly report on common and emerging trends from complaints received on an annual basis.

Status:  **Fully implemented.**

Details

We found that in August 2023, RECO developed 50 descriptive classification categories for complaints, including categories for abuse and harassment, false and misleading advertising, care of property issues (such as inadequate supervision during property viewings that may lead to damage or theft), and commission and remuneration issues. In September 2023, RECO provided training to its staff to track complaints using the new complaint categories. In addition, RECO developed a standard operating procedure that outlines the policy and procedure for reviewing complaint data, according to which RECO will track complaints by category and generate monthly and quarterly reports for management's review. The procedure also outlines steps to identify statistically significant systemic issues and trends with complaints.

RECO advised that it began its ongoing quarterly analysis of complaints data to identify systemic issues and emerging trends in the fall of 2023. RECO also developed action plans to address identified issues that included creating targeted communications to the real estate sector through published bulletins on its website and adding learning materials to its mandatory continuing education program for registrants. In its April 2024 annual report, RECO reported on common and emerging trends from its complaints data.

3. Inspections of Brokerages

In our original audit, we found that RECO did not have a policy to inspect each registered brokerage within a certain time frame (e.g., at least once every five years), and it did not assess and assign a risk rating to each brokerage so that high-risk brokerages can be inspected more frequently. RECO had never conducted a full on-site inspection at 27% of registered brokerages, and had not conducted a full on-site inspection at a further 35% of brokerages for at least five years.

In addition, RECO cancelled about 20% of scheduled inspections of registered brokerages between 2017 and 2021 because the brokerage declared it had limited or no trading activities. However, RECO did not take any steps to verify the accuracy of these declarations before cancelling the inspection.

As well, RECO did not have a process in place to periodically monitor whether its inspectors conduct compliance inspections of brokerages consistently and effectively, and had not updated the checklists its inspectors used to carry out inspections since RECO's inception in 1997. For example, the number of real estate transaction files selected for review during an inspection was not proportional to the number of properties sold by the brokerage.

Further, RECO rarely followed up on violations found during inspections to confirm that brokerages had corrected them. In 88% of the 2,643 inspections conducted by RECO between 2017 and 2021 where violations of the Act were identified, instead of conducting a follow-up inspection or referring the case to RECO's investigations department for further review, RECO's inspectors issued an Inspection Deficiency Notice listing the deficiencies identified and relied on the brokerage to correct them.

RECO also did not check if salespersons and brokers disclosed accurate information in property listings. RECO's inspection process did not require its inspectors to review the information included in a property listing such as property tax amount, maintenance fees, age of the home and size of the lot to determine if the selling agent took reasonable steps to ensure its accuracy.

Recommendation 4: Action Items 1 and 2

So that brokerages are inspected based on their risk of non-compliance with the *Real Estate and Business Brokers Act, 2002* and its regulations, we recommend that the Real Estate Council of Ontario:

- develop a brokerage risk framework (for example, high, medium and low) and assign an inspection frequency to each level of risk;
- determine and assign a risk level and inspection frequency to each brokerage;

Status:  **Fully implemented.**

Details

We found that RECO has developed a brokerage risk framework and assigned an inspection frequency to each level of risk. RECO determines the overall risk rating of a brokerage based on the number and severity of the contraventions it finds during an inspection. It allocates brokerages the following risk ratings and inspection frequencies:

- New brokerage—no risk rating; a target frequency for inspection of six to 12 months is assigned.
- Substantive compliance—assigns a risk rating of low and a target frequency for inspection of three years.
- Moderate compliance—assigns a risk rating of medium and a target frequency for inspection of two years.
- Substantive non-compliance—assigns a risk rating of high and a target frequency for inspection of one year.
- Significant non-compliance—assigns a risk rating of critical and a target frequency for inspection of “immediate.”

Under RECO’s new brokerage risk framework, each brokerage is to be inspected a minimum of once every three years.

Recommendation 4: Action Item 3

- put in place systems to ensure that each brokerage is scheduled for and receives an inspection based on its assigned frequency;

Status:  **Fully implemented.**

Details

We found that RECO has established a monitoring process to ensure that inspections are completed as scheduled based on their assigned frequency. RECO has implemented dashboards for managers to monitor the progress of ongoing inspections and to highlight any outstanding tasks that require attention from each team member. RECO supervisors and managers can use the dashboards to track statuses of all inspections at various stages. The dashboards also display key performance indicators that allow management to assess team productivity and identify bottlenecks in the inspection process.

Recommendation 4: Action Item 4

- put in place a process to reassess each brokerage's risk level on an ongoing basis.

Status:  **Fully implemented.**

Details

We found that RECO has put in place a process to reassess each brokerage's risk level. At the end of each brokerage inspection, the brokerage is assigned a new risk rating based on the outcome of the inspection. A complaint can also trigger an inspection. For instance, the brokerage may have a low or medium risk rating, but the nature of a complaint may warrant an inspection be conducted in short order, outside of its routine inspection rotation.

Recommendation 5: Action Items 1, 2 and 3

So that only brokerages with limited or no real estate trading activities are exempted from an inspection by the Real Estate Council of Ontario (RECO), we recommend that RECO:

- update the inspection policy requiring the inspectors to document the results of the procedures and other activities the inspectors have undertaken to verify the brokerage's trading volume;
- establish a process to conduct unannounced site visits to select brokerages to confirm the accuracy of their declared trading volume: and
- establish a checklist of procedures for its inspection staff to follow prior to granting a brokerage an exemption from inspection.

Status:  **Fully implemented.**

Details

We found that RECO has updated its inspection policies to include inspection templates and reports to document the results of the procedures and other activities the inspectors undertake to verify the brokerage's trading volume, and that the inspectors are required to complete these reports.

In addition, RECO has also established processes to conduct unannounced site visits of select brokerages declaring no trading activities. For instance, when an unannounced inspection is warranted, if the brokerage operates in a commercial location, the inspector will attend the brokerage to conduct the inspection without giving prior notice. Should the brokerage be located within a residence, the broker of record is given two days' notice before the inspection.

Further, RECO has implemented an inspection template that includes a checklist of procedures for its inspection staff to follow when seeking evidence of trading activities. According to the new procedures, an inspector is to review the brokerage's past 12 months of real estate trust account reconciliations and accompanying financial statements, and the last 12 months of commission and general operating account transactions, to determine what type of banking activity has taken place. The inspector also conducts a comprehensive review of the brokerage's digital footprint, including websites, social media accounts, and consumer reviews, to look for any evidence of marketing activity.

Recommendation 6: Action Items 1, 2 and 3

So that the Real Estate Council of Ontario's (RECO's) inspectors carry out inspections of brokerages consistently and effectively, we recommend that RECO:

- update its inspection manual and checklists to require the number of trade files to be reviewed as part of an inspection to be proportional to the volume of properties sold by the brokerage;
- develop and implement an inspection oversight process that includes an inspection file review and a documented assessment of whether inspections are carried out effectively and consistently; and
- where inconsistencies are identified, take steps to facilitate corrective action.

Status:  **Fully implemented.**

Details

We found that RECO has implemented a new process to require the number of trade files reviewed during an inspection to be proportional to the volume of transactions completed by the brokerage. In addition, RECO updated its inspection manual and checklists to reflect the requirements of the new process. According to the new process, RECO must review:

- 12 files for a trade volume between 1 and 250
- 14 files for a trade volume between 250 and 500
- 18 files for a trade volume between 500 and 1,000
- 22 files for a trade volume between 1,000 and 2,500
- 24 files for a trade volume greater than 2,500

If the brokerage has participated in more than 2,500 trades in the past 12 calendar months, the inspector will add a trade file for every additional 1,000 trades completed.

We also found that RECO has put in place an inspection oversight process to assess whether inspections are carried out effectively and consistently. At the beginning of each month, supervisors complete a spot check of five inspections closed the prior month for each of their inspectors. Based on inspection records and documentation, supervisors affirm whether all required tasks were completed to prescribed standards, and assess the appropriateness of the inspectors' actions and recommendations. If an anomaly or concern is detected during the supervisor's review of inspection files, the supervisor is to discuss areas of concern with the inspector during their regular one-on-one meetings. The supervisor is to document the details of the discussion with the inspector and the steps taken to address the identified concern. This documentation is intended to serve as a record of the corrective action taken.

Recommendation 7: Action Items 1 and 2

So that violations of the *Real Estate and Business Brokers Act, 2002* identified during an inspection are corrected by the brokerages on a timely basis, we recommend that the Real Estate Council of Ontario:

- develop and implement a framework with appropriate time frames that provides guidance to inspectors on the types of violations of the Act and its regulations that should be reviewed with a follow-up inspection and when brokerages should be referred to RECO's investigations department for further review;
- ensure that follow-up inspections are performed, and referrals to the investigations department are made, in accordance with this framework;

Status:  **Fully implemented.**

Details

We found that RECO has implemented a process to guide its inspectors on the types of violations of the *Trust in Real Estate Services Act, 2002* (previously the *Real Estate and Business Brokers Act, 2002*) and its regulations that should be reviewed with a follow-up inspection within a shorter time frame. Each contravention is ranked low, medium or high based on severity. After an inspection is conducted, the brokerage is assigned an overall risk rating based on the number and severity of contraventions. Any inspection conducted on a brokerage that resulted in a "high" risk rating would result in the brokerage being reinspected within one year. A brokerage that is ranked as "critical" would be referred to RECO's registration department for immediate assessment (typically less than a month) and to initiate an investigation if the assessment determines that it is needed.

We also found that RECO prepares an annual inspection plan based on its new brokerage risk framework (described in **Recommendation 4**) that includes an assessment of all registered

brokerages. The primary objective of the plan is to verify that every brokerage is scheduled for, and receives, the appropriate inspection within the appropriate timeline.

Recommendation 7: Action Item 3

- track the number of follow-up inspections performed;

Status:  **Fully implemented.**

Details

We found that RECO has implemented dashboards to track the progress of inspections, including the reinspections (follow-up inspections) that should be conducted within a shortened time frame. Further, RECO also prepares an internal report each month that includes detailed statistical information on inspections—including progress, timeliness, outcomes and inspector productivity.

Recommendation 7: Action Item 4

- publicly report on the number of follow-up inspections performed.

Status:  **Fully implemented.**

Details

We found that RECO has set up a process to report annual inspection data publicly in its annual report. This includes the total number of brokerage inspections completed, the number of each inspection type completed, and the number of brokerages reinspected (in follow-up inspections).

Recommendation 8: Action Item 1

To improve the Real Estate Council of Ontario's (RECO's) effectiveness in identifying misleading advertising in the inspection process, and to minimize false, misleading, deceptive and inaccurate representations made by salespersons and brokers in the marketplace, we recommend that RECO:

- review property listings as part of the inspection process to ensure that salespersons and brokers have taken reasonable steps to ensure the material information advertised on the property listing is accurate;

Status:  **Fully implemented.**

Details

We found that RECO has updated its inspection policy to include procedures for inspectors to review property listing information to confirm the registrant took reasonable steps to verify the information. Inspectors are to review the brokerage's trade file for items such as tax bills, source of information on square footage, and receipts for home improvements to confirm that the brokerage has taken steps to verify all information presented in the property listing.

Recommendation 8: Action Item 2

- instruct its inspectors to independently select a sample of advertising materials including property listings made prior to the inspection for its review.

Status:  **Fully implemented.**

Details

We found that RECO has implemented a new inspection policy under which, to ensure an unbiased selection of trade files is reviewed, the brokerage is not permitted to select the files to be reviewed. The inspector determines the number of trade files including the property listings to be reviewed based on the volume of a brokerage's transactions. Once the sample size is determined, the inspector selects the files to be reviewed.

4. Money Laundering in the Real Estate Sector

In our original audit, we found that the real estate sector rarely reports cash and suspicious real estate transactions as required to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), the federal agency that monitors money laundering.

FINTRAC received zero reports from Ontario real estate brokers and salespersons of large cash transactions between the 2017/18 and 2020/21 fiscal years, and just 18 reports in 2021/22.

In addition, RECO did not have a process to inspect whether registrants comply with reporting obligations to FINTRAC and did not have an agreement in place to share information with FINTRAC to facilitate anti-money laundering enforcement activities in the province's real estate sector.

Recommendation 9: Action Items 1 and 2

To identify and reduce the risk of money laundering activities through the real estate market, we recommend that the Real Estate Council of Ontario (RECO) work with the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) to:

- enter into an agreement to share information to facilitate enforcement targeting money laundering; and
- update the RECO inspection manual to include new procedures inspectors are required to follow to review salespersons, brokers and brokerages' reporting obligations to FINTRAC.

Status:  **Fully implemented.**

Details

In our follow-up, we found that RECO entered into a Memorandum of Understanding (MOU) with FINTRAC on December 15, 2023 to establish a framework for sharing information between FINTRAC and RECO to facilitate enforcement targeting money laundering. According to the new MOU, both agencies can share information with each other.

In addition, RECO has also established processes for inspectors to review reporting obligations to FINTRAC. During the course of an inspection, inspectors are now expected to look for indicators that real estate registrants have not adhered to FINTRAC reporting requirements. Should a transaction be identified as suspicious, or involving \$10,000 or more in cash or virtual currency, the inspector is expected to determine whether the brokerage submitted the appropriate report to FINTRAC. If the inspector determines that the appropriate report was not submitted, the inspector is expected to make note of it in the inspection report and to prepare a memo to the manager of inspections to accompany the report. On an annual basis, or upon request, the manager of inspections will share the names of the brokerages that failed to meet the reporting obligations of FINTRAC.

5. Investigation of Salespersons, Brokers and Brokerages

In our original audit, we found that RECO did not have formal policies and procedures to guide the work of its investigators. RECO also did not have a process in place to monitor whether investigators complete investigations on a timely basis or whether they take appropriate action based on their findings. The proportion of investigations resulting in enforcement action differed significantly among RECO's five investigators, ranging from a low of 39% for one investigator to as high as 75% for another. The average number of days each investigator took to complete an

investigation also varied significantly, ranging from 26 to 331 days. In addition, there was no formal process to review investigation files for quality assurance.

RECO also had not put in place a guideline to help members of its Discipline Committee to determine the appropriate fines to impose when a registrant's conduct relating to a real estate transaction had violated the Code of Ethics. In 10, or 67%, of 15 cases we reviewed, the fine issued by RECO's Discipline Committee when a salesperson or broker violated the Code of Ethics was lower than the commission earned in the related real estate transaction.

Further, the process to take disciplinary action against a registrant that breaches the code of Ethics is lengthy. It took RECO an average of 167 days before a pre-hearing was held, more than three times as long as the Discipline Committee's 45-day requirement. RECO did not record and track the reasons for delays in scheduling a pre-hearing to be able to identify and address the delays. RECO also had not set a target for the amount of time it should take to reach a final decision in the case of allegations that proceed to a hearing before the Discipline Committee. It took on average nearly one year from the time RECO served a registrant with an allegation for the Committee to reach a final decision.

Recommendation 10: Action Item 1

So that investigations of brokerages and salespersons are completed effectively and on a timely basis, and that appropriate enforcement action is taken where required, we recommend that the Real Estate Council of Ontario:

- develop policies and procedures on key aspects of investigations to help guide the work of its investigators;

Status:  **Fully implemented.**

Details

We found that RECO put in place an operating procedure in December 2023 that guides the work undertaken by its investigators. RECO informed us that its purpose is to inform investigators about RECO's investigative process and to provide guidance so that their investigations are conducted thoroughly, objectively, effectively and in accordance with legislation, established benchmarks and standards, and leading practices. The operating procedure provides guidance on the entire investigative process, including obtaining search warrants, issuing subpoenas, conducting interviews and filing charges.

Recommendation 10: Action Items 2, 3 and 4

- implement reasonable guidelines or benchmarks for enforcement action and the timely completion of investigations;
- implement a process to monitor investigations against these guidelines or benchmarks to identify and follow up where significant differences are found; and
- implement 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:  **Fully implemented.**

Details

We found that RECO has established benchmark guidelines for the timely completion of investigations. The benchmarks are based on the severity of the matter under investigation, where investigations involving matters of moderate severity are to be actioned and completed within 110 days, investigations involving serious matters are to be completed in 150 days, and investigations involving severe matters are to be completed in 180 days.

In order to monitor investigations against these benchmark guidelines, RECO adopted a number of oversight processes. A new dashboard with real-time information has been implemented for the manager of investigations to monitor and to follow up where necessary on active investigations and individual investigators' progress on assigned investigations. In addition, the manager is also expected to conduct random weekly file reviews of active investigations for each investigator.

RECO has also implemented a process whereby investigators are required to submit a monthly update on the status of their assigned files to the manager of investigations, including any challenges encountered during the investigation, anticipated result, further resources required, and other particulars relating to the investigation. The manager of investigations is expected to review these submissions and discuss areas of concern with each investigator at monthly one-on-one meetings, including the investigation's status, progress, outcome and adherence to investigative benchmarks to ensure there are no significant differences in the investigation outcomes among its investigators.

Recommendation 11: Action Items 1 and 2

So that its registrants are sufficiently deterred from contravening Ontario Regulation 580/05—Code of Ethics (Code of Ethics) when conducting real estate transactions with consumers, we recommend that the Real Estate Council of Ontario (RECO):

- create and implement a formal fining framework to guide RECO's Discipline Committee on the appropriate dollar value of penalties to issue to registrants for contraventions of the Code of Ethics, taking into consideration the severity of the contravention; and
- as part of this framework, take into consideration the amount of remuneration earned on the corresponding real estate transaction by registrants when determining the appropriate dollar value of penalties to be issued.

Status:  **Fully implemented.**

Details

We found that RECO developed a formal sanctioning framework that came into effect January 1, 2024 to guide its Discipline Committee when making decisions on the appropriate dollar value of penalties to issue to registrants for contravening the Code of Ethics. The framework outlines nine key factors that should be taken into consideration, including the amount of remuneration the registrant earned on the corresponding real estate transaction. These nine factors include:

- nature and gravity of the breaches of the law;
- role of the registrant in the breaches;
- whether the registrant suffered or gained as a result of the breaches;
- impact of the breaches on complainants or others;
- need for specific deterrence to protect the public;
- need to maintain the public's confidence in the integrity of the profession; and
- degree to which the breaches are regarded as being outside the range of acceptable conduct, and the range of sanctions in similar cases.

Recommendation 12: Action Item 1

So that disciplinary cases and decisions are handled and completed in a timely manner, we recommend that the Real Estate Council of Ontario (RECO):

- identify and track the reason for scheduling a pre-hearing beyond the 45-day requirement under the Discipline Committee's Rules of Practice;

Status:  **Fully implemented.**

Details

We found that RECO has enhanced the existing monthly report to the Office of the Registrar and incorporated a new discipline matters tracking sheet to record delays in scheduling pre-hearings beyond the 45-day requirement. Disciplinary cases are tracked by respondent name, hearing file number, date allegation statement was served, prehearing date proposed, days it took for RECO to propose first hearing date, and reason for delay in initial scheduling.

Recommendation 12: Action Item 2

- where practical, take steps to reduce the time it takes to schedule a pre-hearing;

Status:  **Fully implemented.**

Details

We found that RECO has implemented a new policy to reduce the time it takes to schedule a pre-hearing. According to RECO's analysis of past hearings, one of the most common reasons for delay in scheduling a pre-hearing is the unavailability of counsel to represent RECO. Under the new policy, parties to the disciplinary matter can request a pre-hearing conference (PHC) within 10 days of notice, and PHCs are to be conducted within 45 days of the request. If internal counsel is not available on any of the dates provided by the Discipline Committee that are within the 45-day time frame, RECO's counsel can recruit externally another counsel to conduct the PHC.

Recommendation 12: Action Item 3

- establish a target for the amount of time it should take for RECO to schedule the main hearing before the Discipline Committee and assess performance against this target;

Status:  **Fully implemented.**

Details

We found that RECO has established a target of eight months, or 170 working days, to schedule the main hearing before the Discipline Committee. RECO established this target following the completion of a benchmarking exercise against other similar organizations. It began tracking its performance against this newly established target in December 2023, through continuously updated reporting, accessible to management.

Recommendation 12: Action Item 4

- establish a target for how long it should take for the issuance of the final decision and assess performance against this target.

Status:  **Fully implemented.**

Details

We found that RECO has undertaken a review to gather data regarding time needed to issue final decisions from organizations with similar discipline processes. Based on the review, RECO established a target of three months, or 64 working days, to issue a final decision. It began tracking and assessing its performance against the three-month target in December 2023.

6. Consumer Protection

In our original audit, we found that RECO and the Ministry had lagged in facilitating the introduction of certain protections for consumers who engaged in real estate transactions in Ontario, particularly in comparison to their counterparts in British Columbia. For example, in Ontario, there was no legislated cooling off period (a period of time when a buyer can cancel a real estate transaction without risking the loss of their deposit) for new or resale properties except for pre-construction or new condominiums. In contrast, in 2022, the government of British Columbia introduced a mandatory three-day period to provide homebuyers time to conduct due diligence procedures such as confirming they have secured financing, and to reconsider their offer.

In addition, while salespersons and brokers in Ontario were permitted to represent both a buyer and a seller in a single real estate transaction—making it challenging to effectively represent the best interests of both parties—with the assistance of the British Columbia Financial Services Authority's predecessor, the government of British Columbia in 2018 banned this practice because of the risk it presents to consumers. An exemption to this rule in British Columbia applies where the real estate is located in a remote location that is underserved by licensees and where it is

impractical for parties to be represented by different licensees. Similarly, in 2022 this practice was also banned in Quebec.

We also found that there was a lack of transparency in real estate transactions involving multiple offers, which put prospective buyers at financial risk. Legislative changes were scheduled to come into effect on April 1, 2023 that would allow for a process where the substance of offers, which includes the offer price, closing date and any conditions placed on each prospective buyer's offer, could be disclosed to competing buyers. However, the use of this process would be at the sole discretion of the property seller. Further, although RECO had the authority under the Act to review allegations of fictitious offers, Ontario does not require brokerages to retain original offer documents, limiting RECO's ability to assess whether an offer is a real offer from a legitimate buyer.

Recommendation 13: Action Item 1

To ensure that brokerages protect the best interests of the property buyers or sellers they represent, we recommend that the Ministry of Public and Business Service Delivery (Ministry) review recent changes in other Canadian jurisdictions that prohibit salespersons and brokers from representing both a buyer and a seller in a single transaction, and consider whether it would be appropriate to also prohibit this practice in Ontario.

Status:  **Fully implemented.**

Details

We found that regulatory changes under the *Trust in Real Estate Services Act, 2020* were made to permit Ontario brokerages to enter into designated representation agreements with clients effective December 1, 2023. These changes provide brokerages with the option of entering into either or both of:

- brokerage representation agreements with clients, where the brokerage and all of its brokers and salespersons represent the client (status quo); or
- designated representation agreements with clients, where the brokerage designates one or more brokers or salespersons to represent and promote the client's best interests to the exclusion of the brokerage and all its other brokers and salespersons, subject to certain safeguards (e.g., with respect to the confidentiality of client information).

The Ministry told us that changes to permit designated representation will reduce instances of multiple representation, since multiple representation will not arise if each brokerage client involved in the same trade is represented by a different designated representative and the required safeguards are followed. Each designated representative will promote and protect their own client's best interests. To maximize flexibility and client choice, the changes also make it possible for

more than one brokerage client involved in a single transaction to choose to work with the same designated representative.

Recommendation 14: Action Item 1

To increase transparency and enhance consumer protection in real estate transactions involving offers from multiple prospective buyers, we recommend that the Ministry of Public and Business Service Delivery work with the Real Estate Council of Ontario to:

- once legislative changes come into effect, gather information from brokerages on residential sales in which sellers opt for an open-offer process, and assess the impact of the process on these transactions and the industry;

Status:  **Little or no progress.**

Details

We found that RECO has not yet made progress toward implementing this recommendation. RECO indicated that it plans to work with the Ministry to establish the parameters around the type of data and information to collect, and also plans to gather feedback from the real estate industry prior to commencing any collection of information. RECO is working toward implementing this recommendation by July 2025.

Recommendation 14: Action Item 2

- explore alternatives to the current blind bidding process, including practices adopted or that may be adopted by other jurisdictions such as British Columbia.

Status:  **Fully implemented.**

Details

The Ministry undertook a review and analysis of the offer process including a jurisdiction review in 2024. Following this review, a decision was made not to pursue alternatives to the process that came into effect in 2023, which allows registrants to share the substance of competing written offers (excluding personal or confidential information) with every person who is making one of the offers, at the discretion of the property seller.

Recommendation 15: Action Item 1

So that the Real Estate Council of Ontario (RECO) can effectively protect the interests of consumers, we recommend that the Ministry of Public and Business Service Delivery assess whether it would be beneficial to propose regulatory changes to amend Ontario Regulation 579/05—Educational Requirements, Insurance, Records and Other Matters to require all brokerages to retain original offer documents for offers not accepted, or a summary document including the offer amount and conditions, for a minimum of three years.

Status:  **Little or no progress.**

Details

We found that the Ministry has not taken any steps to address this recommendation. The Ministry indicated that it plans to conduct research that will include reviewing approaches to the retention of offer documents taken by other jurisdictions, and consult with RECO and stakeholders on any potential changes to the regulation by January 2028.

Recommendation 16: Action Item 1

To ensure brokerages are complying with the legislative and regulatory requirements, we recommend that the Real Estate Council of Ontario incorporate a step in its inspection process to confirm that the required offer documents are being retained by brokerages.

Status:  **Fully implemented.**

Details

We found that RECO updated its inspection policy in September 2023 to include a step in the inspection process to confirm that brokerages are retaining the offer documents required under the *Trust in Real Estate Services Act, 2002* (Act). Under the policy, the inspector is required to review a sample of offer documents and determine if the number of offers purported by brokerages matches the number of offers provided during inspection; if each offer meets all requirements; and if offers were valid at the time of presentation. We noted that the inspector's examination of documents can exclude reviewing the offer amount and conditions because regulatory changes to require brokerages to retain original offer documents or a summary document that includes the offer amount and conditions have not been made (as described in **Recommendation 15**). The Act currently permits brokerages to retain a summary of each unsuccessful offer that does not contain information such as the offer amount and any conditions the buyer includes in an offer.

Recommendation 17: Action Item 1

To reduce the risk to buyers when purchasing a property, we recommend that the Ministry of Public and Business Service Delivery work with the Real Estate Council of Ontario to explore opportunities to introduce homebuyer protections such as a cooling off period.

Status:  **Fully implemented.**

Details

We found that the Ministry undertook a review and analysis in 2024 of a potential proposal for a cooling off period for resale real estate transactions, which included a review of practices in other jurisdictions. Following this review, a decision was made not to pursue a cooling off period for resale real estate transactions.

With respect to new homes, on June 6, 2024, the *Homeowner Protection Act, 2024* received royal assent. The Act includes amendments to the *New Home Construction Licensing Act, 2017* (NHCLA) requiring a 10-day period for a purchaser to rescind a purchase agreement with a vendor in respect of certain new freehold homes. Buyer rescission within this period is without penalty. Regulatory changes are required to bring the amendments into effect. The Ministry consulted on regulatory proposals to support implementing a 10-day cooling off period for new freehold homes, from July 31, 2024 to September 16, 2024.

7. Unclaimed Consumer Deposits

In our original audit, we found that the Ontario government and RECO were holding a combined \$13.7 million in unclaimed trust money—the vast majority of which related to consumer deposits, because they could not determine whether the deposits should be returned to the buyer or given to the seller, or because the person entitled to the money could not be located. In Ontario, deposits are commonly paid to and held by the selling agent's brokerage until the real estate transaction is complete. If within two years of receiving a deposit in its trust account the brokerage cannot determine who is entitled to it, the brokerage is required to remit the deposit to RECO. If the deposit is not disbursed within five years of RECO receiving the deposit, RECO is required under the Act to remit the deposit to the Minister of Finance. The legislation is silent on how long unclaimed deposits should be held after final remittance to the Minister of Finance, who currently holds unclaimed deposits indefinitely.

In addition, RECO did not have a process in place to require brokerages to periodically report the number and amount of unclaimed consumer deposits held in a brokerage's trust account. Instead, RECO relied on brokerages to voluntarily comply with the requirements of the Act to remit to RECO any unclaimed consumer deposits that have not been returned to a buyer or seller after two years.

During the five years 2017–2021, RECO's inspectors issued 599 non-compliance notices to 491 brokerages for failing to remit unclaimed consumer deposits to RECO. However, even after issuing these non-compliance notices, RECO did not take any action to follow up and collect the unclaimed consumer deposits.

Recommendation 18: Action Items 1 and 2

So that unclaimed deposits on real estate transactions are settled, we recommend that the Ministry of Public and Business Service Delivery assess the need to:

- establish a maximum time frame during which unclaimed deposits on real estate transactions can be held; and
- establish parameters to determine who unclaimed deposits should be provided or returned to after the time frame has elapsed.

Status:  **Little or no progress.**

Details

We found that the Ministry has made little progress toward implementing this recommendation. The Ministry noted that the *Trust in Real Estate Services Act, 2002* currently requires the Minister of Finance to pay any money it receives to the person who is entitled to the money, but it is not the role of the Minister of Finance (or RECO) to determine entitlement to money held in trust. The Ministry indicated that it intends to conduct research, including a jurisdictional scan, to develop policy proposals for the government's consideration about unclaimed money held in trust. The Ministry expects to undertake these steps by January 2028. Any legislative changes would be dependent upon direction from the government.

Recommendation 19: Action Item 1

So that deposits held by brokerages that remain unclaimed for two years are remitted to the Real Estate Council of Ontario (RECO) on a timely basis, as required by the *Real Estate and Business Brokers Act, 2002*, we recommend that RECO:

- implement a process to collect on an annual basis information on unclaimed deposits held by brokerages;

Status:  **In the process of being implemented by January 2025.**

Details

We found that RECO updated its renewal and reinstatement applications to require brokerages to declare any unclaimed deposit money being held. Every two years, brokerages are required to apply for renewal to RECO. At that time, they have to declare and subsequently submit the unclaimed money that has been in their possession in excess of two years. In addition to this process, RECO indicated that it plans to develop a new process for brokerages to report to RECO, upon request, any unclaimed deposit money they are holding. RECO noted that once the process is developed, it plans to communicate it to brokerages, including the timing and other details of unclaimed trust monies to be submitted. RECO expects to implement this recommendation by January 2025.

Recommendation 19: Action Item 2

- put in place a process to follow up with brokerages that fail to remit unclaimed deposits to RECO on a timely basis;

Status:  **Fully implemented.**

Details

We found that RECO has implemented a process for its registration department to follow up with brokerages that declare unclaimed deposits in their renewal or reinstatement application but fail to remit them subsequently. The registration team is responsible for collecting any outstanding unclaimed deposit from brokerages.

Recommendation 19: Action Item 3

- include steps in its inspections to verify that brokerages' annual reporting on unclaimed deposits held is accurate;

Status:  **Fully implemented.**

Details

In our follow-up, we found RECO has put in place a process for its inspection staff to verify the declaration about unclaimed deposit money made on renewal applications. The inspector is required to cross-reference this information with the brokerage's books and records to verify the accuracy of the brokerage's declaration in its most recent renewal application. If discrepancies or issues are identified during the inspection, the inspector is expected to seek clarification from the broker of record. RECO also requires that information relating to such instances be escalated to its registration department for review.

Recommendation 19: Action Item 4

- implement a protocol to follow up on inspections that find outstanding unclaimed deposits to ensure amounts are subsequently remitted to RECO.

Status:  **Fully implemented.**

Details

We found that RECO has implemented a process to follow up on inspections that identify any discrepancy between the actual unclaimed deposit being held and the unclaimed deposit amount that had been reported to RECO at renewal. According to the new process, the inspector records the identified unclaimed trust money on their Inspector Summary Report and informs the broker of record of their legal obligation to remit the unclaimed deposit and supporting documents to RECO as soon as possible. The inspector is also expected to notify RECO's registration department within two business days of closing the inspection if unclaimed trust money over \$25 has been identified during the inspection. In such instances, RECO's registration team is required to follow up with the brokerage within three business days of receiving notification from the inspector.

8. RECO's Operations

In our original audit, we found that RECO did not have general authority to collect transaction data from brokerages, limiting its ability to effectively regulate registrants and identify consumer risks. In addition, the majority of Ontarians surveyed by RECO were not aware of RECO and the consumer protections it offered.

Also, RECO's administrative agreement with the Minister required that RECO set fees on a cost-recovery basis. At the time of our original audit, RECO had accumulated surpluses and reserves totalling over \$35 million. RECO's plan to reduce the surpluses and reserves was to reduce registrant fees without making any spending cuts, thus running a deficit. RECO's plan did not include an assessment of whether it devoted sufficient resources to administering and enforcing the Act and fulfilling its mandate.

Further, although RECO's role was to protect consumers, its Board was composed mainly of real estate industry representatives. Only two of the 12 directors on RECO's Board were not registered members of the real estate industry. RECO's Board was also required to have an advisory process for direct input to the Board on issues of importance to consumers. However, for most of RECO's existence, it had not had a functioning process to do so.

Recommendation 20: Action Item 1

So that prospective buyers and sellers of real estate are aware of the Real Estate Council of Ontario's (RECO) available services, we recommend that RECO work with the Ministry of Public and Business Service Delivery to develop an information package outlining available consumer protections, and require all registrants to provide this information to real estate buyers and sellers when they make an agreement to represent the buyer or seller in a real estate transaction.

Status:  **Fully implemented.**

Details

We found that RECO has developed an information guide and published the guide on its website. All registrants are required to provide a copy of the information guide or a link to the guide on RECO's website before providing any services or assistance to a person in relation to a trade in real estate. A broker or salesperson is also required to explain the contents of the information guide to any prospective clients.

Recommendation 21: Action Items 1, 2, 3 and 4

To improve the Real Estate Council of Ontario's (RECO) effectiveness in identifying consumer risks and providing sound evidence-based policy advice to the Ministry of Public and Business Service Delivery (Ministry) to address such risks, we recommend that RECO:

- reference best practices in other jurisdictions to identify the transaction information that it should collect from brokerages;
- put in place a process to periodically collect such transaction information from brokerages;
- analyze the information collected to develop and provide evidence-based policy recommendations for the Ministry's review and consideration; and
- use this information to inform its brokerage inspection process.

Status:  **Little or no progress.**

Details

We found that RECO has made little progress toward implementing this recommendation. RECO indicated that it has conducted a jurisdictional scan and identified a preliminary set of information that could be obtained from brokerages. RECO is currently assessing what resources

are required to collect data, as well as store and analyze the data collected. RECO also intends to provide the Ministry with its recommendations on data collection by December 2025. After RECO begins to collect such transaction data, it plans to analyze the information collected and develop recommendations for the Ministry to consider. RECO will also make changes to its brokerage inspection process, where applicable, based on its review and analysis of brokerage transaction data.

Recommendation 22: Action Items 1 and 2

So that the Real Estate Council of Ontario (RECO) can effectively meet its mandate and operate on a cost-recovery basis in accordance with its administrative agreement with the Minister of Public and Business Service Delivery, we recommend that RECO:

- assess its current operations to identify where additional resources are required to improve its administration and enforcement of the *Real Estate and Business Brokers Act, 2002*; and
- use the results of this assessment to allocate resources where required and to adjust its fee reduction plan accordingly.

Status:  **Fully implemented.**

Details

We found that in November 2022, RECO undertook an assessment of the resources required to improve its administration and enforcement of the *Real Estate and Business Brokers Act, 2002* (renamed the *Trust in Real Estate Services Act, 2002* on December 1, 2023), to address new initiatives and to implement the recommendations made in our 2022 value-for-money audit report. Based on this assessment, RECO added 15 staff. This includes four staff for its education department, two staff for its inspections department, three staff to support regulatory policy, one consultant for its registrant continuing education program, and five staff to support its regulatory work such as hearings and litigation, investigations and registration. In addition, in December 2022, RECO's Board approved a fee reduction plan that reduced fees for registrants starting in March 2023.

Recommendation 23: Action Item 1

So that the Real Estate Council of Ontario's (RECO's) Board of Directors effectively executes its responsibilities to oversee the real estate industry and protect consumers, we recommend that the Ministry of Public and Business Service Delivery reassess and adjust the proportion of the industry representatives on RECO's Board and in doing so, ensure a skills-based Board based on best practices is in place.

Status:  **Fully implemented.**

Details

We found that on January 2, 2024, the Minister issued the following orders:

- decrease the number of Board members from 12 to nine;
- no more than 34% of Board members can be drawn from the real estate services sector;
- all Board members must possess a positive orientation for proactive consumer protection initiatives, which is in line with RECO's consumer protection mandate; and
- an advisory council be established composed of members representing the interests of registrants, as well as one member of the Board drawn from the real estate services sector. The advisory council will provide a forum to enable RECO to obtain advice and input from key stakeholders to make informed decisions related to its consumer protection mandate.

In addition, on January 2, 2024, the Minister introduced new rules for the nomination of Board members, which required a nominations committee to be established. These changes were implemented on May 30, 2024. As of August 2024, RECO's Board of Directors consisted of three members from the real estate services sector, three non-industry members, and two ministerial appointees. There was a vacancy on the Board for one ministerial appointee.

Recommendation 24: Action Item 1

So that the Real Estate Council of Ontario's (RECO's) consumer advisory process effectively provides independent and sound advice to RECO's Board of Directors on issues of importance to consumers, we recommend that the Ministry of Public and Business Service Delivery:

- work with RECO to amend the administrative agreement to require RECO's Board to periodically provide the Minister of Public and Business Service Delivery with reports on RECO's consumer advisory process;

Status:  **Little or no progress.**

Details

We found that the Ministry has not amended its administrative agreement with RECO. The Ministry indicated that it intends to update the agreement with input from RECO, by April 2026. The Ministry will consider specifying a frequency for reporting requirements on RECO's consumer advisory process in the administrative agreement.

Recommendation 24: Action Item 2

- enforce the requirement in the administrative agreement for RECO to publicly report on the activities and advice generated by its consumer advisory process in its annual report.

Status:  Fully implemented.

Details

We found that the Ministry has taken steps to enforce the requirement for RECO to publicly report on the activities and advice generated by its consumer advisory process. In 2022 and 2023, activities and advice provided by RECO's Consumer and Industry Advisory Group were shared with the Ministry and subsequently published in RECO's 2022 and 2023 annual reports. For example, in RECO's 2023 annual report, RECO reported that it took the following action based on feedback and recommendations from its Consumer and Industry Advisory Group: *"RECO incorporated valuable insights from the group into the final RECO Information Guide. The group provided positive feedback on layout and design, and their suggestions encouraged RECO to engage a plain language specialist to ensure clarity and accessibility for consumers."* In addition, RECO developed a standard operating procedure that defines how it will report to the Ministry on its consumer advisory process. The Ministry and the Consumer and Industry Advisory Group provided their feedback on the standard operating procedure, which was then finalized in July 2023.

9. The Ministry Does Not Collect Sufficient Information to Monitor and Assess RECO's Performance in Meeting Its Mandate

In our original audit, we found that the Ministry did not collect sufficient information to monitor and assess RECO's performance in meeting its mandate. RECO had not established performance indicators for key areas of its operations, including areas where our audit identified significant operational issues such as whether all registered brokerages were inspected over a specific period of time and whether registrant misconduct was investigated within a targeted time frame.

Recommendation 25: Action Item 1

So that the Ministry of Public and Business Service Delivery (Ministry) can effectively monitor the Real Estate Council of Ontario's (RECO's) performance in protecting consumers and regulating the real estate sector, we recommend that the Ministry work with RECO to revise the performance indicators the Ministry uses to monitor RECO's performance to include indicators that more closely monitor RECO's operations, including in the areas of inspections, investigations, disciplinary action and its compliance with the requirement to operate on a cost-recovery basis.

Status:  **Little or no progress.**

Details

We found that the Ministry and RECO had made little progress toward addressing this recommendation. In July 2024, the Ministry provided RECO with a preliminary list of updated performance measures for its consideration and feedback. The Ministry informed us that it intends to work with RECO to update its performance measures and discuss its plan to collect data relating to measuring performance with a target for completion of December 2024.

// Appendix

Recommendation Status Overview

	# of Action Items	Fully Implemented 	In the Process of Being Implemented 	Little or No Progress 	Will Not Be Implemented 	No Longer Applicable 
Recommendation 1	4	3		1		
Recommendation 2	4	3		1		
Recommendation 3	4	4				
Recommendation 4	4	4				
Recommendation 5	3	3				
Recommendation 6	3	3				
Recommendation 7	4	4				
Recommendation 8	2	2				
Recommendation 9	2	2				
Recommendation 10	4	4				
Recommendation 11	2	2				
Recommendation 12	4	4				
Recommendation 13	1	1				
Recommendation 14	2	1		1		
Recommendation 15	1			1		
Recommendation 16	1	1				
Recommendation 17	1	1				
Recommendation 18	2			2		
Recommendation 19	4	3	1			
Recommendation 20	1	1				
Recommendation 21	4			4		
Recommendation 22	2	2				
Recommendation 23	1	1				
Recommendation 24	2	1		1		
Recommendation 25	1			1		
Total	63	50	1	12	0	0
%	100	79	2	19	0	0

Follow-Up on the 2022 Special Report:

Laurentian University

Ministry of Colleges and Universities

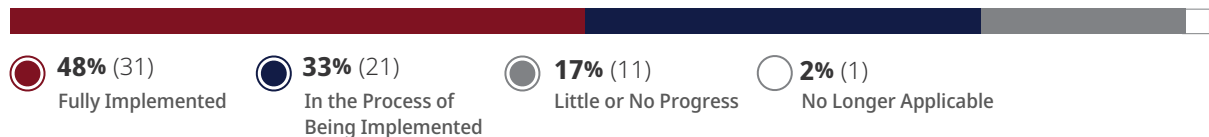
Office of the Integrity Commissioner of Ontario

Special Report on Laurentian University

// Overall Conclusion

Laurentian University

64 Recommended Actions



Laurentian University (including its Board of Governors and Senate), as of October 18, 2024, has fully implemented 48% of actions we recommended in our **2022 Special Report on Laurentian University**. The University has made progress in implementing an additional 33% of the recommendations.

- The University has fully implemented recommendations such as preparing budgets on the same basis as the University's consolidated financial statements, and establishing a Board skills matrix, a new conflict of interest policy for Board members and term limits for all Board members.
- It also now publicly posts Board information packages and minutes of both closed and open sessions in a timely manner.

In February 2021, Laurentian became the first publicly funded university in Canada to file for protection under the *Companies' Creditors Arrangement Act* (CCAA). The University exited CCAA in November 2022 and has made a number of operational and governance changes since then. However, there is still much work under way. In April 2023, the University engaged external

consultants to develop a detailed operational transformation plan (Transformation Plan) to provide the University with the systems, processes and policies to best support its academic and research missions. Many of the actions to support the implementation of our recommendations are contained within the Transformation Plan and are ongoing.

The University has made little progress on 17% of our recommendations.

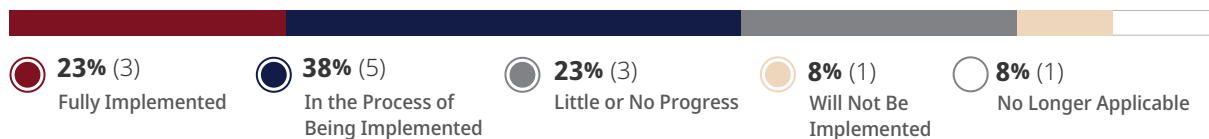
- Many of these relate to capital planning. As part of the University's emergence from the CCAA restructuring process, it entered into a loan agreement with the Ministry of Colleges and Universities (Ministry). Under the loan agreement, the University is not permitted to incur any capital expenditures exceeding \$10 million, individually or in aggregate, during the 15-year term of the loan without the prior approval of the Ministry. As a result, the University has not entered into or proposed any new major capital projects.
- The University does have a five-year capital plan that primarily focuses on addressing critical deferred maintenance projects, which is incorporated into its financial forecasts that it submits to the Ministry. However, the University has not prepared a longer-term capital plan that is consistent with its new 2024–2029 Strategic Plan. The University intends to develop a new long-term capital plan that will be strongly influenced by its Strategic Plan and a renewal of its campus master plan.

One recommendation (2%) is no longer applicable following the change in the the University Board of Governors' Finance Committee's terms of reference.

- The recommendation was specific to criteria in the Finance Committee's former terms of reference, which have since been removed.

Ministry of Colleges and Universities

13 Recommended Actions



The Ministry of Colleges and Universities, as of October 18, 2024 has fully implemented 23% of actions we recommended in our **2022 Special Report on Laurentian University**. The Ministry has made progress in implementing an additional 38% of the recommendations.

- The Ministry has fully implemented recommendations such as working with the University to ensure that strong leadership is in place as Laurentian exits the CCAA process.

However, the Ministry has made little progress on 23% of the recommendations.

- This includes providing guidelines to university boards to ensure they have fully functioning and effective governance structures, and evaluating the benefits of introducing legislation to provide the Ministry with the ability to intervene when necessary, such as appointing a supervisor to take control of a university's operations when there are serious financial concerns or setting limits on deficits.

One recommended action (8%) is no longer applicable, following federal legislative changes to the CCAA.

- The recommendation to evaluate the benefits of introducing legislation to prevent universities from restructuring under the CCAA is no longer applicable after the CCAA was amended so that prescribed public post-secondary institutions would not be able to file for protection under the Act.

One recommendation (8%) to incorporate financial performance metrics into the new performance-based funding model will not be implemented. However, the Office of the Auditor General of Ontario continues to believe that the financial health and financial performance of institutions should be considered in the Ministry's funding decisions.

Office of the Integrity Commissioner of Ontario

2 Recommended Actions

 **100%** (2)
Fully Implemented

The Office of the Integrity Commissioner of Ontario, as of October 18, 2024 has fully implemented 100% of actions we recommended in our **2022 Special Report on Laurentian University**.

- The Office has fully implemented recommendations such as clarifying and promoting requirements for universities and other broader public sector organizations under the *Lobbyists Registration Act, 1998* and the *Broader Public Sector Accountability Act, 2010*.

The status of actions taken on each of our recommendations is described in this report (see **Appendix** for more details).

// Status of Actions Taken on Recommendations

We conducted assurance work between January 2024 and October 2024. We obtained written representation from Laurentian University and the Ministry of Colleges and Universities that effective November 14, 2024 and November 8, 2024 respectively, they have provided us with a complete update of the status of the recommendations we made in the original report two years ago.

Laurentian University

Laurentian University Administration

1. Strategic Planning

In our original report, we found that Laurentian's strategic plans did not contain considerations for the University's long-term direction or future capital needs and sometimes used anecdotal evidence to support the pursuit of major capital investments.

Recommendation 1: Action Item 1

We recommend that Laurentian University establish goals and actions in a new strategic plan that are evidence-based and practicable given its current financial condition and academic sustainability.

Status:  **Fully implemented.**

Details

In our follow-up, we found that Laurentian has developed a new five-year Strategic Plan (2024–2029) and an accompanying Implementation Plan, both of which were approved by the Board of Governors on February 16, 2024. Each direction in the Strategic Plan contains goals and actions. The Implementation Plan outlines tactics and key performance indicators to achieve and measure progress toward the outcomes in the Strategic Plan. The Strategic Plan emphasizes the importance of partnerships and collaboration in four strategic directions: enhancing student experience; continuing the University's academic and research missions; building up the communities Laurentian serves; and supporting the staff at the University.

As noted in our 2022 report, the implications of the CCAA filing on Laurentian and its community have been multi-faceted and damaging. We found that goals and actions in the Strategic Plan are targeted to mitigate the impacts of the CCAA filing on the University. They include rebuilding internal and external relationships, increasing student enrolment and enhancing student experience.

The Strategic Plan also includes redeveloping the University's campus master plan to focus on "maintenance, renewal, preservation and sustainable development." In contrast, our 2022 report noted that major capital projects were undertaken before Laurentian's completion of a campus master plan, and the University had no viable financial plan that addressed whether such projects would be sustainable. A campus master plan can support the prioritization of current and future capital projects based on what is financially feasible.

Recommendation 2: Action Item 1

We recommend that Laurentian University include key performance indicators that clearly measure the achievement of intended outcomes in the University's strategic plan.

Status:  **In the process of being implemented by February 2025.**

Details

As part of the Implementation Plan, Laurentian has identified key performance indicators (KPIs) to measure the outcomes of its Strategic Plan. However, we found that not all goals have associated KPIs, with some flagged for future development or contingent on the completion of other planning documents, such as the academic plan, research plan, campus master plan, business plan, and communication and stakeholder engagement plan.

In addition, where KPIs were listed, we found that they were not complete and not always clearly linked to the stated goal. None of the listed KPIs included details on the source of information used, or KPI baselines or targets.

We found multiple instances where the listed KPI did not measure progress toward intended outcomes of the Strategic Plan. For instance, an outcome in the Strategic Plan is to enhance Francophone and Indigenous program offerings and partnerships. The associated KPI listed is "strategic outreach and convening." There is not enough detail provided to understand what this KPI includes or how it will clearly measure the achievement of the intended outcome.

Laurentian informed us that all KPIs within the Implementation Plan will be fully developed by February 2025. The University also recently established a new position, the Associate Vice-President of Strategic Initiatives who, among other things, will be responsible for leading the development of the KPIs and measuring progress toward outcomes in the Strategic Plan.

Recommendation 3: Action Item 1

We recommend that Laurentian University at least annually review these indicators and make the adjustments necessary to the University's strategic plan to support continued progress toward its goals.

Status:  **In the process of being implemented by June 2025.**

Details

During our follow-up, Laurentian informed us that the KPIs in the Implementation Plan will be regularly reported to the Board and reviewed annually by the Board's Audit and Risk Committee and the University's Executive Team to ensure outcomes in its Strategic Plan are achieved. The University plans to present a report on the progress of KPIs to the Board for review no later than June 2025.

Laurentian also informed our Office that this KPI progress report will be published on Laurentian's website in the form of an annually updated KPI dashboard, allowing the public to track progress on KPIs and outcomes in the Strategic Plan.

2. Capital Planning

In our original report, we found no documentation showing that the University had a sustainable plan that addressed the financial viability of its major capital investments, or whether each project could be reasonably expected to bring in enough revenue to cover ongoing operating costs, interest on debt and the paydown of the principal debt itself. Further, some projects were approved before long-term capital plans were completed.

We also found that in the years leading up to 2010, Laurentian was already facing financial difficulties. In 2010, it amended its capital debt policy to allow it to incur even more debt to fund capital projects.

Recommendation 4: Action Items 1 and 2

We recommend that Laurentian University prepare a long-term capital plan with annual updates consistent with the University's long-term academic objectives and current and future capital needs. The capital plan should:

- be consistent with the University's strategic plan;
- include an assessment of the long-term financial sustainability of new projects that considers all relevant revenues expected to be generated by the projects and all operating costs and costs of servicing any associated debt required to build the projects;

Status:  **Little or no progress.**

Details

In our follow-up, we found that the University has not made significant progress in preparing a long-term capital plan that is consistent with its most recent 2024–2029 Strategic Plan. This is partially due to the financial conditions and restrictions relating to capital expenditures placed on the University by the Ministry. Under its Exit Loan Agreement (Agreement) with the Ministry, the University is not permitted to make any acquisition, investment or capital expenditure exceeding \$10 million, individually or in aggregate, during the 15-year term of the loan, without the prior approval of the Ministry. The Agreement also requires the University to provide the Ministry with a five-year financial forecast, which includes a detailed summary of any acquisitions, investments and capital expenditures, and the manner in which the University intends to use operating and other surpluses. Any long-term capital plan will need to be consistent with the terms of the Agreement and be subject to the Ministry's approval.

The University expects that the long-term capital plan will be strongly influenced by the University's 2024–2029 Strategic Plan, which includes the renewal of its campus master plan.

The University's five-year financial forecast from 2022/23 to 2026/27 included capital expenditures to address critical deferred maintenance projects, as well as information technology upgrades and capital transformation. Currently, the University is ensuring that capital spending is in line with this five-year financial forecast.

Recommendation 4: Action Item 3

- set standards for the condition of buildings;

Status:  **In the process of being implemented by February 2025.**

Details

In our follow-up, we found that the University has engaged an external consultant to complete a facility condition assessment of its entire campus, as well as infrastructure condition assessments. The external consultant's report will inform the development of a new Facility Condition Index, which will set standards for the condition of the University's buildings. This is expected to be completed by February 2025.

Recommendation 4: Action Item 4

- ensure current repair and maintenance needs are prioritized to achieve capital life cycle best practices.

Status:  In the process of being implemented by April 2025.

Details

Once the University completes the development of its new Facility Condition Index by February 2025 (as noted above), it will establish a prioritized list of deferred maintenance projects by April 2025.

Recommendation 5: Action Item 1

We recommend that Laurentian University limit new capital projects to those that are prioritized in the long-term capital plan, upon its approval by the Board of Governors.

Status:  Little or no progress.

Details

As mentioned in **Recommendation 4**, we found that the University has not prepared a long-term capital plan. Currently, the University is not permitted to make any acquisition, investment or capital expenditure exceeding \$10 million, individually or in aggregate, during the 15-year term of the loan, without the prior approval of the Ministry. As a result, the University is limited to incurring capital expenditures to address critical deferred maintenance projects, as well as infrastructure technology upgrades and capital transformation, which are included in both its five-year financial forecast to the Ministry and its 2024/25 budget.

Recommendation 6: Action Item 1

We recommend that Laurentian University's capital debt policy require the University to maintain sufficient liquidity to support it through potential financial emergencies.

Status:  **Fully implemented.**

Details

In our follow-up, we found that the University has updated its capital debt policy to reflect the requirements of the Exit Loan Agreement (Agreement). Under the Agreement, the University is not permitted to incur any indebtedness, except in an aggregate amount not more than \$10 million, without the prior written approval of the Ministry. In addition, the University must comply with a number of financial covenants (ratios). For example, for each fiscal year-end commencing April 30, 2026, the University must maintain a primary reserve ratio of not less than 30 days.

Recommendation 7: Action Item 1

We recommend that Laurentian University set debt limit ratios in its capital debt policy that include all debt and are based on best practices for universities to ensure borrowings do not exceed limits.

Status:  **Fully implemented.**

Details

As mentioned in **Recommendation 6**, we found that the University has updated its capital debt policy to ensure that debt limit ratios include all of the University's debt, and to reflect any financial ratios required under the Exit Loan Agreement, which are based on best practices for universities in Ontario.

Recommendation 8: Action Item 1

We recommend that Laurentian University ensure that procurements for all contracts associated with capital projects comply with provincial procurement requirements for the broader public sector.

Status:  **Fully implemented.**

Details

In our follow-up, we found that the University updated its procurement policy in June 2024 to ensure that all contracts associated with capital projects comply with provincial procurement requirements, such as the Broader Public Sector Procurement Directive and the *Building Ontario Businesses Initiative Act, 2022*.

The revised procurement policy contains a new section on capital projects, which describes the processes by which all capital projects are approved and carried out by the University. This section of the policy also outlines the approval authorities for all construction and maintenance projects based on the dollar value of those projects, and describes the approvals required at certain project milestones. The method of procuring construction contracts is based on the dollar value of the contract. For example, construction contracts with a dollar value of \$1 million or more require an open competitive procurement process.

3. Financial Operations

Our original report found that the Board did not receive, or ensure it received, sufficient information about the University's finances, cash flows, plans and operations. Of the 10 budgets presented to the Board from academic years 2010/11 to 2019/20, eight displayed projected balanced operating budgets. However, in all but two of these years, Laurentian incurred deficits. This discrepancy existed because the budgets provided to the Board and the Finance Committee were "limited-scope" budgets that did not include capital expenditures or research grant revenues and expenses.

Recommendation 9: Action Item 1

We recommend that Laurentian University prepare all budgets presented to the Board on the same basis as the University's consolidated financial statements.

Status:  Fully implemented.

Details

We found that the University began to prepare consolidated budgets for 2023/24 and 2024/25 on the same basis as its consolidated financial statements. The preparation of the consolidated budget currently requires the use of extensive manual processes. The University intends to streamline the preparation of the consolidated budget as part of its Transformation Plan, which will include a new planning and budgeting system. This system will be part of the University's redesigned Enterprise Resource Planning (ERP) system, which will also be used for financial accounting.

Recommendation 10: Action Item 1

We recommend that Laurentian University, to ensure the effectiveness of the finance function, reassess the level of resources within the function and fill positions, especially supervisory positions, with individuals with professional accounting designations, such as the Chartered Professional Accountant designation.

Status:  **In the process of being implemented by December 2024.**

Details

In our follow-up, we found that the University was in the process of implementing its Transformation Plan. The University is reviewing the effectiveness of the finance function as part of the finance workstream in the Transformation Plan.

With the assistance of a consultant, the University has developed a detailed roadmap and plan for its finance workstream. There are roadmaps for each sub-workstream, including financial planning and analysis, payroll, finance operations, treasury, accounting, policies and procedures, and organizational structure.

In April 2024, the University hired a new Associate Vice-President, Financial Services with a Chartered Professional Accountant (CPA) designation to replace the retiring incumbent. In addition, the University hired a new Manager, Financial Services to replace a vacant position. In total, there are six full-time staff and two-part time staff with a CPA designation within the finance function. The University will review the final structure of the finance function as part of the Transformation Plan. The new structure is expected to be implemented by December 2024.

Recommendation 11: Action Item 1

We recommend that Laurentian University develop standard automated reports (e.g., accounts receivable aging, listing of deferred contributions, financing cash flows) that provide University administration with detailed, accurate and timely information.

Status:  **Little or no progress.**

Details

In our follow-up, we found that the University had not begun developing any standardized automated reports. The University intends to address this recommendation as part of the finance workstream in its Transformation Plan, which is currently under way.

The University plans to procure and implement treasury and cash modules, which will enable it to develop automated management reports. Currently, the University continues to use manual reconciliation and reporting processes to prepare financial information for the Ministry and the Board.

Recommendation 12: Action Item 1

We recommend that Laurentian University streamline the general ledger chart of accounts to reflect updates in accounting policies, recent changes to external financial statement presentation, and the reporting needs of administration.

Status:  **Little or no progress.**

Details

We found that the University had not yet streamlined its general ledger chart of accounts to reflect updates in accounting policies or recent changes to its consolidated financial statements. The University intends to review and redesign its chart of accounts as part of the finance workstream in its Transformation Plan, which is currently under way.

In addition, the University plans to procure and implement general ledger and project/grant funding management modules, which will enable it to develop automated management reports.

Recommendation 13: Action Item 1

We recommend that Laurentian University increase the use of digital record-keeping for source documents, such as major agreements, vendor invoices and employee expense claims.

Status:  **In the process of being implemented by May 2026.**

Details

In our follow-up, we found that the University had increased the use of digital record-keeping for source documents. For example, the University updated its employee expense claim system in February 2024. In addition, the University is working toward consolidating major agreements, such as for leases and government grants, into a single location.

The University intends to fully address this recommendation as part of its information technology workstream in its Transformation Plan, which is currently under way and is expected to be completed by May 2026. The requirements for records management will be integrated in each of the individual workstreams: human resources, finance, registration services and student affairs, information technology, and enterprise resource planning.

4. Restricted Funds

In our original report, we found that as Laurentian's ability to fund its capital projects weakened, Laurentian started to inappropriately draw on funds that had been restricted for other purposes, such as money designated for research projects and employees' retirement health benefits. It wasn't until December 21, 2020 that the University began segregating these funds.

Recommendation 14: Action Item 1

We recommend that Laurentian University classify deferred contributions (consisting of research grants, restricted donations and other funds received on behalf of third parties) as current liabilities in the University's consolidated statement of financial position to better reflect the nature of the liabilities, and present changes in the balance of deferred contributions as a change in non-cash working capital (cash flows from operating activities) in its consolidated statement of cash flows.

Status:  **Fully implemented.**

Details

We found that the University began classifying deferred contributions as current liabilities in its 2020/21 consolidated financial statements, and has maintained this change in presentation for its 2021/22 and 2022/23 consolidated financial statements.

During our follow-up, the University began presenting changes in the balance of deferred contributions as a change in non-cash working capital (cash flows from operating activities) in its consolidated statement of cash flows for the year ending April 30, 2024.

Recommendation 15: Action Item 1

We recommend that Laurentian University segregate externally restricted funds in separate bank accounts and independently track these funds to ensure their use is in accordance with the restrictions.

Status:  **Fully implemented.**

Details

During our follow-up, we found that the University segregates externally restricted funds in separate bank accounts and independently tracks these funds. It first started this practice in December 2020.

The University discloses a reconciliation of the opening and ending balance of externally restricted funds, including any contributions received and amounts used during the year, as part of the notes to its audited consolidated financial statements.

Recommendation 16: Action Item 1

We recommend that Laurentian University fulfill its research commitments in accordance with applicable obligations as set out in funding agreements.

Status:  **In the process of being implemented by November 2025.**

Details

We found that the University can commit to fulfilling research commitments only with respect to funds received since December 20, 2020, and any new research commitments made thereafter. Research funds received prior to December 20, 2020, constitute compromised claims under the CCAA Plan of Arrangement. However, as part of its 2024/25 budget, the University set aside \$3.2 million from its operating cash reserves to fulfill its commitment relating to pre-December 2020 active research projects. As part of its 2025/26 budget, the University intends to request permission from the Board to use the remaining balance of unspent research funds at the end of fiscal 2024/25 toward completing these pre-December 2020 active research projects. The University expects that it will be able to complete all pre-December 2020 active research projects by November 2025.

5. Academic Program Sustainability

The President is responsible for ensuring that the Senate and Board of Governors receive appropriate information so that the academic programming offered by the University is financially sustainable. Our original report found that the senior administration was not preparing the necessary financial analysis to facilitate this.

Recommendation 17: Action Item 1

We recommend that Laurentian University regularly assess the financial sustainability of its suite of programs and courses by comparing the revenues generated by the programs and courses with their associated costs.

Status:  **In the process of being implemented by May 2026.**

Details

In our follow-up, we found that Laurentian has identified the implementation of an activity-based budgeting model as a priority in its Transformation Plan. An activity-based budgeting model is necessary to properly align revenues from student enrolment and research with the associated costs to faculties and administrative departments for the delivery of the University's academic programs and courses. This will enable Laurentian to conduct ongoing financial sustainability analyses of its suite of programs and courses.

According to Laurentian, the University has completed a gap analysis of the current processes and tools, and is beginning the procurement process for a new budgeting tool needed to transition to an activity-based budgeting model. Once a vendor is selected, the new budgeting tool will need to be designed and tested. Full implementation of the activity-based budgeting model will also depend on integrating the new budgeting tool with other systems identified in the Transformation Plan, such as a new Human Resources Information System. The full implementation of an activity-based budgeting model is expected to be initiated by May 2026 for the budget cycle of fiscal 2026/27.

Recommendation 18: Action Item 1

We recommend that Laurentian University, based on financial assessment and other qualitative considerations, such as the mandate and core values of the University, regularly make recommendations to the Senate and Board on adjustments to programs and courses to ensure that they continue to contribute to the University's long-term academic focuses.

Status:  **In the process of being implemented by April 2026.**

Details

Laurentian established an Enrolment Management Group in July 2023 to support annual enrolment planning at the faculty and program levels to promote high-quality and financially sustainable academic programs.

The Enrolment Management Group's mandate requires the group to present a report to the Senate annually to ensure that financially sustainable academic programs are a top priority.

Laurentian's new Provost has confirmed that this group will prepare its first report for the annual Senate cycle, in time for the preparation of the 2025/26 budget approval by the Board on April 25, 2025.

Additionally, Laurentian implemented a financial sustainability methodology for its academic programs that is used when developing the University's budget. For example, academic faculties must submit hiring plans and cost containment and/or revenue-generating strategies.

The University also launched a revenue-sharing pilot to ensure programs that may not generate as much revenue as others, but that are still part of the University's long-term focus, are subsidized by higher revenue-generating programs. The revenue sharing is tied to academic faculties meeting and maintaining their enrolment targets. To receive revenue sharing in budget year 2024/25, a faculty must have maintained its total program-level enrolments and grown its course-level enrolments relative to the 2023/24 base year.

This revenue-sharing pilot will last for at least two years. While progress has been made to address this recommendation, Laurentian does not yet have an activity-based budgeting model. As noted above, this model is necessary to enable the University to conduct ongoing financial sustainability analyses of its suite of programs and courses. Laurentian expects that the full implementation of an activity-based budgeting model will be completed by April 2026.

6. Human Resources

In our original report, we found that costs associated with Laurentian's senior administration climbed by about 75% between 2010 and 2020. We also found that Laurentian breached provincial compensation-restraint legislation for Broader Public Sector employees, compensating senior administration \$389,000 more than legislation permitted, and that its recruitment of senior administrators lacked demonstrable fairness or rationale.

Recommendation 19: Action Item 1

We recommend that Laurentian University, if creating new senior administrator and leadership team positions, hiring special advisors or engaging other consultants, develop business cases that justify the need for the roles. The business cases should clearly indicate whether the University has the budget and essential operational need for the positions.

Status:  **In the process of being implemented by June 2025.**

Details

In our follow-up, we found that the creation of any new senior management roles at the University is currently being reviewed through discussion at the executive level.

New senior management positions are justified through budget submissions, and each requested position is reviewed at the President/Vice-President Committee.

An assessment of budget availability for the requested positions is done by comparing the budget submissions to the Ministry's Exit Loan Agreement covenants and new financial sustainability ratios. If the requested positions fit within the Ministry's covenants and ratios, they will be included in the budget. Once the budget is approved, development of a job description begins, which documents and evaluates the objectives and expectations for each new position created.

While this process has not been formally documented, Laurentian told us it will be revising administrative policies and procedures for the hiring of senior management positions to include justification that the University has the budget and essential operational need for the positions. The revisions are expected to be completed by June 2025.

Recommendation 20: Action Item 1

We recommend that Laurentian University consistently use a fair and transparent process for the recruitment and hiring of all employees that includes objective selection criteria, interview questions and marking schemes for selecting candidates.

Status:  **In the process of being implemented by December 2025.**

Details

At the time of our follow-up, we found that Laurentian was in the process of developing a Recruitment, Selection and Hiring Policy, as well as standardized templates to accompany the policy. The policy and templates are expected to be approved by December 2025.

As part of our follow-up, we reviewed drafts of the policy and templates, and found they establish a standard process for recruitment, selection and hiring of employees. In particular, the University has drafted a standardized interview procedure to ensure consistency across all candidates. For example, the draft procedure requires that panel members immediately score all candidates following the interviews using standardized templates to ensure fairness and consistency.

Recommendation 21: Action Item 1

We recommend that Laurentian University clearly document the rationale for hiring selected candidates.

Status:  **In the process of being implemented by December 2025.**

Details

As noted in **Recommendation 20**, we found that Laurentian was in the process of developing a Recruitment, Selection and Hiring Policy, as well as standardized templates to accompany the policy. As part of our follow-up, we reviewed drafts of this policy and related templates, and found that they require the hiring panel to document the rationale for hiring selected candidates. The policy and templates are expected to be approved by December 2025.

Recommendation 22: Action Item 1

We recommend that Laurentian University retain all required human resource documentation, including documents involving hiring, promotion, retention and termination in accordance with applicable legislation and best practices.

Status:  **In the process of being implemented by December 2025.**

Details

As noted in **Recommendation 20**, we found that Laurentian was in the process of developing a Recruitment, Selection and Hiring Policy, which is expected to be approved by December 2025. As part of our follow-up, we reviewed drafts of the policy and found that it clearly outlines a requirement for retention of human resource documentation. This includes retaining documents in candidates' personnel files for recruitment, selection, hiring and onboarding. Additionally, the University told us that it began planning for the implementation of a new Record Management System (RMS) in May 2024 with full operation expected by April 2025. The implementation of a new RMS is anticipated to improve Laurentian's ability to easily retain human resource documentation.

Recommendation 23: Action Item 1

We recommend that Laurentian University ensure salaries of senior administrators do not exceed legislated requirements related to broader public sector executive compensation.

Status:  **Fully implemented.**

Details

We found that Laurentian University has updated its policy on Terms and Conditions of Employment Pertaining to Senior Leaders at Laurentian University to ensure compliance with the *Broader Public Sector Executive Compensation Act, 2014* (BPSECA). As part of our follow-up, we reviewed the policy and found that it was updated to include language reflecting the prescribed content in the BPSECA. In particular, the policy explicitly states that compensation and benefits of the University's designated executives must follow legislative restrictions defined by the BPSECA.

The policy was presented to and approved by the Board in October 2024. Additionally, the University informed us that employment contracts of all newly hired designated executives now contain language reflecting the need for compliance with BPSECA. As part of our follow-up, we reviewed an employment contract of a newly hired designated executive and found that it included language to ensure compliance with the BPSECA.

Recommendation 24: Action Item 1

We recommend that Laurentian University develop policy guidance on what constitutes an appropriate expense under discretionary expense funds and all other types of reimbursements.

Status:  **In the process of being implemented by February 2025.**

Details

In our follow-up, we found that Laurentian is planning to update and develop policies outlining appropriate discretionary expenses and other types of reimbursements. This includes a new policy on perquisites (refer to **Recommendation 26**), a revised policy on expense reimbursement and updated guidelines for travel and other reimbursable expenses. Laurentian expects these policies will be reviewed by the Board for approval in December 2024 and February 2025.

Recommendation 25: Action Item 1

We recommend that Laurentian University require and retain approved invoices and expense claims documentation for all forms of expenses claimed by senior administrators and other employees.

Status:  **In the process of being implemented by April 2025.**

Details

We found that Laurentian began planning for the implementation of a new RMS in May 2024. According to the University, the development of a new RMS will enable easy retention of critical documents like expense claims, and is identified as a priority in its Transformation Plan. Laurentian also told us the Transformation Plan includes the development of a Procurement-to-Payment module, which will ensure compliance with internal controls for expense payments. Procurement for the implementation of this module will commence in November 2024 and is expected to be completed by February 2025. The RMS is expected to be fully operational by April 2025.

Recommendation 26: Action Item 1

We recommend that Laurentian University develop and follow a perquisites policy that complies with prescribed content requirements in the Broader Public Sector Perquisites Directive.

Status:  **In the process of being implemented by December 2024.**

Details

In our follow-up, we found that Laurentian does not yet have an internal policy governing the use of perquisites. Laurentian told us it is in the process of developing a policy to explicitly acknowledge the legislative requirements of the Broader Public Sector Perquisites Directive and monitor the use of perquisites at the University to ensure full compliance. As part of our follow-up, we reviewed a draft of the proposed internal policy and found it complies with the requirements in the Broader Public Sector Perquisites Directive. The University indicated it will be presenting the draft policy to the Board for approval in December 2024.

7. Lobbying

In our original report, we found that starting in 2020, Laurentian's senior administration began engaging internal staff and external consultants for assistance in communicating with the federal and provincial governments about financial restructuring and funding needs. We found that some of these activities may fall within the definition of lobbying under provincial legislation. However, at the time of the 2022 report, Laurentian had not filed any lobbying registrations since 2010.

Recommendation 27: Action Item 1

We recommend that Laurentian University track lobbying activities of all employees who engage in such activities, and register names with, and report to, the Office of the Integrity Commissioner when employees collectively spend 50 hours or more per calendar year, as required under the *Lobbyists Registration Act, 1998*.

Status:  **In the process of being implemented by January 2025.**

Details

On June 19, 2024, Laurentian registered the President and Vice-Chancellor with the Office of the Integrity Commissioner of Ontario. Unlike the federal Commissioner of Lobbying, which requires monthly reporting of registered lobbyists, at the provincial level Laurentian is not required to report to the Integrity Commissioner on an ongoing basis.

In October 2024, the University established a protocol that would require any activity that might be considered "lobbying" to receive approval from the University President, and the Office of the President would be responsible for all registrations and for directing the government relations activities of the University. In addition, in October 2024, the University also posted information on the University website about provincial and federal lobbying requirements. At the time of our follow-up, we found that Laurentian had not yet developed internal tracking of provincial lobbying efforts, but plans to do so by the end of January 2025.

Recommendation 28: Action Item 1

We recommend that Laurentian University formally assess the costs and benefits of using external consultants to provide government relations advisory services.

Status:  **Little or no progress.**

Details

In our follow-up, we found that since its emergence from CCAA, the University has not retained any external consultants to provide government relations advisory services. The University has further communicated to our Office that it has no plans to do so, but if this changes, the University has committed to our Office that it will undertake a business case.

At the time of our follow-up, this was not formally documented in any administrative procedure or policy; however, the University has committed to developing an internal procedure for the engagement of external advisory services for government relations by January 2025.

Recommendation 29: Action Item 1

We recommend that Laurentian University ensure external consultants, including external legal counsel, register as lobbyists with the Office of the Integrity Commissioner of Ontario, in accordance with legislative requirements.

Status:  **In the process of being implemented by February 2025.**

Details

In June 2024, Laurentian developed a template for external counsel engagement guidelines that included a prohibition on political or other lobbying.

Laurentian is also working to update procurement guidance to establish a standard requirement that all consultants confirm their registration or certify that no registration is necessary. The University has also committed to maintaining a list of suppliers and external consultants who are required to register with the Office of the Integrity Commissioner of Ontario. This guidance is expected to be completed and implemented by February 2025.

8. Labour Relations

In our original report, we found that on an annual basis, there were more grievances filed against Laurentian than any other Ontario university. Between 2010 and 2020, Laurentian averaged 35 grievances annually (compared to 12 to 15 annually for a typical Ontario medium-sized university). We found that the administration was also slow to address costly union grievances, including those involving discrimination and harassment.

As its debt accumulated, Laurentian's administration chose not to work transparently with faculty and staff unions to manage the University's growing financial problems. The University's contract with the Laurentian University Faculty Association (LUFA) contains a financial exigency

clause, designed to deal with dire financial circumstances. Triggering this clause—which is in most university faculty labour contracts in Canada—would have required senior administration to work in partnership with LUFA to address Laurentian’s financial situation. Laurentian’s senior administration intentionally delayed providing information and did not trigger the clause. Instead, senior administration, with Board approval, chose to use CCAA protection.

Recommendation 30: Action Item 1

We recommend that Laurentian University address the root causes of why proportionately more grievances are filed against Laurentian University than any other Ontario university and realistically assess what actions can be taken to reduce the future number of grievances.

Status:  **In the process of being implemented by December 2025.**

Details

Laurentian hired a new Associate Vice-President of Human Resources in June 2023 to support its organizational transformation, including the rebuilding of its labour relations, and has approved the creation of a new Associate Vice-President, Faculty Support to focus on faculty development, labour relations and grievances.

In May 2024, the University’s Human Resources Department also began performing and presenting root cause analyses on Laurentian’s grievance rate to the Board’s Human Resources Committee. Laurentian has identified that the root causes of grievances at the University are multiple, with many relating to a history of strained relationships, and others relating to the turnover of senior leaders and a lack of knowledge of contractual obligations.

Both LUFA and the Laurentian University Staff Union (LUSU) operate under their main collective agreements but also through several memorandums of understanding, side agreements and term sheets.

During the next round of collective bargaining with both unions, the University will be consolidating these documents to provide greater clarity. Laurentian began collective bargaining with LUSU in May 2024 and will begin bargaining with LUFA in December 2025.

Recommendation 31: Action Item 1

We recommend that Laurentian University establish standards for the resolution of grievances related to alleged harassment or discrimination in accordance with the Ministry of Labour's Code of Practice to Address Workplace Harassment and resolve grievances in accordance with the established standards.

Status:  **Fully implemented.**

Details

In May and June 2023, Laurentian updated its Respectful Workplace Policy and Program, which outlines the process to be followed for any discrimination and/or harassment complaints put forward by faculty and/or staff. The scope of both the policy and program applies to anyone working at the University and was created to align with the Ministry of Labour's Code of Practice to Address Workplace Harassment, the *Occupational Health and Safety Act*, the Ontario Human Rights Code, the *Employment Standards Act* and the *Labour Relations Act*.

Recommendation 32: Action Item 1

We recommend that Laurentian University develop criteria with the respective unions for the conditions under which the financial exigency clause would be triggered.

Status:  **Little or no progress.**

Details

In our follow-up, we found that no conditions to trigger the financial exigency clause have been developed. Laurentian began the next round of collective bargaining with LUSU in May 2024 and will begin negotiations with LUFA in late 2025. According to Laurentian, it anticipates discussing applicable clauses, including the financial exigency clause, during collective bargaining.

9. Legal Counsel

Our 2022 report noted that despite having in-house legal counsel, Laurentian relied heavily on external legal counsel for CCAA and non-CCAA work. It spent \$5.5 million on external counsel for non-CCAA work in the 11-year period up to April 30, 2021. Most of these costs were incurred for labour relations issues, though legal expenses were also incurred for non-labour situations. Laurentian noted that in many cases, hiring of external legal counsel was done at the direction of the Board and management at the time.

Recommendation 33: Action Item 1

We recommend that Laurentian University formally assess the costs and benefits of engaging external legal counsel and, based on the results of the assessment, procure external legal counsel using a fair and transparent process.

Status:  **Fully implemented.**

Details

In our follow-up, we found that Laurentian implemented a new legal services policy in December 2023. The policy stipulates the factors to be considered when deciding if Laurentian should engage external counsel. These include cost-effectiveness, internal capacity, timelines for the provision of legal services, risk assessment, and whether specific knowledge and expertise is required.

The policy also stipulates that only the University's General Counsel may hire and liaise with external counsel, to ensure a consistent, fair and transparent process across all potential engagements.

Additionally, in June 2024, Laurentian's Office of the General Counsel developed a mutual retainer to be used with external legal firms to ensure cost-effectiveness, prevent conflicts of interest, and prohibit any form of lobbying by external counsel on behalf of the University.

Recommendation 34: Action Item 1

So that external legal fees are minimized by reducing reliance on external counsel, we recommend that Laurentian University hire an in-house counsel who is able to address the more frequent legal matters faced by the University through its normal operations.

Status:  **Fully implemented.**

Details

We found that Laurentian has hired three in-house counsels since the time of our audit. The University hired a new General Counsel in June 2023, Senior Legal Counsel in September 2023 and Legal Counsel in January 2024. Since this time, the Office of the General Counsel has implemented a number of policies and procedures to ensure the University's ongoing compliance with legislation such as the *Freedom of Information and Protection of Privacy Act*, which reduce reliance on external counsel in responding to freedom of information requests. The Office has also implemented a risk matrix to ensure that due diligence is exercised when a request is made to retain external counsel for a

grievance. Additionally, the Office has procured a legal database to further increase its ability to keep more files in-house.

10. External Audit

At the time of our original report, the same international accounting firm had been Laurentian's external auditor since 1973.

From our work, we also determined that Laurentian's Administration did not disclose to its external auditors that the University was actively preparing to file an application for CCAA protection within a few months of when its consolidated financial statements for the year ended April 30, 2020 were finalized.

Recommendation 35: Action Item 1

We recommend that Laurentian University tender the performance of the external audit every five years.

Status:  **Fully implemented.**

Details

In our follow-up, we found that Laurentian conducted a request for proposals in April 2022 to select a new external auditor for its 2021/22 to 2025/26 consolidated financial statements and for a five-year period.

Recommendation 36: Action Item 1

We recommend that Laurentian University ensure all information is proactively provided to an external auditor as part of the audit of the University's financial statement audit.

Status:  **Fully implemented.**

Details

As part of the audits of its 2021/22 and 2022/23 consolidated financial statements, management signed representation letters confirming that Laurentian had provided its new auditor with all information that was relevant for the completion of the audit, as well as unrestricted access to

staff within the University from whom it was necessary to obtain audit evidence. Consequently, the University's new auditor issued unqualified opinions for the audit of the University's 2021/22 and 2022/23 consolidated financial statements.

Recommendation 37: Action Item 1

We recommend that Laurentian University ensure meetings of the Board and of the Audit Committee take place regularly with external auditors, and that the Board and the Audit Committee approve of: the selection of the external auditor; re-appointment of the external auditor; approval of the annual audit plan; approval of the audit findings report; and any other related matters as they arise.

Status:  **Fully implemented.**

Details

We found that the Audit Committee recommended, and the Board approved, the selection of a new external auditor for its 2021/22 to 2025/26 consolidated financial statements. The Audit Committee met regularly with the new external auditor during the audit of the University's 2021/22 consolidated financial statements to discuss and approve the annual audit plan and the audit findings report. The Board was provided with a detailed update of the preparation of the consolidated financial statements and the external audit, and subsequently approved the University's 2021/22 consolidated financial statements as part of its meeting in October 2022.

11. The Ministry of Colleges and Universities and the Office of the Auditor General of Ontario

In our original report, we found that Laurentian did not engage the Ministry in a timely and transparent manner to allow it to offer informed assistance. Had Laurentian sought to work earlier and more transparently with Ministry staff; not prematurely paid off its line of credit in 2020; not rejected the Ministry's offer in August 2020 to cover half of the costs of an independent financial review of Laurentian that would have given the Province independent validation of Laurentian's financial position; and at minimum accepted the Ministry's offer in January 2021 of temporary funding assistance, Laurentian would have had sufficient time for its financial situation to be reviewed jointly with the Province with a go-forward plan put in place.

During the course of our work in 2021 to 2022, the University also placed unprecedented restrictions on our access to information and set up a legal pushback that included an extraordinary challenge to the *Auditor General Act*.

Recommendation 38: Action Item 1

We recommend that Laurentian University gain an understanding of the roles and responsibilities of the Ministry of Colleges and Universities and the Office of the Auditor General of Ontario, particularly as they relate to Ontario universities and the broader public sector.

Status:  **Fully implemented.**

Details

In January 2024, the University updated the orientation manual used for new Board members to include a copy of the Auditor General's Special Report on Laurentian University, which outlines the roles of the Auditor General and the Ministry in greater detail. The University also initiated training for the Board of Governors on the funding structure of universities, including their relationship with the Ministry and associated accountability agreements. Further, as a result of the CCAA process and Exit Loan Agreement, the University has monthly calls with the Ministry to discuss its operations, including Board and senior management changes.

Laurentian University's Board of Governors and Senate

12. Information Provided to the Board

Our original report found that the Board did not receive, or ensure it received, sufficient information about the University's finances, cash flows, plans and operations, and consequently approved capital spending proposals that led to increasing debt without adequately assessing those proposals.

Recommendation 39: Action Item 1

We recommend that the Laurentian University Board of Governors require the administration to present the annual budget for approval that includes all relevant revenues and expenditures including capital expenditures and cost of servicing debt.

Status:  **Fully implemented.**

Details

We found that the University's administration began preparing the consolidated budget on the same basis as the consolidated financial statements beginning with the 2023/24 budget, which was reviewed and approved by the Board in April 2023. The consolidated budget includes all revenues and expenditures from operating, ancillary, capital and research activities. Debt servicing costs are reflected as an expense as part of the operating budget, which is presented separately and in addition to the consolidated budget.

Recommendation 40: Action Item 1

We recommend that the Laurentian University Board of Governors require an annual capital life cycle maintenance report that clearly shows significant areas where such maintenance is being deferred.

Status:  **Little or no progress.**

Details

In our follow-up, we found that the University's administration does not prepare an annual capital life cycle maintenance report. Currently, the University's administration produces a report of the identified deferred maintenance projects for review and approval by the Finance and Property Committee. This report shows only the budgeted and actual expenditures for approved projects for the next five fiscal years, but does not contain a list of the areas where maintenance continues to be deferred or where capital assets are in their life cycle.

Recommendation 41: Action Item 1

Prior to approving major capital projects, we recommend that the Laurentian University Board of Governors require from the administration all relevant information, such as current and projected costs and financing obligations associated with the projects and anticipated revenue streams resulting from the projects.

Status:  **Little or no progress.**

Details

In our follow-up, we found that the University has not proposed or carried out any major capital projects since the time of our 2022 report. As mentioned in **Recommendation 4**, under the Exit Loan Agreement, the University is not permitted to undertake any capital projects (i.e., capital

expenditures in excess of \$10 million, individually or in aggregate during the term of the loan) without the approval of the Ministry. Consequently, with the exception of critical deferred maintenance projects, the Finance and Property Committee has not had the opportunity to review any proposals for new major capital projects.

Going forward, major capital projects with costs in excess of \$1 million will be subject to the review and approval of the Finance and Property Committee. While no action has been taken to date, the University has informed us that it plans to revise its capital planning process to ensure a rigorous planning and approval process is in place for any new capital project. It plans to implement a new capital planning process by April 2025.

Recommendation 42: Action Item 1

We recommend that the Laurentian University Board of Governors require monthly formal reporting to include: operational year-to-date and monthly actuals to budgets and formal projections to year end; monthly, year-to-date projected cash flows for the current year and the next two years at a minimum; capital spending compared to budgeted amount; details on availability and use of restricted funds; staff levels by category with average salary information; and human resource statistics on employee grievances, sickness leaves and vacation.

Status:  **In the process of being implemented by April 2026.**

Details

In our follow-up, we found that the University was in the process of improving its formal monthly reporting to the Board and its Committees, as part of its Transformation Plan. Currently, the University's administration prepares the following monthly reports:

- financial updates for review by the Finance and Property Committee, which include the University's monthly cash balances, a cash flow forecast, student enrolment numbers, and investment returns on the endowment fund and pension fund;
- approved deferred maintenance projects for review by the Finance and Property Committee, including an overview of each project and a comparison of actual expenditures to approved budgeted amounts; and
- employee grievances by labour group, reported at each Human Resources Committee meeting.

The implementation of the Transformation Plan will allow for year-to-date and monthly reporting of actual to budget expenditures, cash flows, capital spending, and details on the availability and use of restricted funds. Upon implementation of the Transformation Plan, the University also plans to report information on sick leaves by type and staff on vacation. Laurentian expects this to be completed by the end of its 2025/26 fiscal year.

13. Work Plans

Laurentian's Board of Governors has a fiduciary duty to oversee the University's financial operations, and has the powers to challenge and guide the University's senior administrators and policies. Our original report found that the Board and its committees were not effective in this role.

Recommendation 43: Action Item 1

We recommend that the Laurentian University Board of Governors set clear direction for how to oversee Laurentian's activities, including annual Board and committee workplans, to ensure its governance functions and responsibilities are fulfilled throughout the year.

Status:  **Fully implemented.**

Details

Following our 2022 report, the Board reorganized its committees into five standing committees, down from nine standing committees and two *ad hoc* committees at the time of our 2022 report.

Four of the five committees (Human Resource, Audit and Risk, Finance and Property, and Governance) prepared work plans for the 2023–2024 Board year (which aligns with the academic year, September to June).

On July 16, 2024, the Board of Governors' first complete work plan was finalized for 2024–2025. The five Board committees (including the Joint Committee on Bilingualism) also have their own plans for 2024–2025 that feed into the overall Board work plan.

14. Public Transparency

Our original report found that the Board of Governors did not follow best practices for public transparency. It was increasingly less transparent, holding in camera meetings to an unnecessary extent.

At the time of the report, Laurentian also had not made key annual business documents publicly available as required under the *Broader Public Sector Accountability Act, 2010*. These included its annual business plan, budget and forecast. While Laurentian made its annual reports publicly available, the content did not meet the minimum information and content requirements under the *Broader Public Sector Accountability Act, 2010*, and it did not have enough detail for stakeholders to use to understand the University's financial performance and potential financial and operational risks.

Recommendation 44: Action Item 1

We recommend that the Laurentian University Board of Governors develop and make public guidance on the appropriate use of in camera meetings and prepare minutes for all in camera meetings.

Status:  **Fully implemented.**

Details

In late 2022, Laurentian updated its Board manual to revise the definition and use of in camera meetings. At the time of the 2022 report, only voting Board members were permitted to attend what the University referred to as “in camera meetings,” and decisions could be made in these sessions. While minutes were taken, these were not made available to the public, stakeholders or non-voting Board members. These sessions are now referred to as “closed sessions” and the minutes are included in the public minutes.

Laurentian has updated the Board manual to recommend the use of closed sessions be limited, and it provides a list of examples where items may be considered in closed session (e.g., personnel and human resource matters and legal issues). Laurentian has also introduced new in camera sessions where no notes are taken, but no decisions are permitted to be made.

In October 2024, Laurentian’s Board of Governors approved updates to its Agenda Setting Supplemental Guidelines to outline the use of the new in camera sessions and posted the guidelines on its website.

Recommendation 45: Action Item 1

We recommend that the Laurentian University Board of Governors document all final decisions made during in camera meetings in the public minutes, in a manner consistent with retaining confidentiality where only absolutely necessary.

Status:  **Fully implemented.**

Details

As noted in **Recommendation 44**, minutes from closed sessions (formerly called in camera meetings) are now included in the public set of minutes. While the closed session minutes provide only a high-level explanation of the topic discussed, they include documentation of the final decision made.

No minutes are kept for the new in camera portion of Board meetings; however, the revised guidelines noted above do not permit decisions to be made during these sessions.

Recommendation 46: Action Item 1

We recommend that the Laurentian University Board of Governors publicly post all key business documents on a timely basis and consistent with the Broader Public Sector Business Documents Directive, including budgets and annual business plans and reports.

Status:  **In the process of being implemented by April 2025.**

Details

The Broader Public Sector Business Documents Directive (Directive) requires designated Broader Public Sector (BPS) organizations like Laurentian to prepare and publish business plans and other financial documents on one central web page. Starting in 2023, Laurentian began publishing its budgets, and has posted them on the same web page as its consolidated financial statements. In August 2024, the University also posted its last three Strategic Plans on the same web page as the budget and consolidated financial statements.

Further, the Directive requires that annual business plans include an organization's mandate and strategic direction, an overview of current performance and future programs and key activities; and performance measures and targets. Neither of the recently posted budgets includes performance measures and targets.

The Directive also requires additional business or financial information to be posted, which may be included in an organization's annual report. Among other requirements, the information must contain a discussion of outcome- and output-based performance targets achieved and actions to be taken if these have not been achieved. Similarly to what was noted at the time of our 2022 report, Laurentian's most recent annual reports do not include performance measures and targets.

Laurentian has committed to including performance measures in these documents as part of the 2024/25 reporting cycle by April 2025.

Recommendation 47: Action Item 1

We recommend that the Laurentian University Board of Governors publicly post on a timely basis all minutes of public Board and Committee meetings.

Status:  **Fully implemented.**

Details

Laurentian now publicly posts the agenda and meeting packages for open session Board of Governors meetings, along with the final minutes of both open and closed sessions. At the time of

this follow-up, the most recent minutes publicly posted were from June 28, 2024 (approved at the October 18, 2024 meeting).

15. Board Performance

A board should continuously monitor and annually evaluate its performance to ensure it is operating effectively to fulfill its duties and achieve its objectives. Our original report found that Laurentian's Board did not evaluate its own and members' effectiveness.

Recommendation 48: Action Item 1

We recommend that the Laurentian University Board of Governors develop a skills and competency matrix that outlines the specific skills and experiences that members collectively should have and use this matrix as a guide for filling vacancies.

Status:  **Fully implemented.**

Details

Laurentian developed a skills matrix for the Board of Governors in 2022 and updated it in September 2023. The skills matrix includes skills and expertise in a variety of areas, such as audit and accounting, fundraising, governance, information technology, human resources, legal, and strategic planning. The Board's Governance Committee has used this skills matrix in its discussion of candidates and to identify skill gaps on the Board.

Recommendation 49: Action Item 1

We recommend that the Laurentian University Board of Governors continuously monitor and annually evaluate the Board's performance to ensure that it is effectively fulfilling its duty.

Status:  **Fully implemented.**

Details

In April 2024, the Laurentian Board of Governors approved a performance evaluation framework for the Board and completed its first Board evaluation in June 2024. The evaluation included a questionnaire covering a range of topics, such as the frequency of meetings, quality of information provided to the Board, Board attendance, member competencies, training and preparation for meetings, relationship with management, and roles and responsibilities. After assessing the results of the evaluation, the Board identified short- and long-term priorities.

Recommendation 50: Action Item 1

We recommend that the Laurentian University Board of Governors renew the terms of Board members within established term limits based on performance.

Status:  **Fully implemented.**

Details

The Board bylaws were amended in December 2022 to provide for a maximum tenure for voting Board members of 11 years, including three consecutive terms of three years each, with a possible extension for two additional years. Following 11 years, a Board member would be required to wait two years to rejoin the Board.

At the time of the original report, the bylaws permitted a maximum of four terms for a total of 12 years, unless a member was appointed as Board Chair or Vice-Chair. The longest serving Board member at the time of the report, the Chair, had been on the Board for close to 14 years.

The Board will consider member performance at the time of reappointment in a few ways. First, Laurentian has instituted attendance tracking, considering attendance as a minimum requirement for performance. Next, the annual Board evaluation mentioned in **Recommendation 49** includes questions on individual member performance, and the Board will discuss the overall results of the evaluation. If concerns are raised, the Board Chair will have discussions with individual members on their performance. All members are asked to complete a survey regarding the performance of the Board Chair. Laurentian has informed us that information from this survey will be considered by the Governance Committee when deciding if they will renew his term and appointment as Chair in June 2025.

Recommendation 51: Action Item 1

We recommend that the Laurentian University Board of Governors annually review Board insurance and Board member indemnification policies.

Status:  **Fully implemented.**

Details

The University developed a new Board Member Indemnification Policy, which was reviewed by the Audit and Risk Committee on September 23, 2024, and approved by the Board on October 18, 2024.

16. Code of Conduct and Conflict of Interest Guidelines

At the time of our original report, Laurentian did not have a code of conduct for the Board of Governors that outlined the principles and standards Board members must adhere to. While the Board had a Conflict of Interest Guideline, it had not been updated since 1985, and Board members were not required to annually identify any potential conflicts of interests. Through our review of Board and committee materials, we found instances where members voted on matters that presented potential or perceived conflicts of interest.

Recommendation 52: Action Item 1

We recommend that the Laurentian University Board of Governors implement and adhere to a code of conduct that outlines the principles and standards for Board members.

Status:  **Fully implemented.**

Details

In October 2022, Laurentian developed a document outlining roles and responsibilities of Board members and members of Board committees, which all members are required to sign at the start of their tenure and to sign again each year thereafter. By signing this document, Board members acknowledge that their responsibilities include acting in the best interests of the University and carrying out their functions with diligence, integrity, independence, good faith and the prudence of a reasonable person. The document outlines key duties and responsibilities of Board members, including those relating to oversight, outreach and governance, as well as key principles of ethical conduct.

Recommendation 53: Action Item 1

We recommend that the Laurentian University Board of Governors update the Conflict of Interest Guideline and require all members to declare and document all potential, actual or perceived conflicts of interest annually and as new ones arise.

Status:  **Fully implemented.**

Details

On December 15, 2023, the Board of Governors approved a revised policy on conflicts of interest for Board members and Committee appointees, which outlines the expectations in respect of conflicts of interest, as well as procedures to address them when they arise. As required in the

updated roles and responsibilities document, each Board member must complete and deliver, at least annually, to the Secretary of the Board a disclosure of interest form listing personal and professional interests that could give rise to a possible conflict, direct or indirect, with the Board member's duties to the University. Each Board member must notify the Secretary in writing of any changes to that list in a timely fashion.

Recommendation 54: Action Item 1

We recommend that the Laurentian University Board of Governors record all members' votes individually, including in camera votes, and use this record to verify that they did not vote on matters later determined to be a potential conflict of interest.

Status:  **Fully implemented.**

Details

In our follow-up, we found that starting in 2024, Laurentian has maintained an attendance record for each Board meeting and has documented the names of those Board members who abstain from voting. Together, these measures allow the University to identify who voted on particular items at any given meeting. When a Board member abstains from a vote, this information is included in the public minutes. Laurentian has decided to not record how Board members vote (for or against) to help promote Board cohesion. However, by tracking attendance and recording those who abstain, the University will be able to determine if a member voted on an item that is later determined to be a potential conflict of interest.

17. Committees

At the time of our original report, we found that the Board's committees often did not have the expertise, training or resourcefulness required to effectively oversee Laurentian's financial operations.

For instance, we found that for most of the period between 2009/10 and 2019/20, Laurentian's Audit Committee did not have a financial expert as its chair. Similarly, the report identified that Property Development and Planning Committee members were never trained to perform their roles and did not effectively oversee the long-term financial sustainability and maintenance of the University's land and buildings. The Staff Relations Committee also was not proactive in addressing issues, as it was not provided with regular reports summarizing the status of staff and faculty relations.

Recommendation 55: Action Item 1

We recommend that the Laurentian University Board of Governors ensure members of the Audit Committee have the necessary skills and ability and receive regular training on financial literacy to be able to critically assess financial information presented by the administration and the external auditors.

Status:  **Fully implemented.**

Details

We found that the Audit and Risk Committee (formerly the Audit Committee) is mostly composed of members with business and financial experience. In addition, two of the members of the Audit and Risk Committee hold a CPA designation. The Board received financial literacy training in September 2023, which covered the University's financial structure, relevant accounting standards, key financial indicators, planning and budgeting processes, and CCAA-related matters.

Recommendation 56: Action Item 1

We recommend that the Laurentian University Board of Governors ensure members of the Property Development and Planning Committee have the appropriate skills and training to effectively evaluate all major capital projects proposed by the administration, including the acceptance of donated property, on the basis of need and financial viability.

Status:  **Fully implemented.**

Details

We found that the University merged the Finance Committee and the Property Development and Planning Committee in June 2023 to form the Finance and Property Committee (Committee). The Committee's responsibilities include reviewing and recommending for Board approval any proposed major capital projects and contracts exceeding \$1 million. In addition, the Committee is responsible for overseeing the long-term sustainability and maintenance of the University's existing buildings and addressing any significant deferred maintenance on a timely basis.

The composition of the Committee includes Board members with the skills necessary to evaluate major capital projects, such as expertise in financial audit and accounting, financial planning, strategic planning, and business leadership and development. In addition, to ensure that the Committee has the necessary expertise to fulfill its responsibilities, the Board may appoint up to two members who are external to the University and not members of the Board. Prior to merging with the Property Development and Planning Committee, the Finance Committee reviewed and

recommended for Board approval the proposed funding of the University's 2023/24 deferred maintenance projects.

Recommendation 57: Action Item 1

We recommend that the Laurentian University Board of Governors ensure the Property Development and Planning Committee comprehensively evaluates all proposed major capital projects on the basis of need and financial viability. The Committee should also effectively oversee the long-term sustainability and maintenance of the University's existing buildings and address any significant deferred maintenance on a timely basis.

Status:  **Little or no progress.**

Details

As mentioned in **Recommendation 41**, the Finance and Property Committee (Committee) has not had any opportunities to review new major capital projects, with the exception of deferred maintenance projects. The Committee's terms of reference include responsibilities for reviewing, and recommending to the Board for approval, any proposed major capital projects and contracts exceeding \$1 million; and overseeing the long-term sustainability and maintenance of the University's existing buildings and addressing any significant deferred maintenance on a timely basis. The Committee most recently reviewed and approved deferred maintenance projects totalling \$8.5 million for fiscal year 2024/25.

Recommendation 58: Action Item 1

We recommend that the Laurentian University Board of Governors ensure the Finance Committee receives complete and accurate information on the sources and uses of cash in order to comply with appropriate restrictions and align expenditures with the best interests of the University.

Status:  **Fully implemented.**

Details

In our follow-up, we found that the University's administration provides a quarterly financial update to the Finance and Property Committee that reports cash balances by type (operating account and segregated accounts), monthly cash flows (actual and forecast), and investment returns on its endowment fund. In addition, the financial update includes information on the sources and uses of restricted cash (e.g., research grants, other grants, or scholarships and bursaries).

Recommendation 59: Action Item 1

We recommend that the Laurentian University Board of Governors ensure the Finance Committee's evaluation of proposals regarding University funds put forth by the administration are founded on sound financial consideration, in accordance with its own terms of reference.

Status:  **No longer applicable.**

Details

In our follow-up, we found that the Finance and Property Committee's terms of reference no longer include an explicit requirement that the Committee "ensure that any proposals regarding university funds are founded on sound financial consideration." Instead, the revised terms of reference contain more specific responsibilities, such as the review and approval of any proposed major capital projects and contracts in excess of \$1 million. The Finance and Property Committee is also responsible for reviewing and making recommendations to the Board with respect to proposals relating to the use and development of property, construction and renovation contracts; and proposals for the acquisition, disposition, encumbrance or lease of property.

Recommendation 60: Action Item 1

We recommend that the Laurentian University Board of Governors require the administration to provide the Staff Relations Committee with regular reports summarizing the status of staff and faculty grievances, including any financial implications for the University.

Status:  **Fully implemented.**

Details

In our follow-up, we found that Laurentian reorganized its Staff Relations Committee into a larger Human Resources Committee in September 2023. As part of its mandate and work plan, this new committee receives and reviews regular reports from the administration summarizing the status of staff and faculty grievances, including any financial implications for the University. Since this new committee's inception, we found that Laurentian's administration has provided the Human Resources Committee with regular reports summarizing the status of grievances for both staff and faculty, and, where applicable, has provided information about grievances that have financial implications for the University.

18. Senate

Our original report found that between 2009/10 and 2019/20, Laurentian's Senate, chaired by the President of Laurentian University, did not routinely assess the financial sustainability of its individual program offerings. We found that the Senate had started working on evaluating the financial sustainability of academic programs in 2016, but the process stalled before any meaningful changes could be implemented.

Recommendation 61: Action Item 1

We recommend that the Senate of Laurentian University use strengthened financial analysis provided by the Vice-President, Administration to the Senate and regularly evaluate the long-term financial sustainability of the University's academic programming and make recommendations to the Board on changes to those programs identified as being at risk for long-term sustainability.

Status:  **Little or no progress.**

Details

As noted in **Recommendation 18**, Laurentian established an Enrolment Management Group in July 2023. The group will present a report to the Senate annually (with the first expected by April 2025) to ensure that financially sustainable academic programs are a top priority. However, changes to existing academic programs, whether major or minor, require Senate approval. This requirement is outlined in the University's Institutional Quality Assurance Process (IQAP). According to Laurentian, the existing IQAP is being reviewed to incorporate a detailed financial assessment template to be included in proposed programming changes that are presented to the Senate for approval. The implementation of the new template is expected by the end of 2024, and will be reported to the Board.

In addition, changes are required to Laurentian's financial systems to support such financial analysis. A new budget module for Laurentian's ERP system is required and is targeted to be implemented by fall 2025.

Ministry of Colleges and Universities

Our original report found that the Ministry of Colleges and Universities, which is the primary government body responsible for monitoring the financial health of post-secondary institutions, did not start tracking the financial condition of Ontario universities until 2014/15. At that point it was already apparent that Laurentian's financial situation was progressively worsening, as Laurentian had failed to meet nearly all of the Ministry's financial sustainability targets. However, the Ministry did not take any action upon receiving this information. The report also found that Ministry funding agreements did not motivate or require financial sustainability or spending accountability.

Recommendation 62: Action Item 1

We recommend that the Ministry of Colleges and Universities proactively intervene to obtain complete information to assess a university's finances when a university fails to meet financial sustainability metrics used by the Ministry and, as a condition of funding, require universities to work with the Ministry to institute a path to financial sustainability.

Status:  **In the process of being implemented by March 2025.**

Details

We found that the Ministry implemented a new financial accountability framework for universities in October 2023 for the 2022/23 fiscal year. Under the framework, universities' financial health is assessed based on nine metrics, including the number of primary reserve days, working capital ratio, viability ratio, debt ratio, debt to revenue ratio, interest burden ratio, surplus ratio, net operating ratio, and the institution's credit rating. Five of these metrics have been monitored by the Ministry, using universities' financial statements, since 2014/15.

New in this framework, however, is the requirement for institutions to report to the Ministry and produce an action plan depending on the Ministry's assessment of these metrics. Based on its assessment of the metrics, the Ministry will send universities a letter on an annual basis outlining their risk rating, ranging from high, medium or low to no action required. If low risk, the university is required to report to the Ministry on steps to be taken to restore financial metrics and improve financial health and prevent further decline for three years. If medium risk, the university is required to develop and submit to the Ministry an internal recovery plan that includes a multi-year budget and cash flow projections, as well as an in-depth explanation of steps to be taken to improve financial health and prevent decline. A status report is required every six months for three years. If high risk, the university must procure an independent advisor for a third-party review (but may seek Ministry financial support for the cost), and is required to provide a recovery plan

developed or validated by the independent advisor within three months. The plan should include a multi-year budget and cash flow projections. At all risk levels, there is an escalation process if the university fails to meet its financial objectives, or shows a decline or remains at the same risk level for three years.

At the time of this follow-up, 16 of the 23 universities were ranked low to high risk and were required to submit reports to the Ministry (with two ranked high risk). The Ministry anticipates that all institutions will have submitted an action plan to the Ministry by March 2025.

At present, compliance with this accountability framework is not tied to funding; however, the Ministry is considering including compliance with financial reporting under this framework as a requirement in the next Strategic Mandate Agreements (SMA4) (2025–2030), expected to be finalized in March 2025. As part of the SMA4s, 5% of operating grants will be tied to a new priority area related to efficiency, accountability and transparency, and will include timely reporting on the financial metrics in the framework.

Recommendation 63: Action Items 1 and 2

We recommend that the Ministry of Colleges and Universities formally evaluate for government the benefits of introducing legislation:

- allowing the Ministry to set limits on university deficits, borrowings and major capital expenditures;
- allowing the Ministry to appoint a supervisor to take control of a university's operations when there are serious financial sustainability concerns;

Status:  **Little or no progress.**

Details

We found that the Ministry has taken no steps toward implementing these actions. The Ministry plans to monitor universities' financial health through the new financial accountability framework mentioned in **Recommendation 62** and will then consider if further oversight measures are required.

Recommendation 63: Action Item 3

- preventing universities from restructuring under the *Companies' Creditors Arrangement Act*.

Status:  **No longer applicable.**

Details

In June 2024, the Canadian Parliament passed legislation to amend the *Companies' Creditors Arrangement Act* and the *Bankruptcy and Insolvency Act*, so that prescribed public post-secondary institutions would not be able to file for protection under the Acts. The amendments received royal assent on June 20, 2024.

Recommendation 64: Action Item 1

We recommend that the Ministry of Colleges and Universities determine to what extent universities are spending funds as intended for specific priorities (such as the bilingualism grant for French-language services), follow up with universities to understand any reasons for discrepancies and better align funding with actual needs.

Status:  **In the process of being implemented by March 2025.**

Details

At the time of this follow-up, the Ministry had created eight new transfer payment agreements for grants that were not formally managed by agreements in 2023/24 and implemented new processes and checklists to monitor the information reported as part of the new transfer payment agreements. The Ministry has also drafted a transfer payment agreement for bilingualism grants that outlines the funding objectives, eligible activities and expected outcomes, and will require an annual report on the activities and the financial reporting relating to the agreement. The Ministry has committed that its French-Language Education Division will monitor compliance with the agreement.

However, there continue to be some grants for special purpose funding, such as nursing, for which the Ministry has not developed transfer payment agreements, and is instead examining alternative agreement mechanisms. The Ministry expects that these agreements will be implemented by the end of the 2024/25 fiscal year.

Recommendation 65: Action Item 1

We recommend that the Ministry of Colleges and Universities develop guidelines that university boards must have in place to ensure they have fully functioning and effective governance structures, and incorporate these requirements as part of their funding agreements.

Status:  **Little or no progress.**

Details

We found that in February 2024, the Ministry notified the sector that it intends to provide support to establish best practices for board members, including financial literacy. At the time of this follow-up, no additional work had been undertaken.

The Ministry has, however, allocated \$15 million over three years for the new Efficiency and Accountability Fund starting in 2024/25 to support third-party efficiency reviews with colleges and universities. One area of focus for the funding is to explore opportunities for “effective financial governance including effective board composition, training of board members, and financial orientation for new board members.”

Recommendation 66: Action Item 1

We recommend that the Ministry of Colleges and Universities hold universities accountable for accomplishing their intended activities and goals outlined in current and future funding agreements with the Ministry by making funding contingent on meeting these activities and goals.

Status:  **In the process of being implemented by March 2025.**

Details

As noted in **Recommendation 64**, we found that eight additional transfer payment agreements and new processes and checklists for monitoring compliance with agreements have been created since the time of our 2022 report, and the Ministry has drafted a transfer payment agreement for bilingualism grants. However, there remain some grants for special purpose funding, such as nursing, for which the Ministry has not developed transfer payment agreements, and is instead examining alternative agreement mechanisms. The Ministry expects that these agreements will be implemented by the end of the 2024/25 fiscal year.

Recommendation 67: Action Item 1

We recommend that the Ministry of Colleges and Universities incorporate financial performance metrics, such as the debt to revenue ratio with set thresholds, and make funding contingent on meeting these thresholds, in the new performance-based funding model.

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to believe that the financial health and financial performance of institutions should be considered in the Ministry's funding decisions.

Details

The Ministry has indicated that this recommendation will not be implemented. However, as part of the next Strategic Mandate Agreements (2025–2030) (SMA4), 5% of operating grants will be tied to meeting certain accountability requirements, including the timely reporting on the financial metrics in the Ministry's new accountability framework noted in **Recommendation 62**.

Our 2022 report found that existing funding agreements between the Ministry and universities did not require universities to demonstrate that their operations are financially sustainable in order to receive taxpayer funds. Further, as noted above, while the Ministry began tracking the financial condition of universities in 2014/15, Laurentian failed to meet nearly all of the Ministry's financial sustainability targets and no actions were taken as a result of this information. We therefore recommend that the Ministry consider the financial health and financial performance of post-secondary institutions as part of the performance-based funding model.

Recommendation 68: Action Item 1

We recommend that the Ministry of Colleges and Universities institute processes to validate that funding provided to universities is used for the purposes intended and claw back funding that is not used for intended purposes.

Status:  **In the process of being implemented by March 2025.**

Details

As noted in **Recommendation 64**, the Ministry has created eight transfer payment agreements for funding arrangements that did not have formal agreements, has drafted a transfer payment agreement for the bilingualism grants and continues to work on developing alternative agreements for nursing grants. The Ministry expects that these agreements will be implemented by the end of the 2024/25 fiscal year.

The new transfer payment agreements include a provision to allow the Ministry to claw back funding at the Ministry's discretion, and the Ministry has implemented a new report-back checklist to assess if universities meet report-back requirements.

Recommendation 69: Action Item 1

We recommend that the Ministry of Colleges and Universities require universities to regularly report absences in Lieutenant Governor in Council appointments, monitor the absences and work to fill them in a timely manner.

Status:  **In the process of being implemented by March 2025.**

Details

At the time of our follow-up, there were two vacancies of the five possible provincial appointments (Lieutenant Governor in Council [LGIC] appointments) on the Laurentian Board of Governors. At the time of our 2022 report, there were three vacancies. In June 2024, one LGIC appointment was filled based on Laurentian's recommendations. The Ministry informed us that all five LGIC positions will be filled by March 31, 2025.

Recommendation 70: Action Item 1

We recommend that the Ministry of Colleges and Universities, as the Debtor-in-Possession lender and the primary funder of Laurentian, seek an expeditious process to end the CCAA proceedings within the next six months with the approval of the Chief Justice of the Superior Court through a plan of compromise and/or arrangement.

Status:  **Fully implemented.**

Details

Laurentian exited the CCAA process in November 2022 and entered into a long-term loan agreement with the Ministry. The conditions of the loan require Laurentian to provide frequent reporting on its finances and future spending.

Recommendation 71: Action Item 1

We recommend that the Ministry of Colleges and Universities work with the Board of Laurentian to ensure that strong leadership is in place as Laurentian exits the CCAA process.

Status:  **Fully implemented.**

Details

As noted in **Recommendation 38**, the Ministry meets with Laurentian monthly to discuss its operations, including Board and senior management changes. Since our 2022 report, there has been a turnover in Board and senior management. A new Vice-President Finance and Administration took office in October 2024, a new President and Vice-Chancellor took office in April 2024, and a new Provost and Vice-President, Academic took office in August 2024. Additional recruitment for senior management positions is planned for the remainder of 2024.

Recommendation 72: Action Item 1

We recommend that the Ministry of Colleges and Universities provide the government with thorough analysis of the impact of tuition reductions and freezes on all universities prior to their implementation to determine if universities can sustain the impacts of these policy decisions.

Status:  **Fully implemented.**

Details

We found that prior to the announcement in February 2024 that it would extend the tuition freeze, the Ministry presented decision-makers with the cumulative annual loss of revenue for institutions since the freeze, indicated the number of institutions whose financial health was assessed as high and medium risk based on 2021/22 (university) and 2022/23 (colleges) financial information, and noted that the institutions' financial health was expected to decline further if international student enrolment declined. The information presented to decision-makers did not include a forward-looking assessment of the impact of the tuition freeze on institutions or assess the variation of impacts across universities to highlight those most vulnerable to the freeze in the sector.

We encourage the Ministry to provide decision-makers a forward-looking assessment of the impact of the tuition freeze on institutions and assess the variation of the impacts across universities to highlight those most vulnerable to freezes in the sector.

Office of the Integrity Commissioner of Ontario

In our original report, we found that starting in 2020, Laurentian's senior administration began engaging internal staff and external consultants for assistance in communicating with the federal and provincial governments about financial restructuring and funding needs. We found that some of these activities may fall within the definition of lobbying under provincial legislation. However, at the time of the report, Laurentian had not filed any provincial lobbying registrations since 2010.

Recommendation 73: Action Item 1

We recommend that the Office of the Integrity Commissioner review interactions between Laurentian staff, their external consultants and public office holders to determine compliance with the *Lobbyists Registration Act, 1998* and the *Broader Public Sector Accountability Act, 2010*.

Status:  **Fully implemented.**

Details

Under section 17.10 of the *Lobbyists Registration Act, 1998*, the Integrity Commissioner of Ontario as Lobbyist Registrar is prevented from disclosing whether he is conducting an investigation under the Act. However, based on discussions with Laurentian and a review of documentation, we have assessed this recommendation as fully implemented.

Recommendation 74: Action Item 1

We recommend that the Office of the Integrity Commissioner clarify and promote requirements for universities and other broader public sector organizations under the *Lobbyists Registration Act, 1998* and the *Broader Public Sector Accountability Act, 2010*.

Status:  **Fully implemented.**

Details

On March 31, 2023, the Integrity Commissioner wrote to the presidents of 21 Ontario universities to promote the requirements of the *Lobbyists Registration Act, 1998*. These letters outlined the registration obligations of the universities as organizations. The letters also explained how the *Broader Public Sector Accountability Act, 2010* applies if a university hires a consultant lobbyist. In addition, the Office of the Integrity Commissioner continues to provide regular training to lobbyist groups and their primary contacts, issue advisory opinions directly to lobbyists and entities, and provide additional resources and guidance on its website.

// Appendix

Laurentian University

Recommendation Status Overview

	# of Action Items	Fully Implemented 	In the Process of Being Implemented 	Little or No Progress 	Will Not Be Implemented 	No Longer Applicable 
Laurentian University Administration						
Strategic Planning						
Recommendation 1	1	1				
Recommendation 2	1		1			
Recommendation 3	1		1			
Capital Planning						
Recommendation 4	4		2	2		
Recommendation 5	1			1		
Recommendation 6	1	1				
Recommendation 7	1	1				
Recommendation 8	1	1				
Financial Operations						
Recommendation 9	1	1				
Recommendation 10	1		1			
Recommendation 11	1			1		
Recommendation 12	1			1		
Recommendation 13	1		1			
Restricted Funds						
Recommendation 14	1	1				
Recommendation 15	1	1				
Recommendation 16	1		1			
Academic Program Sustainability						
Recommendation 17	1		1			
Recommendation 18	1		1			
Human Resources						
Recommendation 19	1		1			
Recommendation 20	1		1			

Laurentian University

Recommendation Status Overview

	# of Action Items	Fully Implemented 	In the Process of Being Implemented 	Little or No Progress 	Will Not Be Implemented 	No Longer Applicable 
Recommendation 21	1		1			
Recommendation 22	1		1			
Recommendation 23	1	1				
Recommendation 24	1		1			
Recommendation 25	1		1			
Recommendation 26	1		1			
Lobbying						
Recommendation 27	1		1			
Recommendation 28	1			1		
Recommendation 29	1		1			
Labour Relations						
Recommendation 30	1		1			
Recommendation 31	1	1				
Recommendation 32	1			1		
Legal Counsel						
Recommendation 33	1	1				
Recommendation 34	1	1				
External Audit						
Recommendation 35	1	1				
Recommendation 36	1	1				
Recommendation 37	1	1				
Ministry of Colleges and Universities and Office of the Auditor General of Ontario						
Recommendation 38	1	1				
Laurentian University's Board of Governors and Senate						
Information Provided to the Board						
Recommendation 39	1	1				
Recommendation 40	1			1		
Recommendation 41	1			1		
Recommendation 42	1		1			

Laurentian University

Recommendation Status Overview

	# of Action Items	Fully Implemented 	In the Process of Being Implemented 	Little or No Progress 	Will Not Be Implemented 	No Longer Applicable 
Work Plans						
Recommendation 43	1	1				
Public Transparency						
Recommendation 44	1	1				
Recommendation 45	1	1				
Recommendation 46	1		1			
Recommendation 47	1	1				
Board Performance						
Recommendation 48	1	1				
Recommendation 49	1	1				
Recommendation 50	1	1				
Recommendation 51	1	1				
Code of Conduct and Conflict of Interest Guidelines						
Recommendation 52	1	1				
Recommendation 53	1	1				
Recommendation 54	1	1				
Committees						
Recommendation 55	1	1				
Recommendation 56	1	1				
Recommendation 57	1			1		
Recommendation 58	1	1				
Recommendation 59	1					1
Recommendation 60	1	1				
Senate						
Recommendation 61	1			1		
Total	64	31	21	11	0	1
%	100	48	33	17	0	2

Ministry of Colleges and Universities

Recommendation Status Overview

	# of Action Items	Fully Implemented 	In the Process of Being Implemented 	Little or No Progress 	Will Not Be Implemented 	No Longer Applicable 
Recommendation 62	1		1			
Recommendation 63	3			2		1
Recommendation 64	1		1			
Recommendation 65	1			1		
Recommendation 66	1		1			
Recommendation 67	1				1	
Recommendation 68	1		1			
Recommendation 69	1		1			
Recommendation 70	1	1				
Recommendation 71	1	1				
Recommendation 72	1	1				
Total	13	3	5	3	1	1
%	100	23	38	23	8	8

Office of the Integrity Commissioner of Ontario

Recommendation Status Overview

	# of Action Items	Fully Implemented 	In the Process of Being Implemented 	Little or No Progress 	Will Not Be Implemented 	No Longer Applicable 
Recommendation 73	1	1				
Recommendation 74	1	1				
Total	2	2	0	0	0	0
%	100	100	0	0	0	0

Status of Audit Recommendations from the *2019 Annual Report*



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1.0 Status at a Glance

All of the Office of the Auditor General of Ontario's performance audit reports include recommendations composed of specific actions ("recommended actions") that aim to promote improved accountability, transparency, efficiency, cost-effectiveness and service delivery for Ontarians.

After we table our performance audit reports, we conduct follow-ups to assess the progress made by the audited entities, including ministries, broader-public-sector organizations and government organizations (collectively referred to as "organizations") in implementing those recommended actions. (See **Section 2** to learn more about our follow-up process.)

This five-year follow-up report details the status of all recommended actions issued in our *2019 Annual Report*. For the *2019 Annual Report*, our Office audited a total of 38 organizations including 17 ministries, 14 hospitals and seven government organizations. We issued 18 performance audit reports that contained a total of 573 recommended actions.

2019 Annual Report



18
Reports



17
Ministries



14
Hospitals



7
Government
Organizations

From this five-year follow-up, we noted the following:



308

recommended
actions remain
outstanding

26%

of recommended actions
were fully implemented by
the 2-year follow-up

46%

of recommended actions
were fully implemented
by the 5-year follow-up

20%

Increase in implementation
rate from 2-year follow-up
to 5-year follow-up



18 out of **91**

recommended actions that
organizations self-assessed
as “fully implemented” were
accepted by OAGO

20%

Accepted as
“fully implemented”

80%

Not accepted as
“fully implemented”

Main Reasons for Slow Implementation



The complexity of developing/
changing legislation, regulations,
policies, guidelines, IT projects
or capital projects



Awaiting action from
another party



Unexpected events arose, such as
COVID-19 or change in management's
direction

Categories of Recommended Actions
with the Lowest Implementation Rates



**Public
Reporting**



**Internal
Controls**



Efficiency



**Access to Care
or Services**

2.0 Overview

2.1 Follow-Up Process

Two years after we table our performance audit reports, we conduct a two-year follow-up to assess the status of the recommended actions that organizations agreed to implement when the initial audit was completed. (The status of recommended actions from our 2022 performance audits can be found within their respective follow-up reports in our *2024 Annual Report*.)

Before 2024, after the two-year follow-up was completed, we continued to track the status of our recommended actions for an additional five consecutive years. In 2024, we revised our process so that after the two-year follow-up is completed, only one additional follow-up is conducted in the fifth year after the report was tabled (the “five-year follow-up”). We made this change to give organizations the time needed to implement our recommendations.

In 2024, we revised our process so that after the two-year follow-up is completed, only one additional follow-up is conducted in the fifth year after the report was tabled (the “five-year follow-up”).

This year, we conducted a five-year follow-up of performance audit reports tabled in our *2019 Annual Report*. **Section 3** presents the status of the 2019 recommended actions that were outstanding as of March 31, 2024. Going forward, we will no longer follow up on any remaining outstanding 2019 recommended actions. Instead, we will factor the risks remaining from the related outstanding issues into our risk-based approach in selecting future audits.

In June 2024, the government in a few instances either created new ministries or divided existing ministries, thereby creating several new ministries. Since our work evaluated the implementation of recommended actions as of March 31, 2024, we report here on the ministries that existed as of that date.

The following table provides a timeline of our follow-up work on recommended actions that were issued in our *2019 Annual Report*:

Timeline of Original Performance Audit Report to Five-Year Follow-Up Work

Prepared by the Office of the Auditor General of Ontario

Time Period	Audit/Follow-Up Work
2019	Conducted performance audits of the organizations and tabled audit reports in the Legislature.
2021	Conducted two-year follow-ups of the 2019 performance audit reports and tabled the follow-up reports in the Legislature.
2024	Conducted a five-year follow-up of the 2019 performance audit reports.
Jan to mid-Feb	Sent commencement letters and outstanding recommended actions to organizations.
Mid-Feb to Mar 31	Obtained implementation statuses and supporting documentation from organizations by March 31.
Apr to Oct	Reviewed supporting documentation and finalized implementation statuses.
Oct to Dec	Prepared this report that is tabled in the Legislature.

2.2 How We Evaluated Implementation

Our Office recommended a total of 573 actions in our *2019 Annual Report*. Based on our review this year, we agreed with organizations that seven of these recommended actions were no longer applicable. This was mainly due to changes in legislation or policies that resulted in the organizations no longer having to implement those actions. This left a total of 566 recommended actions that were still applicable for follow-up.

We asked organizations to self-assess their progress in implementing their outstanding recommended actions, as of March 31, 2024, 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 	No Longer Applicable 

Our work included reviewing and inquiring about the supporting documentation for those recommended actions reported as “fully implemented” to determine whether recommended actions were, in fact, fully implemented. Where needed, 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 organization’s rationale for not completing them.

We conducted our work between April 1, 2024, and October 1, 2024, and obtained written representation from the organizations by October 28, 2024, that they had provided us with a complete update on the status of the recommended actions we made in our 2019 audit reports.

This follow-up work is not an audit, and as a result, we cannot provide a high level of assurance that the recommended actions described have been implemented effectively.

2.3 Organizations Need to Self-Assess the Status of Recommended Actions More Appropriately

In 2024, organizations self-assessed 91 recommended actions from our 2019 audit reports as “fully implemented.” However, based on our review of the relevant documentation, we determined that only 18 (20%) of these actions were, in fact, fully implemented.

In our 2023 follow-up of recommended actions from our 2018 audit reports, organizations self-assessed 68 of those actions as “fully implemented,” whereas our evaluation determined that 34 (50%) of those actions were actually fully implemented.

This year, seven ministries self-assessed the status of five or more of their recommended actions as “fully implemented.” However, we accepted less than 50% of these self-assessed statuses as “fully implemented.” The seven ministries were the Ministry of the Attorney General, Ministry of Children, Community and Social Services, Ministry of Health, Ministry of Transportation, Ministry of Labour, Immigration, Training and Skills Development, Ministry of the Solicitor General, and Ministry of Finance.

We found that even when all of the requirements for the recommended actions were not met, some organizations reported those actions as being “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. In other cases, organizations made this self-assessment based on plans to implement a new system that had not yet been completed. For these cases, since the recommended actions were only partially implemented, we assessed the actions as either “in the process of being implemented” or “little or no progress.”

As mentioned in **Section 2.2**, we conduct an extensive review of supporting documentation and sample testing, where appropriate, 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 determine their implementation statuses correctly.

3.0 Detailed Observations

3.1 Of the Recommended Actions from Our 2019 Performance Audit Reports, 46% Were Fully Implemented

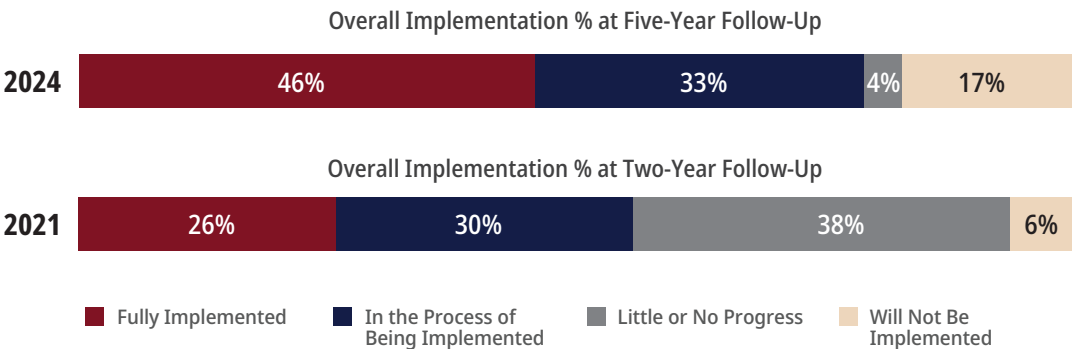
As shown in **Figure 1**, of the total 566 recommended actions we expected to be implemented from our 2019 performance audit reports, 46% were fully implemented; 33% were in the process of being implemented; 4% had little or no progress made on them; and for 17%, the organizations determined that the recommended actions would not be implemented.

54% of 2019 recommended actions remain outstanding. Only **46%** of the 2019 recommended actions were fully implemented.

The rate of full implementation increased by 20% between our two-year and five-year follow-ups, from 26% (150 out of 568) in 2021 to 46% (259 out of 566) in 2024. We had expected that most of the recommended actions would have been completed by now. However, after five years, 54% (308 out of 566) of those actions remain outstanding.

Figure 1: Implementation Status of Our 2019 Annual Report Recommended Actions Still Applicable as of the Five-Year Follow-Up (2024) and Two-Year Follow-Up (2021)

Prepared by the Office of the Auditor General of Ontario



3.2 The Full Implementation Rate of Each Annual Report at the Five-Year Follow-Up Has Decreased Over Time

Figure 2 presents organizations' progress in implementing recommended actions from the performance audit reports issued in our 2014 to 2019 Annual Reports. Specifically, the figure shows:

- » the full implementation rate at the two-year follow-up;
- » the increase in the full implementation rate from the two- to five-year follow-up; and
- » the full implementation rate at the five-year follow-up.

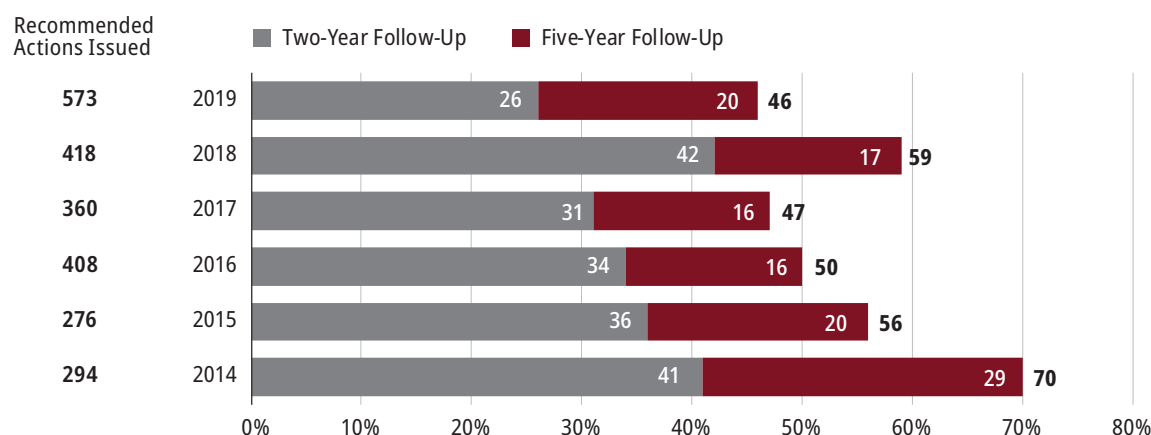
From our 2014 to 2019 Annual Reports, the rate of fully implemented recommended actions at the five-year follow-up has decreased from 70% to 46%. The 2018 Annual Report (59%) is the one exception to this trend. It is important to note that the number of recommended actions issued has generally increased each year, from 294 in 2014 to 573 in 2019.

The 2019 increase in the implementation rate from the two- to five-year follow-up is 20%, which is in line with the average increase across the years 2014 to 2018.

However, we remain concerned that many of our recommended actions are not being implemented five years after being issued.

Figure 2: Full Implementation Rate at the Two-Year and Five-Year Follow-Ups for Our 2014 to 2019 Annual Reports

Prepared by the Office of the Auditor General of Ontario

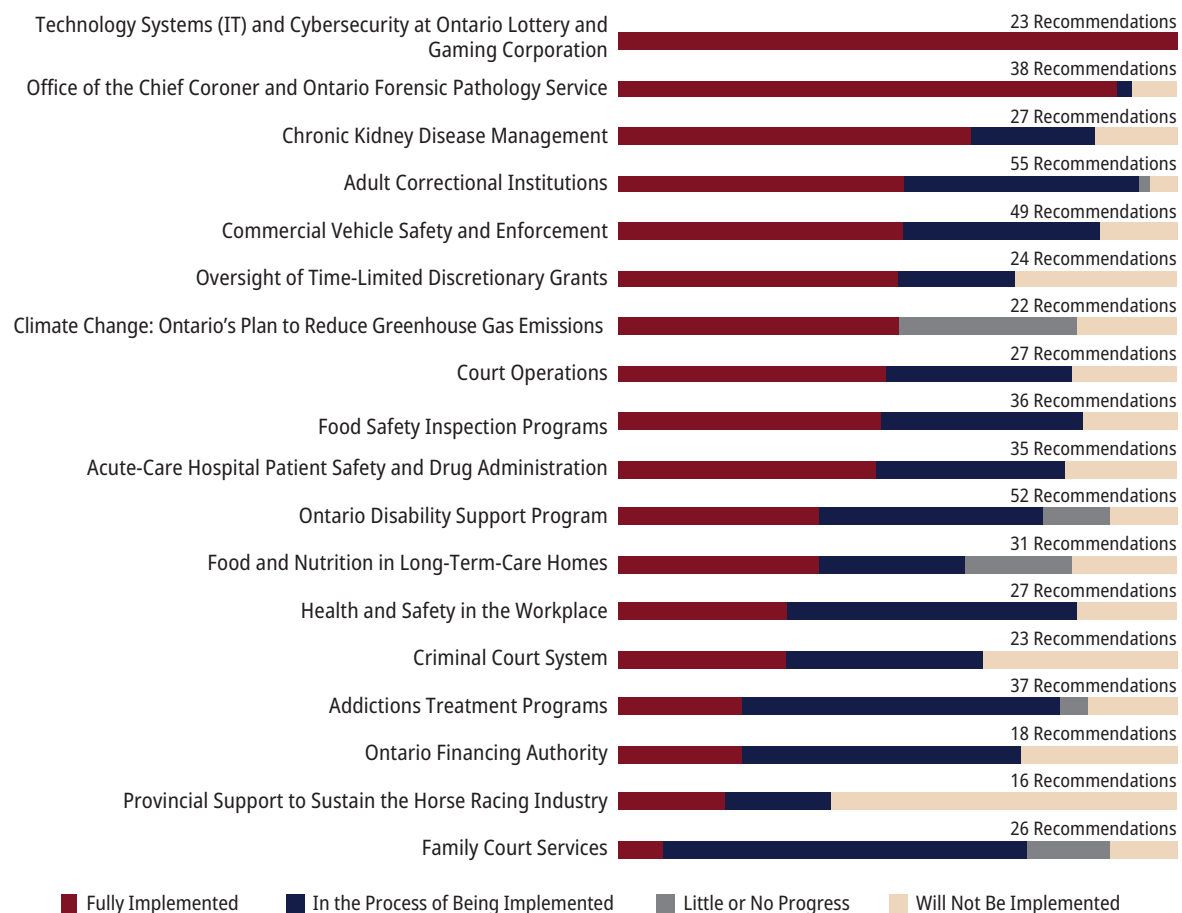


3.3 More Than Half of the Recommended Actions in Our 2019 Annual Report Remain Outstanding

Figure 3 shows the implementation status of recommended actions by each performance audit report in our 2019 Annual Report as of March 31, 2024. All recommended actions issued in our report on Technology Systems (IT) and Cybersecurity at the Ontario Lottery and Gaming Corporation were fully implemented. Among the 17 other reports, a total of 308 recommended actions remain outstanding. Many of these are from reports where more than 75% of those reports' recommended actions remain outstanding, such as the Family Court Services, Provincial Support to Sustain the Horse Racing Industry, Ontario Financing Authority, and Addictions Treatment Programs reports. **Section 3.8** provides the organizations' rationale for slow implementation. **Section 4** provides further details on the recommended actions in each performance audit report in our 2019 Annual Report.

Figure 3: Overall Implementation of Recommended Actions Issued By Report in Our 2019 Annual Report, as of March 31, 2024

Prepared by the Office of the Auditor General of Ontario



3.4 Positive Impacts of Implemented Recommended Actions on Ontarians

Many of the recommended actions in our *2019 Annual Report* that were fully implemented addressed areas where services could be delivered more effectively, or where taxpayer dollars could be spent more economically and efficiently. Examples include:

- » In response to the recommended actions from our **Technology Systems (IT) and Cybersecurity at Ontario Lottery and Gaming Corporation** (OLG) report, OLG established appropriate performance indicators and targets to be incorporated in all service-level agreements. OLG now monitors performance against these targets and, where necessary, takes action to correct any concerns. These actions have helped to improve oversight of the quality of the services provided by IT vendors.
- » In response to the recommended actions from our **Office of the Chief Coroner and Ontario Forensic Pathology Service** (the Office) report, the Office revised the transfer payment agreement with regional hospital-based forensic pathology units. This revision allows the Office to obtain more detailed quality assurance data, particularly on the types of errors made by forensic pathologists and pathologists, and to follow up on any missed reports. Implementing these actions has helped to support the provision of consistent, high-quality autopsies across Ontario.
- » In response to the recommended actions from our **Chronic Kidney Disease Management** report, Ontario Health conducted a province-wide capacity analysis and realigned the supply of in-centre dialysis spots to alleviate high-demand situations in some Regional Renal Programs and reduced the amount of under-used capacity at others. As a result, Ontario Health has helped to better align the capacity for in-centre dialysis with regional needs.

3.5 Impacts of Recommended Actions That Will Not Be Implemented

Of the total recommended actions we expected to be implemented from our 2019 performance audit reports, 95 (17%) will not be implemented by the relevant organizations.

The following examples are from the reports with the highest number of “will not be implemented” recommended actions and the impact on Ontarians:

- » In our **Criminal Court System** report, we recommended the Ministry of the Attorney General (Criminal Law Division) capture all reasons for cases being stayed by judges. Not implementing this recommended action makes it difficult for the Ministry to proactively manage the progress of criminal cases through the court system and to resolve them in a timely manner.
- » In our **Oversight of Time-Limited Discretionary Grants** report, we recommended the Ministry of Public and Business Service Delivery disclose in the Grants Ontario System details on current and upcoming grant opportunities. Not implementing this recommended action could limit the public’s awareness of all grant programs available to them.
- » In our **Provincial Support to Sustain the Horse Racing Industry** report, we recommended the Alcohol and Gaming Commission of Ontario (AGCO) and the OLG work with racetracks to collect and monitor all suspicious transactions, including withdrawals over \$10,000, along with the necessary supporting documentation. Not implementing this recommended action could limit the AGCO’s and the OLG’s ability to reduce the risk of money laundering at racetracks.

3.6 Implementation of Short-Term Recommended Actions Taking Longer Than Expected

Our Office obtains information from organizations to classify recommended actions into one of two time frames for organizations to reasonably implement those recommended actions from when they were issued: two years (short-term) or five years (long-term).

Of the total recommended actions from our 2019 performance audit reports, 507 were classified as short-term actions. Of these, 70% (355) were outstanding after two years, and 50% (253) were outstanding after five years.

3.7 Some Organizations Are Slow to Implement Our Recommended Actions

For our 2019 Annual Report, our Office audited a total of 38 organizations. Of these organizations, nine had fully implemented 75% or more of our recommended actions, 15 had fully implemented 50% to 74% of our recommended actions, nine had fully implemented 25% to 49% of our recommended actions and five had fully implemented less than 25% of our recommended actions (see [Figure 4](#)).

Figure 4: Percentage of Recommended Actions Issued in Our 2019 Annual Report Fully Implemented and In the Process of Being Implemented, as of March 2024

Prepared by the Office of the Auditor General of Ontario

- Implementation rate of 75% or more
- Implementation rate between 25% and 49%
- Implementation rate between 50% and 74%
- Implementation rate of less than 25%

Organizations		Full Implementation Rate (%)	In the Process of Being Implemented Rate (%)	Combined Rate (%)
Organizations with >30 Recommended Actions				
Ministry of the Solicitor General	●	67	25	92
Ontario Lottery and Gaming Corporation	●	60	12	72
Ontario Health ¹	●	58	29	87
Ministry of Transportation	●	51	35	86
Ministry of Children, Community and Social Services	●	38	42	80
Ministry of the Attorney General	●	29	45	74
Ministry of Health	●	21	59	80
Organizations with 11–30 Recommended Actions				
Women's College Hospital	●	91	9	100
Pembroke Regional Hospital	●	88	12	100
Humber River Hospital	●	88	6	94
The Ottawa Hospital	●	87	7	94
St. Thomas Elgin General Hospital	●	86	7	93
Grand River Hospital	●	80	13	93
Northumberland Hills Hospital	●	71	14	85
Chatham-Kent Health Alliance	●	71	0	71
Ministry of Agriculture, Food and Rural Affairs ²	●	67	8	75
Stratford General Hospital	●	64	7	71
Hamilton Health Sciences	●	63	31	94
Halton Healthcare	●	60	7	67
Thunder Bay Regional Health Sciences Centre	●	57	21	78

- Implementation rate of 75% or more ● Implementation rate between 25% and 49%
● Implementation rate between 50% and 74% ● Implementation rate of less than 25%

Organizations		Full Implementation Rate (%)	In the Process of Being Implemented Rate (%)	Combined Rate (%)
Ministry of the Environment, Conservation and Parks	●	54	7	61
Nipigon District Memorial Hospital	●	50	25	75
Ministry of Labour, Immigration, Training and Skills Development	●	30	52	82
Ministry of Long-Term Care	●	27	18	45
Ministry of Finance	●	17	67	84
Organizations with 1–10 Recommended Actions				
AdvantAge Ontario ³	●	100	0	100
Secretary of the Cabinet ⁴	●	100	0	100
Ministry for Seniors and Accessibility	●	86	14	100
Ministry of Public and Business Service Delivery ⁵	●	57	14	71
Ministry of Tourism, Culture and Sport ⁶	●	56	44	100
Treasury Board Secretariat	●	40	10	50
Ministry of Economic Development, Job Creation and Trade	●	38	62	100
Ontario Financing Authority	●	33	33	66
Alcohol and Gaming Commission of Ontario	●	25	0	25
Ministry of Indigenous Affairs ⁷	●	25	25	50
Ontario Long-Term Care Association	●	11	89	100
Tribunals Ontario ⁸	●	0	0	0
Trillium Health Partners ⁹	●	0	0	0

- The implementation rate for Ontario Health includes report recommendations that originated with the Ontario Renal Network and Trillium Gift of Life Network, both of which are now part of Ontario Health.
 - Ontario Health: Acute-Care Hospital Patient Safety and Drug Administration, 25%
 - Ontario Renal Network and Trillium Gift of Life Network: Chronic Kidney Disease Management, 63%
- In June 2024, the Ministry of Agriculture, Food and Rural Affairs was separated into the Ministry of Agriculture, Food and Agribusiness, and the Ministry of Rural Affairs.
- By 2023, AdvantAge Ontario had fully implemented all of its recommended actions.
- In 2023, the Secretary of the Cabinet had fully implemented all of its recommended actions.
- In June 2024, the Ministry of Public and Business Service Delivery became the Ministry of Public and Business Service Delivery and Procurement.
- In June 2024, the Ministry of Tourism, Culture and Sport was separated into the Ministry of Tourism, Culture and Gaming, and the Ministry of Sport.
- In June 2024, the Ministry of Indigenous Affairs became the Ministry of Indigenous Affairs and First Nations Economic Reconciliation.
- In the 2021 two-year follow-up, all of Tribunals Ontario's recommended actions were assessed as Will Not Be Implemented.
- In the 2021 two-year follow-up, all of Trillium Health Partners' recommended actions were assessed as Will Not Be Implemented.

The organizations that had fully implemented 75% or more of our recommended actions were AdvantAge Ontario, Grand River Hospital, Humber River Hospital, the Ministry for Seniors and Accessibility, Pembroke Regional Hospital, the Secretary of Cabinet, St. Thomas Elgin General Hospital, The Ottawa Hospital, and Women's College Hospital.

Organizations that were slow to implement our recommended actions (less than 25%) included the Ministry of Finance, the Ministry of Health, and the Ontario Long-Term Care Association.

The following are some examples of recommended actions from reports with low implementation rates and a high number of outstanding recommended actions:

- » In our **Adult Correctional Institutions** report, of the 55 recommended actions we issued, 24 (44%) are in the process of being implemented or have shown little or no progress. Many of these actions address the need for the collection and analysis of data. For instance, we recommended that superintendents in all institutions regularly review misconduct adjudications to ensure they are consistent with the policy requirements. The delay in implementing this recommended action may adversely affect Ontarians, as the sanctions imposed for inmate misconduct may not be fair, consistent and appropriate for the misconduct committed.
- » In our **Commercial Vehicle Safety and Enforcement** report, of the 49 recommended actions we issued, 17 (35%) are in the process of being implemented. Many of these actions address the effectiveness of the program. For instance, we recommended that the Ministry of Transportation work with the Ministry of Colleges and Universities to review and standardize curriculum approval and audit policies for organizations delivering Mandatory Entry-Level Training (MELT). The delay in implementing this recommended action may adversely affect Ontarians, as it may result in the inconsistent delivery of MELT across the province.
- » In our **Ontario Disability Support Program (ODSP)** report, of the 52 recommended actions we issued, 27 (52%) are in the process of being implemented or have shown little or no progress. Many of these actions address the need for improved monitoring and/or oversight. For instance, we recommended that the Ministry of Children, Community and Social Services establish a risk-based time frame for ODSP caseworkers to periodically review the eligibility of all ODSP recipients. The delay in implementing this recommended action may adversely affect Ontarians, as it may be difficult for the Ministry to monitor that only eligible recipients continue to receive ODSP benefits.

3.8 Slow Implementation Mainly Due to Developing/Changing Legislation, Regulations, Policies, Guidelines, IT Projects or Capital Projects

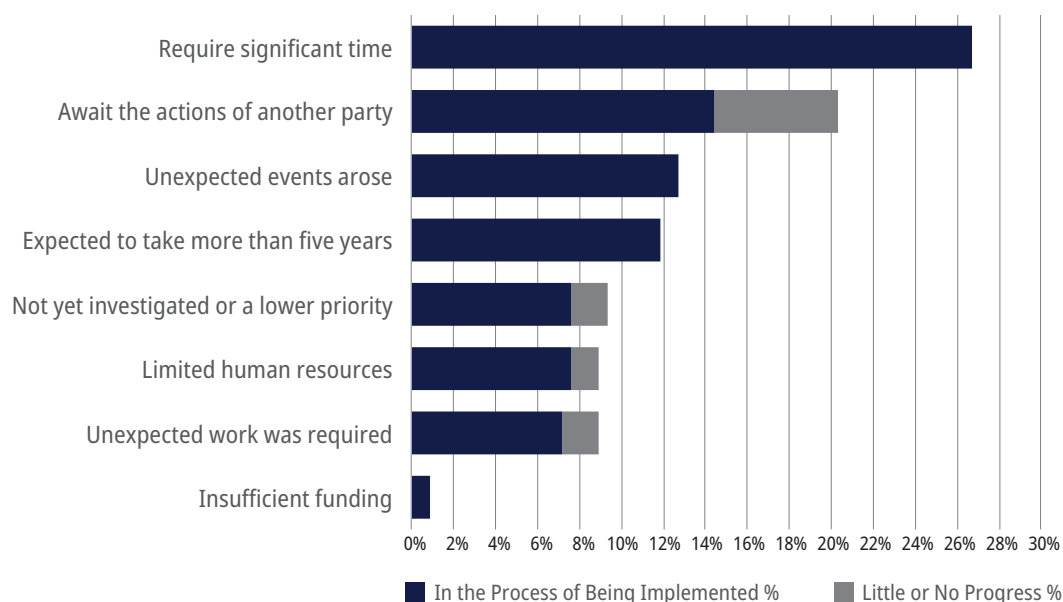
The most common reasons organizations gave for the slow implementation of our recommended actions were developing/changing legislation, regulations, policies, guidelines, IT projects or capital projects, which **require significant time** to implement (see [Figure 5](#)).

Other reasons organizations identified as contributing to the slow implementation of actions were:

- » the organization had to **await the actions of another party**;
- » **unexpected events arose**, such as the COVID-19 pandemic or change in management's direction;
- » the recommended actions were determined to be long-term or were **expected to take more than five years** to implement;
- » the recommended actions were **not yet investigated or** were considered to be **a lower priority**;
- » **limited human resources** were available;
- » **unexpected work was required** such as research, consultations, stakeholder engagements, cost/benefit analysis, jurisdictional scans and training; and
- » **insufficient funding** was available.

Figure 5: Organizations' Reasons for Slow Implementation of Recommended Actions

Prepared by the Office of the Auditor General of Ontario



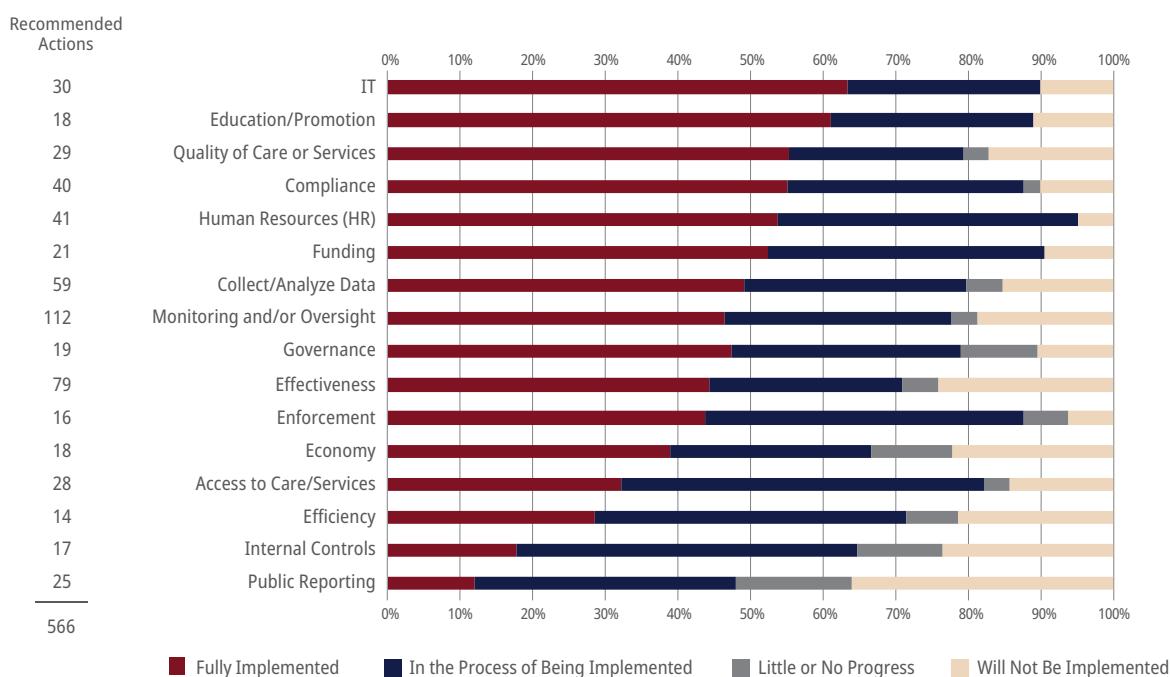
3.9 Low Implementation Rates for Recommended Actions Relating to Public Reporting, Internal Controls, Efficiency, and Access to Care or Services

At the time of the original audit, we assigned each recommended action issued in our *2019 Annual Report* to one of 17 categories that the action addressed, such as compliance or effectiveness, as shown in **Figure 6**.

The categories with the lowest implementation rates address public reporting, internal controls, efficiency, and access to care or services. The categories with the highest implementation rates address information technology, education or promotion, and quality of care or services.

Figure 6: Implementation Rate by Category of Recommended Actions Still Applicable from Our 2019 Annual Report, as of March 31, 2024

Prepared by the Office of the Auditor General of Ontario



4.0 Status of Recommended Actions Issued in the 2019 Annual Report

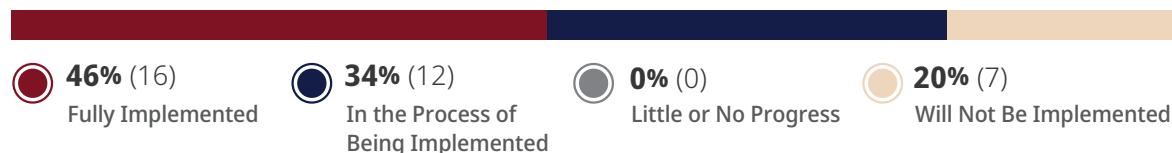
4.1 Acute-Care Hospital Patient Safety and Drug Administration

As seen in the graph below, in our **Acute-Care Hospital Patient Safety and Drug Administration** report, 35 recommended actions were issued to 16 organizations including the Ministry of Health, Ontario Health and 14 Ontario hospitals. These hospitals are:

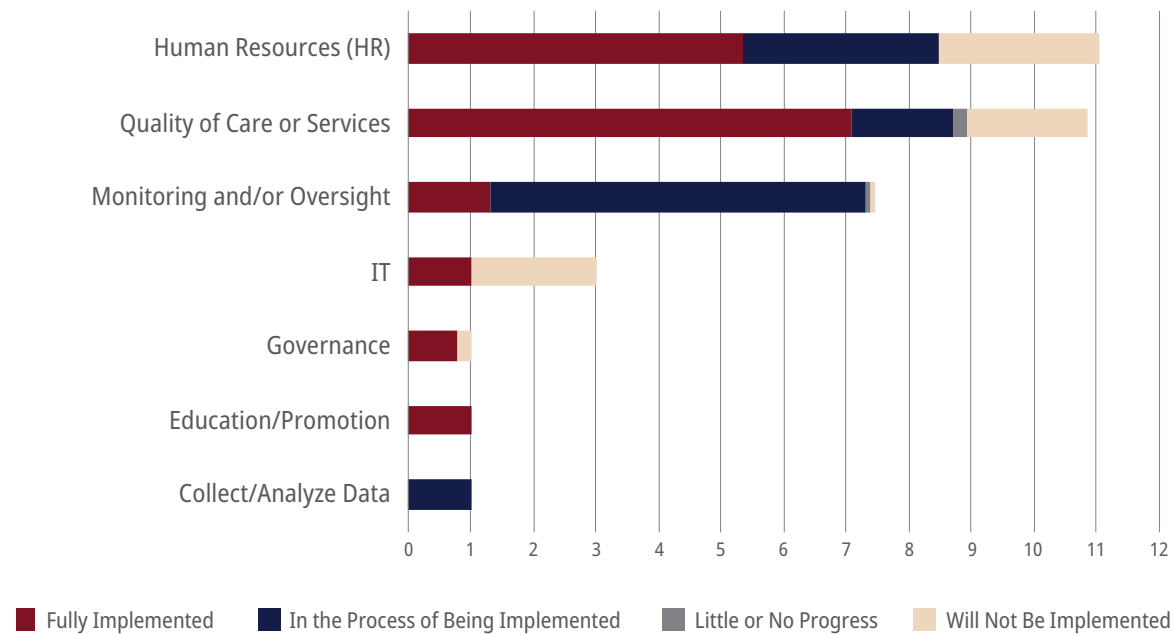
- » Chatham-Kent Health Alliance;
- » Grand River Hospital;
- » Halton Healthcare;
- » Hamilton Health Sciences;
- » Humber River Hospital;
- » Nipigon District Memorial Hospital;
- » Northumberland Hills Hospital;
- » Pembroke Regional Hospital;
- » St. Thomas Elgin General Hospital;
- » Stratford General Hospital;
- » The Ottawa Hospital;
- » Thunder Bay Regional Health Sciences Centre;
- » Trillium Health Partners; and
- » Women's College Hospital.

Of the 35 recommended actions, 16 (46%) have been fully implemented, 12 (34%) are still being implemented and seven (20%) will not be implemented.

35 Recommended Actions



The category graph below illustrates the implementation status of the recommended actions, categorized by the specific areas they address.



Seven of the fully implemented recommended actions focused on quality of care or services. For example, we recommended that Ontario hospitals enhance patient safety practices to eliminate the occurrences of never-events, which are incidents that could cause serious patient harm or death and are preventable using organizational checks and balances. For 13 of the hospitals that were required to implement this recommended action, and had done so, it helped minimize the occurrence of serious preventable patient safety incidents.

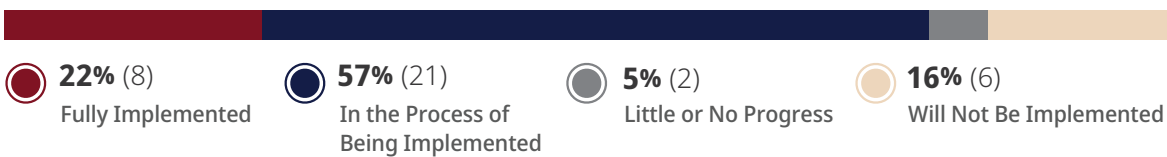
Six of the recommended actions still in the process of being implemented address the need for better monitoring and/or oversight. For instance, we recommended that the Ministry of Health review the Accreditation Canada hospital reports and identify areas where hospitals may consistently not meet required patient safety practices and high-priority criteria. We recommended they then follow up with hospitals regarding problem areas to confirm that actions are taken to correct deficiencies. The delay in implementing these recommended actions could adversely affect Ontarians, as patient safety improvements may not occur as noted in the Accreditation Canada hospital reports.

Three of the recommended actions that will not be implemented are focused on human resources. For example, we recommended that the Ministry require all hospitals in Ontario to perform criminal record checks before hiring nurses and other health-care employees, and periodically update these checks for existing staff. By not implementing this recommended action, Ontario hospitals may not make optimally informed hiring and staffing decisions.

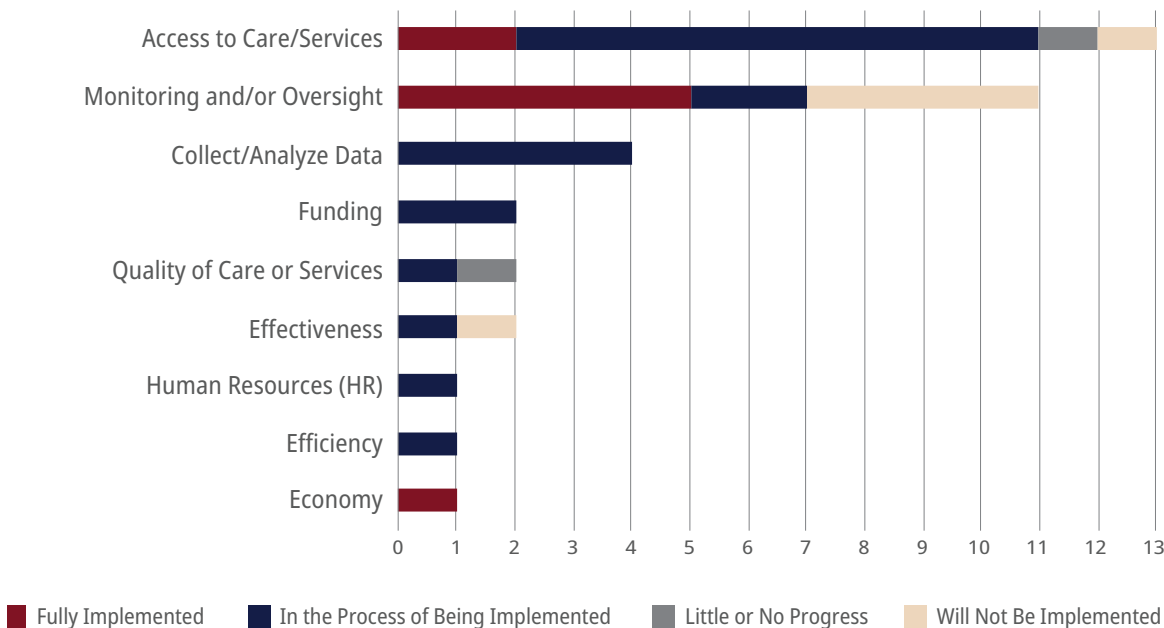
4.2 Addictions Treatment Programs

As seen in the graph below, in our **Addictions Treatment Programs** report, 37 recommended actions were issued to the Ministry of Health. Of those, eight (22%) have been fully implemented, 21 (57%) are still being implemented, two (5%) have shown little or no progress, and six (16%) will not be implemented.

37 Recommended Actions



The category graph below illustrates the implementation status of the recommended actions, categorized by the specific areas they address.



Five of the fully implemented recommended actions focused on monitoring and/or oversight of programs or services. For example, we recommended the Ministry provide access to data on patients' history of dispensed opioids to all health-care providers who can prescribe opioids. The implementation of this recommended action helped to better prevent and deter inappropriate prescribing and dispensing of opioids.

Five of the fully implemented recommended actions focused on monitoring and/or oversight of programs or services. For example, we recommended the Ministry provide access to data on patients' history of dispensed opioids to all health-care providers who can prescribe opioids. The implementation of this recommended action helped to better prevent and deter inappropriate prescribing and dispensing of opioids.

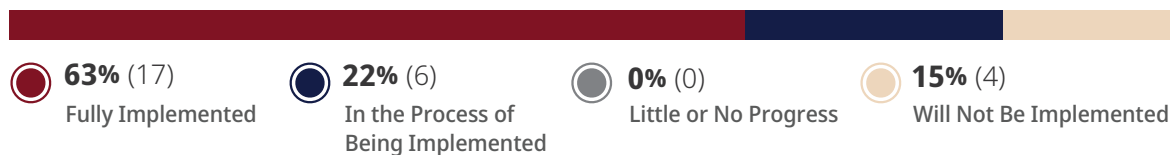
Nine of the recommended actions still in the process of being implemented address the need for better access to care or services. For instance, we recommended the Ministry monitor the needs of children and youth as well as Indigenous people for addictions services to determine whether additional investment is necessary. The delay in implementing this recommended action could adversely affect Ontarians, as timely access to appropriate and effective addictions treatment services may not be provided to meet clients' needs.

Four of the actions that will not be implemented pertain to monitoring and/or oversight. One notable recommended action required the Ministry to work with the regulatory colleges to provide them with direct or real-time access to the information contained in the Narcotics Monitoring System or regular reports on unusual and/or suspicious prescribers and dispensers. By not implementing this recommended action, it may be more difficult for the colleges to prevent and deter inappropriate prescribing and dispensing of opioids by their members.

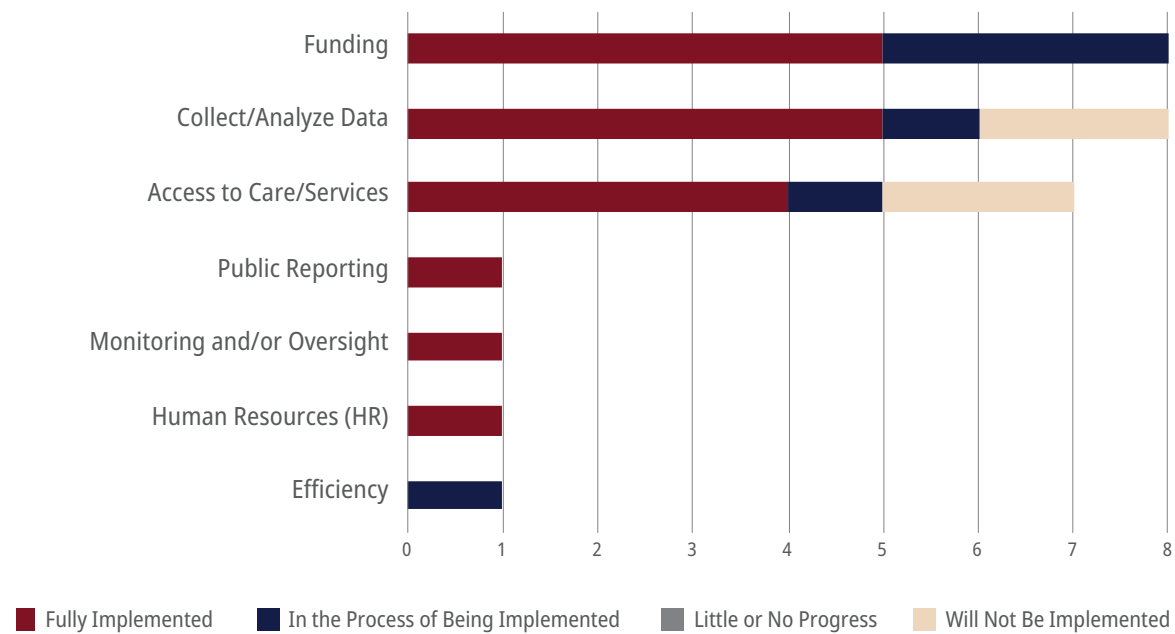
4.3 Chronic Kidney Disease Management

As seen in the graph below, in our **Chronic Kidney Disease Management** report, 27 recommended actions were issued to Ontario Health. Of those, 17 (63%) have been fully implemented, six (22%) are still being implemented, and four (15%) will not be implemented.

27 Recommended Actions



The category graph below illustrates the implementation status of the recommended actions, categorized by the specific areas they address.



Five of the fully implemented recommended actions focused on the collection and analysis of data. For example, we recommended that Ontario Health conduct a province-wide capacity analysis and realign the supply of in-centre dialysis spots to alleviate high-demand situations in some Regional Renal Programs and reduce the amount of under-used capacity at others. By implementing this recommended action, Ontario Health has helped to better align the capacity for in-centre dialysis with regional needs.

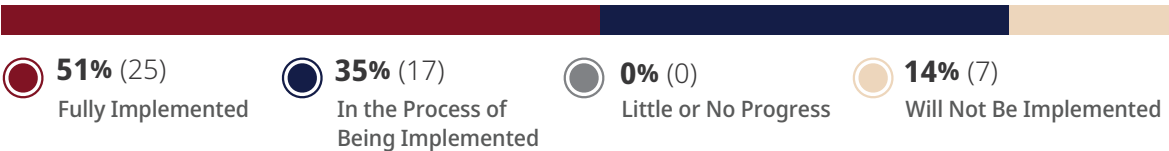
Among the actions still in the process of being implemented, three addressed the need for funding. For instance, we recommended that Ontario Health conduct a review of the Quality-Based Procedure (QBP) funding per service to determine if the amount is reasonable and adjust if needed based on costing information from the Regional Renal Programs and best practices. The delay in implementing this recommended action could adversely affect Ontarians as the volume and costs of services actually provided to patients may not reflect the funding amounts that are set based on the QBP method.

Two actions that will not be implemented pertain to access to care or services. One notable recommended action required Ontario Health to 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. Not implementing this recommended action could limit the patients' ability to receive timely referral to a nephrologist and slow down the progression of their chronic kidney disease.

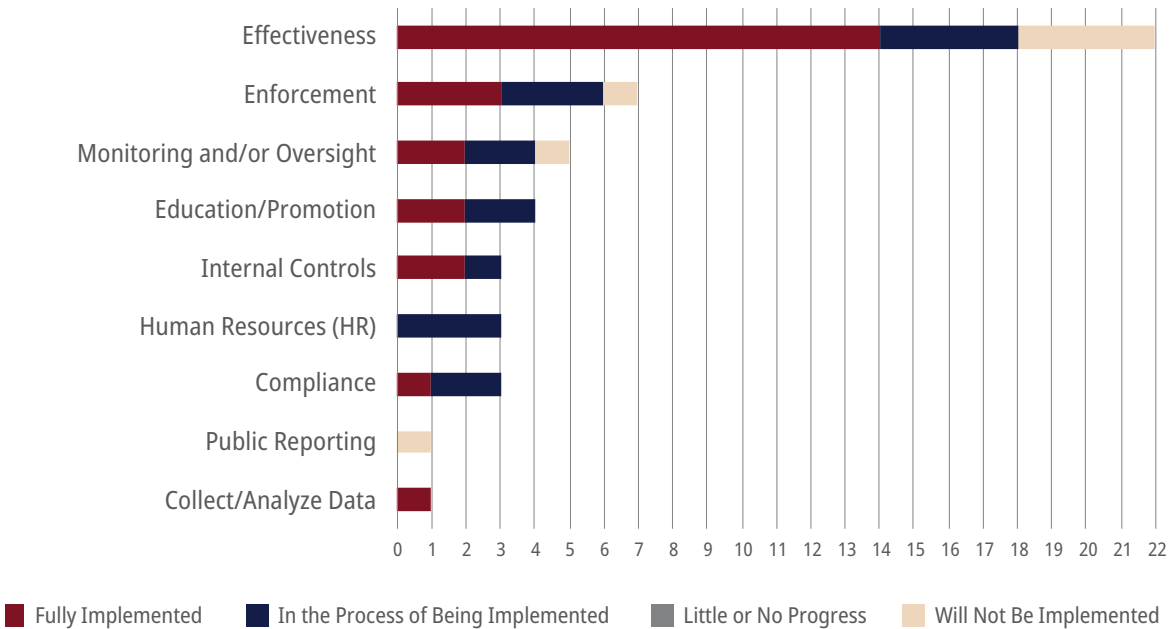
4.4 Commercial Vehicle Safety and Enforcement

As seen in the graph below, in our **Commercial Vehicle Safety and Enforcement** report, 49 recommended actions were issued to the Ministry of Transportation. Of those, 25 (51%) have been fully implemented, 17 (35%) are in the process of being implemented, and seven (14%) will not be implemented.

49 Recommended Actions



The category graph below illustrates the implementation status of the recommended actions, categorized by the specific areas they address.



Fourteen of the fully implemented recommended actions focused on effectiveness. For example, we recommended that the Ministry evaluate the results of inspections at the four stations piloting pre-screening technology after one year, and compare these results with those from other stations. By implementing this recommended action, the Ministry has helped to maximize the effectiveness of its inspection resources and moved toward risk-based inspections.

Four of the recommended actions still in the process of being implemented also address the need for effectiveness. For instance, we recommended that the Ministry of Transportation work with the Ministry of Colleges and Universities to review and standardize curriculum approval and

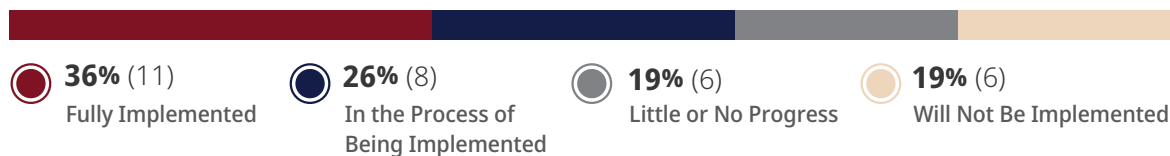
audit policies for organizations delivering Mandatory Entry-Level Training (MELT). The delay in implementing this recommended action may result in the inconsistent delivery of MELT across the province.

Four of the recommended actions that will not be implemented also pertain to effectiveness. One notable recommended action required the Ministry to extend MELT to the classes of new commercial drivers where the Ministry determines it would be beneficial. Not implementing this recommended action could limit the Ministry's ability to help improve commercial driver safety on Ontario roads.

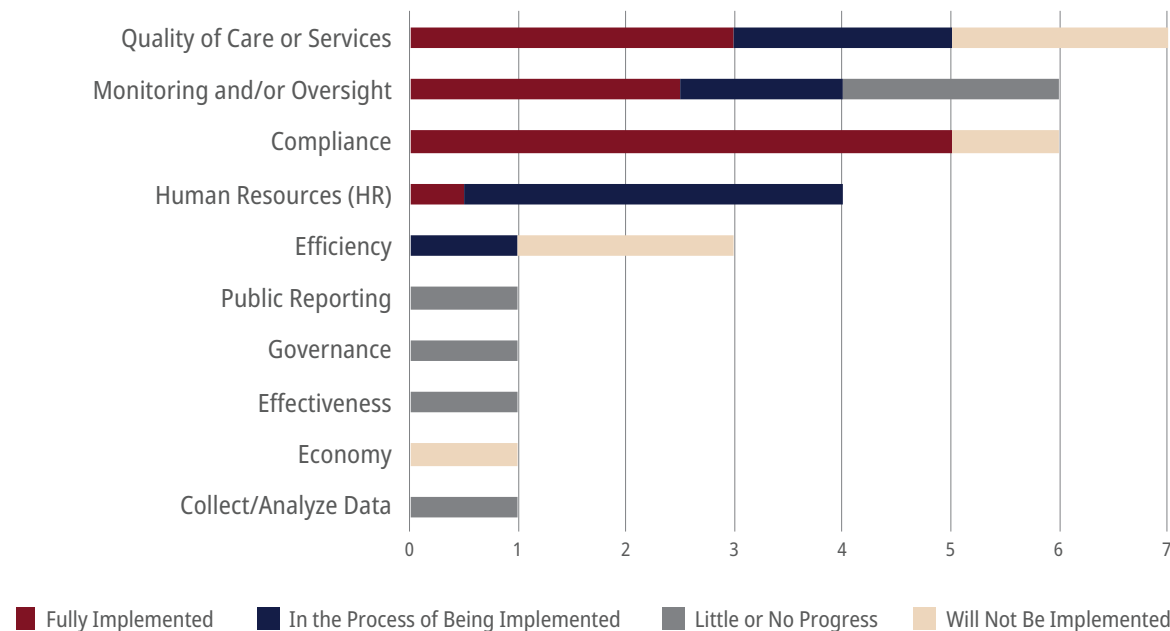
4.5 Food and Nutrition in Long-Term-Care Homes

As seen in the graph below, in our **Food and Nutrition in Long-Term-Care Homes** report, 31 recommended actions were issued to AdvantAge Ontario, the Ontario Long-Term Care Association, and the Ministry of Long-Term Care. Of those recommended actions, 11 (36%) have been fully implemented, eight (26%) are still being implemented, six (19%) have shown little or no progress, and six (19%) will not be implemented.

31 Recommended Actions



The category graph below illustrates the implementation status of the recommended actions, categorized by the specific areas they address.



Five of the fully implemented recommended actions focused on compliance. For example, we recommended that the Ministry of Long-Term Care instruct its inspectors to regularly verify that long-term-care home menus are meeting the current Canada's Food Guide and Dietary Reference Intakes requirements as part of their inspection protocol and review the long-term care home's nutrient analysis of its menus. By implementing this recommended action, the Ministry has helped increase positive health outcomes and assist long-term care residents in receiving food and fluid with adequate nutrients, fibre and energy, thus positively impacting the well-being of Ontarians.

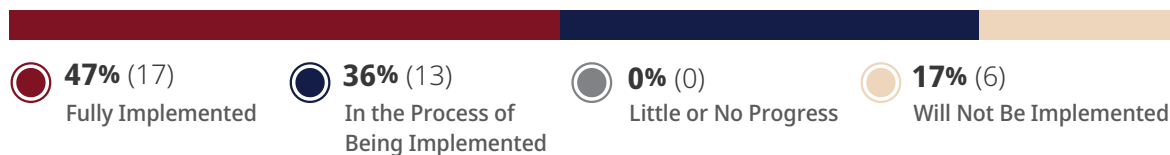
Among the recommended actions still in the process of being implemented, four address the need for improved human resources. For instance, we recommended that the Ministry of Long-Term Care develop and implement an updated staffing strategy for the long-term care home sector that considers the varying needs of residents throughout the day. The delay in implementing this recommended action may adversely affect the quality of life of long-term-care residents as they may not receive the required assistance during mealtimes on a timely basis.

Two of the recommended actions that will not be implemented pertain to quality of care or services. One notable recommended action required the Ministry of Long-Term Care to determine what measures to put in place for homes without dining spaces under the current design manual in order to increase the comfort of their residents during mealtimes. Not implementing this recommended action could limit the ability of long-term care home residents to eat in a safe and home-like environment.

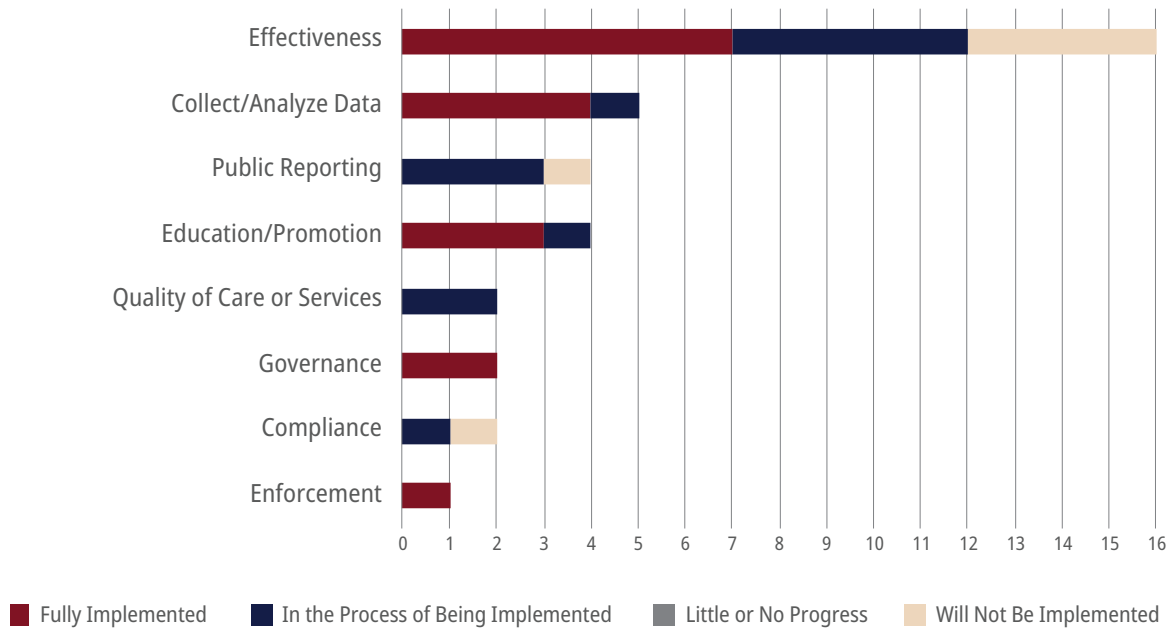
4.6 Food Safety Inspection Programs

As seen in the graph below, in our **Food Safety Inspection Programs** report, a total of 36 recommended actions were issued to the Ministry of Agriculture, Food and Rural Affairs (OMAFRA) and the Ministry of Health (MOH). Of those, 17 (47%) have been fully implemented, 13 (36%) are still being implemented, and six (17%) will not be implemented.

36 Recommended Actions



The category graph below illustrates the implementation status of the recommended actions, categorized by the specific areas they address.



Seven of the fully implemented recommended actions focused on effectiveness. For example, we recommended that OMAFRA, in collaboration with the Public Health Units, conduct joint inspections of dual facilities that both process fish and sell it at retail. By implementing this recommended action, OMAFRA has addressed food safety concerns in these dual facilities.

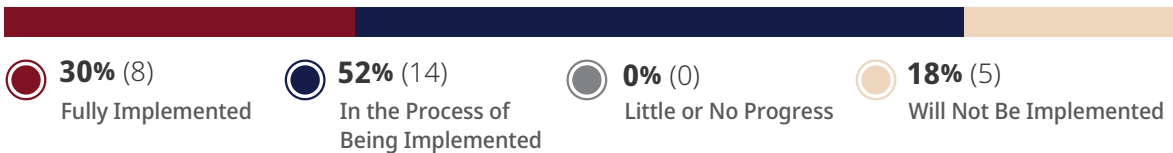
Among the recommended actions still in the process of being implemented, five address the need for effectiveness as well. For instance, we recommended that MOH work with Public Health Units to require them to conduct food premises inspections connected to a potential foodborne illness within two days of receiving the complaint, if an inspection is needed as per MOH's Food Safety Protocol. The delay in implementing this recommended action adversely affects Ontarians, as MOH may be unable to improve the effectiveness and consistency of complaints investigations relating to potential exposures to foodborne hazards.

Four of the recommended actions that will not be implemented also focused on effectiveness. One notable recommended action required OMAFRA to collaborate with the Canadian Food Inspection Agency to require sample monitoring and testing for pesticide residues in produce as part of an organic certification process. Not implementing this recommended action could limit OMAFRA's ability to promote consistent standards for organic foods.

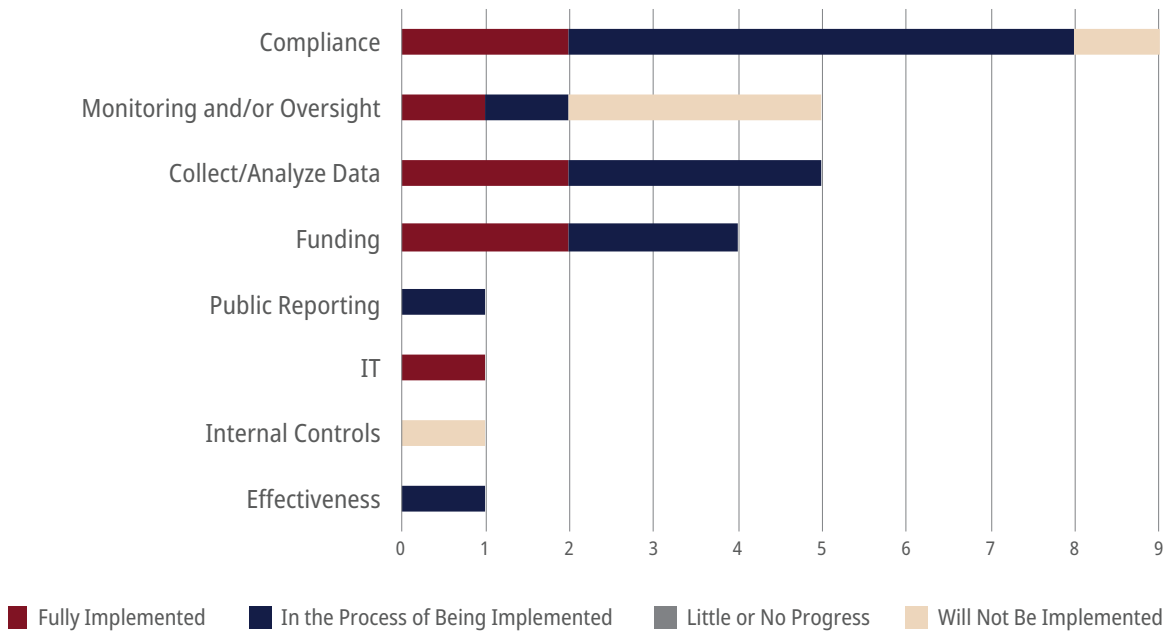
4.7 Health and Safety in the Workplace

As seen in the graph below, in our **Health and Safety in the Workplace** report, 27 recommended actions were issued to the Ministry of Labour, Immigration, Training and Skills Development. Of these, eight (30%) have been fully implemented, 14 (52%) are still being implemented, and five (18%) will not be implemented.

27 Recommended Actions



The category graph below illustrates the implementation status of the recommended actions, categorized by the specific areas they address.



Two of the fully implemented recommended actions focused on the collection or analysis of data. For example, we recommended that the Ministry analyze enforcement data to determine which employers or individuals are repeatedly in contravention of the *Occupational Health and Safety Act* for the same hazard. By implementing this recommended action, the Ministry increased the accountability of employers that had continued violations of the same hazard and deterred future violations.

Among the recommended actions still in the process of being implemented, six address the need for compliance. For instance, we recommended that the Ministry select workplaces for inspection across all sectors based on their compliance history and employee claims history. The delay in

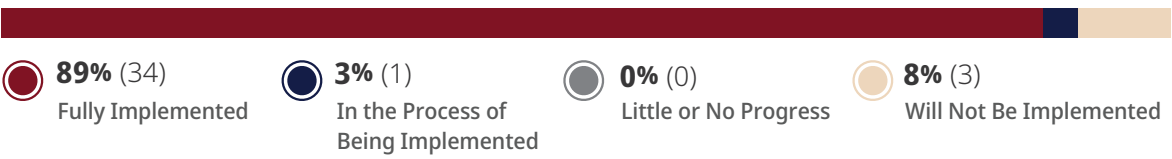
implementing this recommended action could adversely affect Ontarians, as it may affect the prevention and minimization of future injuries to workers.

Three of the recommended actions that will not be implemented pertain to monitoring and/or oversight. One recommended action required the Ministry to develop checklists specific to each sector and required that inspectors use and include the checklists in their inspection reports. Not implementing this recommended action could affect the inspectors' ability to efficiently assess and document all health and safety hazards in a workplace.

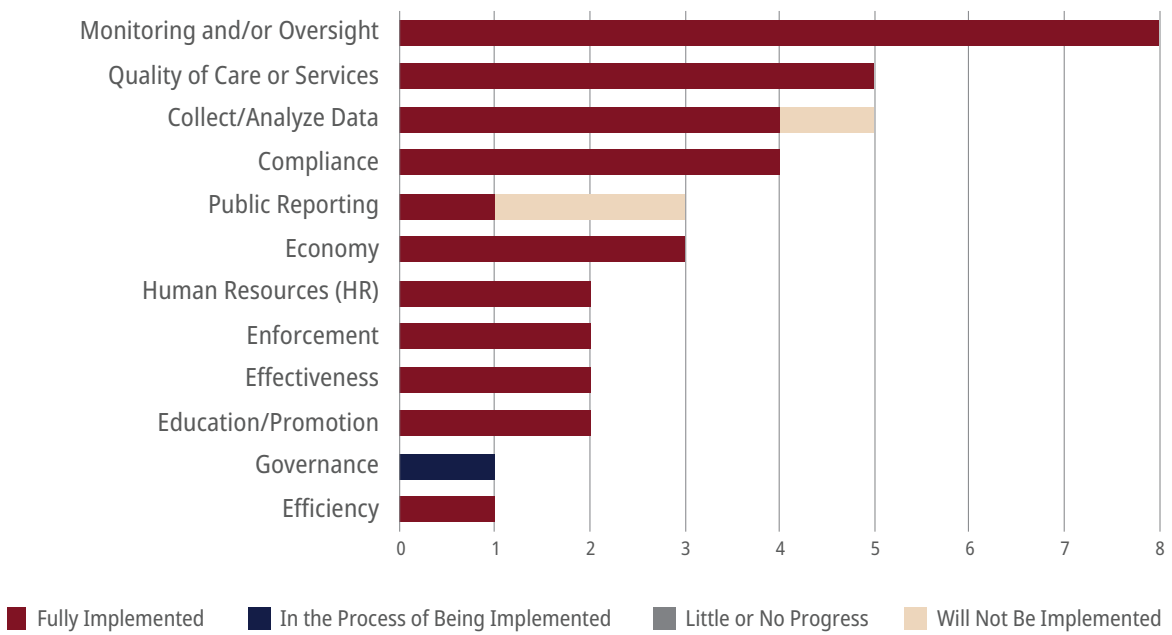
4.8 Office of the Chief Coroner and Ontario Forensic Pathology Service

As seen in the graph below, in our **Office of the Chief Coroner and Ontario Forensic Pathology Service** (Office) report, 38 recommended actions were issued to the Office. The Office reports to the Ministry of the Solicitor General. Out of 38 recommended actions, 34 (89%) have been fully implemented, one (3%) is still being implemented, and three (8%) will not be implemented.

38 Recommended Actions



The category graph below illustrates the implementation status of the recommended actions, categorized by the specific areas they address.



Eight of the fully implemented recommended actions focused on monitoring and/or oversight. For example, we recommended that the Office revise the transfer payment agreement with regional hospital-based forensic pathology units to allow the Office to obtain more detailed quality assurance data, particularly on the types of errors made by forensic pathologists and pathologists, and follow up on any missed reports. Implementing this recommended action has helped the Office to support the provision of consistent, high-quality autopsies across Ontario.

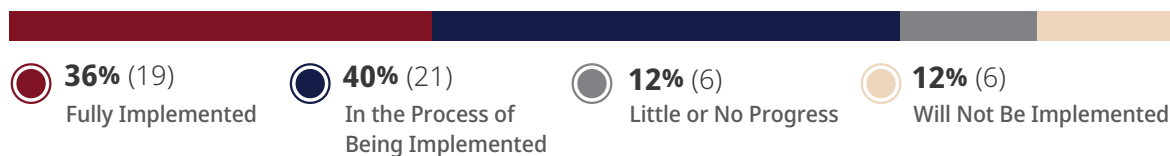
One recommended action is still in the process of being implemented, which addresses the need for improved governance. In particular, we recommended the Ministry revisit the terms of reference and authority of the Death Investigation Oversight Council. The delay in implementing this recommended action could limit the effectiveness of oversight of the Office.

Two of the recommendations that will not be implemented are related to public reporting. A notable recommended action required the Office to make the current status of implementation and responses to recommendations made by inquests and death review committees publicly available online. Not implementing this recommended action may hinder the Office's ability to better serve and inform the public of its role in preventing further deaths and protecting the living.

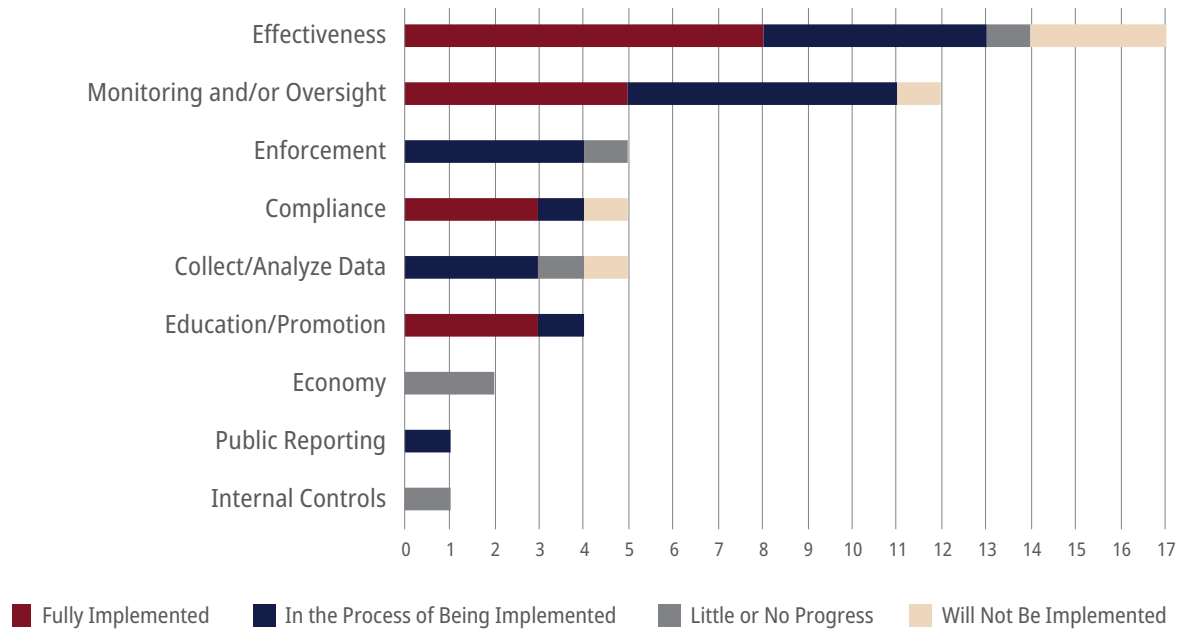
4.9 Ontario Disability Support Program

As seen in the graph below, in our **Ontario Disability Support Program** (ODSP) report, 52 recommended actions were issued to the Ministry of Children, Community and Social Services and Tribunals Ontario. Of these, 19 (36%) have been fully implemented, 21 (40%) are still being implemented, six (12%) have shown little or no progress, and six (12%) will not be implemented.

52 Recommended Actions



The category graph below illustrates the implementation status of the recommended actions, categorized by the specific areas they address.



Eight of the fully implemented recommended actions focused on effectiveness. For example, we recommended that the Ministry review and update its process for referrals to Ontario Works employment assistance to ensure that all referrals for non-disabled adults on ODSP are identified and acted upon on a timely basis. Implementing this recommended action has helped improve the employment outcomes of non-disabled adults on ODSP.

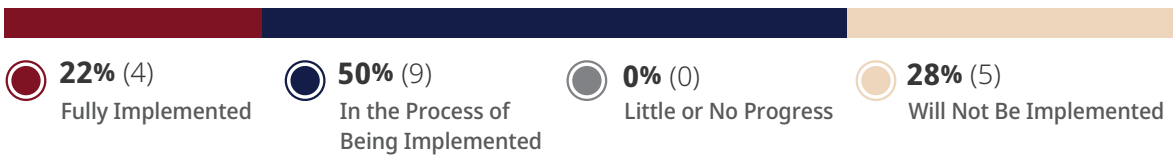
Among the recommended actions still in the process of being implemented, six address the need for improved monitoring and/or oversight. For instance, we recommended that the Ministry establish a risk-based time frame for ODSP caseworkers to periodically review the eligibility of all ODSP recipients. The delay in implementing this recommended action could adversely affect Ontarians, as it may be difficult for the Ministry to monitor that only eligible recipients continue to receive ODSP benefits.

Three of the recommended actions that will not be implemented pertain to effectiveness. One example of a recommendation was for the Ministry to update the Disability Adjudication Unit's handbook and triage guidelines to reflect advances in treatment associated with medical conditions where there have been significant changes that may no longer render individuals disabled or permanently disabled. Not implementing this recommended action could increase the potential risk that some ineligible ODSP applicants may be approved as disabled to receive ODSP benefits when their medical condition does not render them disabled or permanently disabled.

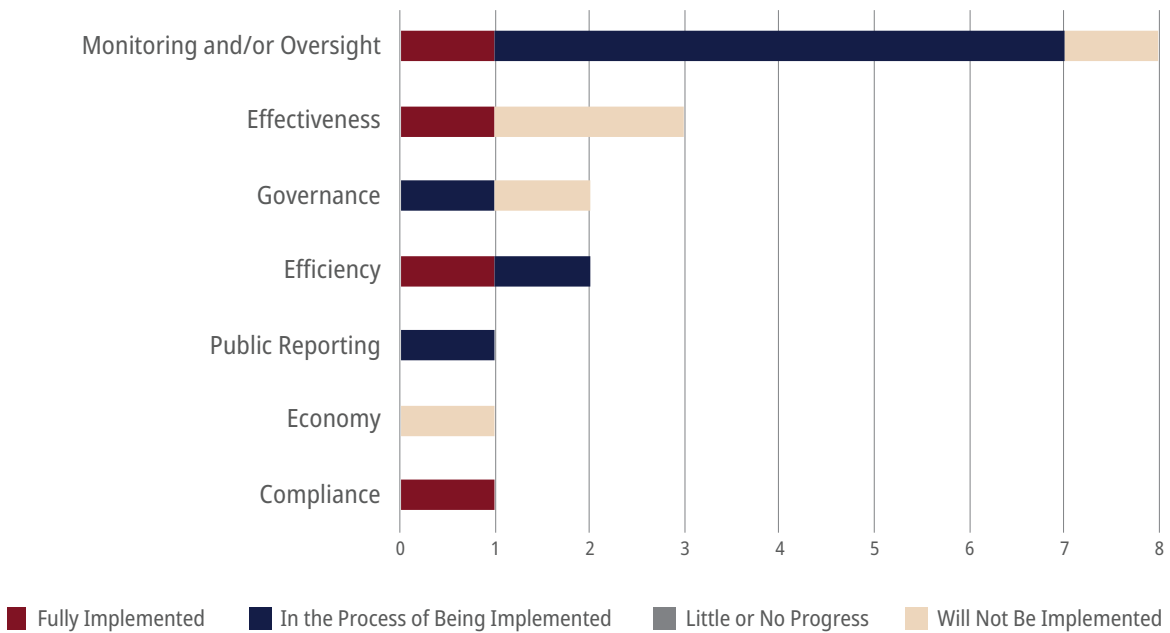
4.10 Ontario Financing Authority

As seen in the graph below, in our **Ontario Financing Authority** report, 18 recommended actions were issued to the Ministry of Finance and the Ontario Financing Authority. Four (22%) have been fully implemented, nine (50%) are still being implemented, and five (28%) will not be implemented.

18 Recommended Actions



The category graph below illustrates the implementation status of the recommended actions, categorized by the specific areas they address.



One of the fully implemented recommended actions focused on effectiveness. We recommended that the Ontario Financing Authority formally assess the amount and frequency of debt it should issue in foreign markets. By implementing this recommended action, the Ontario Financing Authority helped to further minimize the total debt interest costs while maintaining an appropriate risk profile for issuing debt in various foreign markets.

Among the recommended actions still in the process of being implemented, six address the need for better monitoring and/or oversight. For instance, we recommended that the Ministry of Finance develop formal, evidence-based, long-term provincial debt targets and plans to meet them. The delay in implementing this recommended action could adversely affect Ontarians,

as the Ministry may not be able to increase its ability to achieve long-term sustainability of the provincial debt.

Two of the recommended actions that will not be implemented pertain to improving effectiveness. One notable recommended action required the Ontario Financing Authority to analyze the Province's cash-flow requirements and establish an optimal liquid reserve target, considering the costs and benefits of holding different levels of its liquid reserve (such as the risk of being unable to meet immediate cash needs and the risk impacting the Province's credit rating). By not implementing this recommended action, increased debt and interest costs to the Province may result due to holding more liquid reserves than needed instead of using the reserves to pay down debt.

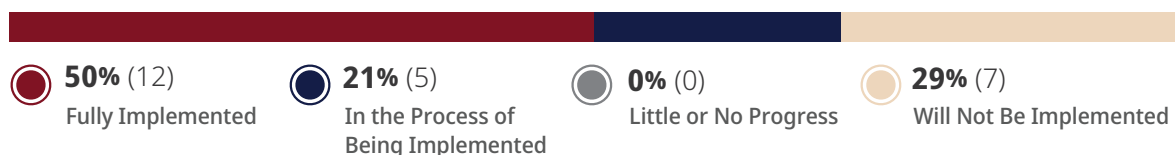
4.11 Oversight of Time-Limited Discretionary Grants

As seen in the graph below, in our **Oversight of Time-Limited Discretionary Grants** report, 24 recommended actions were issued to the following seven ministries:

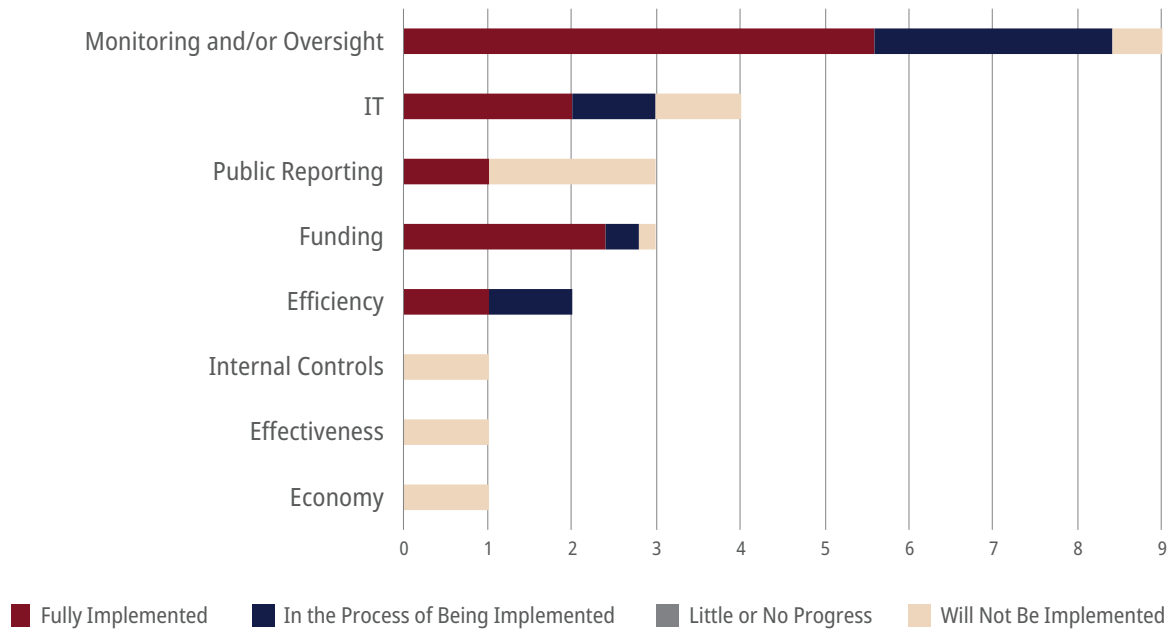
- » Ministry for Seniors and Accessibility;
- » Ministry of Economic Development, Job Creation and Trade;
- » Ministry of Indigenous Affairs;
- » Ministry of Public and Business Service Delivery;
- » Ministry of the Environment, Conservation and Parks;
- » Ministry of Tourism, Culture and Sport; and
- » Treasury Board Secretariat.

Of these recommended actions, 12 (50%) have been fully implemented, five (21%) are still being implemented, and seven (29%) will not be implemented.

24 Recommended Actions



The category graph below illustrates the implementation status of the recommended actions, categorized by the specific areas they address.



Six of the fully implemented recommended actions focused on monitoring and/or oversight. For example, we recommended that the Treasury Board Secretariat compile and maintain a central list of all time-limited discretionary grant programs. By implementing this recommended action, the Treasury Board Secretariat has improved transparency in government reporting, positively impacting Ontarians as the members of the legislative assembly have better information to make informed funding allocation decisions.

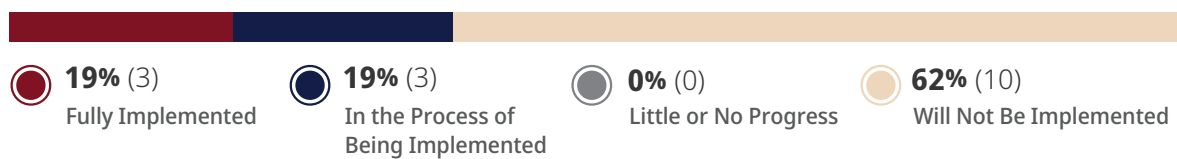
Among the recommended actions still in the process of being implemented, three also address the need for improved monitoring and/or oversight. For instance, we recommended that granting ministries improve the effectiveness of their monitoring processes by requiring recipients to submit audited segmented financial information, where appropriate given the amount of funding awarded. Two organizations, the Ministry of Economic Development, Job Creation and Trade and the Ministry of the Environment, Conservation and Parks, have not yet implemented this recommended action. As a result of this delay, the granting ministries may not be able to ensure grant recipients are spending funds for the purposes intended.

As of 2024, seven (29%) recommended actions will not be implemented. Two of these pertain to public reporting. One notable recommended action was for the Ministry of Public and Business Service Delivery to disclose in the Grants Ontario System details on current and upcoming grant opportunities. Not implementing this recommended action could limit the public's awareness of all grant programs available to them.

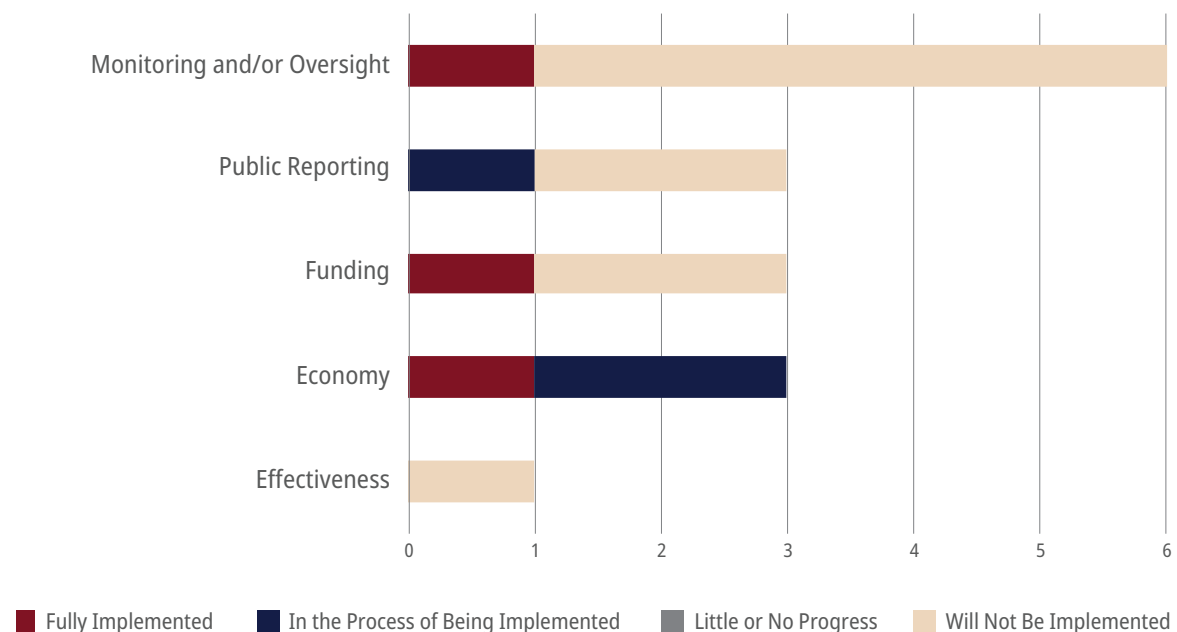
4.12 Provincial Support to Sustain the Horse Racing Industry

As seen in the graph below, in our **Provincial Support to Sustain the Horse Racing Industry** report, 16 recommended actions were issued to the Ministry of Finance, the Ontario Lottery and Gaming Corporation (OLG), and the Alcohol and Gaming Commission of Ontario (AGCO). Of these, three (19%) have been fully implemented, three (19%) are still being implemented, and 10 (62%) will not be implemented.

16 Recommended Actions



The category graph below illustrates the implementation status of the recommended actions, categorized by the specific areas they address.



One of the fully implemented recommended actions focused on funding. We recommended that the OLG assess the impact of its marketing campaign in attracting customers to horse racing. By implementing this recommended action, OLG has increased awareness of the horse racing industry among the Ontario adult population, which could potentially lead to increased wagering revenue and help the horse racing industry to become self-sustaining.

Among the recommended actions still in the process of being implemented, two address the need for improved economy. For instance, we recommended that both the Ministry and the OLG, based on the results of their impact study of the horse racing industry on Ontario's economy, construct

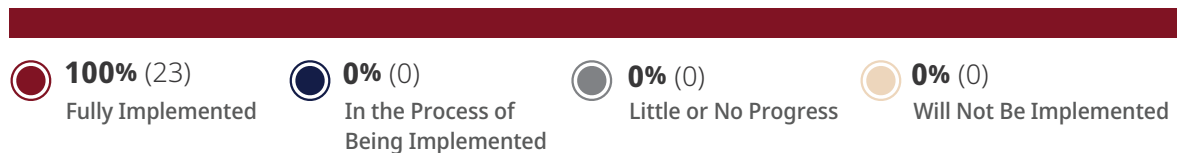
a long-term plan toward self-sustainment of horse racing through wagering revenues and other options. As a result of the delay in implementing this recommended action, the horse racing industry may be unable to reduce its reliance on government funding and become self-sustaining.

Five of the recommended actions that will not be implemented pertain to monitoring and/or oversight. One notable recommended action was for the AGCO and the OLG to work with racetracks to collect and monitor all suspicious transactions, including withdrawals over \$10,000, along with the necessary supporting documentation. Not implementing this recommended action could limit the AGCO's and OLG's ability to reduce the risk of money laundering at racetracks.

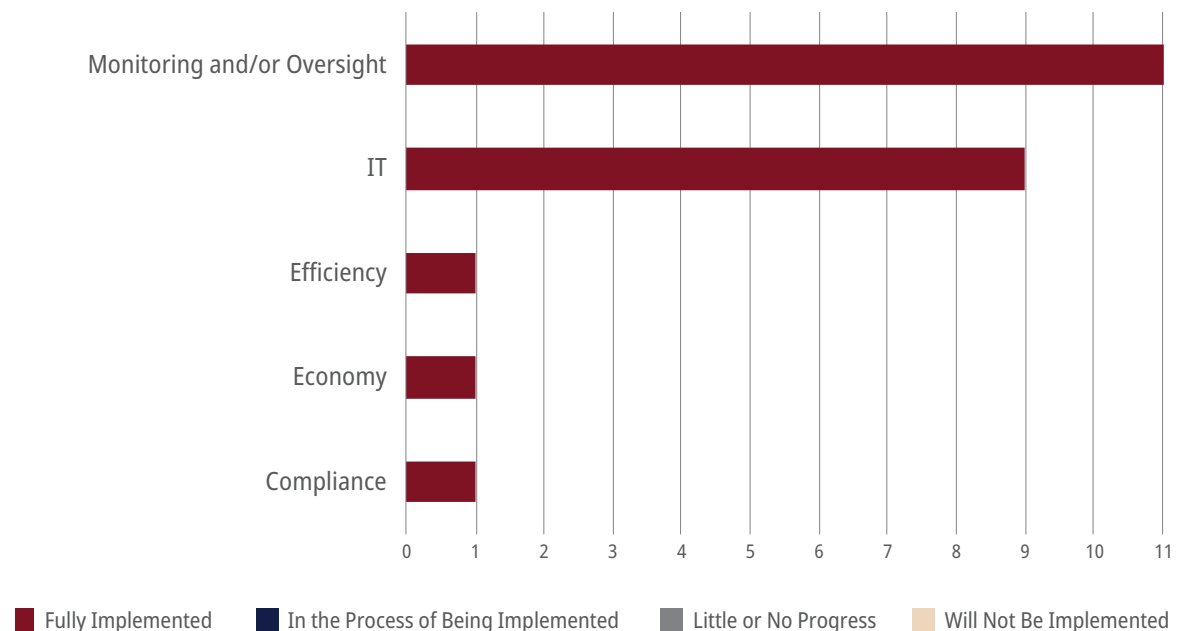
4.13 Technology Systems (IT) and Cybersecurity at Ontario Lottery and Gaming Corporation

As seen in the graph below, in our **Technology Systems (IT) and Cybersecurity at Ontario Lottery and Gaming Corporation** report, 23 recommended actions were issued to the OLG. All were fully implemented.

23 Recommended Actions



The category graph below illustrates the implementation status of the recommended actions, categorized by the specific areas they address.

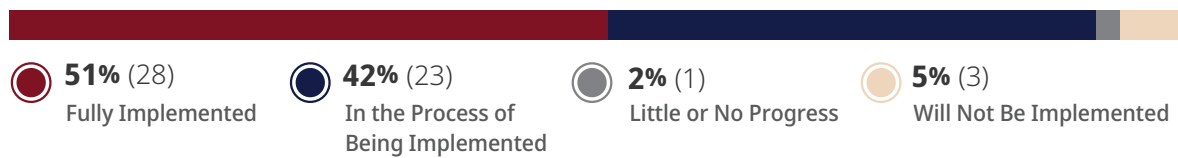


Eleven of the fully implemented recommended actions focused on monitoring and/or oversight. For example, we recommended that the OLG establish appropriate performance indicators and targets to be incorporated in all service-level agreements, monitor performance against the targets and, where necessary, take the needed action to correct any concerns. Implementing this recommended action has helped to improve oversight of the quality of the services provided by IT vendors.

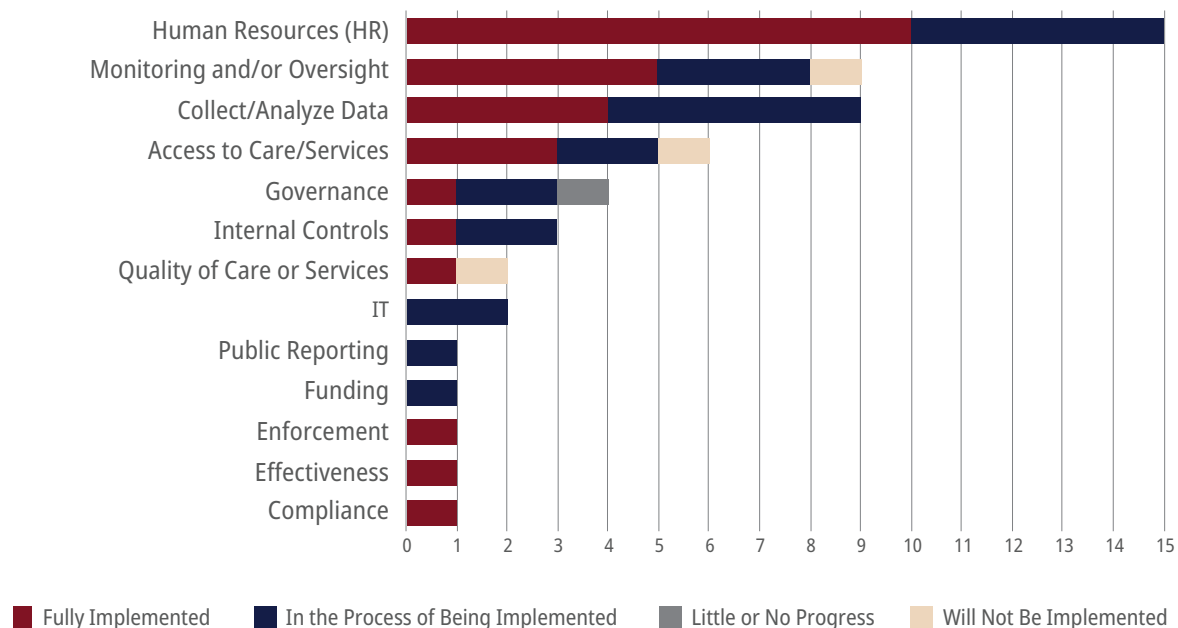
4.14 Chapter 1: Adult Correctional Institutions

As seen in the graph below, in our **Adult Correctional Institutions** report, 55 recommended actions were issued to the Ministry of the Solicitor General. Of these, 28 (51%) have been fully implemented, 23 (42%) are in the process of being implemented, one (2%) has shown little or no progress, and three (5%) will not be implemented.

55 Recommended Actions



The category graph below illustrates the implementation status of the recommended actions, categorized by the specific areas they address.



Ten of the fully implemented recommended actions focused on human resources. For example, we recommended that the superintendents in all institutions deliver ongoing mental health training for all staff who interact with inmates daily. Implementing this recommended action helped ensure front-line correctional staff have the necessary training and information to effectively supervise inmates with mental illness and those who require specialized care.

Among the recommended actions still in the process of being implemented, five address the need for the collection and analysis of data. For instance, we recommended that superintendents in all institutions regularly review misconduct adjudications to ensure they are consistent with the policy requirements. The delay in implementing this recommended action could adversely affect Ontarians, as the sanctions imposed for inmate misconduct may not be fair, consistent and appropriate for the misconduct committed.

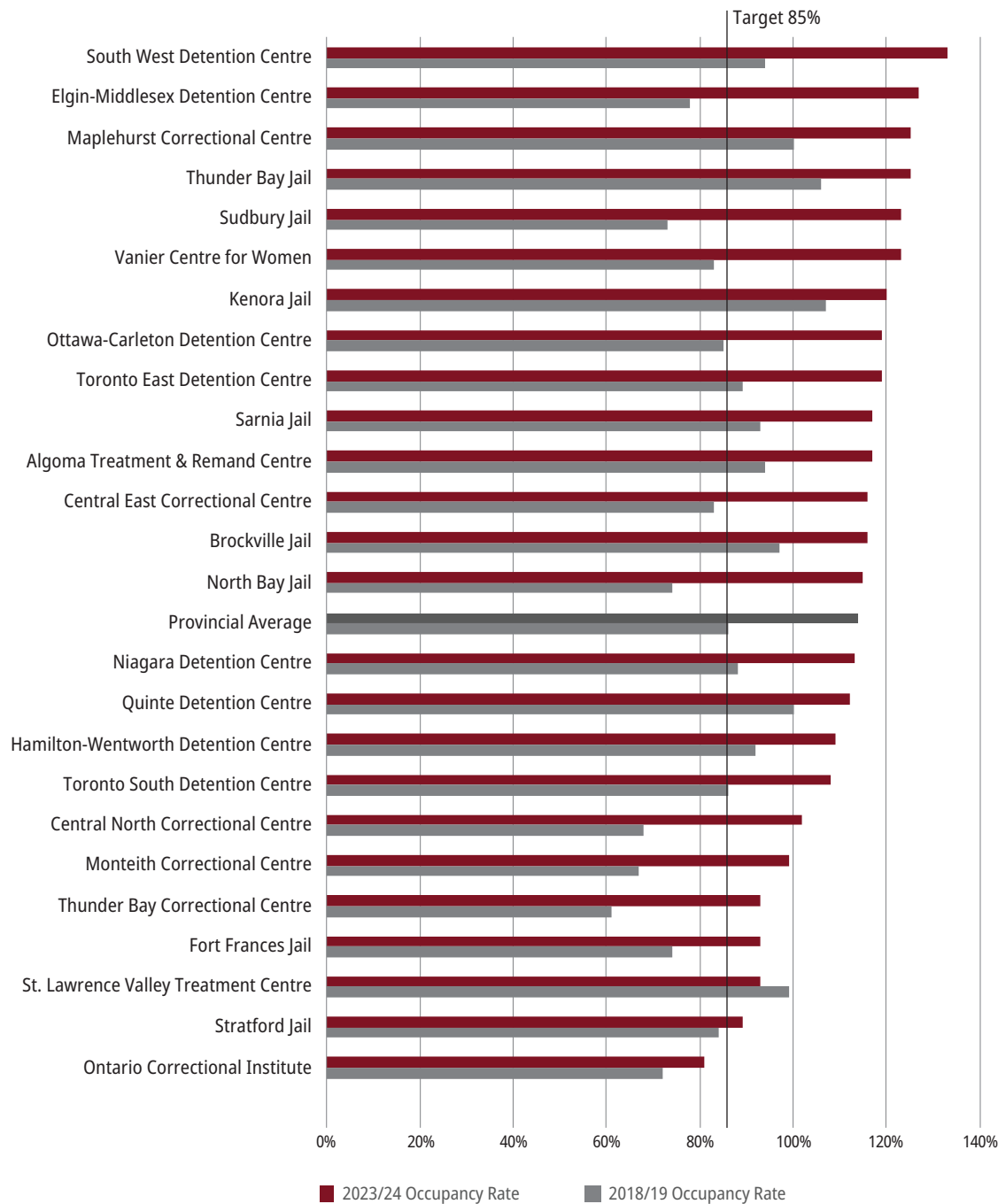
One recommended action that will not be implemented pertains to the quality of care or services. This action required the Ministry of the Solicitor General to work with the Ministry of the Attorney General to implement measures to ease the overcrowding in correctional institutions. Not implementing this recommended action could impact the inmates' ability to be better equipped to make a successful adjustment in the community upon their release.

Overcrowding in correctional institutions significantly increased in 2023/24 compared to the time of our audit in 2018/19. The number of institutions that are operating over the target of 85% occupancy increased from 56% in 2018/19 to 96% in 2023/24. As seen in the figure below, the occupancy (average daily utilization) rate increased from 2018/19 to 2023/24 in 24 of the 25 correctional institutions. The increased rates ranged from a low of 5% to a high of 50%. The only institution, St. Lawrence Valley Treatment Centre, had minimally decreased its occupancy rate by 6% over this period. The Ontario Correctional Institute currently has an occupancy rate of 81%, making it the only institution with an occupancy rate below the target of 85%. This is due to the institute reopening on February 1, 2024. In contrast, the provincial average occupancy rate increased by 28% over the same period, rising from 86% to 114%, well above the 85% target.

The Ministry stated that it has been unable to reduce overcrowding in correctional institutions due to the increase in the population of remanded inmates since the 2019 audit, coupled with the current backlog of court cases resulting from the COVID-19 pandemic.

Occupancy Rates of Ontario Correctional Institutions, 2023/24 Compared to 2018/19

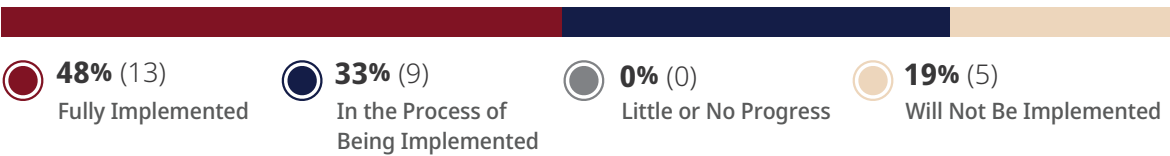
Source of data: Ministry of the Solicitor General



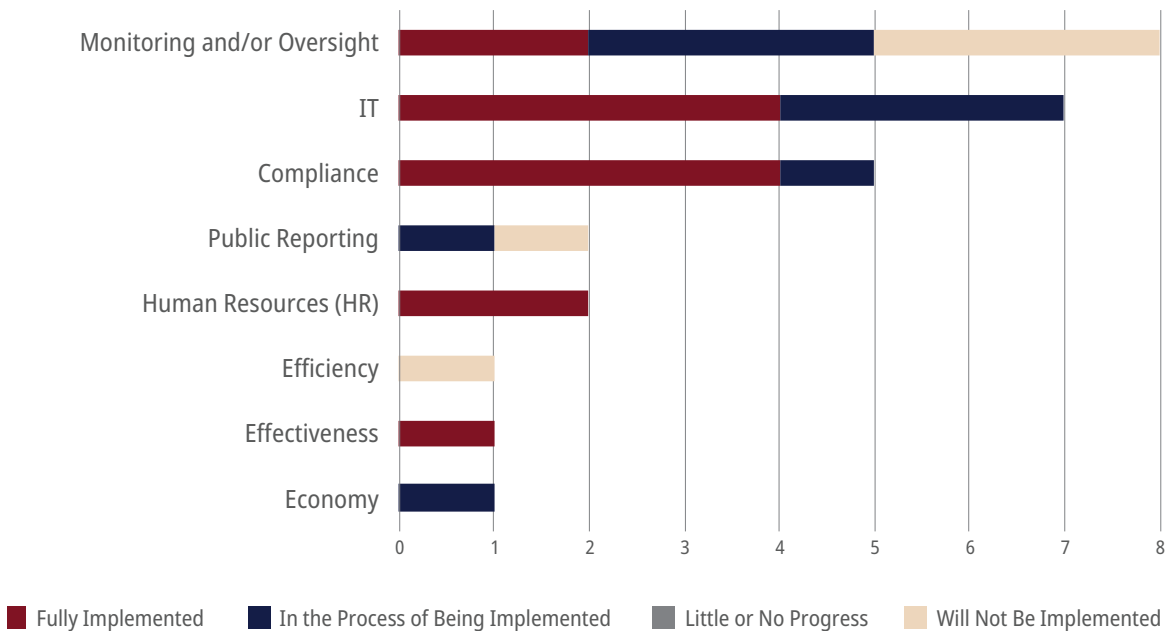
4.15 Chapter 2: Court Operations

As seen in the graph below, in the **Court Operations** report, 27 recommended actions were issued to the Ministry of the Attorney General. Of those, 13 (48%) have been fully implemented, nine (33%) are still being implemented, and five (19%) will not be implemented.

27 Recommended Actions



The category graph below illustrates the implementation status of the recommended actions, categorized by the specific areas they address.



Four of the fully implemented recommended actions focused on compliance. For example, we recommended that the Ministry require information technology vendors to deliver projects within agreed-upon timelines and key requirements. By implementing this recommended action, the Ministry has reduced the risk of delays and cost overruns in supporting the modernization of criminal court initiatives.

Among the recommended actions still in the process of being implemented, three address the need for improved information technology systems. For instance, we recommended that the Ministry address shortcomings identified in its case file tracking system related to case tracking,

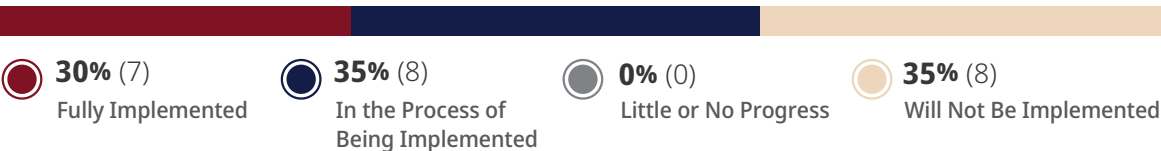
data entry and system navigation. The delay in implementing this recommended action could result in courthouse staff and judges continuing to rely on physical case files, hindering efficiency.

Three of the recommended actions that will not be implemented pertain to monitoring and/or oversight. One notable recommended action required the Ministry to work with the judiciary to review best practices from other jurisdictions and establish targets for key performance indicators such as timeliness of case dispositions. Not implementing this recommended action may limit the Ministry's ability to measure the efficiency and effectiveness of court operations in contributing to a timely, fair and accessible justice system.

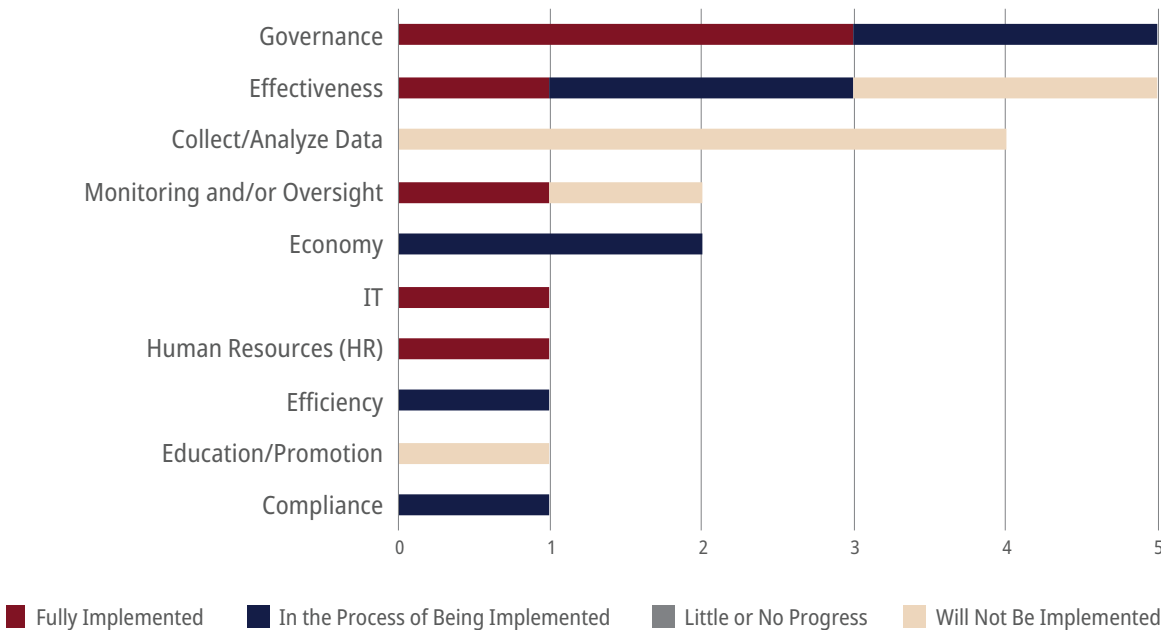
4.16 Chapter 3: Criminal Court System

As seen in the graph below, in our **Criminal Court System** report, 23 recommended actions were issued to the Ministry of the Attorney General. Of those, seven (30%) were fully implemented, eight (35%) are still being implemented, and eight (35%) will not be implemented.

23 Recommended Actions



The category graph below illustrates the implementation status of the recommended actions, categorized by the specific areas they address.



Three of the fully implemented recommended actions focused on governance. For example, we recommended that the Ministry's Criminal Law Division work with the Ministry of the Solicitor General to clearly define the respective roles and responsibilities of police services and Crown attorneys with regard to disclosure of evidence. By implementing this recommended action, the Ministry has helped to improve the timeliness and sufficiency of disclosure of evidence to assist Crown attorneys in making their assessment whether to proceed with the prosecution of their cases.

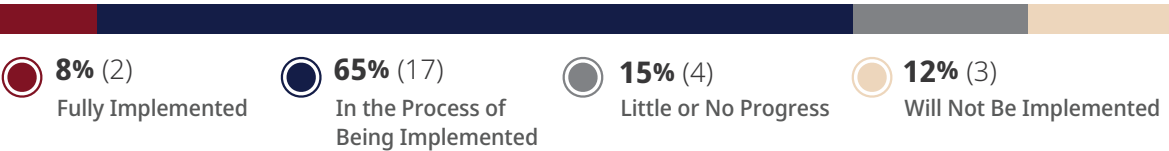
Among the recommended actions still in the process of being implemented, two address the need for better economy. For instance, we recommended that the Ministry's Court Services Division and Criminal Law Division work with the judiciary to expand the use of teleconferencing and videoconferencing for bail hearings with extended hours for seven days a week, from morning to late evening, similar to practices in place in British Columbia and Alberta. The delay in implementing this recommended action could hinder the reduction of the average number of days needed to reach a bail outcome.

Four of the recommended actions that will not be implemented pertain to collecting and analyzing data. One notable recommendation was for the Ministry's Criminal Law Division to capture all reasons for cases being stayed by judges. Not implementing this recommended action may make it difficult for the Ministry to proactively manage the progress of criminal cases through the court system and resolve them in a timely manner.

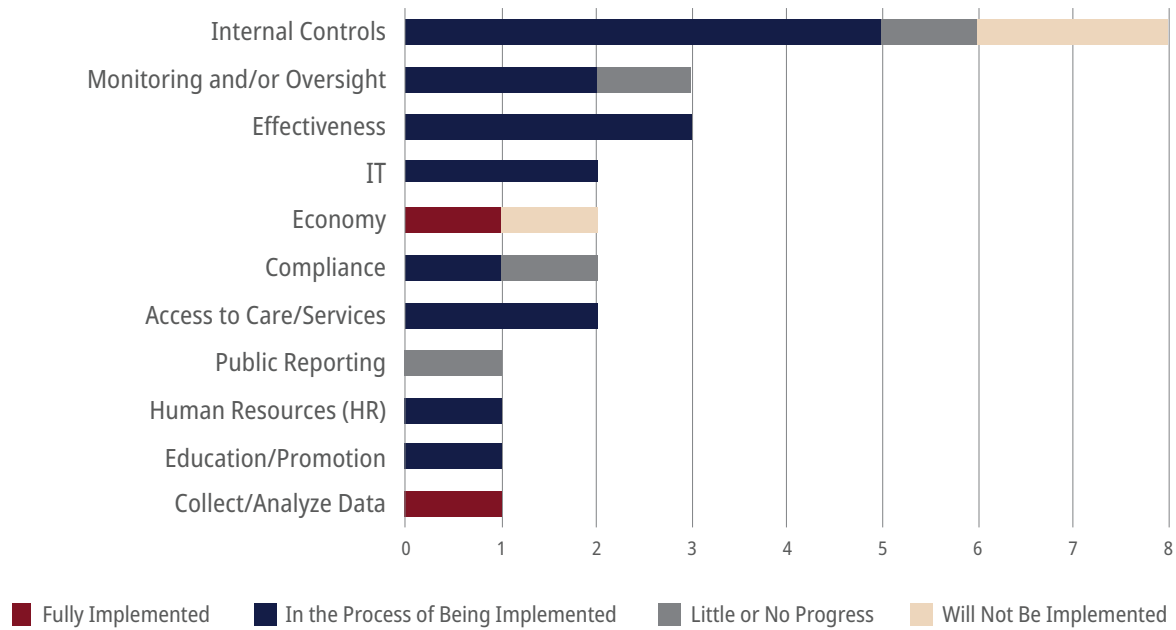
4.17 Chapter 4: Family Court Services

As seen in the graph below, in our **Family Court Services** report, 26 recommended actions were issued to the Ministry of the Attorney General. Of those, two (8%) were fully implemented, 17 (65%) are still being implemented, four (15%) have shown little or no progress, and three (12%) will not be implemented.

26 Recommended Actions



The category graph below illustrates the implementation status of the recommended actions, categorized by the specific areas they address.



One of the fully implemented recommended actions focused on economy. We recommended that the Ministry, together with the judiciary, complete their assessment of the costs and benefits of expanding the Dispute Resolution Officer Program across the province, where appropriate. By implementing this action, the Ministry has helped to free up more judicial and courtroom time and worked to increase the potential cost savings.

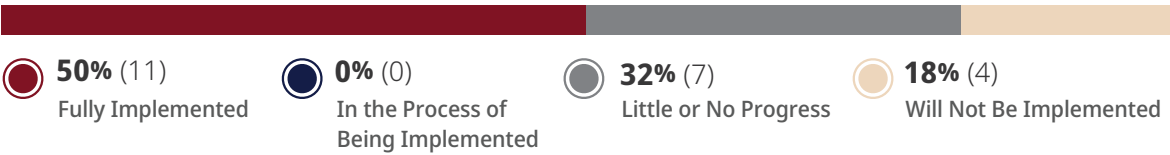
Five of the recommended actions that are still in the process of being implemented address the need for improved internal controls. For example, we recommended that the Ministry review all child protection cases captured in their case file tracking system as “pending” to confirm their status and to make the necessary corrections. As a result of the delay in implementing this recommended action, the Ontario Court of Justice and the Superior Court of Justice may not be monitoring the current status of child protection cases.

Two of the recommended actions that will not be implemented also pertain to internal controls. One notable recommended action was for the Ministry to perform periodic reviews to verify services billed against source documentation. Not implementing this recommended action could limit the Ministry’s ability to improve the financial controls in place to validate monthly billings of service providers and to confirm that services have been rendered.

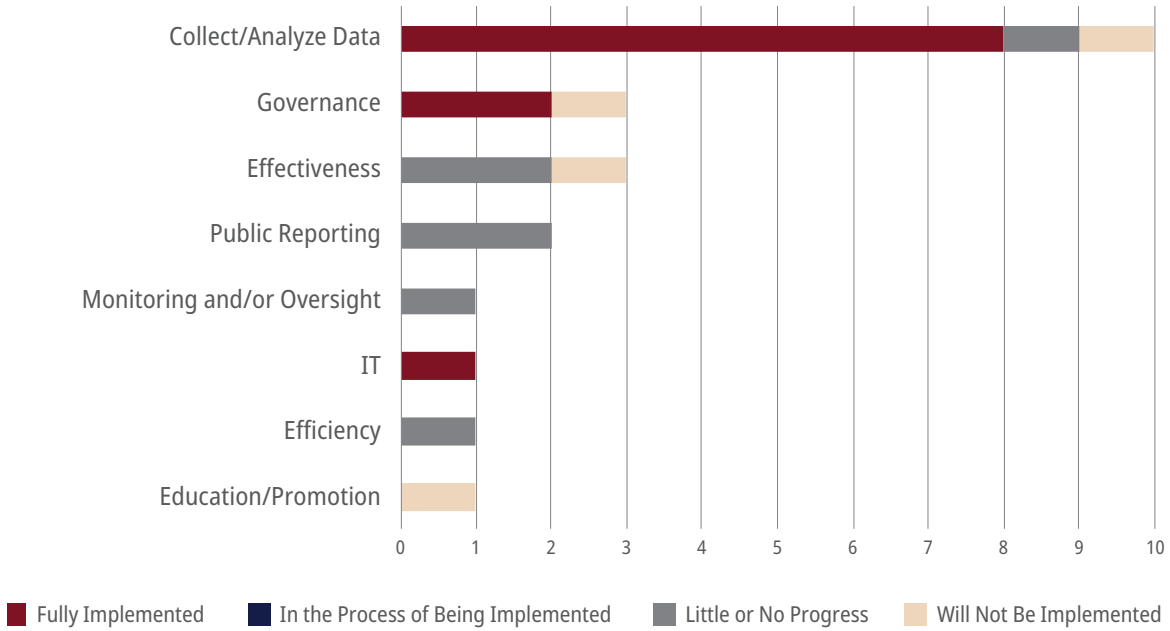
4.18 Climate Change: Ontario's Plan to Reduce Greenhouse Gas Emissions

As seen in the graph below, in our **Climate Change: Ontario's Plan to Reduce Greenhouse Gas Emissions** report, 22 recommended actions were issued to the Ministry of the Environment, Conservation and Parks and the Secretary of the Cabinet. Of those, 11 (50%) were fully implemented, seven (32%) have shown little or no progress, and four (18%) will not be implemented.

22 Recommended Actions



The category graph below illustrates the implementation status of the recommended actions, categorized by the specific areas they address.



Eight of the fully implemented recommended actions focused on the collection or analysis of data. For example, we recommended that the Ministry of the Environment, Conservation and Parks work with the Ministry of Energy, Northern Development and Mines to assess the feasibility of increasing the renewable natural gas supply in Ontario and its impact on reducing emissions. Implementing this action will help the Ministry work toward reaching Ontario's 2030 emission-reduction target.

Among the recommended actions still not yet implemented, two address the need for improved effectiveness. For instance, the Ministry of the Environment, Conservation and Parks was recommended to work with the Ministry of Agriculture, Food and Rural Affairs to include agriculture-specific initiatives in an updated plan to reduce emissions to meet the 2030 target. At the time of the audit, the plan did not include ideas to reduce emissions from the agriculture sector. Due to the delay in implementing this recommended action, all major economic sectors, such as agriculture-specific initiatives, may not be taken into account when designing emission-reduction initiatives.

One of the recommended actions that will not be implemented is focused on governance. This recommended action required that members be appointed to the Climate Change Advisory Panel to review and provide external expert advice on climate change planning and further refine the Ministry's plan as needed. Not implementing this recommended action could limit the Ministry's ability to have Ontario's climate change planning benefit from external expert advice.

Glossary

Term	Type	Definition
Fully Implemented	Recommended Action Status	Specific required actions have been taken to fully address the recommended action or the issues noted in the original performance audit report that gave rise to the recommended action.
In the Process of Being Implemented	Recommended Action Status	Actions being taken are well underway toward implementing the recommended action. However, more action is still needed to fully address the recommended action.
Little or No Progress	Recommended Action Status	Limited action has been taken to implement the recommended action.
Will Not Be Implemented	Recommended Action Status	An organization has decided not to implement all or part of the recommended action. This decision may arise from several factors, for instance, the organization may have implemented as much of the recommended action as it can, which does not fully address the action; or it may be due to resource constraints; or the organization's strategic priorities may not align with actions needed to be taken for further implementation. Consequently, the organization has concluded that it will not fulfill all of the requirements of the recommended action.
No Longer Applicable	Recommended Action Status	Fundamental changes have occurred that render the recommended action no longer relevant. These changes could be due to various factors, such as changes in legislation or policy; the termination of a program; or the organization's review and consideration of the recommended action has determined that the required actions are not feasible and cannot be implemented.
Access to Care/ Services	Recommendation Category	The ability to obtain or receive care or services. Some factors that can be considered when evaluating access to care/services include whether an adequate supply of care or services is available; whether services are physically accessible without barriers; and whether access is equitable.
Collect/Analyze Data	Recommendation Category	Gathering information from various sources and examining and interpreting the data to identify patterns, trends and insights. This approach enhances decision-making, identifies cause and effect, and helps organizations address organizational challenges identified.

Term	Type	Definition
Compliance	Recommendation Category	The evaluation of an organization's adherence to laws, regulations, policies and industry standards. This process ensures the organization operates within legal and ethical boundaries, promoting accountability and integrity.
Economy	Recommendation Category	The terms and conditions under which an organization obtains the required resources. An economical operation acquires these resources in the appropriate quality and quantity at the right time and place at the lowest possible cost.
Education/ Promotion	Recommendation Category	Transfer of knowledge and skills either within an organization or to the public. This may include training and development of internal staff, or increasing public awareness of programs and services available to Ontarians.
Effectiveness	Recommendation Category	How well a program or activity is achieving its stated objectives, its defined goals, or intended effects/outcomes.
Efficiency	Recommendation Category	The relationship between goods or services produced and the resources used to produce them. An efficient operation produces the maximum output with any given set of resources input; or minimum input is applied for any given quantity and quality of service goods provided. The underlying management objective is therefore to increase productivity and lower unit costs.
Enforcement	Recommendation Category	Actions taken to address those issues that pose the greatest risk to stakeholders and the actions taken help to deter further improper conduct. When violations are found, actions to address those issues include imposing sanctions, monetary penalties, or other disciplinary actions to hold individuals or organizations accountable per applicable laws and regulations.
Funding	Recommendation Category	Money that is provided by the government or other organizations to pay for a specific purpose.
Governance	Recommendation Category	Structures, systems and practices an organization has in place to assign decision-making authority, oversee the delivery of its services and report on its performance. The basic principles of good governance are accountability, leadership, integrity, stewardship and transparency.
Human Resources (HR)	Recommendation Category	Functions of an organization that address implementing recruitment and retention strategies, maintaining appropriate staffing levels, managing employee compensation, benefits and terminations, developing policies that affect the working environment, etc.

Term	Type	Definition
Internal Controls	Recommendation Category	The process designed, implemented, and maintained by those charged with governance or management, and other personnel, to provide reasonable assurance about achieving an entity's objectives concerning the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
IT	Recommendation Category	The use of technologies and systems to store, retrieve, process and transmit data. An audit may include assessing systems controls, evaluating risks, verifying data integrity and/or reviewing governance processes.
Monitoring and/or Oversight	Recommendation Category	Processes that help to review that policies, procedures and controls are in place and are being followed to ensure organizations are achieving expected results, represent good value for money, and are in compliance with applicable policies, laws, regulations and ethical standards.
Public Reporting	Recommendation Category	The practice of sharing information about an organization to those external to the organization, such as the public. This would promote transparency and accountability and include financial performance, decision-making processes, and outcomes of public programs, allowing citizens to evaluate and engage with their government and ensuring information is accessible and understandable. Some examples include annual reports, budget disclosures, audits and performance metrics.
Quality of Care or Services	Recommendation Category	Quality of Care is the degree to which services, usually health services, increase the likelihood of a desired health outcome. In health care, this may consist of comprehensive, appropriate, medical, diagnostic, therapeutic and preventative services delivered by and/or under the supervision of a concerned physician in a timely manner; such services should be documented and provided with continuity, follow-up, outreach and with minimal risk of harming the patient's condition. Quality of Services is how well a government service meets or exceeds the needs and expectations of its internal and external clients.



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