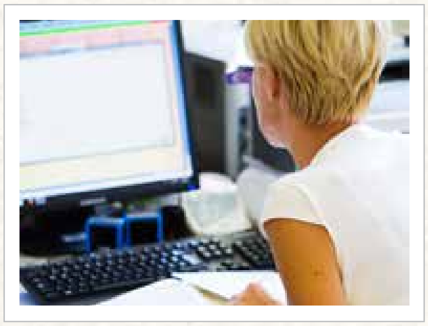
Office of the Auditor General of Ontario

Annual Report 2017

Follow-Up Report on Audit Recommendations



Volume 2 of 2

Office of the Auditor General of Ontario

To the Honourable Speaker
of the Legislative Assembly

In my capacity as the Auditor General, I am pleased to submit to you Volume 2 of the *2017 Annual Report* of the Office of the Auditor General of Ontario to lay before the Assembly in accordance with the provisions of section 12 of the *Auditor General Act*.

Bonnie Lysyk, MBA, FCPA, FCA
Auditor General

Fall 2017
Toronto, Ontario

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Reflections

Introduction

At the Office of the Auditor General, we audit a wide range of services and programs delivered by government, agencies of the Crown and organizations in the broader public sector, and identify areas that need improvement. We take great care to make practical recommendations resulting from our audit findings that these entities can implement to improve the services they provide to Ontarians.

We believe that identifying problems and offering potential solutions is only the first step; the real work begins when those responsible take action to put our recommendations into practice. It is for this reason that an important part of our Office's work is to follow up on our past audits to assess the progress made on our recommended actions.

Our follow-up work consists mainly of discussion with, and review of supporting documents provided by the government, relevant ministries and broader-public-sector entities we've audited. We appreciate their continued co-operation in providing us with comprehensive status updates.

Last year, for the first time, our Office produced a new volume (Volume 2) dedicated to the follow-ups we completed on our 2014 value-for-money audits, on previously issued special reports and on the recommendations issued by the Standing Committee on Public Accounts in 2015.

This year, Volume 2 contains the follow-up work we completed on our 2015 value-for-money audits, on the 2015 Special Report titled *Community Care Access Centres—Financial Operations and Service Delivery*, and on the recommendations issued by the Standing Committee on Public Accounts in 2016/2017. In addition, this year, for the first time, we include **Chapter 4** in this volume, which contains the results from our additional follow-up work on all audit recommendations issued from 2012 to 2014.

During 2016/17, we established a database to electronically track our recommendations and their implementation status from 2012 forward, and the recommendations of the Standing Committee on Public Accounts from 2015 forward. We believe that following up on issued recommendations is more cost-effective than re-auditing the same operations where this could result in the same recommendations being issued as were issued in prior years.

Chapter 1—Follow-Up Reports on *2015 Annual Report* Value-for-Money Audits

This year's report contains 15 follow-up reports from the value-for-money audits published in our *2015 Annual Report*. Consistent with previous years, we note that progress has been made toward implementing the majority, 71%, of our recommended actions (75% in 2016). We note that only 33% have been fully implemented, a lower percentage when compared to the percentage in the prior year of 40%. However, we recognize that the nature of some of our 2015 recommendations may require a longer implementation timeline.

We are encouraged by the implementation of our recommendations and program improvements in a number of areas. For example:

- **Section 1.12 SAMS—Social Assistance Management System**—The Ministry of Community and Social Services has made significant progress in improving the operations of the system integral to providing accurate and timely social-assistance payments to those in need. It has either implemented or is working to implement 100% of our recommendations.
- **Section 1.10 Management of Contaminated Sites**—The Provincial Controller's Office and other ministries have provided us with information supporting their implementation of 66% of our recommended actions, with work proceeding on a further 17% of recommended actions. Steps were taken to set up an oversight body with responsibility for managing contaminated sites, along with the development of a database inventory of all contaminated sites in Ontario. A risk prioritization model was finalized for use in assessing all remediation funding proposals.
- **Section 1.08 LHINs—Local Health Integration Networks**—The Ministry of Health and Long-Term Care and the LHINs have made considerable progress in implementing 46% of our recommended actions and are in progress to implement another 49%. Work has been focused on obtaining information to further understand the reasons for different performance levels among the LHINs, developing common approaches to delivering health-care services and defining what an integrated health system means for Ontarians.
- **Section 1.01 CCACs—Community Care Access Centres—Home Care Program**—The Ministry of Health and Long-Term Care has indicated that CCACs (now part of the LHINs) have fully implemented 39% of our recommended actions, including ensuring care co-ordinators address overdue assessments and conduct reassessments of people on a timely basis, track the amount and type of caregiver support provided and follow up with discharged clients within required time frames. They are in the process of implementing the majority of the remaining recommendations.
- **Section 1.15 Toward Better Accountability**—Treasury Board Secretariat has either implemented or is making considerable progress in implementing 100% of our recommended actions. These actions will improve the timely availability of the annual reports of entities in the public sector. These reports contain the financial results of these entities, for the benefit of Members of Provincial Parliament (MPPs) and the public.
- **Section 1.07 Infrastructure Planning**—Treasury Board Secretariat and the Ministry of Infrastructure have made progress in fully implementing 44% of our recommended actions and are in the process of implementing the remaining 56%. A cross-sector province-wide framework is still needed to prioritize infrastructure investments, along with more clarity around how a balance is determined between funding repair/rehabilitation projects and new projects.
- **Section 1.04 Economic Development and Employment Programs**—The Ministry of Economic Development and Growth has either fully implemented or is in the process of implementing 80% of our recommended actions.
- **Section 1.14 University Intellectual Property**—The Ministry of Research, Innovation and Science and the universities we visited during our audit have taken steps to implement our recommendations. Although more work is needed, we understand that progress may be slower given the nature of the recommendations. For example: little or no progress has been made in developing socio-economic performance indicators to better communicate outcomes of research and commercialization efforts.

While we are encouraged by the progress made on many of the recommended actions from our *2015 Annual Report*, we have also noted a few areas where little or no action has been taken.

- **Section 1.13 Student Transportation**—The Ministry of Education and the Ministry of Transportation have made little progress on close to 40% of our recommended actions. The Ministry of Education also indicated that it will not be implementing recommendations to, in connection with school boards and transportation consortia: develop consistent safety policies for the transport of students; set standards for optimal utilization of school vehicles; clarify the roles of each body in setting eligibility and employing efficiency measures; and develop standard criteria for selecting school bus operators. The Ministry indicated that it has no legal mandate to impose specific transportation policies on school boards. We obtained a legal opinion on this matter and were advised that school boards are subject to the legal authority of the Ministry of Education. The Minister of Education has specific power to legislate and regulate the transportation of students. This power enables the Minister to implement our recommendations by providing direction/guidance to school boards.
- **Section 1.11 Mines and Minerals Program**—Many of our recommended actions in this audit report were recommended in prior audits issued by our Office. The Ministry of Northern Development and Mines has implemented 32% of our recommended actions, but more work is needed in a number of areas, such as inspecting all high-risk abandoned mines to determine whether these sites pose risks to public safety; and reviewing and updating, where necessary, the Province's mining fees, taxes and royalty payments to ensure that Ontarians receive a fair share of the Province's mineral resources revenue.
- **Section 1.09 Long-Term-Care Home Quality Inspection Program**—Although the Ministry of Health and Long-Term Care has fully implemented 33% of our recommended actions and is in the process of implementing a further 40%, there has been little or no progress on the remaining 27%, which are important. Fluctuations in the number of complaints and critical incidents requiring inspections continue to be an issue. As of April 2017, the backlog of complaints and critical incidents requiring inspections increased to about 3,370, which is an increase from 2,800 in March 2015 during the period of our audit.
- **Section 1.05 Electricity Power System Planning**—The Ministry of Energy has taken steps to implement 44% of our recommended actions and is in the process of implementing another 50%. There is one important recommendation that is not planned to be implemented. In our *2015 Annual Report*, we recommended that the Long-Term Energy Plan (including technical plans), as required under law in 2015, be submitted for review and approval by the Ontario Energy Board, to enable public scrutiny and protect the interests of electricity consumers. Legislation was changed, and the vetting of this plan by the Ontario Energy Board is no longer required under law.

Regarding the follow-up reports in **Sections 1.02** (**Child Protection Services—Children's Aid Societies**) and **1.03** (**Child Protection Services Program—Ministry**), the majority of our recommended actions were in the process of being implemented. Given the importance of the care of children and the fact that many of the recommended actions in these reports were also recommended in reports issued by our Office over the last decade, we encourage both the Ministry of Children and Youth Services and Children's Aid Societies to proceed with their implementation on a more timely basis.

Since Hydro One ceased to be an agency of the Crown following passage of the *Building Ontario Up Act* in June 2015, our Office no longer has the authority to do audit or follow-up work on Hydro One. As a result, we were only able to obtain minimal information to assess whether our recommendations in **Section 1.06—Hydro One—Management of Electricity Transmission and Distribution Assets** were implemented. Hydro One co-operated in providing some information, but unfortunately we were unable to obtain enough information to assess the implementation status of about 72% of our recommendations. We were able to confirm that about 11% of our recommended actions were fully implemented, 6% were in the process of being implemented, and another 11% would not be implemented.

Chapter 2—Follow-Up Reports on Special Reports

The Ministry of Health and Long-Term Care, Health Shared Services Ontario and the Community Care Access Centres (now part of the LHINs) provided us with information indicating that 46% of the recommended actions in our Special Report titled *Community Care Access Centres—Financial Operations and Service Delivery* had been implemented, and progress was being made to implement a further 52% of the recommended actions. Fully implemented recommendations include: finalizing of annual funding, following a common CEO compensation framework, changing rapid-response nurses' staffing schedules to provide coverage over the weekend, developing staff caseload benchmarks for direct-nursing services and developing performance indicators for these services.

Chapter 3—Follow-Up on Reports Issued by the Standing Committee on Public Accounts

Members of the Standing Committee on Public Accounts (Committee), which is composed of MPPs from all parties of the Legislature and supported by its Committee Clerk and legislative researchers, are dedicated to improving government programs and services delivered to—and funded by—the people of Ontario. In addition to holding hearings on chapters in our annual reports or our special reports, the Committee makes observations and issues recommendations in its own reports, which further promote positive change by the entities we audit.

Chapter 3 of this volume includes the follow-ups we have conducted on the Committee's recommendations covering seven reports it issued in 2016. We continue to see a positive response from government and agencies in the broader public sector to the Committee's work. One of the reports the Committee tabled in 2016 was *Hydro One—Management of Electricity Transmission and Distribution Assets*. Because we no longer have jurisdiction over Hydro One, we were unable to follow up on the Committee's 24 recommended actions. Excluding the impact of Hydro One, 89% of the Committee's recommended actions have either been fully implemented or are in the process of being implemented.

Chapter 4—Follow-Up on Audit Recommendations from 2012 to 2016

Follow-Up on Recommendations Issued by the Office of the Auditor General in 2012, 2013 and 2014

This chapter marks the first year that our Office has followed up on value-for-money audits beyond our initial two-year follow-up work for audit reports issued in 2012, 2013 and 2014. For those years, recommended actions were fully implemented for 20% of actions in 2012, 29% in 2013 and 40% in 2014. There has been steady improvement in the timeliness of implementing our recommended actions.

A key observation from our work this year when we revisited the recommended actions for 2012, 2013 and 2014 was that these actions are continuing to be fully implemented with the average implementation rate for each of those years now at about

50%. Although the average implementation rate for each year has improved since the two-year follow-ups were conducted, we would have expected to see a higher average implementation rate for the older recommended actions of 2012 and 2013.

This average implementation rate reflects some ministries and organizations that have implemented most recommendations, and some that have implemented considerably less. Community Care Access Centres, Ontario Power Generation, the Independent Electricity System Operator, the Ministry of Finance, the Financial Services Commission of Ontario, and the Ministry of Citizenship and Immigration have implemented 70% or more of our recommended actions. Less than 30% of recommended actions from 2012, 2013 and 2014 have been implemented by the Ministry of the Status of Women, the Ministry of Infrastructure, the Ministry of Advanced Education and Skills Development, the Ministry of Natural Resources and Forestry, the Ministry of Energy, and the Ministry of Children and Youth.

A significant number of the recommended actions that are still identified as being in the process of being implemented relate to recommendations to improve the public's access to care/services, the cost-effectiveness of services, the allocation of funding based on need, the quality of care of patients and monitoring/oversight in a number of service areas.

During this year's follow-up work, we noted that nearly 40% of the total recommended actions from 2012, 2013 and 2014 were in the process of being implemented. We will continue to follow up on their status of implementation next year.

Follow-Up on Recommendations Issued by the Standing Committee on Public Accounts in 2015 and Early 2016

As of March 31, 2017, 65% of recommended actions issued by the Standing Committee on Public Accounts in its reports tabled between March 2015 and April 2016 have been fully implemented. While the Ministry of Infrastructure and Ontario Power Generation implemented all of the Committee's recommended actions, the Ministry of Community and Social Services and the Ministry of the Status of Women implemented fewer than 20% of its recommended actions.

Acknowledgements

The information contained in this volume of our *2017 Annual Report* is the result of the excellent work of the dedicated staff of my Office. On their behalf, I would like to thank the many people in the public and broader public sector who have assisted us in the completion of this year's follow-up reports. A special thank you goes to Richard Kennedy, Chief Internal Auditor and Assistant Deputy Minister, Ontario Internal Audit Division, for the contribution provided by staff from Internal Audit to **Chapter 4** of this volume.

We look forward to continuing to serve the Members of Provincial Parliament and through them, the citizens of Ontario.

Sincerely,

Bonnie Lysyk
Auditor General of Ontario

Chapter 1

Follow-Up Reports on *2015 Annual Report* Value-for-Money Audits

Summary

It is our practice to make specific recommendations in our value-for-money audit reports and ask ministries, agencies of the Crown and organizations in the broader public sector to provide a written response to each recommendation, which we include in our Annual Reports. Two years after we publish the recommendations and related responses, we follow up on the status of actions taken. The ministries, agencies of the Crown and organizations in the broader public sector are responsible for implementing the recommendations made by our Office; our role is to independently express a conclusion on the progress that the audited entity made in implementing the actions contained in recommendations.

In each of the follow-up reports in this chapter, we provide background on the value-for-money audits reported on in Chapter 3 of our *2015 Annual Report*, and describe the status of actions that have been taken to address our recommendations since that time, as reported by management.

In conducting the follow-up work, our Office complies with the Canadian Standard on Quality Control 1 established by the Chartered Professional Accountants of Canada. The staff who conducted the follow-up work comply with the independence and other ethical requirements of the Rules of Professional Conduct issued by the Chartered Professional Accountants of Ontario.

We obtain a limited level of assurance in our follow-up work, which consists primarily of inquiries and discussions with the government, the relevant ministries or broader-public-sector entities; a review of their status reports; and a review of selected supporting documentation. In a few cases, the organization's internal auditors also assisted us with this work. The procedures performed in a limited assurance engagement vary in nature and timing from those of a reasonable assurance engagement, such as an audit, and do not extend as far. As this is not an audit, we cannot provide a high level of assurance that the corrective actions described have been implemented effectively. The actions taken or planned may be more fully examined and reported on in future audits. Status reports will factor into our decisions on whether future audits should be conducted in these same areas.

As noted in **Figure 1**, progress has been made toward implementing over 70% of our recommended actions, including 33% that have been fully implemented. The ministries that have made the most progress toward fully implementing our recommended actions from 2015 include the Ministry of Community and Social Services on our audit of SAMS—Social Assistance Management System; the Provincial Controller's Office on our audit of Management of Contaminated Sites; and the Ministry of Health and Long-Term Care on our audit of LHINs—Local Health Integration Networks.

However, little or no progress has been made on 15% of our recommended actions. The Ministry of Education and Ministry of Transportation had made little progress on close to 40% of the recommended actions from our Student Transportation audit. The Ministry of Northern Development and Mines had made little or no progress on 36% of our recommended actions from the Mines and Minerals Program audit. For instance, little progress had been made toward our recommendation to review and update, where necessary, the Province's mining fees, taxes and royalty payments to ensure that Ontarians receive a fair share of the province's mineral resources. We made a similar recommendation in our *2005 Annual Report*.

Twenty-seven (9%) of our recommended actions are no longer applicable. This is primarily due to the changes made under the *Building Ontario Up Act, 2015* (Act), which removed our ability to conduct value-for-money audits at Hydro One or to follow up on the implementation status of recommendations from our audit conducted prior to the tabling of the Act on December 4, 2015. Since Hydro One was not required to participate in our follow-up work, we categorized these recommendations as no longer applicable.

A further 17 action items (5%) will not be implemented. More specific details are presented in the sections that follow **Figure 1**.

Figure 1: Overall Status of Implementation of Recommendations from Our *2015 Annual Report*

Prepared by the Office of the Auditor General of Ontario

			Status of Actions Recommended				
Report Section	# of Recs	# of Actions Recommended	Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
1.01 CCACs—Community Care Access Centres—Home Care Program	14	31	12	17	2	0	0
1.02 Child Protection Services—Children's Aid Societies	6	11	1.6	7	1.4	1	0
1.03 Child Protection Services Program—Ministry	9	13	2	9	2	0	0
1.04 Economic Development and Employment Programs	9	15	5.5	6.5	1	2	0
1.05 Electricity Power System Planning	5	16	7	8	0	1	0
1.06 Hydro One—Management of Electricity Transmission and Distribution Assets	17	36	4	2	0	4	26
1.07 Infrastructure Planning	6	9	4	5	0	0	0
1.08 LHINs—Local Health Integration Networks	20	37	17	18	2	0	0
1.09 Long-Term-Care Home Quality Inspection Program	13	30	10	12	8	0	0
1.10 Management of Contaminated Sites	7	12	8	2	2	0	0
1.11 Mines and Minerals Program	13	28	9	9	10	0	0
1.12 SAMS—Social Assistance Management System	5	12	8	4	0	0	0
1.13 Student Transportation	15	31	7	7	12	5	0
1.14 University Intellectual Property	15	27	6.3	8.3	7.3	4	1
1.15 Toward Better Accountability	5	6	2	4	0	0	0
Total	**159**	**314**	**103.4**	**118.8**	**47.8**	**17**	**27**
%	**100**	**100**	**33**	**38**	**15**	**5**	**9**

Chapter 1

Section **1.01**

CCACs—Community Care Access Centres—Home Care Program

Follow-Up on VFM Section 3.01, *2015 Annual Report*

RECOMMENDATION STATUS OVERVIEW					
	# of Actions Recommended	Status of Actions Recommended			
		Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	4	2	2		
Recommendation 2	2	1	1		
Recommendation 3	3	2	1		
Recommendation 4	2	1		1	
Recommendation 5	2	1	1		
Recommendation 6	1		1		
Recommendation 7	3		3		
Recommendation 8	1		1		
Recommendation 9	3	1	1	1	
Recommendation 10	1	1			
Recommendation 11	1	1			
Recommendation 12	2	2			
Recommendation 13	1		1		
Recommendation 14	5		5		
Total	**31**	**12**	**17**	**2**	**0**
%	**100**	**39**	**55**	**6**	**0**

Overall Conclusion

Note: Ontario's Community Care Access Centres (CCACs) were absorbed by the Local Health Integration Networks (LHINs) between May and June 2017.

According to the information the Ministry of Health and Long-Term Care (Ministry), Health Shared Services Ontario and the CCACs (now part of the LHINs) provided to us, as of June 30, 2017, 39% of actions we recommended in our *2015 Annual Report* had been fully implemented. The Ministry, Health Shared Services Ontario, and the CCACs have made progress in implementing an additional 55% of the recommendations.

The Ministry, Health Shared Services Ontario, and the CCACs have fully implemented recommendations relating to areas such as ensuring care co-ordinators address overdue assessments and reassessments on a timely basis, tracking the amount and type of caregiver support provided, and following up with discharged clients within the required time frames.

As well, the Ministry, Health Shared Services Ontario, and the CCACs were in the process of implementing recommendations relating to areas such as developing standard guidelines to prioritize clients for services, conducting a provincial audit to confirm that service providers are using the personal support worker wage increase funds for the purposes intended, and reviewing performance indicators for their relevance and effectiveness.

However, the CCACs had made little progress on centralizing wait lists for community support services and on tracking rescheduled and late home-care visits in addition to missed care. The Ministry has confirmed that LHINs will pursue these recommendations.

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

Background

At the time of our 2015 audit, Ontario's 14 Community Care Access Centres (CCACs) were not-for-profit provincial government organizations that helped people access home- and community-based health care and related social services outside a hospital setting. These services included nursing, personal support, physiotherapy and occupational therapy, for example. Each CCAC was overseen and funded by a Local Health Integration Network (LHIN).

Following our 2015 audit, Ontario passed the *Patients First Act* in December 2016. The Act expands the mandate of the LHINs as the single point of accountability for home and community care. At the time of our follow-up work, the Province was in the process of dissolving the CCACs and transferring their staff, resources and responsibilities to the LHINs.

Home care is publicly funded by the Ministry of Health and Long-Term Care (Ministry). To be eligible for home-care services, a person must be insured under the Ontario Health Insurance Plan. Referrals for home-care services can be made by hospitals, family physicians, or clients and/or their families.

Ontario's 14 Community Care Access Centres (CCACs) were responsible for providing home-care services to Ontarians who might otherwise need to stay in hospitals or long-term-care homes. CCACs assessed people to determine if their health needs qualified them for home-care services, and then developed care plans for those who qualified. CCACs contracted with about 160 private-sector, for-profit, or not-for-profit service providers to provide home-care services directly to clients.

In recent years, home-care clients have had increasingly complex medical and social-support needs because, since 2009, Ontario hospitals have been expected to discharge most patients who do not really need to be in acute-care settings. In the fiscal year 2016/17, 58% (60% in 2014/15) of home-care clients were aged 65 and over.

In the fiscal year 2016/17, Ontario spent $2.7 billion to provide home-care services to 760,000 clients. This represents a 56% increase in funding and 30% increase in the number of clients compared to 2008/09, the year before our last audit of home-care services in 2010.

From 2005/06 to 2016/17, overall CCAC funding (for home care and other services) had increased by 93% (73% from 2005/06 to 2014/15), but had remained a relatively constant 4% to 5% of overall provincial health spending. The Ministry had recognized the value of home and community care, and it had issued several reports highlighting the importance of strengthening this sector.

Despite these positive efforts, some of the issues we raised in our 2010 audit of the home-care program still existed at the time of our 2015 audit. For example, clients still faced long wait times for personal-support services, and clients whose needs had been similarly assessed still received different levels of service depending on where in Ontario they lived.

In our *2015 Annual Report*, we found that a person assessed to receive services by one CCAC might not receive services at another. Several factors influenced this, such as a lack of provincial standards that specified what level of service is warranted for different levels of clients' needs, and the fact that per-client funding varied significantly among CCACs despite reforms to the funding formula that began in April 2012. As a result, to stay within budget, each CCAC exercised its own discretion on the types and levels of services it provided—thereby contributing to significant differences in admission criteria and service levels between CCACs. Furthermore, because CCACs could not run deficits, the time of year a client was referred, and their level of need, could also influence whether they received services or not. For instance, in our 2015 audit, we noted that at one CCAC, clients assessed after September 2014 as low to moderate needs with a client needs-assessment score of 10.5 and under would not even be added to the CCAC's wait list for services. Meanwhile, a client with the same score at the other two CCACs would have been placed on their respective wait lists for services.

Because the availability of community support services such as assisted living and respite care varied across the province (many community support service agencies were historically set up by volunteers to serve local needs; such agencies are not prevalent in rural and northern areas), some CCACs might be required to provide more services to their clients when no other agencies could provide the necessary additional support.

Our 2015 audit found that, until these overarching issues were addressed, clients in Ontario would continue to receive inequitable home-care services. Our specific observations included the following:

- The caseloads of CCAC workers who co-ordinated clients' care varied significantly from one CCAC to another, and within the same CCAC. In two of the three CCACs we visited, caseloads did not comply with guidelines developed by the Ontario Association of Community Care Access Centres. For example, one CCAC's care co-ordinators on average carried 30% larger-than-recommended caseloads for chronic clients.
- For budgetary reasons, CCACs were not able to provide personal support services to the maximum levels allowed by law. Care co-ordinators still, for the most part, assessed clients to receive up to 60 hours of personal support services per month versus 90 hours as permitted by law. Furthermore, Ontario's regulation was silent on the minimum amount of services that can be provided. As a result, there was no minimum service level requirement for personal support services that CCACs must provide to their clients—for instance, a specified minimum number of baths per week.
- At the three CCACs we visited (Central, North East, and Champlain), 65% of initial home-care assessments and 32% of reassessments for chronic and complex clients were not conducted within the required time frames in 2014/15. Some clients were not assessed or reassessed in almost one year, and some beyond a year.
- Not all care co-ordinators maintained their proficiency in, and some were not regularly tested on, the use of client assessment tools.
- CCACs did not consistently conduct site visits to ensure that the service providers with whom they had contracted were complying with contract requirements. For example, none of the three CCACs we visited had

verified that service providers accurately and completely reported incidents of missed visits.

Our recommendations included that the Ministry explore better ways to apply the funding reform formulas to address the funding inequities; develop standard guidelines for prioritizing clients for services, and monitor for compliance to those guidelines; assess the types of caregiver supports and initiatives available in other jurisdictions, and consider approaches to use in Ontario; require all health-service providers to upload complete client assessment information on a common system; and make more CCAC results on performance measures publicly available.

We also recommended that CCACs assess and reassess clients within the required time frames; require that all CCAC care co-ordinators comply with the minimum number of assessments per month and be tested on the use of the assessment tools each year, and monitor compliance with that requirement; reassess and, where necessary, revise current guidelines for care co-ordinator caseload sizes; and develop performance indicators and targets, and collect from contracted service providers relevant data that measure client outcomes.

We made 14 recommendations, consisting of 31 actions needed for improvement, and received commitments from the Ministry, the Ontario Association of Community Care Access Centres, and the three CCACs we visited during our audit that they would take action to address them.

Important Events Following Our 2015 Audit

In August 2016, the Ministry established a Levels of Care Expert Panel (Panel) to provide advice and recommendations on the development and implementation of a levels-of-care framework in Ontario. The Panel was co-chaired by a physician and a vice president of Health Quality Ontario (an agency created in 2010 to provide advice to the Minister of Health and Long-Term Care on the quality of health care), and a senior director at the former Toronto Central CCAC. The framework is intended to introduce common home- and community-care assessment and care planning practices, and is expected to have significant implications for care co-ordination. In June 2017, the Panel submitted a final report, “Thriving at Home: A Levels of Care Framework to Improve the Quality and Consistency of Home and Community Care for Ontarians,” to the Ministry. The Ministry is currently reviewing the recommendations and expects to work with sector partners to plan for implementing the recommendations contained within this report through the summer and fall of 2017.

In December 2016, the *Patients First Act, 2016* was passed. The Act expands the mandate of LHINs as the single point of accountability for home and community care through the transfer of CCAC staff, resources and services to the LHINs. By streamlining the delivery of services and removing a layer of administration within the CCACs, the Ministry expects the health-care system to be more responsive to people’s needs. The transfer of all 14 CCACs into LHINs took place in stages, region by region, in May and June 2017. As well, on March 1, 2017, Health Shared Services Ontario officially became operational. The organization, chaired by an associate deputy minister of the Ministry of Health and Long-Term Care and led by the former chief executive officer of the Ontario Association of Community Care Access Centres (Association), replaced the Ontario Association of Community Care Access Centres and two other former LHIN service organizations. It is tasked with supporting LHINs with health system integration and providing key shared service functions and supports to the LHINs.

Standing Committee on Public Accounts

On May 11, 2016, the Standing Committee on Public Accounts (Committee) held a public hearing on our 2015 audit. In December 2016, the Committee tabled a report in the Legislature resulting from this hearing. The Committee endorsed our findings and recommendations. The Committee made seven additional recommendations. The Ministry, Health Shared Services Ontario, and the CCACs reported back to the Committee in March 2017. The Committee's recommendations and follow-up on their recommendations are found in **Chapter 3**, **Section 3.01** of **Volume 1** of our *2015 Annual Report*.

Status of Actions Taken on Recommendations

We conducted assurance work between April 1, 2017, and June 30, 2017. We obtained written representation from the Ministry of Health and Long-Term Care, Health Shared Services Ontario, and the three Local Health Integration Networks (Central, North East and Champlain) that have assumed the responsibilities of the former CCACs we visited, that effective September 1, 2017, they provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Assessment of Client and Family Needs Requires Improvement

Recommendation 1

To ensure that all home-care clients receive the most appropriate and timely care, Community Care Access Centres, in conjunction with the Ontario Association of Community Care Access Centres, should:

- *assess and reassess clients within the required time frames;*

  Status: In the process of being implemented by March 2019.

Details

In September 2014, the home- and community-care sector began a review of assessment and reassessment performance metrics and targets that were developed and implemented as part of the Client Care Model. All CCACs used this model (a population-based approach to segmenting client services) to help them identify different patient populations based on their assessed care needs to support care planning. The sector then put this work on hold pending the outcome of the work under way on developing a levels-of-care framework, which is expected to have significant implications for care co-ordination, including assessment and reassessment time frames. The Levels of Care Expert Panel submitted the framework to the Ministry in June 2017, and the Ministry expects to begin implementing the framework in early 2018. Following the implementation of the framework, the LHINs expect that care co-ordinators will assess and reassess clients within the required time frames by March 2019.

In the meantime, the individual CCACs that we visited in our 2015 audit had implemented initiatives to support and enhance the timeliness of assessments and reassessments. For example, one CCAC standardized scheduling practices for its community care co-ordinators by scheduling in advance a set amount of assessments and reassessments per week. Another CCAC had implemented standard procedures for conducting telephone reassessments for certain patient groups.

- *inform clients of the expected wait time for assessments and reassessments, especially when the required time frames will not be met;*

  Status: Fully implemented.

Details

At the time of our follow-up, the CCACs we visited in our 2015 audit indicated that they notify patients about the timing of their assessment upon completion of the intake process. At reassessment, clients are provided with a notice on the timing of the next reassessment. The team assistant communicates to the client any changes to scheduled assessments.

- *require managers to review reports on overdue assessments and reassessments and better ensure care co-ordinators act on addressing overdue files as soon as possible;*
  Status: Fully implemented.

Details

At the time of our follow-up, managers at the CCACs we visited in our 2015 audit told us they routinely receive and review reports on overdue assessments and reassessments to better ensure care co-ordinators address overdue files as soon as possible. For example, managers in one CCAC have begun using a report to review the status of assessments that are overdue by more than 18 months and follow up with care co-ordinators. At the time of our follow-up work, there were 62% fewer overdue assessments at this CCAC compared to the time of our 2015 audit, reflecting that the care co-ordinators had been addressing overdue files.

- *require that all CCAC care co-ordinators comply with the minimum number of assessments per month and be tested on the use of the assessment tools each year, and monitor compliance to that requirement.*
  Status: In the process of being implemented by December 2018.

Details

At the time of our 2015 audit, all CCACs had access to a provincial online testing system to test care co-ordinators' assessment competency on a regular basis. At the time of our follow-up, the CCACs that we visited in our 2015 audit indicated that the LHINs will deliver further assessment competency training as the home- and community-care sector transitions to an assessment tool called inter-Resident Assessment Instrument-Home Care in 2018. In the meantime, the CCACs had developed and implemented their own policies regarding the minimum number of assessments and competency testing for the care co-ordinators. For example, one CCAC provided its staff with targets for the minimum number of assessments they must complete per month and tests its staff bi-annually on their competency with assessment tools. Another CCAC conducted the assessment tool competency testing annually.

The levels-of-care framework was submitted to the Ministry in June 2017, and the Ministry expects to begin implementing the framework in early 2018. The LHINs planned to review the framework and implement any recommendations related to assessments, which may include the requirements for the minimum number of assessments care co-ordinators must complete per month and the frequency of competency testing, by December 2018.

Recommendation 2

To support caregivers so that home-care clients can receive care at home for as long as needed and to ensure the level of support to caregivers is sufficient,

- *the Ministry of Health and Long-Term Care, through the LHINs, should assess the types of caregiver supports and initiatives available in other jurisdictions, and consider approaches to use in Ontario;*
  Status: In the process of being implemented by March 2018.

Details

In March 2016, the Ministry conducted a gap analysis and jurisdictional scan of caregiver training and education programs. The report identified the following gaps: Ontario had many disease-specific, but insufficient general, caregiver training and education programs; skills-based caregiver training programs were lacking; Ontario had limited programs offered in languages other than English and for different cultures and groups; Ontario had limited programs targeted to those caring for frail seniors; and Ontario had no lead organization that co-ordinates caregiver supports.

To address these gaps, the Ministry expects to fund $4 million over two years beginning fall 2017 to support the development and delivery of caregiver training and education programs. As well, the Ministry engaged a consultant in 2016 to assess the need for a lead organization to co-ordinate supports and resources for caregivers across the province. Based on the report by the consultant, the government announced in April 2017 its intention to launch a caregiver organization.

The Ministry also intends to develop a caregiver toolkit, and make it available to caregivers by March 2018.

- *Community Care Access Centres should track the amount and type of caregiver support provided, and assess whether supports provided are sufficient and appropriate.*
  Status: Fully implemented.

Details

The Ministry provided funding of $40 million in total in July 2016 and April 2017 to enhance in-home caregiver respite. The CCACs tracked the use of these funds, including information such as service hours, individuals served and amount spent. The CCACs reported this information back to the Ministry to inform the future direction of caregiver support programs.

Co-ordination of In-Home Services Could Be Better Managed

Recommendation 3

To ensure care co-ordinators are deployed optimally in accordance with caseload guidelines and to encourage equitable service levels across the province, the Community Care Access Centres, in conjunction with the Ontario Association of Community Care Access Centres, should:

- *seek to understand the reasons for caseload variances and determine how these can be addressed;*
  Status: Fully implemented.

Details

During this follow-up, the CCACs we visited in our 2015 audit indicated that they continually review and revise caseloads when balancing the needs of patients and the growing demand for care. However, caseload guidelines are only one of many factors that CCACs must take into consideration when reviewing caseload sizes and variances. Other factors that affect caseload sizes include how long a patient had been receiving home care, the specialized needs of different patient populations, geographic location and population density, availability of resources (including human resources and other local programs and services), and local health system issues (such as the need to reduce the number of patients who occupy hospital beds but could be treated elsewhere).

- *reassess and, where necessary, revise current provincial guidelines for care co-ordinator caseload sizes;*
  Status: In the process of being implemented by March 2019.

Details

At the time of our follow-up, the CCACs had put the review of care co-ordinator caseload sizes on hold pending the release of the levels-of-care framework. The Levels of Care Expert Panel submitted the framework to the Ministry in June 2017, and the Ministry expects to begin implementing the framework in early 2018. Following the implementation of the framework, the LHINs expect to review care co-ordinator caseload sizes by March 2019.

- *follow up with discharged clients within the required time frames.*
  Status: Fully implemented.

Details

At the time of this follow-up, the CCACs we visited in our 2015 audit had implemented various initiatives to follow up with clients discharged from home care. For example, one CCAC had implemented interactive voice response technology to follow up with discharged clients by telephone. The client can respond to questions, for example, about their current condition at home and whether they would like further follow-up from the CCAC. Another CCAC contracted an independent company to conduct direct client calls.

Inadequate Information on Community Support Services Available

Recommendation 4

To effectively navigate clients to obtain necessary community-based services and to ensure current information on the availability of such services is easily accessible to all health service providers and clients, Community Care Access Centres should:

- *track all referrals made to community support service agencies;*
  Status: Fully implemented.

Details

In our 2015 audit, we found different CCACs maintained different statistics and data on referrals to community support services. Since our 2015 audit, the CCACs and the LHINs had made changes to the provincial home-care information system. The system now includes a referral function that allows exchange of patient referral information with, and tracking the status of patient referrals to, over 500 community support service agencies. In addition, in March 2016, the CCACs streamlined electronic referral packages for personal support services for low-needs patients, respite/day programs, and assisted living to ensure consistent referral information is provided to the receiving agencies.

- *in conjunction with their funding Local Health Integration Networks, consider developing centralized wait-list information for all community support services.*
  Status: Little or no progress.

Details

At the time of this follow-up, the LHINs had not expanded the centralized wait-list information to include all community-based support services. The former CCACs (now LHINs) had regulatory authority to manage wait lists for some community support services (for example, respite/day programs, assisted living and supportive housing), but not for others, such as homemaking, caregiver support and transportation services. LHINs indicated that centralizing wait lists for all services would require broader local planning discussions between the home- and community-care function within the LHINs and community support service agencies. At the time of our follow-up, the LHINs indicated that the passage of the *Patients First Act* and the requirement to integrate services within sub-regions present an opportunity to further explore how centralized wait lists could be implemented.

Recommendation 5

To increase sharing of assessment information and to avoid duplication of effort, the Ministry of Health and Long-Term Care, in conjunction with the Local Health Integration Networks, should:

- *require all health-service providers to upload complete assessment information, including assessor's notes, on a common system;*
  Status: In the process of being implemented by March 2019.

Details

We noted in our 2015 audit that the Ministry introduced an online system called Integrated Assessment Record that enables agencies to share client assessment information with each other. At that time, the Ministry required only CCACs and long-term-care homes to upload assessment information to the system, but did not extend that requirement to community support service agencies, which uploaded assessment information to the system on a voluntary basis. These requirements still had not changed at the time of the follow-up. The Ministry expected to support expanding the use of this system (which could include mandating community support service agencies to upload client assessments to the system) over the 2017/18 and 2018/19 fiscal years, following a review of the levels-of-care framework.

- *establish a feature in the system to alert staff working in CCACs and community support service agencies when a client's assessment record is already in that common system.*
  Status: Fully implemented.

Details

In our 2015 audit, CCAC staff informed us that neither the Integrated Assessment Record system nor the provincial home-care information system had a feature that alerts care co-ordinators when a client's information has already been collected by another agency and is on the system, which would often lead to a duplication of efforts as they collect and upload clients' assessment records again. In March 2017, the Integrated Assessment Record system was updated so that staff working in CCACs and community support service agencies can be notified when the system receives new or updated assessments for clients in their care.

Access to Home-Care Services Is Inconsistent and Dependent on Funding Levels

Recommendation 6

To ensure CCACs receive funding that enables the provision of equitable service levels across Ontario, the Ministry of Health and Long-Term Care, in conjunction with the Local Health Integration Networks and the Community Care Access Centres, should explore better ways to apply the funding reform formulas to address the funding inequities.

Status: In the process of being implemented by June 2018.

Details

The Ministry has started using population-health data in allocating base funding increases of $100 million in 2016/17 and $80 million in 2017/18, and another $20 million in 2017/18 for services for high-needs clients. In making these funding increases, the Ministry considered the number of clients with complex needs and the length of time they received services at each CCAC. The Ministry indicated that it will continue to allocate and revise home-care funding in coming years in order to advance and achieve funding equity.

Recommendation 7

To ensure Ontarians receive equitable and appropriate levels of home-care services, the Ministry of Health and Long-Term Care, in conjunction with the Local Health Integration Networks and the Community Care Access Centres (CCACs), should:

- *develop standard guidelines for prioritizing clients for services, and monitor for compliance to those guidelines;*
  Status: In the process of being implemented by December 2018.

Details

The levels-of-care framework was submitted to the Ministry in June 2017, and the Ministry expects to begin implementing the framework in early 2018. The framework will offer guidance to the LHINs in providing similar levels of service to clients with similar needs, regardless of where they live, based on provincial care policies and processes. At the time of the follow-up, the LHINs have committed to reviewing the recommendations of the framework and developing the standard guidelines and monitoring for compliance by December 2018.

In addition, at the time of the follow-up, the LHINs were developing a provincially consistent approach to manage and prioritize patients on a wait list for personal support services. The LHINs expect this work to be completed in fall 2017.

- *evaluate ways to provide more service hours closer to the regulated maximum limits for those assessed as requiring such services;*
  Status: In the process of being implemented by December 2018.

Details

The levels-of-care framework was submitted to the Ministry in June 2017, and the Ministry expects to begin implementing the framework in early 2018. The framework would introduce common home- and community-care standards across the province, and have common standards for who will be eligible for home care and how services will be allocated across the province. At the time of the follow-up, the LHINs committed to working with the Ministry toward implementing the recommendations of the framework, which is expected to set out expectations related to service levels, by December 2018.

- *consider establishing a minimum level of services that clients can expect to receive from CCACs.*
  Status: In the process of being implemented by December 2018.

Details

In our follow-up, the CCACs we visited in our 2015 audit indicated that they were awaiting the release of the levels-of-care framework to inform their next steps. They also indicated that their compliance with implementing standard service levels will depend on equitable funding across CCACs. The levels-of-care framework was submitted to the Ministry in June 2017, and the Ministry expects to begin implementing the framework in early 2018. The LHINs have committed to reviewing the recommendations of the framework and implementing any recommendations related to level of services, by December 2018.

Recommendation 8

To enable Community Care Access Centres (CCACs) to focus their efforts on clients with higher levels of need, the Ministry of Health and Long-Term Care, in collaboration with the Local Health Integration Networks and the CCACs, should expedite the process of transferring and diverting low-needs clients needing personal support services from CCACs to community support service agencies.

Status: In the process of being implemented by December 2018.

Details

As of February 2016, four of the Province's 14 LHINs had provided funds to designated community support service agencies to deliver personal support services to low-needs clients, thereby improving access and allowing CCACs to focus on clients with more complex care needs. These LHINs had identified and shared lessons learned and approaches with the remaining LHINs.

At the time of this follow-up, the remaining 10 LHINs had also started to transfer their low-needs clients to community support service agencies, and were implementing standards, guidelines and performance measures to ensure co-ordinated access and consistent care for clients. The remaining LHINs expect to complete the transition by December 2018.

Oversight of Contracted Service Providers Needs Improvement

Recommendation 9

To help ensure that service providers provide the best-quality home-care services to clients, Community Care Access Centres should:

- *develop performance indicators and targets and collect relevant data that measure client outcomes;*
  Status: In the process of being implemented by December 2018.

Details

All CCACs participated in the work being led by Health Quality Ontario to develop quality standards for the care and rehabilitation of hip fractures. As well, they worked with the Rehabilitative Care Alliance (a province-wide collaborative established in April 2013 by all 14 LHINs to support the improvement of rehabilitative services) to develop rehabilitative care best-practice frameworks for patients with hip fractures and primary hip and knee replacement. The CCACs (now LHINs) also helped to develop indicators to measure patient outcomes.

In addition, the CCACs (now LHINs) had participated in the work being led by Health Quality Ontario on developing wound care quality standards that would apply across the health-care system. As part of that work, LHINs have begun reviewing performance indicators for the service providers with whom they contract. The LHINs expect to implement these quality standards and the associated indicators by December 2018.

- *reassess the use of "missed care" versus tracking all possible scenarios of missed, rescheduled and late visits;*

  Status: Little or no progress.

Details

In January 2015, CCACs revised the definition of "missed care" and began collecting provincial data to help set provincial targets for "missed care." This new definition does not include any visits where the service provider arrived late or rescheduled a visit without notifying the patient ahead of time. Instead, the CCACs measure those incidents by asking related questions in a client satisfaction survey. In March 2016, CCACs updated the agreement with service providers to include both the revised definition and the targets for "missed care." The CCACs planned to begin reporting on this indicator under the revised methodology in the third quarter of 2017/18. These changes have not addressed all aspects of missed care.

- *consistently apply appropriate corrective actions to service providers that perform below expectation.*

  Status: Fully implemented.

Details

At the time of our 2015 audit, the CCACs we visited indicated that they monitor the performance of their service providers against a set of performance standards that are part of all service provider contracts. Where a service provider does not achieve a standard, a CCAC may issue a quality improvement notice, which requires the service provider to develop an action plan to improve performance. If performance issues are not resolved, CCACs can decrease the amount of service volume allocated to a poorly performing provider or they can terminate a contract. In the fiscal year 2016/17, some CCACs had issued quality-improvement notices to service providers, but these CCACs did not decrease service volumes or terminate any contracts.

Recommendation 10

To ensure that the client satisfaction survey results can be used to effectively monitor the performance of the service providers, the Ontario Association of Community Care Access Centres, in conjunction with the Community Care Access Centres, should review and revise, where necessary, the client satisfaction survey methodology to increase the accuracy and reliability of survey responses.

Status: Fully implemented.

Details

All CCACs made the following changes to the client satisfaction survey methodology to improve the accuracy and reliability of survey responses:

- updated survey inclusion/exclusion criteria to optimize responses and sample sizes, which improved data reliability (for example, the survey now excludes any patient who has already completed a survey in the last 12 months and any patient who has refused to participate in a survey in the last nine months);
- updated the survey sampling methodology and calling protocol to increase the likelihood of receiving responses to the survey (for example, the survey now pulls samples that contain only primary contact information, which helps ensure that the interviewer contacts the most appropriate caregiver if the patient is unable to be interviewed; as well, the interviewer can now contact up to three caregivers, rather than one, to increase the likelihood of getting a response to a survey); and

- added modules in the client satisfaction survey for clinic patients and patients transitioning from hospitals to home care to increase the accuracy of information for specific services/clients.

Recommendation 11

To ensure that information submitted by service providers is complete, accurate and reflects their performance, the Community Care Access Centres should conduct routine site visits to monitor quality of care and verify the accuracy and completeness of information reported to CCACs.

Status: Fully implemented.

Details

At the time of our follow-up, the CCACs we visited in our 2015 audit indicated that their staff conducts audits and/or site visits to monitor the quality of care provided by service providers in clients' homes. For example, one CCAC began visiting service providers in 2015 with a focus on patient safety, and intended to focus on contractual obligations related to performance and quality improvement in 2017/18. Another CCAC in 2015/16 and 2016/17 completed both desk audits and on-site audits of its service providers to investigate specific quality-improvement opportunities.

Recommendation 12

To ensure that complaints brought to the attention of either the Community Care Access Centres or the service providers are appropriately addressed on a timely basis, the Community Care Access Centres should:

- *prioritize the complaints they receive by level of risk and respond to the most urgent ones first;*

  Status: Fully implemented.

Details

At the time of our follow-up, each of the CCACs we visited in our 2015 audit had established a process to document, prioritize and respond to the complaints it receives. For example, one CCAC indicated that it acknowledged complaints within two business days. This CCAC also instituted a daily meeting of care co-ordinators to review new complaints and to provide updates on investigations into active complaints. Another CCAC established a policy of prioritizing responses to complaints. This CCAC prioritized complaints based on their impact on the client, which was categorized as high, medium or low, and responded to clients in the order of high impact to low impact.

- *require service providers to identify common areas of concerns as reported by their complainants, and analyze this information for further action.*

  Status: Fully implemented.

Details

In our 2015 audit, we noted that neither the Ministry nor the LHINs required CCACs to report the nature of local complaints, and only one of the three CCACs we visited reported the nature of complaints to its LHIN. At the time of this follow-up, all three CCACs indicated that every quarter, service providers report on the number and nature of complaints, areas of concern, and the actions taken to address the complaints. For example, one CCAC required service providers to document client complaints in a system; the CCAC then analyzed this information to identify opportunities for quality or performance improvement. Another CCAC launched an information report in April 2017 to record high-risk events related to infusion and medication errors.

Recommendation 13

To ensure that the funds provided to recruit and retain personal support workers are spent for the purposes intended, the Community Care Access Centres should conduct inspections of service provider records, on a random basis, and share the results with the Ministry of Health and Long-Term Care.

Status: In the process of being implemented by June 2018.

Details

At the time of the 2015 audit, we noted that the Ministry only required contracted service providers to annually self-declare that they had complied with the personal support worker wage increase, but did not have any audit process to ensure that the funds it provided were spent to recruit and retain personal support workers. At the time of this follow-up, this was still the case. The Ministry indicated that service providers attest to their compliance with the Personal Support Worker Wage Enhancement Directive and Addenda through a certificate of compliance; this attestation required the signature of the highest-ranking officer in the organization and confirmation by the organization's board chair. The CCACs (now LHINs) tracked the receipt of these attestations over the course of the three-year initiative and brought to the Ministry's attention issues of non-compliance, which were subsequently resolved. The Ministry indicated that it will collaborate with the 14 LHINs to conduct a provincial audit by June 2018 to ensure funds provided were spent to recruit and retain personal support workers.

CCACs Measured against Different Targets for Common Areas

Recommendation 14

To ensure that critical operational and financial areas are consistently assessed and are transparent to the public, the Ministry of Health and Long-Term Care, in collaboration with the Local Health Integration Networks, the Community Care Access Centres, and Health Quality Ontario, where applicable, should:

- *review and assess whether all the indicators collected continue to be relevant for determining efficient and effective performance of home care;*
  Status: In the process of being implemented by September 2017.

Details

Beginning in spring 2016, the home-care sector participated in the provincial Home and Community Care Indicators Review led by Health Quality Ontario, which assessed the home-care indicators that Health Quality Ontario currently reports to the public. The review was completed in March 2017. At the time of our follow-up, the Ministry was examining the outcome of the indicators review and considering improvements to the current methodology, which it expected to complete by September 2017. The Ministry also plans to work with Health Quality Ontario to identify new patient experience indicators that are most meaningful to patients, caregivers and the public.

- *make more CCAC results on performance measures publicly available;*
  Status: In the process of being implemented by December 2017.

Details

At the time of our 2015 audit, CCACs had publicly reported their performance against targets in the areas of finances, volumes, services, quality improvement and cost/patient served. At the time of our follow-up, the Ministry was assessing the outcome of the Home and Community Care Indicators Review, which it would use to determine the future public reporting of performance measures.

- *consider establishing targets for all performance areas where needed;*
  Status: In the process of being implemented by December 2018.

Details

At the time of this follow-up, the CCACs and the Ministry were working with Health Quality Ontario to review the indicators for home-care services at the provincial level, the LHIN level and the service-provider level. It then plans to establish, by December 2018, service targets for these new indicators to track progress in improving consistency of care.

- *develop more outcome-based indicators to measure against overall CCAC performance;*
  Status: In the process of being implemented by December 2018.

Details

At the time of this follow-up, the home-care sector was working with Health Quality Ontario on the development of quality standards for the care and rehabilitation of hip fractures. The development of the quality standard on hip fracture and associated recommendations for adoption is in the final stages of approval with Health Quality Ontario and will be released in fall 2017. It also worked with the Rehabilitative Care Alliance on the development of rehabilitative care best-practice frameworks for patients with hip fractures and primary hip and knee replacement. The home-care sector was also developing indicators to measure CCAC performance in this area. The home-care sector was establishing a provincial rehabilitation community of practice—a group of professionals who share their intelligence and learning concerning rehabilitation services—to support the sector in implementing the standards once finalized. The LHINs will continue to develop more outcome-based indicators on an ongoing basis, but expect most of this work to be completed by December 2018.

- *make hospital readmission data available to Community Care Access Centres on a more timely basis.*
  Status: In process of being implemented by September 2017.

Details

In May 2017, the Ministry provided hospital data to Health Shared Services Ontario. At the time of this follow-up, the two parties were working together to ensure data quality.

Chapter 1

Section

1.02

Ministry of Children and Youth Services

Child Protection Services—Children's Aid Societies

Follow-Up on VFM Section 3.02, *2015 Annual Report*

RECOMMENDATION STATUS OVERVIEW

	# of Actions Recommended	Status of Actions Recommended: Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	4		4		
Recommendation 2	1	4/7		3/7	
Recommendation 3	2		1	1	
Recommendation 4	2		1		1
Recommendation 5	1		1		
Recommendation 6	1	1			
Total	**11**	**1 4/7**	**7**	**1 3/7**	**1**
%	**100**	**14**	**64**	**13**	**9**

Overall Conclusion

According to information that the Ministry of Children and Youth Services (Ministry), the Ontario Association of Children's Aid Societies (Association), and the seven Children's Aid Societies (Societies) that we visited during our 2015 audit provided to us, as of June 7, 2017, only one of the actions we recommended in our *2015 Annual Report* has been fully implemented. The Association has developed various governance aids for Societies to ensure that funds are spent appropriately. The board of directors of all but one of the seven Societies have specific finance committees that regularly review financial information to ensure that financial activities are in compliance with broader-public-sector requirements. The other Society's governance policies allow for an ad hoc finance committee to be struck when needed, for example, to select an auditor and to review and approve the Society's audited financial statements. In addition, the Society has added a member with financial background to its board to review financial matters related to the Society's operations.

The Ministry, the Association and the Societies have made progress in implementing seven of the recommended actions. For example, the Ministry has required each Society to submit quality improvement plans that capture compliance rates and outline the actions it will take to improve compliance with child protection standards and legislated requirements, including those identified in our audit. In addition, the Ministry has made improvements to the new province-wide information system that will enable Societies to track their compliance with history-check requirements on individuals involved with children in their care. All of the seven Societies we audited in 2015 have also either established or updated their quality assurance policies to improve their compliance with protection standards. Five of the seven Societies we audited have implemented strategies to ensure cases are not closed prematurely. However, compliance rates reported by the seven Societies we audited indicate that more work is needed to ensure that children and youth who need protection receive the services they need in accordance with legislative, regulatory and program requirements. The Ministry has also committed to explore caseloads and their impact on consistency of child protection services across the province.

The Ministry has made little progress in implementing one recommended action, to evaluate the effectiveness of providing continued care and supports for youth that are not contingent on the youth demonstrating progress toward meeting their goals. We were advised that the remaining recommended action from our 2015 audit—to analyze the impact of variable services on quality of child protection services across the province—will not be implemented because the Ministry believes the Societies are responsible for decisions regarding staffing and services to be provided. We continue to recommend that these actions be taken because we believe these are significant recommendations that, if implemented, would help ensure that children and youth receive the service they need as required under legislation and regulation.

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

Background

Child protection services in Ontario are governed by the *Child and Family Services Act* (Act), the purpose of which is to promote the best interests, protection and well-being of children. The Ministry of Children and Youth Services (Ministry) administers the Child Protection Services Program, and contracts with 48 local not-for-profit Children's Aid Societies (Societies) that deliver child protection services throughout Ontario (47 at the time of our 2015 audit). All but three of the 48 Societies are members of, and are represented by, the Ontario Association of Children's Aid Societies (Association). The Association gathers information about emerging trends and best practices in child protection, provides training for Society caseworkers, and advocates on behalf of its members.

Ministry transfer payments to Societies to fund their expenditures were $1.48 billion in the 2016/17 fiscal year ($1.47 billion in 2014/15). One-third of Societies' expenditures were for services for children who had been removed from their homes and placed in the care of Societies in foster, group or relatives' homes (about 40% at the time of our 2015 audit). Over the last five fiscal years, the number of children in the care of Societies has declined by more than 18% (10% at the time of our 2015 audit).

Societies are independent legal entities, each governed by an independent volunteer board of directors. By law, each Society is required to provide all mandatory child protection services to all eligible children. In other words, waiting lists are not an option for child protection services. Societies initiate a child protection investigation for any reported concern where there are reasonable and probable grounds that a child may need protection from abuse or mistreatment.

Overall, our audit found that there were differences in the levels of service and support provided by Societies, and that workers at the various Societies had vastly different caseloads. The average number of family service cases per worker ranged from eight to 32 per month. These differences could affect the consistency of care and support received by children and families across the province.

Our significant observations include the following:

- Societies may be closing child protection cases too soon. In more than half the child protection cases we reviewed that were subsequently reopened, the circumstances and risk factors that were responsible for the reopening of the case had been present when the case was initially closed.
- Societies did not investigate child protection cases on a timely basis and did not always complete all required investigative steps. None of the child protection investigations we reviewed at the Societies we visited were completed within the required 30 days of the Society receiving the report of child protection concerns. On average, the investigations were completed more than seven months after the Society's receipt of the report. As well, safety assessments to identify immediate threats to the child were either not conducted on time or not conducted at all.
- Societies did not always conduct timely home visits and service plan reviews in cases involving children still in the care of their families. In more than half the child protection cases we reviewed, caseworkers visited the children and their families at home only once every three months, instead of every month as required by protection standards.
- Societies did not always complete plans of care—designed to address a child's health, education, and emotional and behavioural development—on a timely basis.
- Societies did not always do child protection history checks on people involved with children, increasing the risk that children are left in the care of people with histories of domestic violence or child abuse.
- The Continued Care and Supports for Youth (CCSY) program was not achieving its objective of preparing youth for transition out of care. In almost half the child protection cases we reviewed, there was no evidence the youths were involved in reasonable efforts to prepare for independent living and adulthood.

We recommended that Societies meet all legislative, regulatory and program requirements when delivering protection services; ensure that protection cases are not closed prematurely; assist youth to transition to independent living and adulthood; develop standard caseload benchmarks; and ensure that funding is used to appropriately to provide direct services to children and families while identifying opportunities to improve service delivery.

Our report contained six recommendations, consisting of 11 actions, to address our audit findings. We received commitments from the Ministry, the Association, and the Societies that they would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between April 1, 2017, and June 7, 2017. We obtained written representation from the Ministry of Children and Youth Services (Ministry), the Ontario Association of Children's Aid Societies (Association), and the seven Children's Aid Societies that we visited during our 2015 audit (Toronto, Hamilton, Durham, Kingston, Sudbury, Muskoka and Waterloo) that, effective September 1, 2017, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Societies Did Not Always Conduct Child Protection History Checks on Individuals Involved with Children

Recommendation 1

To ensure that children and youth who need protection receive timely, consistent and appropriate care and supports, Children's Aid Societies should ensure that they meet all legislative, regulatory and program requirements in the following areas:

- *conducting child protection history checks on all individuals involved with the child upon receipt of reports of child protection concerns;*
  Status: In the process of being fully implemented by the seven Societies we audited by June 2019.

Details

Upon receiving a report of a child protection concern, Ministry-established protection standards require that Societies must check their internal records and the provincial database of all Societies' records to determine whether the individuals involved have had previous contact with any Society. In addition, if the report alleges that the child has suffered or may be suffering abuse, the Act requires that the Society check the Ontario Child Abuse Register (Register) for any history of abuse involving the child, the family or the alleged abuser.

In our 2015 audit, we noted that Societies did not conduct these history checks in some of the child protection reports we reviewed. In addition, in more than half the reports where a child had suffered abuse or was alleged to have suffered abuse, our review found that Societies did not check the Register as required.

In response to our recommendation, in December 2015 the Ministry sent a letter to all Societies, reminding them of the legislated requirement to check the Child Abuse Register when they receive reports alleging that a child has suffered abuse. However, the Ministry did not follow up with the Societies—nor has it requested Societies to report back—to confirm that they have been performing the required history checks.

But, in April 2017, the Ministry added a useful function to the Child Protection Information Network (CPIN)—the province-wide information system that Societies are currently implementing in scheduled phases—to enable Societies to track their own compliance with history-check requirements. One purpose of the CPIN functionality that was added in April 2017 is to prevent a protection case from moving forward if the required history checks are not completed. Three of the seven Societies we visited during our 2015 audit have implemented CPIN, although one informed us that it has not been able to produce reports due to technical difficulties. The two Societies that were able to generate reports from CPIN had compliance rates of 98% and 100% respectively since our 2015 audit. The third Society manually checked for compliance with the requirement for a Child Abuse Register check and found that its compliance rate decreased from 100% to 72% between February and December 2016.

Of the other four Societies that have not implemented CPIN, two have been monitoring their compliance with protection standards, either monthly or biennially, using either their current case management system or their manual review of a sample of protection cases. Their results note compliance rates ranging from 87% to 100% since 2015.

In addition to tracking compliance through CPIN, all of the seven Societies have also either established quality assurance committees or updated their internal policies in order to improve compliance with history-check requirements. The Ministry estimates that CPIN will be fully implemented across the province by June 2019.

Societies Did Not Complete Child Protection Investigations on a Timely Basis

- *conducting child protection investigations within the required response time;*
  Status: In the process of being fully implemented by the seven Societies we audited by December 2020.

Details

Ministry standards require Societies to conduct a child protection investigation for any reported concern where the Societies' history checks and initial assessment of a reported child protection concern indicate that there are reasonable and probable grounds that a child may need protection. The investigation—intended to assess immediate and long-term risks to the child and determine if the child needs protection services—must begin within 12 hours or seven days, depending on the Societies' initial assessment of the level of threat to the child's safety.

Our 2015 audit found that about one-quarter of the investigations we reviewed were not started within the required response time. On average, these investigations began five days after the required time.

In response to our audit, the Ministry instructed all Societies to submit quality improvement plans by February 2016. The plans were to identify the actions a Society plans to take to address the audit findings. Societies were subsequently required to submit quarterly progress reports beginning in May 2016. The progress reports include each Society's compliance rate for key protection standards, status of planned actions described in the quality improvement plan, and any additional actions that the Society plans to undertake for each protection standard where its compliance rate is less than 100%. Compliance rates must be calculated based on a review of a sample size large enough to make statistically significant conclusions, which may require hundreds of protection cases to be sampled.

Based on the latest progress reports (submitted in March 2017), at the time of this follow-up report, compliance rates varied greatly among the seven Societies. For example, in cases where standards required an investigation to begin within 12 hours of the Society receiving a report of a child protection concern, compliance rates ranged from 77% to 100% (median of 93%). In protection cases where standards required an investigation within 48 hours of the Society receiving a report, compliance rates ranged from 50% to 100% (median of 71%). Finally, in protection cases where standards required an investigation to begin within seven days of the Society receiving a report, compliance rates ranged from 68% to 99% (median of 93%). Considering both the implementation of CPIN and the business processes that need to be put in place, the Societies not yet fully compliant estimate that they will achieve 100% compliance between December 2017 and December 2020.

Societies Did Not Always Conduct Timely Home Visits and Service Plan Reviews in Cases Involving Children Still in the Care of Their Family

- *conducting home visits and Service Plan reviews in cases involving children still in the care of their family within required time frames;*
  Status: In the process of being fully implemented by the seven Societies we audited by December 2020.

Details

When a Society's investigation has determined that a child is in need of protection but does not need to be taken into the Society's care, the child and family receive the Society's services while the child remains at home. Ministry protection standards require Society caseworkers to visit the child's home once per month. In addition, Societies must develop a service plan—outlining the goals for the child's safety and well-being—within one month of completing the investigation. Society caseworkers must review the service plan with the family every six months while the child and family are receiving child protection services.

Our 2015 audit found that although caseworkers made attempts to make scheduled and unannounced home visits, home visits did not occur every month in more than half the cases we reviewed. In addition, in almost two-thirds of the cases we reviewed, the Societies had not developed a service plan within the first month of service as required. In more than half the cases we reviewed, caseworkers did not review the service plans every six months, including some instances where caseworkers did not review the service plans at all.

Societies' quarterly progress reports on their quality improvement plans include their compliance rates for home visits and service plan completion and reviews. Similar to the compliance rates for conducting investigations, compliance rates for home visits and service plan reviews also varied greatly among the seven Societies we had previously visited. For example, the March 2017 progress reports indicated that compliance rates for conducting monthly home visits ranged from 28% to 75% (median of 59%). In addition, compliance rates for completing service plans within one month of the investigation ranged from 15% to 83% (median of 68%). Finally, compliance rates for service plan reviews ranged from 44% to 64% (median of 57%). The seven Societies we audited plan to have the appropriate processes in place to achieve 100% compliance by September 2018 to December 2020.

Societies Did Not Always Conduct Timely Visits and Reviews of Plans of Care in Cases Involving Children in Societies' Care

- *conducting Plan of Care reviews in cases involving children in the care of Societies within required time frames.*

  Status: In the process of being fully implemented by the seven Societies we audited by March 2020.

Details

When a Society's investigation has determined that the child must be removed from home, the child is taken into the Society's care and may be placed with relatives, in a foster home, or in a group home. In these cases, Society caseworkers must prepare a plan of care—designed to meet the child's needs—within 30 days of a child being placed in the foster, group or relative's home. Caseworkers must review the plan of care with the child and family within three months of the placement, and every six months thereafter, until the child is discharged from the Society's care or turns 18.

At the time of our audit in 2015, we found that in about one-quarter of cases we reviewed the Societies did not develop plans of care within 30 days of the child's placement in a foster or group home. In addition, in over 10% of cases we reviewed, caseworkers did not review the plans of care within the required time frames.

Societies' quarterly progress reports on their quality improvement plans include their compliance rates for plan of care completion. Compliance rates for completing plans of care also varied greatly among the seven Societies we had visited. For example, the March 2017 progress reports indicated that compliance rates for completing plans of care within one month of placement ranged from 46% to 100% (median of 87%). Societies with low compliance rates plan to achieve 100% compliance by September 2018 to March 2020.

Societies May Be Closing Child Protection Cases Too Soon

Recommendation 2

To ensure that protection cases are not closed prematurely, Children's Aid Societies should ensure that risk factors that are present are appropriately addressed before they close these cases. As well, an annual review and analysis of all reopened cases should be performed to determine if any corrective action is necessary to minimize premature case closures.

Status: Four Societies have fully implemented this recommendation. Three Societies have made little or no progress on this recommendation.

Details

Societies are supposed to close child protection cases—involving children receiving protection services while remaining with their families as well as children in the Societies' care—only when protection concerns have been resolved and the child is no longer at risk. During our 2015 audit, our review of a sample of child protection cases that had been reopened after initially being closed found that in almost half of the reopened cases, risk factors were still present or not completely addressed at the time the case was initially closed.

Six of the seven Societies participated in a province-wide study to determine why some children end up requiring protection services from Societies again after their protection cases have been closed. The study, led by the University of Toronto, found that chronic issues, such as neglect, were the most common reason those children required further protection. The study also found that the same issues or risk factors, and not the emergence of new issues or risks, cause those children to require protection services again. As a result of this study, in March and April 2017, the Association provided information to all Societies regarding risk factors associated with reopened cases. The Association also provided a framework to help Societies identify strategies to ensure risk factors associated with reopened cases are addressed before they close child protection cases. All seven Societies have completed the framework, and five have implemented strategies such as providing guidance and reference tools for staff when closing child protection cases. The other two Societies stated that they will need to collect more information to determine the appropriate strategy.

The March 2017 progress reports for six of the seven Societies reported a decrease in reopen rates, from an average of 20% to 17%, between 2010/11 and 2014/15. The seventh Society could not report its reopen rates due to limitations in its previous case management system. The Society has since implemented CPIN, which will allow it to track and report its reopen rates.

Since our audit, four of the seven Societies have reviewed a sample of reopened protection cases to determine the reasons for the reopening. The reviews found that up to half of the protection cases had the same risks, such as emotional harm or exposure to conflict, at reopening as at the time the protection case was created. One of these Societies found that one-fifth of the cases it reviewed were potentially closed prematurely. Another conducted a one-time detailed analysis to determine which risks were most likely to be present at reopening. This Society also reviewed high-risk protection cases to determine whether the reasons for closure were documented, and found that 40% of high-risk protection cases did not include an explanation for the closure. The Societies indicated that they plan to continue monitoring these risk factors to determine where improvements are necessary to further decrease the reopen rates.

Of the three Societies that have not analyzed reopened cases, one has stated it could not perform the analysis due to CPIN limitations, and expects it will be able to perform such an analysis by December 2020. One Society has developed a case-analysis template, which staff should use to ensure protection cases are not closed prematurely, and plans to review the implementation of this template in December 2017. The third has begun analysis of the information provided by the province-wide study in June 2017.

Plans to Help Youth Prepare for Independent Living Are Not Always in Place or Monitored by Societies

Recommendation 3

To help improve the Continued Care and Support for Youth (CCSY) program's effectiveness in assisting youth to transition to independent living and adulthood:

- *Children's Aid Societies should ensure that signed agreements are in place, and Youth Plans are created, reviewed and updated accordingly;*
  Status: In the process of being fully implemented by the seven Societies we audited by December 2018.

Details

The Continued Care and Support for Youth (CCSY) program is meant to provide financial and non-financial support to youth (18 to 20 years old inclusive) to help them transition to independent living. Ministry policies require Societies to enter into an agreement with the youth receiving supports and develop a youth plan to establish goals based on the youth's strengths and needs within 30 days of the agreement being finalized. Society caseworkers must check in every three months to discuss the youth's progress toward meeting those goals.

In some of the cases we reviewed during our 2015 audit, we found that the agreements were either not in place or not signed by all parties (that is, the youth, caseworker and the Society's executive director). We also found that in about one-quarter of the cases we reviewed, the youth plan was either not developed within 30 days of the agreement being finalized, or not created at all. In addition, in almost half of the cases we reviewed, the Society caseworker did not review the youth plan with the youth every three months as required.

Five of the seven Societies we visited have monitored their compliance with Ministry policies through their case management systems or audits. Compliance rates ranged from 38% to 98% between 2015 and 2017. The Societies that have been monitoring their compliance advised us that compliance with this requirement is contingent on external factors. For example, the Society cannot withhold supports from youth who refuse to sign the youth plan. The two Societies that do not yet track their compliance with this requirement expect to be able to do so by December 2017 to December 2018.

In January 2017, one of the seven Societies created a working group to examine issues and potential outcome measures related to youth plans. In the long term, the working group aims to work with higher-level education institutions to develop outcome measures to evaluate how well the CCSY program is helping youth who are leaving Societies' care transition to independent living.

Societies' Ability to Influence Youth Is Limited by Lack of Requirement for Youth to Actively Participate in Transition Planning

- *The Ministry of Children and Youth Services should evaluate whether providing supports through the CCSY program that are not contingent on a youth demonstrating progress toward meeting his or her goals for transitioning to independent living and adulthood is resulting in better youth outcomes (as opposed to requiring these supports to be contingent on such progress).*

  Status: Little or no progress.

Details

During our 2015 audit, we noted that supports provided to youth are not contingent on the youth's progress toward meeting his or her goals, as stated in the youth plan. In almost half of the cases we reviewed, we found no evidence that youth had made reasonable efforts to prepare for independent living. The Ministry stated that it would consider evaluating the merits of making supports contingent upon progress as well as other opportunities to support youths through the program.

At the time of this follow-up report, the Ministry had not yet changed its position that CCSY supports would not be tied to a youth's goals. However, in April 2016, the Ministry hired a consultant to review and recommend improvements to the existing performance indicators for the child protection services program. The review also involves assessing other areas, including the CCSY program, where performance should be measured. Output measures include the total number of youth receiving financial supports, the average sum of financial support received by youth, and the type of financial support provided. The Ministry is currently working to identify potential outcome data for the CCSY program that is collected by the Societies.

Variances in Worker Caseloads between Societies May Affect Consistency of Service Delivery

Recommendation 4

To ensure the effective and efficient delivery of child protection services in accordance with legislative, regulatory, and policy and program requirements, the Ontario Association of Children's Aid Societies should work with the Ministry of Children and Youth Services to:

- *develop standard caseload benchmarks for child protection services against which both Children's Aid Societies and the Ministry can periodically compare caseloads and ensure that Society caseloads are reasonable;*

  Status: In the process of being fully implemented by fall 2019.

Details

At the time of our 2015 audit, the Ministry had not established caseload standards that Societies could use to assess their staff's workload and ensure that they are effectively staffed to deliver timely and appropriate child protection services. Our analysis of staff and service data reported by all 47 Societies in Ontario for 2014/15 noted a wide range of caseload ratios among the Societies. For example, the total number of open investigations during the year ranged from a low of 50 to a high of 111 per caseworker. The Association indicated that it would work with the Ministry to develop caseload benchmarks.

At the time of this follow-up report, neither the Ministry nor the Association has taken any action on this recommendation. According to the Ministry, it is responsible for setting the overall strategy, goals and priorities for the protection services program. Because Societies are independent legal entities governed by independent boards of directors, the Ministry states that it cannot direct Societies regarding their staffing structures. The Ministry also advised us that Societies are best positioned to identify appropriate staffing structures in order to meet their legislative obligations and provide responsive services to children and youth. This, despite the fact that—as we noted in **Section 3.02, Children's Aid Societies,** of our *2006 Annual Report*—prior to April 2003, the Ministry had established caseload benchmarks upon which Society funding was based. The Association has not acted, and has informed us that it cannot act on the recommendation until it receives support from the Ministry.

The Ministry advised us that it will explore caseloads and their impact on consistency of child protection services across the province, engaging the child welfare sector in this work. This work is expected to be completed by fall 2019.

Differences in Services Offered by Societies Result in Inconsistencies in Supports Received by Families

- *determine what impact the differences in supports provided by Societies have on the quality of child protection services across the province, and develop a plan to ensure that children and families have equitable access across Ontario to the supports they need.*

  Status: Will not be implemented.

Details

The seven Societies we visited during our 2015 audit varied in size and the services they provided. Some of the Societies we visited, for example, had on-site medical and dental clinics, registered nurses to complement their frontline staff, and specialized in-home supports (such as assisting with parent-teen conflicts). At the time of our audit, the Association stated that it would be pleased to work with the Ministry to assess the impact that differences in supports provided by Societies have on the quality of child protection services across the province.

Since our 2015 audit, the Association has facilitated sessions between Societies to determine the reasons for differences in service. However, the Association has not received the Ministry's support to conduct a comprehensive analysis of the impact of these differences. The Ministry stated that it is up to the Association and the Societies to act on this recommendation, as the Ministry believes each Society should develop staffing models that address its unique needs. The Ministry has committed to reviewing the funding model in 2017/18, including the allocation of funding according to each Society's needs.

The Ministry also advised us that it requires Societies to comply with child protection standards to ensure that child protection services are delivered using a consistent mandatory framework.

Auditor General's Response

We believe this is a significant recommendation and that the Ministry should work with the Association to move toward children and families having access to consistent protection services across Ontario. The Ministry is responsible for administering the child protection services program, which includes ensuring that children and families across the province have access to the same services.

Cost Efficiencies Could Potentially Be Achieved through Amalgamations of Societies and Shared Service Arrangements

Recommendation 5

To ensure that funding for child protection services is used appropriately to provide direct services to children and families, Children's Aid Societies should work with the Ministry of Children and Youth Services to identify opportunities to improve service delivery (including further amalgamation and shared services), with children's needs as the focal point.

Status: In the process of being fully implemented by August 2019.

Details

At the time of our 2015 audit, we noted that the direct costs of providing child protection services varied widely among Societies across the province. Our analysis of Society data found that about 13% of Societies' expenditures were related to back-office functions, training and recruitment, promotion and publicity, and specialized assessments such as drug testing and psychological services. Savings could potentially be achieved by implementing these business functions and perhaps others as shared services across all Societies so that they could redirect more funds toward direct services for children and their families.

In August 2016, the Association, the Ministry, and the Ministry of Government and Consumer Services entered into a transfer payment agreement for a Shared Services Program Implementation Project. Through this program, the Association will provide common services—such as procurement of goods and services, training, communications, and data management and analysis—to participating Societies. The program will also give Societies the option to sign up for additional services—for example, an after-hours call centre, background checks and translation services—on a fee-for-service basis.

At the time of our follow-up report, 32 societies have signed agreements with the Association to participate in the program, and an additional five societies were in the process of signing agreements. All of the seven Societies we visited during our 2015 audit have signed, or plan to sign, agreements with the Association to participate in the program. In the meantime, one of the Societies has also entered into a shared-services agreement with a neighbouring Society for training, annual review of its group homes, and therapeutic family care.

The project is expected to be fully implemented by August 2019. See **Section 1.03** (**Child Protection Services – Ministry**) of this Follow-Up Volume of our Annual Report for more details on the Shared Services Program.

Excessive and Questionable Spending by an Executive Director Was Approved by One Society's Board

Recommendation 6

The board of directors of each Children's Aid Society should ensure that it oversees Society expenditures with sufficient care to ensure that funds are spent appropriately for child protection services.

Status: Fully implemented.

Details

During our 2015 audit, our review of executive credit card expenses at one of the Societies we visited identified excessive and questionable spending by its former executive director. The expenses lacked documentation to support that they were incurred for Society business, but were nonetheless approved by the Society's board of directors. The board acknowledged that it should have been more disciplined in its oversight of expenses. The Ministry also highlighted—in a separate review that was already underway during our 2015 audit—similar concerns with oversight of CEO expenses at another Society.

Since our audit, the Association has developed various governance aids for all Societies. For example, the Association introduced a self-assessment tool in 2015 to measure how board members believed they were performing. In June 2016, the Association also provided a guide to all Society boards on good governance practices.

Three of the seven Societies we visited during our 2015 audit also made changes to their policies. One Society, where our 2015 audit identified excessive and questionable spending by its former executive director, engaged an external consultant to help improve its procurement, reimbursement and expense policies. The board of directors of all but one of the seven Societies we had previously visited have standing finance committees that regularly review financial information to ensure that financial activities were in line with broader-public-sector requirements. The other Society has added a member with financial background (the treasurer) to its board to review financial matters related to the Society's operations. The Society has also updated its governance policies to allow for an ad hoc finance committee to be struck when needed, for example, to select an auditor and to review and approve the Society's audited financial statements. The ad hoc committee will be led by the board treasurer.

Chapter 1

Section 1.03

Ministry of Children and Youth Services

Child Protection Services Program—Ministry

Follow-Up on VFM Section 3.03, *2015 Annual Report*

RECOMMENDATION STATUS OVERVIEW

	# of Actions Recommended	Status of Actions Recommended				
		Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	3	1	2			
Recommendation 2	1		1			
Recommendation 3	1		1			
Recommendation 4	1			1		
Recommendation 5	1		1			
Recommendation 6	1		1			
Recommendation 7	1		1			
Recommendation 8	1		1			
Recommendation 9	3	1	1	1		
Total	**13**	**2**	**9**	**2**	**0**	**0**
%	**100**	**15**	**70**	**15**	**0**	**0**

Overall Conclusion

According to the information that the Ministry of Children and Youth Services (Ministry) provided, as of July 17, 2017, two (15%) of the actions we recommended in our *2015 Annual Report* have been fully implemented. For example, since our last audit, the Ministry has assessed the proposed performance indicators it intended to roll out to ensure they will adequately evaluate the current and long-term outcomes of the Child Protection Services Program and of children receiving protection.

The Ministry has made progress in implementing another nine (70%) of our recommended actions. For instance, the Ministry hired a consultant who expects to set up effective data gathering and reporting systems at each Children's Aid Society (Society) by 2020, and who set up a process for reporting complete and accurate data on the new updated performance indicators. The Legislature also passed the *Child, Youth and Families Services Act, 2017*, which will extend the age of protection to include all children under the age of 18 years. In July 2017, the Ministry also released a blueprint of actions that will help ensure that all instances of non-compliance by residential licensees (such as group homes and foster care agencies) are documented, reported to, and addressed by the residential service providers on a timely basis. The Ministry also will soon initiate an information tracking tool that will help to ensure that Societies promptly act on all recommendations directed to them from reviews of child deaths.

The Ministry has made little to no progress in implementing the remaining two (15%) of our recommendations. For example, it has not created mechanisms to confirm that directives and recommendations issued to a Society as a result of non-compliance with legislative and program requirements are acted upon and corrected. The Ministry also has not estimated the overall implementation costs of the Child Protection Information Network and the impact this system will have on the Societies' ability to deliver mandated child protection services within their budget allocations and how such costs should be funded.

Background

Child protection services in Ontario are governed by the *Child and Family Services Act* (Act), the purpose of which is to promote the best interests, protection and well-being of children. The Ministry of Children and Youth Services (Ministry) administers the Child Protection Services Program and contracts with 48 (47 at the time of our 2015 audit) local not-for-profit Children's Aid Societies (Societies) that deliver child protection services throughout Ontario. Some of the children receiving Society services, including Crown wards, live in group homes, foster homes, with next of kin, or live independently.

Services provided under most other programs administered by ministries are subject to the availability of funding; however, by the law that governs the Child Protection Services Program, each Society is required to provide all mandatory child protection services to all eligible children. This means that wait lists are not an option for child protection services.

The Ministry transferred payments of $1.48 billion in the 2016/17 fiscal year ($1.47 billion in 2014/15) to fund Societies' expenditures. Until 2012/13, transfers to specific Societies were based on historical funding. As of 2013/14, however, Ministry funding has been calculated using a formula based on the socio-economic needs of the community in which a Society is located and on its volume of cases. Societies are not allowed to spend more than they receive in funding, and the new funding model still does not provide funding based on Societies' service needs.

Ontarians expect that the child protection services will ensure that children and their families receive the care and support they need. The Ministry must have sufficient oversight and accountability processes in place to help Societies meet their mandated service delivery requirements, so that children and families receive suitable protection services when they need them.

We found in our 2015 audit that the Ministry could not provide effective oversight of Societies because it did not have enough information about the protection services the Societies were providing to most children they serve. The Ministry also had not established targets to allow it to measure the progress of Societies in meeting the performance indicators the Ministry had recently put in place in March 2015.

The Ministry also needed to better ensure that the pressures Societies faced to not exceed their funding allocation, as well as problems associated with implementing the new, centralized Child Protection Information Network (CPIN) system, were not adversely affecting their ability to deliver child protection services.

Additional significant issues included the following:

- The Ministry needed to act on data that showed that young people who had received protection services faced significant challenges when transitioning to independent living. For example, a survey by the Ontario Association of Children's Aid Societies found that, in 2013, only 46% of eligible youth in the care of Societies earned high school diplomas, compared to the Ontario average of 83%. As well, the Provincial Advocate for Children and Youth identified that an estimated 43% of homeless youth had previous child protection services involvement, and that youth leaving the care of Societies were over-represented in youth justice, mental health and shelter systems.

- Annual reviews of Crown ward files to assess whether their needs had been addressed identified concerns that had not been addressed from one year to the next. Issues included failing to develop a plan of care that identified the child's strengths, needs and goals and that was updated to reflect the child's progress to ensure that timely response to their needs was monitored.
- The Ministry's oversight of non-Crown wards who receive protection services was limited because it did not review the files of non-Crown wards.
- Ministry licensing inspections found repeated concerns that were not addressed, such as Plans of Care (tracking the child's developmental progress) that were not completed in the required time frame.
- CPIN was not delivering on its promised benefits despite significant investments in time and money. The Ministry expected to have CPIN in use by all Societies by the end of the 2014/15 fiscal year at a total cost of $150 million. But as of the end of 2014/15, CPIN had been deployed in just five of the province's 47 Societies. The Ministry's revised plan outlines deploying CPIN to the remaining Societies by the end of the 2019/20 fiscal year. The new plan now pegs the rollout at an estimated total cost of $200 million.

In our 2015 audit report, we recommended that the Ministry take the following steps:

- appropriately monitor and assess the performance of Societies and identify opportunities to improve protection services;
- consider the feedback the Ministry is receiving to extend child protection services to all children under the age of 18;
- review Societies' files for non-Crown wards in receipt of child protection services;
- ensure that funding provided to Societies was commensurate with each Society's child protection needs;
- work with Societies to identify opportunities for improving their service delivery; and
- determine the cost of CPIN's implementation to the remaining Societies, the impact of such costs on Societies' ability to deliver mandated child protection services within their budget allocations, and how such costs should be funded.

Our 2015 report contained nine recommendations, consisting of 13 actions, to address our audit findings. We received commitments from the Ministry that it would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between April 1, 2017 and July 20, 2017. We obtained written representation from the Ministry of Children and Youth Services (Ministry) that, effective September 1, 2017, it has provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

The status of actions taken on each of our recommendations and the related actions are described in the following sections.

Ministry Does Not Have Sufficient Information to Monitor the Performance of the Child Protection Services Program

Recommendation 1

To appropriately monitor and assess the performance of the Child Protection Services Program and the Children's Aid Societies that deliver child protection services, the Ministry of Children and Youth Services should:

- *Assess the proposed performance indicators it intends to roll out to ensure they target the necessary areas that will adequately evaluate the current and long-term outcomes of the Child Protection Services Program and of children receiving protection;*

  Status: Fully implemented.

Details

During our 2015 audit, we found that the Ministry did not have sufficient information to monitor and assess the performance of the Child Protection Services Program as a whole, or the performance of individual Societies in their delivery of child protection services. We found that before the end of the 2014/15 fiscal year, in an attempt to improve its monitoring of Society performance, the Ministry was collecting and reporting results from five new performance indicators. By the end of 2016/17, it planned to roll out 21 additional performance indicators. However, according to the Ontario Association of Children's Aid Societies (OACAS), many Societies faced significant issues with extracting data to report on performance indicators. These issues included technical limitations, such as data that was never entered into existing Society case management systems, and data that was available but difficult to extract because it was in a text field. As a result, many Societies had not yet reported on the existing five indicators. Therefore, we questioned the Ministry's ability to effectively collect and analyze data from each Society on the additional 21 indicators by the end of the 2016/17 fiscal year.

Since our audit, in February 2017, OACAS published a report with recommendations for the Ministry based on a review of the 26 provincial indicators: the five established in 2014/15 and the additional 21 that, at the time of our 2015 audit, were expected by 2016/17. OACAS evaluated their relevance and effectiveness in measuring outcomes for children and youth and the practicability of Societies collecting and reporting the necessary data. The review was supported by the Ministry and was conducted between 2013 and 2016 in collaboration with a number of stakeholders, including universities and information technology consultants. As part of the review, OACAS signed data sharing agreements with 46 out of 47 Societies that existed at that time (since then another Society has been established for a total of 48 at the time of our follow-up). The original 26 provincial indicators were revised into 21 new proposed indicators that OACAS believes should better evaluate the current and long-term outcomes of the Child Protection Services Program and of children receiving protection.

- *Collect data from each Society on each of the confirmed performance indicators, and analyze this data to identify trends that require follow-up and/or corrective action on both program-wide and at an individual Society;*

  Status: In the process of being implemented by March 2020.

Details

During our 2015 audit, we found that at the end of the 2014/15 fiscal year, the data published by the Ministry on its five performance indicators was not complete because not all Societies provided data on these indicators. In addition, because the Ministry collected data on these performance indicators through a third party in a combined form, instead of from each individual Society, it could not perform any meaningful Society comparisons or analysis, or appropriately follow up, where necessary, at individual Societies.

Since our audit, in early 2017, the Ministry hired a consultant to collect data for the five publicly-reported performance indicators from all Societies and set up reporting systems at each Society for reporting complete and accurate data on the new 21 proposed performance indicators. At the time of our follow-up, the Ministry told us that the outside consultant is expected to complete this work by 2020. Until then, the current data on the five established indicators will continue to be incomplete and collected combined from all the Societies, which will not allow the Ministry to identify trends that could require follow-up and/or corrective action both on a program-wide and at an individual Society level.

- *Analyze the outcomes of children who received protection services to identify opportunities to improve protection services and ultimately the future of these children.*
  Status: In the process of being implemented by March 2020.

Details

During our 2015 audit, we found that the Ministry needed to better analyze and assess Societies' performance, and the reasons for children's outcomes obtained from the Child Protection Services Program. Based on available information, we noted that many young people struggle after receiving protection services. In particular, high-school completion rates for youth in Societies' care were lower compared to the provincial average. Also, numerous reports going back to the mid-1980s recognized that youth leaving care were over-represented in the youth justice, mental health and shelter systems.

At the time of our follow-up, the Ministry told us that, in 2020, Societies are expected to begin to report complete and accurate data on the new proposed 21 performance indicators. The Ministry will then begin to use this data to analyze Societies' performance and to identify opportunities for changes and improvements in the Child Protection Services Program. Until then, the Ministry will do its best to identify opportunities for changes and improvements using data that is currently being reported on the established five performance indicators.

Children 16 to 17 Years of Age Who Feel Unsafe Are Not Able to Access Protection Services

Recommendation 2

The Ministry of Children and Youth Services should consider the feedback they are receiving for extending child protection services to all children under the age of 18 to ensure that all children have access to protection from abuse and neglect.

Status: In the process of being implemented by fall 2017.

Details

During our 2015 audit, we noted that the *Child and Family Services Act*, under which child protection services are governed in Ontario, did not extend to children older than 15 years of age unless subject to a child protection court order. We found that, while several Canadian provinces provide protection services up to the age of 18, children in Ontario aged 16 and 17 who feel unsafe in their family living situations were not able to access child protection services.

Since our audit, on June 1, 2017, Bill 89, the *Supporting Children, Youth and Family Services Act, 2017*, was passed and received Royal Assent. The new Act extends child protection services to children under the age of 18. At the time of our follow-up, the Ministry told us that it anticipates that the extended age of protection provisions in the Act will be proclaimed by the end of 2017, with the remainder of the provisions anticipated to be proclaimed in spring 2018. The Ministry also told us that it was in the process of consulting with stakeholders to develop a policy directive for Societies on the service approach for 16- and 17-year-olds in need of protection.

Ministry's Oversight of Children Receiving Protection Services Is Limited

Recommendation 3

To better ensure that all children and youth in receipt of child protection services are safe and receive care that meets their needs and is in compliance with legislative and Ministry program requirements, the Ministry of Children and Youth Services should review Children's Aid Societies' files for non-Crown wards in receipt of child protection services.

Status: In the process of being implemented, estimated completion by 2030–2034.

Details

In response to findings in our 2006 audit of the Ministry's Child Welfare Services Program, the Ministry responded that it would re-establish its periodic file reviews of non-Crown wards. These reviews had been discontinued as of 2003, even though in its previous reviews the Ministry had identified numerous instances of Societies not complying with legislated and Ministry program requirements. In the 2008 follow-up to our 2006 report, the Ministry informed us that it had developed a file review process that would include regular reviews of non-Crown ward files beginning in 2008. However, during our 2015 audit, we were advised that the Ministry did not implement those reviews (or another review process aimed at these children) and that it had been more than 10 years since the Ministry had completed regular file reviews of non-Crown wards.

Since our 2015 audit, as part of its new approach to accountability based on recommendations of the former Commission to Promote Sustainable Child Welfare, the Ministry successfully piloted a new comprehensive review process at two Societies. Under the new process, end-to-end reviews are comprehensive reviews conducted of individual Societies, identifying opportunities and priorities for improvement in the domains of governance, operations management and service delivery, financial management and controllership, client outcomes, and performance management. As part of this process, the Ministry reviews whether Societies have appropriate processes in place to monitor their compliance with legislative and program requirements, including for non-Crown wards, and whether Societies are also carrying out internal reviews to monitor their compliance with legislative and program requirements. Subsequently, after incorporating lessons learned from the pilots, the Ministry launched the new review process in August 2016. Since then, at the time of our follow-up, the Ministry completed an end-to-end review at one more Society and was in the process of reviewing a fourth one. The Ministry estimated that, based on its current resources, complete comprehensive reviews of all 48 Societies will take between 13 and 17 years. In addition, the Ministry established the Standards Quality Improvement Plans as a mechanism to assess ongoing compliance results for a number of child protection standards and other Ministry requirements, with the expectation of Societies achieving 100% compliance.

Recommendation 4

In order for the Ministry of Children and Youth Services' review of Crown ward files to be effective in ensuring children are receiving protection services in accordance with legislation and Ministry policies, the Ministry should put mechanisms in place to confirm that directives and recommendations issued to a Children's Aid Society as a result of non-compliance with legislative and program requirements are acted upon and corrected.

Status: Little to no progress.

Details

During our 2015 audit, we found that in about 40% of the Crown ward review files we reviewed for the regions we visited, the Ministry identified non-compliance issues that were recurring from one year to the next. For example, these included:

- Plans of Care, which track a child's developmental progress, that were not completed in the required time frame;

- foster parents not being aware of the reporting requirements for serious occurrences, such as a serious injury, alleged abuse or a missing child; and
- residences unable to demonstrate that annual medical exams were being completed as required.

At two of the three regions we visited, we also noted that it was not the practice of Ministry staff to verify that corrective actions were taken to address instances of non-compliance that they identified. Instead, they relied on information from the Children's Aid Society that issues of non-compliance had been addressed, even though the Ministry had identified recurring issues at a Society year after year.

Since our audit, the Ministry has made little progress in response to our recommendation. In January 2017, the Ministry asked Ontario's Internal Audit Division (Internal Audit) to look at its Crown Ward Review Process. As part of its work, Internal Audit will provide the Ministry with specific recommendations on how this process can be improved. At the time of our follow-up, the Ministry told us it expects Internal Audit to provide its final report in fall 2017. The Ministry will then use the report and the recommendations to consider whether to update its current mechanisms that address non-compliance with legislative and program requirements.

Ministry Licensing Inspections of Children's Residences Found Repeated Concerns That Were Not Addressed, Potentially Affecting Children's Safety

Recommendation 5

To ensure that children in the care of Children's Aid Societies are placed with residential care providers (group homes and foster care agencies) that provide appropriate care to children, the Ministry of Children and Youth Services should ensure that all instances of non-compliance with requirements are documented, brought to the attention of residential care providers, and addressed by the residential care providers on a timely basis.

Status: In the process of being implemented by the end of 2018.

Details

During our 2015 audit, we reviewed a sample of licensing inspections by the Ministry of residential licensees, such as group homes operators and foster care agencies. The inspections assess whether or not a basic level of care and safety is being provided. We found that some non-compliance issues were recurring year after year. We also found that non-compliance issues were identified but not brought to the attention of the licensee by Ministry staff from their review and therefore were not addressed by the licensee.

Since our audit, the Residential Services Panel, in May 2016, submitted a report to the Government from a review of the Province's child and youth residential services system. The review included foster and group care, children and youth mental health residential treatment, and youth justice facilities. Based on this report, in September 2016, the Government released a mandate letter for the Minister of Children and Youth Services. The letter includes reference to developing a blueprint for reform of residential services that would improve quality of care, enhance oversight of licensed residential settings and use data to inform decision-making at all levels.

The blueprint is also tied to the *Child, Youth and Family Services Act, 2017*, which includes new residential licensing provisions that are intended to:

- strengthen and modernize the licensing, compliance and enforcement framework for child and youth residential services to better support high-quality services for children and youth; and
- provide new and enhanced authorities for the Minister and Ministry to improve the accountability and transparency of licensed residential services and to enhance the quality of care provided in licensed residential settings.

In July 2017, the Ministry publicly released its blueprint, a multi-year plan for comprehensive reform to improve quality of care, enhance oversight of services and ensure children and youth have a voice in helping to plan their care. Immediate actions in the blueprint include increasing the number of unannounced and enhanced inspections of licensed residences by Intensive Site Review Teams, which include interviews with staff and youth, as well as case file and program reviews. The Ministry said that these actions will be rolled out in 2018 and that they should help further ensure that all instances of non-compliance with requirements are documented, brought to the attention of residential care providers, and addressed by the residential care providers on a timely basis.

In the meantime, the Ministry said that it is continuing to improve current licensing processes and practices related to the documentation of licensing non-compliance issues. It is also working on follow-up procedures with residential care providers to ensure that they address all instances of non-compliance on a timely basis. For example, in May 2015, the Ministry started to track and monitor licensing renewals against service standards.

The Ministry conducted staff training in June 2017 that covered the use of consistent tools, documentation, and follow-up processes for addressing all issues identified as non-compliance. In March 2017, the Ministry organized a meeting for its Licensing and Compliance Managers to discuss identifying and communicating issues related to compliance with licensees; the importance of follow up, tracking and documentation of follow up; and to discuss the next steps of the training. The training materials were issued in July 2017 to be available as an ongoing training resource for staff.

Ministry Is Not Verifying That Children's Aid Societies Are Implementing Recommendations from Death Investigations

Recommendation 6

To reduce the risk of recurrence of circumstances that may have contributed to the death of children who have received child protection services, the Ministry of Children and Youth Services should ensure that Children's Aid Societies implement all recommendations directed to them from child death reviews on a timely basis and obtain and review relevant progress reports on their implementation.

Status: In the process of being implemented by September 1, 2017.

Details

During our 2015 audit, we found there was no documented evidence that the Ministry's regional office staff reviewed the appropriateness of corrective actions taken by Societies to address recommendations made by the Paediatric Death Review Committee (Committee) and in the Internal Child Death Reviews.

Since our audit, in October 2016, the Ministry completed a scan of regional Committee information tracking tools. In January 2017, the Ministry also completed a scan of five years of Committee recommendations, Society responses, and Ministry verification practices. The analysis included a review of all bi-annual progress reports from 2009 to 2014 and identified systemic themes within recommendations made by the Committee. The Ministry used the information to develop a new standardized tracking tool designed to track the relevant stage of reporting for each child death, and relevant staff training sessions and materials were delivered in May and July 2017 to regional staff. At the time of our follow-up, the Ministry told us that the new tools will be used across the province as of September 1, 2017.

Once implemented, the tracking tool will be used to record information that will include the following:

- whether the Committee has requested a death review to be completed;
- whether a Committee report is being completed;
- all the recommendations from a death review and a Society's response regarding its progress on these recommendations; and
- the next date of a Society's progress report.

When Societies provide a progress report on their response to the recommendations from a review of a death, they will be expected to input into the response tool the following:

- an outline of actions taken;
- a timeline for implementing these actions; and
- an explanation for any recommendations not implemented.

The tools' analyses will allow the Ministry to identify outstanding responses or incomplete data fields. This will allow the Ministry to quickly identify and follow up with a Society that did not properly document its response to a death report's recommendations.

Ministry's New Funding Model Still Does Not Provide Funding to Societies Based on Service Needs

Recommendation 7

In order to ensure that funding is commensurate with each Children's Aid Society's individual needs, the Ministry of Children and Youth Services should assess the impact that its current funding model has on the delivery of protection services and make the necessary changes to its funding model if service is being adversely affected.

Status: In the process of being implemented by summer 2017.

Details

During our 2015 audit, we found that the new funding model introduced by the Ministry in 2013/14 still did not appropriately allocate funding as intended. This could potentially put Societies under operational pressures and compromise their ability to provide the necessary and appropriate protection services required of them under the Act. In their responses to the survey we conducted, Societies acknowledged that the new model was an improvement over prior models; however, they expressed concerns that the factors, weights and data sources used to allocate funding to their Society did not reflect their needs and the needs of the communities they serve. We found cases where funding calculated for individual Societies under the new funding model differed vastly from Societies' prior-year funding. These vast differences indicated that, unless Societies were drastically underfunded or overfunded historically, there may be flaws in the new funding model. We also noted that several Societies raised concerns that, although they had been able to deliver protection services to date, their ability to deliver mandated services while operating within their funding allocation was questionable in the future.

In fall 2016, the Ministry hired an external consulting firm to conduct a review of the new funding model's effectiveness. The firm is examining the model's ability both to enable Societies to fulfill their child protection mandate and to allocate a finite amount of funding across individual Societies. At the time of our follow-up, the Ministry told us that it expects to receive a final report from this review in summer 2017. It will then use the report to determine whether any changes to the new funding model are necessary. If changes are needed, the Ministry told us that it would implement them by April 2018.

Potential for Society Amalgamation and Shared Services

Recommendation 8

To ensure that Children's Aid Societies provide quality child protection services cost-effectively, the Ministry of Children and Youth Services should work with Societies to further identify and implement opportunities for improving the efficiency of their service delivery

(including further amalgamations and shared services), while keeping children's needs in the forefront.
Status: In the process of being implemented by summer 2019.

Details

During our 2015 audit, we noted that, in 2010, the former Commission to Promote Sustainable Child Welfare had identified that a number of smaller Societies should move toward amalgamating with a neighbouring Society to improve cost effectiveness, and to enhance quality, expertise and managerial capacity. In 2011, the Minister encouraged Societies to pursue voluntary amalgamation. Since that time, 16 Societies have amalgamated into seven—including two Societies that amalgamated during our audit. The Commission also recommended that a range of business functions currently performed separately by Societies should be made into shared services across all Societies.

In August 2016, the Ministry, along with the Ministry of Government and Consumer Services, entered into an agreement to develop a shared services program for the child welfare sector. The program will allow Societies to centrally procure goods and services, such as training, recruitment and IT services. At the time of our follow-up, 32 Societies had already joined the program and an additional five Societies had indicated their intent to join the program. The program is expected to be fully operational and financially self-sustaining by August 2019.

Since our audit, no other Societies pursued amalgamation. However, Bill 89, the *Supporting Children, Youth and Family Services Act, 2017*, provides the Minister with the authority to order two or more Societies to amalgamate when it is in the public interest to do so. The Act will establish a formal process for approving voluntary amalgamations proposed by Societies. The Ministry anticipates that these provisions in the Act will be proclaimed in spring 2018.

Ministry's Child Protection Information Network System Is Not Currently Delivering on Its Promised Benefits Despite Significant Investments in Time and Money

Recommendation 9

To help ensure that the Ministry of Children and Youth Services and the Children's Aid Societies realize the intended benefits of the Child Protection Information Network (CPIN) system, the Ministry should work closely with all stakeholders to:

- *Review and update its recently developed strategy for CPIN to ensure that all critical functionality gaps are identified and resolved before the remaining Societies implement CPIN, and ensure that the strategy allows the system to be functioning as intended by 2020;*
  Status: Fully completed.

Details

During our 2015 audit, we found that the Ministry's initial 2010 Cabinet-approved implementation plan expected to have the Child Protection Information Network (CPIN) system in use by all Societies by the end of the 2014/15 fiscal year. However, as of March 31, 2015, CPIN had been deployed in only five of the 47 Societies. We surveyed the five Societies that were using CPIN and found that several key components were not performing as expected. For example, the reporting function that was expected to help a Society and the Ministry oversee service delivery was not working properly. Societies also indicated that certain components of CPIN that were not functioning properly had important implications for child safety and Societies' ability to meet legislative requirements. Specifically, Societies indicated that they could not track important legislative milestones for their cases in CPIN, such as due dates for visits with the child and family, and scheduled reviews of Service Plans intended to ensure that caseworkers conducted these on time.

Since our audit, in April 2016, the Ministry updated and approved a 52-month Network deployment plan. The release of this long-term plan allows Societies to include costs associated with the implementation of CPIN as part of their annual operating plans. At the time of our follow-up, CPIN had been deployed at 19 Societies. In August 2016, the Ministry also completed a post-implementation review of CPIN at the initial five Societies. This review yielded more than 50 lessons that the Ministry used to update and improve its CPIN deployment strategy. The Ministry also told us that, in collaboration with all stakeholders, it is working to ensure that all critical gaps in CPIN's components are identified and resolved promptly. For example, a Working Group exists for each area of information within CPIN. These groups review CPIN's gaps identified by Societies for a specific area and determine which changes are required and how they should be prioritized. Since our 2015 audit, the Ministry has installed more than 10 system updates that fixed most of CPIN's defects affecting reporting, case and finance management. The Ministry told us that based on its current progress, by 2020 it plans for CPIN to be fully functioning and deployed at the remaining Societies.

- *Determine the cost of CPIN implementation to the remaining Societies, the impact of such costs on the Societies' ability to deliver mandated child protection services within their budget allocations, and how such costs should be funded.*
  Status: First part of recommendation (determining costs and their impact) is in the process of being implemented by fall 2017; second part of recommendation (determining funding) has had little to no progress.

Details

During our 2015 audit, we found that the Ministry had not estimated the additional costs that Societies would need to incur to get on and use CPIN. Our survey of the 14 Societies that were expected to implement CPIN by the end of the 2012/13 fiscal year found that these Societies had made significant investments in human and financial resources in the previous three years to prepare for using CPIN. Such investments included hiring additional staff, undergoing training activities, and performing data-cleansing activities. The Ministry provided up to $220,000 in funding to each of these Societies, totalling approximately $2.8 million, to help support CPIN implementation. However, we found that the Societies that were the first to adopt CPIN actually incurred additional expenses totalling approximately $18.7 million from 2011/12 to 2014/15, when CPIN went live. This was more than six-and-a-half times the funding they received from the Ministry. In addition, our survey of the five Societies that actually had implemented CPIN indicated that, since going live on CPIN in June 2014, those Societies spent an additional $5.4 million in total to manage workload pressures resulting from inefficiencies in CPIN. These additional costs were funded through the Societies' own operating funds, which may have further impacted protection services.

In February 2017, the Ministry sent a questionnaire to three Societies to gather information about additional costs they incurred in relation to CPIN deployment. At the time of our follow-up, the Ministry told us that it is expanding the questionnaire to obtain additional information. In July 2017, the Ministry met with the three Societies and OACAS to discuss and confirm these changes. The Ministry expects responses back from the three Societies to the expanded questionnaire in August 2017. It will then use the gathered information to assess the costs' impact on the Societies' ability to deliver mandated child protection services and to plan future implementation of CPIN at other Societies.

Chapter 1

Section

1.04

Ministry of Economic Development and Growth

Economic Development and Employment Programs

Follow-Up on VFM Section 3.04, *2015 Annual Report*

RECOMMENDATION STATUS OVERVIEW

	# of Actions Recommended	Status of Actions Recommended			
		Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	4	2.5	1		0.5
Recommendation 2	1			0.5	0.5
Recommendation 3	1		1		
Recommendation 4	1		0.5	0.5	
Recommendation 5	2	1			1
Recommendation 6	1	1			
Recommendation 7	1		1		
Recommendation 8	2	1	1		
Recommendation 9	2		2		
Total	**15**	**5.5**	**6.5**	**1**	**2**
%	**100**	**37**	**43**	**7**	**13**

Overall Conclusion

The Ministry of Economic Development and Growth (Ministry) provided us with information in spring and summer 2017 on the current status of the recommendations we made in our *2015 Annual Report*.

The Ministry has fully implemented 37% of our office's recommendations, including the recommendation to monitor performance measures beyond the term of funding contracts. The Ministry has revised its contracts for all funds to require annual reporting of results for three years after a project is completed.

In addition, 43% of our recommendations are in the process of being implemented. The Ministry is developing performance measures to assess results of projects under the Jobs and Prosperity Fund, including export sales in new markets and annual spending on research and development.

Also, the Ministry expects to have access to the new cross-ministry Transfer Payment Common Registration system by March 31, 2019. This will allow the Ministry to access applicants' organization profile information and identify them by unique identifying numbers. With access to the system, the Ministry will be able to view all funding received by an applicant from other provincial programs, which will help inform decisions on whether the applicant has need for funding.

The Ministry has made little or no progress on 7% of our recommendations and will not be implementing 13% of our recommendations. Since our *2015 Annual Report*, the Ministry has not sought to become the lead for overseeing all direct-to-business supports because it does not currently have access to information on other ministries' funds. Once the Ministry has access to such information—which is expected to occur by March 31, 2019, when all ministries are included in the Transfer Payment Common Registration system—it will consider whether it should seek to be the lead of economic development programs. The Ministry will not be implementing our recommendation to integrate activities of other key ministries responsible for areas that impact the Ontario economy, such as corporate income tax, immigration and electricity rates, since it does not have authority to do so. Also, the Ministry will continue to keep the Jobs and Prosperity Fund an invitation-based fund and will not make the application package publicly available.

Background

To help support economic development and employment, the provincial government provides multi-year grants and interest-free loans to businesses for projects ranging from expansion to export growth to research and development.

Several ministries deliver these supports, but the funds that focus entirely on existing businesses flow through the Ministry of Economic Development and Growth (Ministry), formerly the Ministry of Economic Development, Employment and Infrastructure.

The Ministry's funds assist projects involving information and communication technology, clean/green technology, financial services, life sciences, and projects in the automotive, manufacturing, and research and development sectors.

In January 2015, the government announced it would fold many existing programs into a new $2.7-billion Jobs and Prosperity Fund, with $2 billion administered by the Ministry and $700 million by other ministries. A new funding stream was added to the fund in September 2015, resulting in the following four streams: New Economy, Food and Beverage Growth, Strategic Partnerships, and Forestry Growth.

In the period from our last audit in 2015 to March 31, 2017, the Ministry committed $398.3 million to 25 projects in this fund: $396.3 million in grants and $2 million in loans. Over this time, the Ministry disbursed $282.1 million, with the remaining $116.2 million to be paid over the next five years.

During this same period, the Ministry committed $71.6 million—$68.8 million in grants and $2.8 million in loans—to 98 projects in the two regional funds that the Ministry oversees: the Eastern Ontario Development Fund and Southwestern Development Fund. Of that amount, the Ministry disbursed $34.9 million, with the remaining $36.7 million to be paid over the next seven years.

At the time of our 2015 audit, the Ministry generally performed well with respect to the approval process in administering and overseeing its own economic-development and employment-support programs. In addition, the projects had success in leveraging investments by businesses in Ontario and in creating and/or retaining jobs.

The following are some of the significant issues we noted in our *2015 Annual Report*:

- The Ministry had not attempted to measure whether the almost $1.5 billion it had provided to Ontario businesses since 2004 had actually strengthened the economy or made recipients of the money more competitive. As well, the Ministry's new Strategic Investment Framework did not include a plan for measuring outcomes from future economic development and employment supports, including for its new Jobs and Prosperity Fund. Although the Ministry measured actual investment achieved, actual jobs created and retained, total contracted investment leveraged and total cost per job per year, it had not set a goal for minimum gross domestic product (GDP) growth or unemployment rate reductions, either at the local level or for the overall economy. Other provinces had set such goals to guide their economic development efforts.

- Even though Ontario, like most other provinces, had shown improved economic performance in each of the previous four years, the need for the Ministry to ensure its programs benefit the economy was still important. Many expert reports questioned whether such programs and funding actually achieved any economic benefits.
- While the Ministry recognized the economic benefits of promoting key regions and establishing industry "clusters"—geographic concentrations of interconnected businesses, suppliers and associated institutions in a particular field—it was just beginning to develop strategies for its involvement in each region and cluster that identified key strengths and barriers or weaknesses that it could help to address.
- Expert reports over the previous several years had also highlighted the importance of small- and medium-sized businesses (those with fewer than 500 employees), which account for about one-third of Ontario's GDP. While 40% of the number of projects funded by the Ministry related to existing small- and medium-sized businesses, the dollar value of that support amounted to less than 4% of its total funding. The Ministry had neither assessed how many small- and medium-sized businesses lacked access to supports, nor made it clear why its funding was targeted primarily to large businesses.
- The Ministry's mandate is to support a strong, innovative and competitive economy that provides jobs and prosperity for all Ontarians; however, nine other ministries independently also provide similar funding to businesses. As such, the Ministry does not have the authority to co-ordinate with other ministries, which deliver $1.8 billion of additional economic development and employment support funding. Although the new Strategic Investment Framework outlined an "all-of-government" approach, each of the other nine ministries still continued to deliver support funding without the overall co-ordination that could ensure the best use of funds. Expert reports had recommended this type of funding be consolidated across ministries to achieve administrative efficiencies and help government target funding to certain sectors or areas of the province.
- There was a need for more transparency in how invitation-based funding was awarded. Since 2010, about 80% of approved funding was committed through non-publicly advertised processes, in which only select businesses were invited to apply. The Ministry determined internally which businesses were to be invited, but it could not provide us with the criteria it used to identify the businesses it invited to apply, or a list of those whose applications were not successful.
- Past funding was often awarded without a proper needs assessment. The Ministry almost never assessed whether businesses needed public funding in order to achieve the proposed project. Furthermore, some projects were approved for funding even though there was evidence they would have proceeded without government help.

- The Ministry did not monitor recipients to see whether jobs that were created or retained during the life of the funding contract continued after the contract expired. Contracts were normally for five years, but the Ministry had no information on whether the jobs the recipient offered to create or retain during those five years were maintained afterwards.
- As of January 2015, the government had publicly announced almost $1 billion more in economic-development and employment-support funding projects by re-announcing the same available funding under different fund programs.

Among other things, we recommended that the Ministry should do the following:

- develop a comprehensive strategy for economic development and employment that establishes targets by industry sector and geographic region;
- seek to become the lead ministry responsible for overseeing and achieving a comprehensive provincial strategy for economic development and employment programs;
- add greater transparency in accepting applications and selecting the qualifying businesses to which it provides funding; and
- expand performance measures beyond investment and employment results to include whether benefits to the economy continue after project completion.

We made nine recommendations, consisting of 15 actions, to address our audit findings.

We received commitment from the Ministry that it would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between April 1, 2017 and July 27, 2017, and obtained written representation from the Ministry of Economic Development and Growth (Ministry) on September 1, 2017 that it has provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Planning and Co-ordination of Economic Development Support Funding

Recommendation 1

To foster the best use of government funding to help businesses succeed within a prosperous Ontario economy, the Ministry of Economic Development and Growth should develop a comprehensive strategy for economic development and employment programs that:

- *establishes and publicly communicates targets by sector and geographic region to enable an evaluation of the effectiveness of the funding it provides;*

  Status: In the process of being implemented by March 31, 2018.

Details

As was the case at the time of our 2015 audit, the Jobs and Prosperity Fund targets specific sectors, and the Eastern Ontario Development Fund and Southwestern Ontario Fund target geographic locations. More recently, the government set a target in the 2016 Ontario Budget that 300,000 jobs would be created by 2019. In the same budget, the government announced the Ministry's new strategy—known as the Business Growth Initiative (Initiative)—to help achieve this target. However, the Ministry did not establish any specific targets through the Initiative, such as investments and job creation or retention. The Ministry has committed to creating and retaining about 85,000 jobs under the three active funds that it administers: the Jobs and Prosperity Fund, Eastern Ontario Development Fund, and Southwestern Ontario Development Fund. However, it did not set out how many jobs were committed for individual Ontario sectors or geographic regions.

The Ministry is in the process of developing key performance indicators for the three active funds to measure the impact of the funded projects on the provincial economy overall. The Ministry is planning to publish the indicators by March 31, 2018. These indicators will include:

- business expenditure in research and development in Ontario;
- foreign direct investment in Ontario;
- the number of patents filed per million people in Ontario; and
- the number of high growth firms (defined as firms with a minimum annual revenue of $10,000 that have achieved average annualized growth of 20% or more in revenue, over the most recent three-year period) as a proportion of all firms in Ontario.

- *considers the benefits of financial supports for small- and medium-sized businesses;*
  Status: Fully implemented.

Details

Some financial support is provided to small- and medium-sized businesses through the two regional funds: the Eastern Ontario Development Fund and Southwestern Ontario Development Fund. However, as noted in our *2015 Annual Report*, the Ministry does not track how many of the regional funds' recipients are small- and medium-sized businesses. The Jobs and Prosperity Fund provides funding only to larger businesses.

Two programs that target small- and medium-sized businesses were launched under the Business Growth Initiative: the Small Business Innovation Challenge and Scale-up Vouchers.

The Ministry partnered with the Ontario Centres of Excellence to launch the Small Business Innovation Challenge in March 2017. This fund of $28.8 million is targeted at innovative start-ups and small- and medium-sized businesses and was created to encourage the development of business solutions for current challenges in Ontario. For example, the Ministry will provide funding to, and has received submissions from, small- and medium-sized businesses to develop innovative solutions for the following challenges:

- to verify identity online and to be used to support ServiceOntario's online activities, including driver's licence and licence-plate-sticker renewals; and
- to help ensure that high-occupancy-vehicle and high-occupancy-toll lanes are used appropriately.

The funding submissions for these two challenges are currently in the review process. The Ministry plans to provide funding of approximately $7.5 million to 12 small- and medium-sized businesses for these challenges. No other challenges have been identified for funding.

The Scale-up Voucher Program launched in June 2017. It is a four-year, $32.4-million program that will provide grants to high-growth companies in sectors including information and communications technology, advanced materials and manufacturing, clean technology, and life sciences. To administer the program, the Ministry has entered into an agreement with MaRS, a not-for-profit corporation that established a research and innovation hub in Toronto. While the program is targeted at high-growth companies, rather than small- and medium-sized businesses, the Ministry anticipated that the majority of the applicants would be small- and medium-sized businesses. At the time of our follow-up, based on the number of employees, five applicants were medium-sized and 28 were small-sized businesses.

In January 2017, the government established a new ministerial role, the Minister Responsible for Small Business, to "accelerate the government's work in helping small businesses compete, grow and create jobs in the province." Part of this includes helping small businesses identify export markets.

- *identifies and develops strategic partnerships between stakeholders such as universities, manufacturers and suppliers, and centres of excellence to leverage their expertise and help further promote and develop effective industry clusters;*

  Status: Fully implemented.

Details

In December 2015, the Ministry published Cluster Guidelines that explain to companies how to work with the government on a cluster plan under the *Partnerships for Jobs and Growth Act*. The guidelines are applicable to various industries across Ontario's economy.

The Ministry had not approved any Jobs and Prosperity Fund projects when we completed fieldwork for our audit in 2015. The Strategic Partnerships Stream of the Jobs and Prosperity Fund provides funding for industry partners (companies, research institutions, suppliers, investors and customers) to work together and develop industry-driven clusters.

The Ministry is continuing to review and approve applications for this funding stream in the 2017/18 fiscal year and until 2024. At the time of our follow-up, two projects under this stream had been approved:

- In February 2016, $22.8 million was provided in funding for a partnership between the Ontario Centres of Excellence and IBM in the information and communications technology sector. The project is to help 500 small- and medium-sized businesses create jobs by giving them access to IBM's expertise and tools.
- In September 2015, $19.4 million was provided in funding for a partnership between the University of Toronto, MaRS, and Johnson & Johnson in the life sciences sector. The project will give 50 new life sciences and health-sector businesses access to laboratories and equipment on-site at Johnson & Johnson.

The Ministry also established the Cluster Development Seed Fund in January 2016, which is delivered by the Ontario Chamber of Commerce. About $160,000, of a total of $198,000, has been committed to five projects that are nearing completion. No funds have been disbursed to any projects to date because funding is provided at the end of the project. Examples of projects include the Sudbury Mining Technology Cluster and Ontario's Aerospace Cluster Development. The fund will close upon completion of the projects.

- *integrates the activities of other key ministries responsible for areas that impact on the economy, such as training, research, agriculture, northern Ontario development, corporate income tax, immigration and electricity rates.*

  Status: Fully implemented (0.5); will not be implemented (0.5).

Details

As was the case at the time of our audit, the Ministry works with other ministries during the assessment and evaluation process of projects under the Jobs and Prosperity Fund, Eastern Ontario Development Fund, and Southwestern Ontario Development Fund. Recommendations for funding are approved by two multi-ministry committees: one of Assistant Deputy Ministers, and one of Deputy Ministers.

The Ministry has helped the Ministry of Advanced Education and Skills Development by providing it with industry information to create the Planning and Partnership Table (Table). The Table is a committee established to make recommendations on skills and talent development for the government regarding program development. The Table consists of representatives from employers, the education sector and government.

With respect to northern Ontario development, the Ministry is supporting this region by working with the Ministry of Northern Development and Mines to create regional economic development plans.

The Ministry has informed us that it does not have the authority to integrate corporate income tax, immigration and electricity rates because these activities are under the mandate of other ministries. The Ministry informed us that it collaborates with these other ministries through working groups and committees.

No Lead Appointed for Economic Development and Employment Programs across Ontario

Recommendation 2

To ensure appropriate oversight and co-ordination of economic development and employment funding, the Ministry of Economic Development and Growth should seek to become the lead ministry responsible for overseeing and achieving a comprehensive provincial strategy for economic development and employment programs and corporate income tax incentives for businesses.

Status: Little or no progress (0.5); will not be implemented (0.5).

Details

The Ministry has not sought to become the lead for overseeing all direct-to-businesses supports because it does not currently have access to information on other ministries' funds. For example, the Ministry does not oversee the Indigenous Economic Development Fund—Regional Partnership Grant or the Tourism Development Fund—Tourism Investment Attraction stream. However, it has become more involved in other ministries' direct-to-business supports.

Ontario Shared Services is helping the Ministry to gain access to the new Transfer Payment Common Registration system by March 2019. This new system launched in November 2016. The system contains organization profiles for all government-funding recipients and will help inform the Ministry's funding process. The Ministry expects to be able to use this system to determine whether an applicant has applied for or received other provincial funding, excluding corporate tax credits. Once it has access to this information, the Ministry will then consider whether it should seek to be the lead of economic development programs.

The Ministry is also consulting with the Ministry of Research, Innovation and Science; Ministry of Agriculture, Food and Rural Affairs; Ministry of Natural Resources and Forestry; and the Minister Responsible for Small Business to determine whether or not to transfer responsibility for their funds to the Jobs and Prosperity Fund. For example, the Forestry Growth Fund was transferred from the Ministry of Natural Resources and Forestry to the Jobs and Prosperity Fund in September 2015. The Ministry is currently incorporating the Rural Economic Development Program—previously administered by the Ministry of Agriculture, Food and Rural Affairs—into the Jobs and Prosperity Fund. This funding will be transitioned into another stream under the Jobs and Prosperity Fund by fall 2017.

As noted under the fourth bullet point of **Recommendation 1**, the Ministry has indicated that it does not have the authority to integrate corporate income tax into its oversight of economic development and economic programs in the province.

Lack of Centralized Administration Results in Inefficiencies

Recommendation 3

To ensure direct-to-business support funding is administered efficiently and cost effectively, the Ministry of Economic Development and Growth should seek government approval to take on the responsibility to centralize the back-office administrative functions of all other ministries that provide direct-to-business support. It should also work toward ensuring all businesses have a common unique identifying number that is used throughout government to allow for tracking of government support by various ministries.

Status: In the process of being implemented by March 31, 2020.

Details

As was the case at the time of our audit, the Ministry delivers business support programs under the various streams of the Jobs and Prosperity Fund on behalf of other ministries. Other ministries continue to administer their own funds. For example, the Ministry of Indigenous Relations and Reconciliation provides administrative support for its Indigenous Economic Development Fund—Regional Partnership Grant's direct-to-business funding, and the Ministry of Tourism, Culture and Sport provides this for the Tourism Development Fund—Tourism Investment Attraction stream. This back-office support can include reviewing applications for funding, monitoring contract results, and processing and tracking payments and budgeted costs.

Similar to the previous recommendation, the Ministry indicated that, when it has access to the Transfer Payment Common Registration system by March 31, 2019, it will then consider whether it will perform office administration functions for direct-to-business support programs administered by other ministries, and make a decision by March 31, 2020.

Regarding the use of a unique identifying number, starting in November 2016, companies receiving government funding are required to register on the Transfer Payment Common Registration system using their Canada Revenue Agency business number. This number will be used as a common unique identifying number across the provincial government. The Ministry expects to gain access to the new Transfer Payment Common Registration system by March 2019. The Ministry will then be able to use this system to determine whether an applicant has applied for or received other provincial funding, excluding corporate tax credits.

Recommendation 4

To ensure an appropriate amount of grant and loan funding is calculated for each project, the Ministry of Economic Development and Growth should take measures to ensure program staff are aware of all sources of government funding available for a given project, including corporate income tax credits, and consider these amounts when determining grant or loan funding.

Status: In process of being implemented by March 31, 2019 (0.5); little or no progress (0.5).

Details

As was the case at the time of our audit, applicants for the Jobs and Prosperity Fund, Eastern Ontario Development Fund, and Southwestern Ontario Development Fund, must sign and certify that they have disclosed all sources of other government funding. The contract terms and conditions permit the Ministry to terminate an agreement with a business if it is found that the company has not disclosed all such information.

The Ministry has increased opportunities for government staff to identify other sources of government funding that applicants have received. For example, starting in March 2016, the Ministry began sharing a list of fund applicants with the Ontario Ministry of Agriculture, Food and Rural Affairs.

By March 31, 2019, when the Ministry has access to the Transfer Payment Common Registration, it will be able to view all funding received by an applicant in other provincial programs, except for corporate income tax credits.

While the Ministry has indicated that it does not have responsibility over corporate income tax, and does not plan to integrate this area into its oversight of economic development and employment programs, it is in preliminary discussions with the Ministry of Finance on whether it can access information on corporate income tax credits to ensure program staff are aware of all funding.

Administration and Oversight of Ministry Programs

Recommendation 5

The Ministry of Economic Development and Growth should consider adding greater transparency in

accepting applications from all qualifying businesses. Such an approach could entail publicly communicating information on funds to the general public, associations, and targeted industries to ensure that all qualifying businesses are aware of the programs.
Status: Will not be implemented.

Details

As was the case at the time of our audit, the Jobs and Prosperity Fund's eligibility criteria are publicly available; however, an application package is still not publicly available. The Ministry has indicated that the Jobs and Prosperity Fund will remain an invitation-based process because the Ministry intends to target organizations that it believes are good candidates for funding, and that meet the program eligibility criteria. The Ministry contact information, consisting of its telephone number and email address, is still publicly available, and the Ministry indicated that interested applicants can make inquiries to the Ministry about the fund. The Ministry has also added a "request a conversation" button on its website. We continue to recommend that the Ministry should add greater transparency to the application process by publicly posting the application package so that all eligible companies may apply.

It should then use a fair and consistent process for selecting businesses to provide funding based on the merits of the applications, and ensure that the process used is clearly documented.
Status: Fully implemented.

Details

Applicants that meet the Jobs and Prosperity Fund's eligibility criteria may be considered, but are not guaranteed to be invited to progress to the next stage of the process. However, the Ministry now documents which projects were declined and the reasons they were declined. In the period between our 2015 audit and our follow-up ending March 31, 2017, the Ministry approved 25 projects and declined seven; others were withdrawn or are being reviewed.

Ministry Did Not Establish Whether Recipients Actually Needed Help

Recommendation 6

In ensuring that business support funding is allocated to companies that need it and have the largest impact on growing the economy, the Ministry of Economic Development and Growth should establish evaluation criteria that better assesses whether funding for projects is needed in order for the project to proceed.
Status: Fully implemented.

Details

Since our audit, as part of the evaluation process for the Jobs and Prosperity Fund, the Ministry has included quantitative factors to assess a company's need for funding, such as its debt-to-equity ratio. Also, the Ministry indicated that it faces competition from other jurisdictions for strategic investments. Therefore, it assesses whether government funding is necessary for the project to proceed and whether funding is necessary to secure the project in Ontario over competing jurisdictions.

Recommendation 7

The Ministry of Economic Development and Growth should establish project evaluation criteria that identify circumstances where it should require equity in projects in return for funding.
Status: In the process of being implemented by March 31, 2018.

Details

The Ministry is in the early stages of analyzing the cost/benefit and feasibility of taking royalties or equity in exchange for funding projects or companies through its three funds. An internal Ministry project team has been formed to carry out this work. The Ministry is working with the Ontario Financing Authority, Ministry of Finance and Ontario Capital Growth Corporation (an agency of the Ministry of Research, Innovation and Science) to determine available options for a new contract structure that would include taking equity as part of the funding arrangement, as well as examining practices in other jurisdiction. The Ministry plans to decide by March 31, 2018 if it will require royalties or equity in future contracts.

Benefits of Support Programs Should Be Monitored, Reported on

Recommendation 8

In order to measure the success of its programs in strengthening the Ontario economy and achieving sustainable benefits, the Ministry of Economic Development and Growth should:

- *expand its current performance measures to include factors other than a project's investment and employment targets;*

  Status: In the process of being implemented by fall 2017.

Details

The Ministry is developing performance measures to assess results of projects under the Jobs and Prosperity Fund. These proposed measures are expected to indicate the effectiveness of funding and impact on the province's economy, in addition to the current practice of measuring investment and job creation targets. The Ministry plans to have key performance indicators ready for further discussion and planning by fall 2017. Interim performance measures being considered include, but are not limited to:

- investment in training, equipment and machinery, and information and communications technology;
- annual spending on research and development; and
- export sales into new markets.

At the time of our follow-up, the Ministry did not have plans to apply these key performance indicators to the Eastern Ontario Development Fund and Southwestern Ontario Development Fund since the primary goal of these projects was job creation and retention.

- *consider monitoring performance measures beyond the term of funding contracts to assess whether benefits to the economy continue after project completion.*

  Status: Fully implemented.

Details

Under the three active funds, the Ministry has revised all funding contracts drafted as of July 2016. Fund recipients must now provide annual reports of results for three years after the project is complete. The recipient is required to report financial results related to the project, including cash flow from operations, net income and total sales. The recipient is also required to report the number of active employees at the project facility.

The Ministry has hired a third party to assess the impact of a sample of projects since their completion. This review is limited primarily to the Eastern Ontario Development Fund because the fund launched in 2009 and typically projects span four years; the other two funds do not have complete projects yet. The review is currently being finalized.

More Care Needed in Reporting Results Publicly

Recommendation 9

To ensure that communications of project results to the public are accurate and complete, the Ministry of Economic Development and Growth should publicly report on its website:

- *all funding commitments and the names of all projects and companies contracted with, including clarifying whether announcements are duplicate to previous ones made; and*

  Status: In the process of being implemented by March 31, 2018.

Details

Starting in September 2016, information related to the Ministry's completed projects became available online under each of the current three funds administered by the Ministry. Publicly available information includes the funding program, organization name, organization location, fiscal year the contract was signed, dollar amount of the government funding commitment, and the total commitment for the number of jobs to be created and retained. By fall 2017, the Ministry is planning to publish the same information for funds it previously administered that are now closed.

Also, for current projects that are not completed yet, the Province plans to make commitments regarding investment and job creation and retention publicly available through the Open Data initiative by March 2018. If new funds or funding streams under the Jobs and Prosperity Fund are announced, the Ministry informed us that it will work with its communications branch to ensure there will be no duplicate funding announcements.

- *accurate actual results for each project compared to commitments and targets previously announced.*

  Status: In the process of being implemented by March 31, 2018.

Details

As was the case at the time of our audit, the Ministry does not make public the actual results of funded projects, such as the actual number of jobs created and retained compared to the contract commitment. It cited concerns regarding commercial sensitivity. Consequently, the Ministry does not intend to release individual project results. However, the Ministry informed us that it will make public the overall actual results by fund and by industry by March 31, 2018.

Chapter 1

Section

1.05

Ministry of Energy

Electricity Power System Planning

Follow-Up on VFM Section 3.05, *2015 Annual Report*

RECOMMENDATION STATUS OVERVIEW					
	# of	Status of Actions Recommended			
	Actions Recommended	Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	4	3			1
Recommendation 2	2	2			
Recommendation 3	4	1	3		
Recommendation 4	3	1	2		
Recommendation 5	3		3		
Total	**16**	**7**	**8**	**0**	**1**
%	**100**	**44**	**50**	**0**	**6**

Overall Conclusion

According to the information the Ministry of Energy (Ministry) provided to us, as of August 4, 2017, about 44% of the actions we recommended in our *2015 Annual Report* had been fully implemented, specifically in the areas of engaging the Independent Electricity System Operator (IESO) and other technical experts during the decision-making process and providing more public information for electricity consumers about the impacts of various decisions made. The Ministry was in the process of implementing 50% of our recommendations, mainly in the areas of working with the IESO and other technical experts to determine the optimal supply mix for Ontario; conducting cost/benefit analysis to assess the impact of decisions on electricity consumers and the power system; monitoring, addressing and publicly reporting on the extent and impact of oversupply of electricity; evaluating various conservation initiatives; addressing current capacity and reliability issues; and performing analysis prior to undertaking major initiatives that would impact transmission. The Ministry will not implement one recommendation, specifically in the area of submitting full technical reports to the Ontario Energy Board for review and approval.

The status of the actions taken on each of our recommendations is described in this report.

Background

Electricity power system planning involves managing the long-term demand for electricity, and determining how to meet that demand through generation, transmission, distribution, exporting, importing and conservation of electricity.

In Ontario, entities involved in province-wide power system planning include the Ministry of Energy (Ministry), the Independent Electricity System Operator (IESO), the Ontario Energy Board (OEB), Ontario Power Generation (OPG), Hydro One, four other small licensed transmitters and approximately 70 local distribution companies.

The importance of planning is reflected in provincial legislation: The *Electricity Act, 1998* was amended in 2004 to require the Ontario Power Authority, or OPA (which was subsequently merged with the IESO in 2015), to conduct independent planning, prepare a detailed technical plan and submit it to the OEB for review and approval to ensure that it is prudent and cost-effective.

However, as of our 2015 audit, no such plan had ever been approved in the previous 10 years as required by the legislation to protect consumers' interests. Instead, the Ministry had issued two policy plans in 2010 and 2013 that were not subject to OEB review and approval. While these policy plans provided some technical information, we found that they were not sufficient for addressing the Ontario power system's needs and for protecting electricity consumers' interests.

While the checks and balances of the legislated planning process were not followed, the Ministry made a number of decisions about power generation through 93 ministerial directives and directions issued to the OPA from 2004 to 2014. Some of these went against the OPA's technical advice and did not fully consider the state of the electricity market or the long-term effects. These decisions resulted in significant costs to electricity consumers. From 2006 to 2014, the amount that residential and small-business electricity consumers paid for the electricity commodity portion of their bill (including Global Adjustment fees) increased by 70%, from 5.32 cents/kWh to 9.06 cents/kWh. In particular, Global Adjustment fees, which are the excess payments to generators over the market price, amounted to a total of $37 billion from 2006 to 2014. These payments are projected to cost electricity consumers another $133 billion from 2015 to 2032.

Among our significant observations:

- We calculated that electricity consumers have had to pay $9.2 billion more (the IESO calculated this amount to be closer to $5.3 billion, in order to reflect the time value of money) for renewables over the 20-year contract terms under the Ministry's current guaranteed price renewable program than they would have paid under the previous procurement program.
- In January 2010, the OPA expressed concerns to the Ministry after the Lower Mattagami hydro project's estimated costs increased by $1 billion from the initial estimate. The Ministry directed the OPA to proceed in order to meet the Ministry's renewable targets, and to invest in Indigenous communities and the economy of Northern Ontario. The average cost for power from this facility is $135/MWh, while the average cost of electricity produced at two other recent hydro projects outside of the Mattagami River area in Ontario is $46/MWh.
- The Ministry directed the OPA to convert a Thunder Bay coal plant into a biomass facility despite OPA's advice that the conversion was not cost-effective. The cost of electricity from this facility is $1,600/MWh—25 times higher than the average cost at other biomass facilities in Ontario.
- The Ministry directed the OPA to cancel contracts for two gas plants planned for the southwest Greater Toronto Area, where the need for them was greatest, and relocate them to Napanee and Lambton. Our 2013 special

reports on the Oakville and Mississauga power plants set cancellation costs at $950 million.

- At the time of our 2015 audit, Ontario had an oversupply of electricity, with its available supply exceeding its maximum hourly consumption by an average of 5,160 MW per year from 2009 to 2014—an amount approximately equal to the total existing power generation capacity of the province of Manitoba. Meanwhile, Ontario had spent approximately $2.3 billion in conservation programs between 2006 and 2014, and was committed to spend another $2.6 billion over the next six years. While we recognize that conservation efforts require sustained commitment, investing in conservation during a time of surplus actually contributes to expensive electricity curtailments and exports that cost the Province money.
- Due to the excessive surplus, Ontario had to pay generators $339 million from 2009 to 2014 to reduce the production of 11.9 million MWh of surplus electricity, and $3.1 billion more to produce 95.1 MWh of exported power in excess of what Ontario received in export revenue. As well, there were almost 2,000 hours in which the hourly Ontario electricity market price was negative, and Ontario paid other exporters a net total of $32.6 million to take our power.
- We found that the lack of a structured, coordinated regional planning process has had ongoing negative effects on the performance of the transmission system, including reliability concerns and congestion issues that cost a total of $407.6 million in payments to generators.

Our audit report recommended, among other things, that the Ministry require full technical plans to be prepared and submitted to the OEB for review and approval; regularly engage with the IESO, OPG, Hydro One, approximately 70 local distribution companies, and other technical experts to consider different scenarios and evaluate cost-effectiveness during the decision-making process; assess the effects of conservation and its impact on electricity costs during surplus generation periods; evaluate conservation and demand-management programs to ensure they meet cost-effectiveness tests; and work with the IESO, Hydro One and other small transmitters to minimize any unnecessary cost to electricity consumers due to transmission reliability concerns and congestion issues.

This report contained five recommendations, consisting of 16 actions, to address our audit findings.

Most of the Ministry's responses to our recommendations referred to recently introduced draft legislation (Bill 135). Our office was not in a position to comment on the merits of this draft legislation, nor could we assess at that point in time whether the changes proposed in the draft legislation would meet the intent of our recommendations.

Standing Committee on Public Accounts

In November 2016, the Standing Committee on Public Accounts (Committee) held a public hearing on our 2015 Electricity Power System Planning audit. In March 2017, the Committee tabled a report in the Legislature resulting from this hearing. The Committee endorsed our findings and recommendations. The Committee made 10 additional recommendations and asked the Ministry and the IESO to report back by the end of July 2017. The Committee's recommendations and follow-up on their recommendations are found in **Chapter 3.02**.

Status of Actions Taken on Recommendations

We conducted assurance work between April 1, 2017, and August 4, 2017, and obtained written representation from the Ministry of Energy (Ministry) that, effective September 1, 2017, it has provided us with a complete update of the status of the recommendations we made in the original audit two years prior.

Planning Process Has Broken Down

Recommendation 1

To ensure that electricity power system planning better protects the interests of electricity consumers, the Ministry of Energy should comply with provincial legislation and:

- *clarify the roles of the Ministry of Energy and the Independent Electricity System Operator in preparing future technical plans;*
  Status: Fully implemented.

Details

In our 2015 audit, we noted that the *Electricity Act, 1998* was amended in 2004 to require the Ontario Power Authority (OPA, now merged with the IESO) to conduct independent planning and prepare an "Integrated Power System Plan" (referred to hereafter as the "technical plan") to guide the Province in achieving its energy goals. The OPA/IESO merger legislation, passed in 2014, still requires the new entity, the IESO, to prepare a technical plan. However, after the merger took place in 2015, the Ministry did not provide the IESO with any direction regarding the preparation of the technical plan.

Subsequent to our audit, the *Energy Statue Law Amendment Act, 2016* was proclaimed into force on July 1, 2016. The Act amended the *Electricity Act, 1998* and the *Ontario Energy Board Act, 1998* to clarify the roles of the Ministry and the IESO in future energy planning. Under the new legislation, the IESO is required to develop a technical report, which supports the development of the Long-Term Energy Plan (LTEP).

On September 1, 2016, the IESO submitted the technical report, Ontario Planning Outlook (OPO), to the Ministry. The OPO technical report presented different planning scenarios for the electricity sector over 20 years, from 2016 to 2035. In addition to the OPO technical report, the Ministry also engaged a third party to prepare another technical report, the Fuel Technical Report (FTR). Released on September 30, 2016, it provides a review of fuel consumption and outlooks from 2016 to 2035. Both the OPO and FTR reports have been posted on the Ministry's website for public consultation and engagement.

At the time our follow-up, the Ministry was in the process of developing the LTEP, based on information from the two technical reports as well as feedback obtained through public consultation and engagement, which took place from October 2016 to January 2017. The Ministry expects to finalize and release the LTEP in fall 2017.

- *require full technical plans to be prepared on time and ensure that they are submitted to the Ontario Energy Board for review and approval;*
  Status: Will not be implemented. The Office of the Auditor General continues to believe the Ontario Energy Board should review and approve the Long-Term Energy Plan in order to protect the interests of electricity ratepayers.

Details

Our 2015 audit found that, although having a technical plan had been a legal requirement for over a decade, the Province had never had such a plan in place. From 2004 until the time of its merger with the IESO in 2015, the OPA developed two technical plans, in 2007 and 2011; however, neither of these was ever approved by the OEB because of changes to government policy. Since the OEB was not given an opportunity to review the plans as required under the *Electricity Act, 1998*, it had not been able to ensure that Ontario's technical energy planning had been carried out in a prudent and cost-effective manner to protect the interests of electricity consumers.

The *Energy Statute Law Amendment Act, 2016*, which was passed subsequent to our 2015 audit, has changed the electricity planning process in Ontario. As previously mentioned, the IESO, as required, submitted the OPO technical report to the Ministry on September 1, 2016. Under the new legislation, the Ministry is responsible for developing the LTEP after thorough consideration of the technical report and feedback obtained through public consultation.

While a public consultation process has been put in place as part of the development of the LTEP, the IESO's technical report and the LTEP are not required to be submitted to the OEB for review and approval. The OEB is only responsible for preparing an implementation plan when the Ministry requests it to ensure that the government's goals and expectations outlined in the LTEP are implemented. In other words, the new long-term energy planning process does not enable the OEB to review and approve the plans as an independent regulator.

- *provide more public information for electricity consumers about the cost drivers of increasing electricity rates and the impact that various decisions have on electricity costs;*
  Status: Fully implemented.

Details

Our 2015 audit found that electricity consumers were not informed of the reasons behind rising electricity costs. Although the Ministry's 2013 policy plan identified actions taken by the government to reduce electricity costs, it failed to identify the key cost drivers that had the most significant effect on electricity rates.

As part of the LTEP public engagement and consultation process, the Ministry has provided consumers with more information about the cost drivers of increasing electricity rates and the impact that various decisions have on electricity costs.

The IESO developed seven modules with data and analyses to provide a detailed breakdown of the assumptions, facts and figures used in its OPO technical report. One of the modules—Electricity System Cost Outlook—illustrated the cost of the electricity system under different demand scenarios (low, flat and high) to show how the cost of delivering, operating and maintaining electricity resources (conservation, generation and transmission/distribution), and the extent to which investments are made in new resources, vary with the level of electricity demand.

The OPO report and related modules were released ahead of the LTEP's public engagement and consultation process, which began in October 2016.

- *review the role of the Ontario Energy Board to determine how it can be made more effective in protecting the interests of electricity consumers.*
  Status: Fully implemented.

Details

Our 2015 audit noted that the Ministry had set aside the regulatory role of the OEB even though one of the OEB's key objectives is to protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service.

Subsequent to our audit in 2015, the *Strengthening Consumer Protection and Electricity System Oversight Act, 2015* was proclaimed into force on March 4, 2016. The Act amended the *Ontario Energy Board Act, 1998* and the *Energy Consumer Protection Act, 2010* to enhance the OEB's role in regulating the energy sector in order to protect the interests of electricity consumers. Key changes brought about by the Act include:

- implementing the OEB's recommendation of prohibiting electricity retailers and gas marketers from selling energy retail contracts to consumers at their home;
- giving the OEB the power to determine how an electricity retailer or gas marketer determines the prices it charges for electricity and gas;

- requiring the OEB to establish a process for consumer representation in its proceedings;
- allowing the OEB to appoint a supervisor in situations where a distributor or transmitter is unable to meet its financial obligations or reliability standards to ensure continuity of service for affected consumers; and
- providing the OEB with stronger enforcement powers by allowing it to increase penalties on individuals and corporations that have violated the OEB's rules and directions.

Extensive Use of Ministerial Directives and Directions

Recommendation 2

To ensure that ministerial directives and directions fully consider both the technical-system impacts and economic impacts that affect electricity consumers, the Ministry of Energy should:

- *regularly engage with the Independent Electricity System Operator and other technical expert advisors during the decision-making process;*
  Status: Fully implemented.

Details

Our 2015 audit found that, in the absence of an approved technical plan, it had been the Ministry's practice to communicate its energy policy objectives by issuing directives and directions to the OPA (now the IESO). The OPA/IESO often could not apply its own expertise because the rationale behind many of the ministerial directives and directions was not apparent. The Ministry issued over 90 directives and directions to the OPA from the time of its creation in 2004 to its merger with the IESO in 2015. Through them, it made a number of decisions that sometimes went against the OPA's technical advice.

During our follow-up, we found that the Ministry has engaged with the IESO and other technical expert advisers during its decision-making process in developing the LTEP. As previously mentioned under the first action of **Recommendation 1**, the IESO submitted the OPO technical report to the Ministry on September 1, 2016. The OPO report presented different planning scenarios for the electricity sector from 2016 to 2035. In addition to the OPO report, the Ministry also engaged a third party to prepare another technical report, the Fuel Technical Report. Released on September 30, 2016, it provides a review of fuel consumption and outlooks from 2016 to 2035.

At the time of our follow-up, the Ministry was in the process of developing the LTEP, based on information from the two technical reports as well as feedback from public consultation and engagement. The Ministry expected to finalize and release the LTEP in fall 2017.

- *make the decision-making process more transparent and accountable by providing information to the public on directives, directions and rationales for decisions made.*
  Status: Fully implemented.

Details

In our 2015 audit, we found that the Ministry's use of directives and directions to make major decisions had resulted in a process that was less than open and transparent. We found no evidence that ministerial directives and directions were supported by public consultations or economic analyses disclosed to the public.

All directives and directions sent to the IESO have been and are to continue to be publicly posted on the IESO's website. We noted that the Ministry has issued seven directives to the IESO subsequent to our 2015 audit. Our review of these directives noted that they included background information and details explaining the context of and rationale for policy objectives.

As previously mentioned under the first action of **Recommendation 1**, at the time of our follow-up, the Ministry was in the process of developing the LTEP. During the public consultation process, which took place from October 2016 to January 2017, the Ministry held stakeholder sessions and public open houses in 17 communities across Ontario. It also held 17 sessions with Indigenous communities and organizations. Overall, the Ministry received over 1,500 submissions through its Environmental Registry, emails and other channels. The Ministry is required by the *Electricity Act, 1998* to post all information and data used in the development of the LTEP, including the IESO's OPO report and feedback from public consultation, on a Ministry website.

Problems with Generation Procurement Decisions

Recommendation 3

To ensure that future power generation decisions are made with sufficient economic and financial information that would best serve electricity consumers and Ontario's electricity power system, the Ministry of Energy should:

- *work with the Independent Electricity System Operator, Ontario Power Generation, Hydro One, approximately 70 local distribution companies and other technical experts to determine the optimal supply mix for Ontario;*
  Status: In the process of being implemented in fall 2017.

Details

Our 2015 audit found that the Ministry did not fully consider the state of the electricity market or the long-term effects different supply-mix scenarios would have on Ontario's power system in making some decisions about power generation.

During our follow-up, we noted that the Ministry has been working with the IESO and other technical experts to determine the optimal supply mix for Ontario as part of its process of developing the LTEP. As mentioned under the first action of **Recommendation 1**, the IESO developed the OPO technical report, which outlined electricity supply and demand outlooks from 2016 to 2035. The OPO report outlined the value of a balanced supply-mix approach that does not rely too heavily on any one source of electricity generation. According to the OPO report, "maintaining a diverse resource mix, where the different resources are complementary to each other, is an effective way to provide the various services necessary to support reliable and efficient operations."

In addition to engaging the IESO to determine the optimal supply mix for Ontario, the Ministry has also collected feedback from Ontario Power Generation, Hydro One and several local distribution companies through the LTEP's public consultation process.

- *engage the Independent Electricity System Operator, Ontario Power Generation, Hydro One, approximately 70 local distribution companies and other technical experts to consider different scenarios and evaluate cost-effectiveness when making decisions on new projects;*
  Status: Fully implemented.

Details

Our 2015 audit found that, through issuing directives and directions, the Ministry made a number of decisions that sometimes went against the OPA's technical advice and did not fully consider the long-term effects different scenarios would have on Ontario's power system. For example, the Ministry directed the OPA to create the Feed-in Tariff (FIT) program, which has paid excessive prices to renewable energy generators. It also directed the OPA to proceed with a costly hydro project.

At the time of our follow-up, we noted that the Ministry has engaged the IESO and other technical experts to consider different scenarios and evaluate cost-effectiveness when making decisions on the projects that were initiated subsequent to our 2015 audit. For example:

- As mentioned under the first action of **Recommendation 1**, the Ministry is required to develop the LTEP by thoroughly considering the IESO's technical report, different scenarios, and possible risks and uncertainties with respect to planning for the energy sector. The Ministry has also engaged other experts who provided input during the public consultations that took place from October 2016 to January 2017.

- The Ministry has directed the IESO to conduct in 2016 an annual price review of the FIT program. The resulting 2016 and 2017 FIT price schedules have incorporated feedback from stakeholders, including the local distribution companies. The review has resulted in reductions of FIT prices, ranging from 0.5% to 7%, for new renewable projects, depending on project size and technology.
- In 2016, the IESO initiated the Market Renewal Project (Project), which has the objective of delivering "a more efficient, stable marketplace with competitive and transparent mechanisms that meet system and participant needs at the lowest cost." Still in its early phase of development, the multi-year Project's design and implementation are to run from 2017 to 2021. The Ministry indicated that decisions on the future power system will be determined using market-based mechanisms introduced as part of the Project to reduce system costs, improve transparency and provide flexibility as Ontario's power system needs evolve. The series of reforms to the energy market system that the Project is intended to introduce will draw upon learning from experiences in other jurisdictions. At the time of our follow-up, the IESO was in the process of engaging with stakeholders to build consensus for and public awareness of the design and implementation of the Project.

- *conduct cost/benefit analyses during the planning process to assess the potential impact of a decision on electricity consumers and the power system;*

Status: In the process of being implemented in fall 2017.

Details

Our 2015 audit found that the Ministry made a number of decisions that sometimes went against the OPA's technical advice. Many of these decisions resulted in significant costs to electricity consumers. For example, the Ministry significantly increased the proportion of renewable energy in Ontario's supply mix, but it did so without fully evaluating the impact, trade-offs and alternatives through a comprehensive business case analysis.

As mentioned under the first action of **Recommendation 1**, the Ministry was in the process of developing the LTEP at the time of our follow-up. As part of the development of the LTEP, the Ministry will conduct cost/benefit analyses to assess the potential impact of decisions on electricity consumers and the power system. The LTEP is expected to be released in fall 2017.

- *closely monitor, address, and publicly report on the extent and impact of the oversupply of electricity.*

Status: In the process of being implemented by 2021.

Details

Our 2015 audit found that Ontario experienced an oversupply of electricity. From 2009 to 2014, the province's available electricity supply exceeded its maximum hourly consumption by 5,160 MW per year, on average—an amount that approximated the total existing power generation capacity of the province of Manitoba. The IESO managed surplus electricity supply by exporting power to other jurisdictions and requesting some generators to curtail or completely shut down production.

During our follow-up, we noted that the Ministry has continued to use the Ontario Energy Report, which is a website updated quarterly to provide the public with energy-sector data such as electricity cost, supply, demand and exports during times of surplus generation.

In addition, the IESO has monitored the extent of oversupply of electricity and publicly reported electricity demand and supply through issuing Market Summaries on a regular basis (daily, weekly and monthly). As part of the OPO technical report submitted to the Ministry for developing the LTEP, the IESO has also publicly reported the forecast surplus power based on different scenarios of electricity demand in Ontario.

As previously mentioned, the IESO has initiated the Market Renewal Project, which is a multi-year project with the design and implementation running from 2017 to 2021. Through this project, the IESO is planning to introduce specific measures to address and manage oversupply of electricity by removing barriers to trading power with neighbouring jurisdictions.

Ineffective Conservation and Demand-Management Initiatives

Recommendation 4

To ensure that its conservation and demand management programs are implemented cost effectively and achieve their intended purposes, the Ministry of Energy should work with the Independent Energy System Operator to:

- *assess the effects of conservation and its impact on electricity costs during surplus generation periods;*
  Status: In the process of being implemented in fall 2017.

Details

Our 2015 audit found that the Ministry continued to invest in conservation efforts when Ontario already had significant surplus power. Investing in conservation does not necessarily mean saving money during periods of surplus, because energy savings from conservation efforts can contribute to an oversupply of electricity, increasing power exports and/or curtailing power production. Ontario had to export power at prices below what it cost to produce that power, and had to pay generators even when they were not producing energy; both of these options were costly.

During our follow-up, the Ministry indicated that, as part of the process of developing the LTEP, it will work with the IESO to model and consider the impacts of conservation initiatives on electricity costs during surplus generation periods. At the time of our follow-up, the Ministry was in the process of developing the LTEP, which it expected to release in fall 2017.

- *evaluate programs, such as various conservation initiatives and the Industrial Electricity Incentive Program, to ensure that they support the Ministry's goals and objectives;*
  Status: In the process of being implemented by June 1, 2018.

Details

Our 2015 audit found that, although the IESO was accountable for $2.1 billion of the $2.3 billion that was spent on conservation initiatives in Ontario from 2006 to 2014, only about $923 million of this $2.1 billion was evaluated by a third party for cost-effectiveness.

During our follow-up, we found that the Ministry has worked with the IESO to evaluate various conservation programs as part of a new initiative, the Conservation First Framework, which was introduced subsequent to our 2015 audit. The Framework covers the implementation of conservation programs over six years from 2015 to 2020, emphasizing more teamwork among sector partners, particularly the local distribution companies (LDCs).

Under the Framework, the Ministry and the IESO will continue to perform ongoing evaluation of conservation programs, mainly through the following two processes, to ensure that the programs support provincial needs cost effectively:

- The LDCs are required to develop their own six-year Conservation and Demand Management Plans for delivering conservation programs. These plans include milestones, budgets and expected energy savings. The LDCs have submitted their plans to the

IESO for review and approval. The IESO has posted on its website the plans that have been approved.

- The LDC conservation programs are subject to the IESO's Evaluation, Measurement and Verification (EM&V) process to ensure that they maintain a positive cost-benefit result (with specific exceptions, such as programs for low-income consumers), achieve their intended goals, provide value for consumers and identify opportunities for improvement. The IESO has published evaluation reports on various conservation programs, such as the Aboriginal Conservation Program, Home Assistance Program and New Construction Program.

At the time of our follow-up, the IESO was undertaking a mid-term review of the Framework. The review focuses on conservation targets, budgets, progress, program effectiveness, integration with regional planning, collaboration amongst the LDCs and post-2020 approaches to energy efficiency. The mid-term review is to be completed by June 1, 2018.

- *set appropriate and reasonable peak-consumption reduction targets, and regularly monitor, track and publicly report on the progress made in meeting them.*

  Status: Fully implemented.

Details

Our 2015 audit found that, although the OPA (now the IESO) advised the Ministry that a peak demand reduction of 1,800 MW by 2025 was a reasonable and prudent conservation target, the Ministry directed the OPA to set a target of 6,300 MW by 2025. In 2010, the Ministry further increased its target to 6,700 MW by 2025, and set an interim peak demand reduction target of 4,550 MW by 2015. An evaluation of OPA-managed programs showed that this interim target was not achieved by the end of 2014.

During our follow-up, the Ministry indicated that Ontario currently has a long-term peak reduction target to reduce peak electricity demand by 10% in 2025, equivalent to approximately 2,400 megawatts (MW) under 2013 forecast conditions. This target was set in the 2013 Long-Term Energy Plan (LTEP) and was expected to be met by using demand-response initiatives (programs that temporarily reduce electricity use during periods of peak demand), such as the Industrial Conservation Initiative, Capacity-Based Demand Response, demand response pilots and time-of-use pricing. The Ministry informed us that it will evaluate this target based on the supply and demand outlooks in the next LTEP, which was in the process of development during our follow-up and is expected to be completed in fall 2017.

The IESO has monitored the progress made in using demand-response initiatives to meet the 10% peak-demand reduction target. In its Ontario Planning Outlook report published in September 2016, the IESO noted that the total amount of demand response capacity in 2015 was about 1,700 MW.

The Environmental Commissioner of Ontario (ECO) has also monitored and publicly reported on the progress made in meeting this target in its Annual Energy Conservation Progress Report. Our review of the latest report released by the ECO in May 2016 found that, since several demand-response initiatives were still being developed in 2015, results were not available yet to determine the progress of achieving the target. The report also indicated that the target may be subject to change because it was set based on forecasts made in the 2013 LTEP.

As part of the development process of the next LTEP, the Ministry will evaluate the current peak-consumption reduction target.

Problems with Transmission System Planning

Recommendation 5

To ensure that Ontario's transmission system has sufficient capacity to reliably transfer electricity from the province's generators to where power is needed, the

Ministry of Energy should work with the Independent Electricity System Operator, Hydro One and other local distribution companies to:

- *address current capacity and reliability issues, and identify what is required to support future electricity demand growth;*
  Status: In the process of being implemented in fall 2017.

Details

Our 2015 audit found capacity and reliability issues in a number of regions where the majority of transmission lines exceeded, reached or were close to reaching their capacity, and were not expected to be capable of meeting significant increases in peak demand. The OPA (now the IESO) identified these issues in its 2007 Integrated Power System Plan, which was never approved or implemented. Although work was under way at the time of our 2015 audit on projects to address these needs, the issues remained unresolved.

During our follow-up, the Ministry indicated that the LTEP will address capacity and reliability issues relating to transmission and distribution systems, and identify what is required to support future electricity demand growth.

As mentioned under the first action of **Recommendation 1**, the IESO submitted the OPO technical report on September 1, 2016, to the Ministry for it to use in developing the LTEP. We found that the OPO report included a series of modules that provide a detailed breakdown of the assumptions, facts and figures in the report. One of the modules—Market and System Operations and Transmission and Distribution Outlook—examined key planning and operational considerations, such as potential transmission investments to facilitate integration of new resources and associated impacts on the transmission and distribution systems.

In addition, the IESO has been working with local distribution companies and transmitters to ensure regional issues and requirements are integrated into electricity planning. At the time of our follow-up, the first cycle of regional planning by the IESO was under way, covering 21 electricity regions across the province (based on electrical infrastructure boundaries). Regional planning will look at each region's unique needs and consider conservation, generation, transmission and distribution to meet these needs. Electricity needs in all regions will be reviewed every five years or sooner, if needed. The IESO has posted on its website the status of regional planning activities, including specific regional updates and plans. The OEB has also posted on its website the annual reports filed by transmitters showing the status of their regional planning.

At the time of our follow-up, the Ministry was in the process of developing the LTEP, which it expected to complete in fall 2017.

- *investigate the root causes of the increasing volume of generator constraints and thereby minimize any unnecessary cost to electricity consumers;*
  Status: In the process of being implemented by 2021.

Details

Our 2015 audit found that changes in regional demand and changes in supply mix to support the phasing out of coal, along with significant increases in renewable energy, changed the flow patterns in the power system, contributing to increases in transmission constraints. The amount of compensation the IESO had to pay generators also increased, because generators are usually entitled to compensation payments when the IESO is required to constrain the output of generation facilities.

As mentioned under the second action of **Recommendation 3**, in 2016, the IESO initiated the Market Renewal Project, which is a multi-year project over the period from 2017 to 2021 with the objective of delivering "a more efficient, stable marketplace with competitive and transparent mechanisms that meet system and participant needs at the lowest cost." The Ministry indicated that the Project will investigate the root causes of the increasing volume of generator constraints and introduce specific measures to address the issue in order to minimize unnecessary costs to electricity consumers going forward.

As an initial step, the IESO has engaged a third party to conduct a cost/benefit assessment to understand the net benefits from the proposed design of the Project. According to the assessment report completed in April 2017, the volume of generator constraints and associated electricity costs can be reduced through changes to the current system used by the IESO in administering the electricity market and determining electricity prices. At the time of our follow-up, the IESO was in the process of engaging with stakeholders to build consensus for and public awareness of the design and implementation of the Project.

- *perform adequate system planning and analysis prior to undertaking any major initiatives that would impact transmission.*

  Status: In the process of being implemented in fall 2017.

Details

Our 2015 audit found that the lack of a structured, co-ordinated planning process had ongoing negative effects on the performance of the transmission system. For example, many renewable energy projects could not proceed because there was not enough transmission capacity. In addition, although importing power from neighbouring jurisdictions would have been a viable alternative to procuring renewable energy sources, there was no cost/benefit analysis of increasing transmission capacity to accommodate imports.

During our follow-up, the Ministry indicated that the LTEP will include system planning and analysis prior to undertaking initiatives that would impact transmission. The LTEP will further address the reliability of energy supply and capacity, transmission and distribution. At the time of our follow-up, the LTEP was in the process of being developed and was expected to be completed in fall 2017.

In addition, the Ministry indicated that, at a regional level, the electricity needs of all of Ontario’s 21 planning regions have been evaluated over the past three years. This evaluation focused on each region’s unique needs and considered conservation, generation, transmission and distribution, and innovative resources to meet these needs. The Ministry also noted that Integrated Regional Resource Plans and Regional Infrastructure Plans have been completed and are publicly available on the IESO’s and Hydro One’s websites, respectively. Our review found that these plans included transmission impacts, among other considerations.

Chapter 1

Section **1.06**

Hydro One—Management of Electricity Transmission and Distribution Assets

Follow-Up on VFM Section 3.06, *2015 Annual Report*

RECOMMENDATION STATUS OVERVIEW

	# of Actions Recommended	Status of Actions Recommended: Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	3					3
Recommendation 2	2					2
Recommendation 3	3				2	1
Recommendation 4	1					1
Recommendation 5	5		2			3
Recommendation 6	1					1
Recommendation 7	3	2				1
Recommendation 8	1					1
Recommendation 9	2	1				1
Recommendation 10	2				1	1
Recommendation 11	1					1
Recommendation 12	2				1	1
Recommendation 13	2	1				1
Recommendation 14	1					1
Recommendation 15	2					2
Recommendation 16	1					1
Recommendation 17	4					4
Total	**36**	**4**	**2**	**0**	**4**	**26**
%	**100**	**11**	**6**	**0**	**11**	**72**

Overall Conclusion

As of July 26, 2017, for about 72% of our recommendations, Hydro One did not provide enough information and/or supporting documents for us to follow up with review-level assurance. As a result of the *Building Ontario Up Act, 2015* (Act), our Office no longer has the ability to conduct value-for-money audits at Hydro One or to follow up on the implementation status of recommendations from our audits conducted prior to the tabling of the Act on December 4, 2015. Since Hydro One was not required to participate in our follow-up work, we categorized these recommendations as no longer applicable.

For about 11% of our recommendations, we were able to obtain sufficient additional information ourselves to state with review-level assurance that these recommendations had been fully implemented. These were in the areas of Hydro One conducting benchmarking studies with other similar utilities relating to cost and performance, and developing strategies to improve its reliability.

For a further 6% of our recommendations, we were able to obtain sufficient additional information ourselves to state with review-level assurance that the recommendations were in the process of being implemented. These were mainly in the areas of Hydro One improving the quality of its data and enhancing the functions of an asset investment planning system called Asset Analytics.

Hydro One will not implement 11% of our recommendations, specifically those dealing with reassessing its practice of replacing assets that were rated as being in good condition before replacing assets in very poor condition, replacing assets that exceeded their planned useful service life, and shortening the vegetation-management cycle from 9.5 years to four years.

We encouraged the Ontario Energy Board (OEB) to follow up on the status of 72% of our recommendations that we previously mentioned.

The status of each of our recommendations is summarized in this report.

Background

Hydro One Inc. (Hydro One) owns one of the largest electricity delivery systems in North America, operating in three main areas that involve:

- moving electricity from power generators to large industrial customers and to most of Ontario's local distribution companies through an extensive high-voltage transmission network;
- operating, through wholly owned subsidiaries, its own distribution system that serves about 1.4 million residential and business customers; and
- managing a telecommunications system that monitors and remotely operates its transmission equipment.

Hydro One's total revenues were $6.548 billion in the year ending December 31, 2014, while operating and other costs were $5.801 billion, for a net income of $747 million. Hydro One's transmission, distribution and telecommunication net assets were valued at about $16.2 billion.

Hydro One's mandate is to be a safe, reliable and cost-effective transmitter and distributor of electricity. However, our audit found that Hydro One's transmission and distribution system reliability was worsening, while costs to maintain and improve the system were increasing and customers were experiencing more frequent power outages. Hydro One spent over $1 billion annually from 2012 to 2014 on capital projects to sustain its transmission and distribution systems.

Some of the more significant issues we noted relating to Hydro One's transmission system included the following:

- Overall, Hydro One's transmission system reliability worsened in the five years from 2010 to 2014, with outages lasting 30% longer and occurring 24% more often. In the same time period, Hydro One's spending to operate the transmission system and replace assets that were old or in poor condition increased by 31%. It should be noted that Hydro One's overall transmission system reliability still compared favourably to other Canadian transmitters, but had worsened in comparison to U.S. transmitters.

- Hydro One's backlog of preventive maintenance orders on its transmission system equipment increased 47% between 2012 and 2014, which contributed to equipment failures.
- Hydro One failed to replace 14 of the 18 transmission transformers it reported to be in very poor condition in its 2013–14 rate application to the Ontario Energy Board (OEB). Over the same two-year period, it replaced 37 other transformers reported in better condition. We found that two of the transformers rated in very poor condition in the OEB rate application, but not replaced, failed and resulted in outages to customers lasting 200 minutes in 2013 and 220 minutes in 2015.
- The risk of power failures can increase without an effective program for replacing transmission assets that have exceeded their planned useful service life. The number of key transmission assets, such as transformers, circuit breakers and wood poles, in service beyond their normal replacement date ranged from 8% to 26%. Replacing these assets would eventually cost Hydro One an estimated $4.472 billion, or over 600% more than its $621-million capital sustainment expenditure for 2014.

Some of the more significant issues we noted relating to Hydro One's distribution system included the following:

- Hydro One's distribution system had consistently been one of the least reliable among large Canadian electricity distributors between 2010 and 2014. The average duration of outages reported by members of the Canadian Electricity Association (CEA) between 2010 and 2014 was about 59% less than the duration of Hydro One's outages over the same period, while the average frequency of outages among CEA members was 30% lower.
- The principal cause of Hydro One's distribution system outages from 2010 to 2014 was broken power lines caused by fallen trees or tree limbs. Hydro One operates on a 9.5-year vegetation-management cycle, while 14 of its peer utilities operate on an average 3.8-year cycle. Hydro One's own analysis indicated that the vegetation-management work it did in 2014 cost $84 million more than it would have under a four-year cycle, and customers would have experienced fewer outages caused by trees.
- Hydro One installed 1.2 million smart meters on its distribution system at a cost of $660 million, but it had not used the related software and capabilities to improve its response times to power outages. At the time of our audit, smart meters were being used mainly for billing, and not to remotely identify the location of power outages before a customer called to report the outage. Such information from smart meters would have made dispatching of work crews timelier and more efficient, leading to improved customer service and cost savings.

We recommended that Hydro One should set multi-year targets and timetables for its transmission system to reduce the frequency and duration of power outages and thus improve transmission system reliability and availability; eliminate its growing preventive maintenance backlog; target assets for replacement that have the highest risk of failure, especially those rated as being in very poor condition and that have exceeded their planned useful service life; and provide accurate information to the OEB on its asset replacement activities.

For its distribution system, we recommended that Hydro One establish more ambitious goals, targets and benchmarks for system reliability performance; and lower its costs and improve reliability by shortening its vegetation-management cycle.

Our 2015 audit contained 17 recommendations, consisting of 36 actions, to address our audit findings.

Standing Committee on Public Accounts

In March 2016, the Standing Committee on Public Accounts (Committee) held a public hearing on our 2015 Hydro One—Management of Electricity Transmission and Distribution Assets audit. In December 2016, the Committee tabled a report in the Legislature resulting from this hearing. The Committee endorsed our findings and recommendations. The Committee made 10 additional recommendations and asked Hydro One to report back by April 2017. The Committee's recommendations and our follow-up on them are found in Chapter 3.

Important Events Following Our 2015 Audit

Sales of Hydro One Shares

The government passed the *Building Ontario Up Act* (Act) in June 2015 to permit the sale of up to 60% of the Province's common shares in Hydro One (the Province was the sole shareholder), with no other single shareholder allowed to hold more than 10% of the total equity. The Province then released an initial public offering of about 15% of the common shares in November 2015.

In May 2017, the Province sold another 120 million Hydro One shares. As a result, Ontario now holds just 49.9% of Hydro One's shares. In addition, as announced in July 2016, the Province agreed to sell up to 2.5% of its Hydro One shares to First Nations, depending on the level of First Nation participation. Assuming full participation, this would bring the Province's ownership to 47.4% of Hydro One.

By law, the government of Ontario is required to remain the largest shareholder, keeping at least 40% of Hydro One's shares. No other shareholder, or group of shareholders, is permitted to own more than 10% of Hydro One.

Hydro One No Longer Subject to Scrutiny of Our Office

Effective December 4, 2015, the Act also removed the authority of our Office to conduct and report on value-for-money audits and follow-ups on Hydro One. As a result, our audit of Hydro One's management of electricity transmission and distribution assets, which commenced prior to the tabling of the Act, was our Office's last value-for-money audit of Hydro One.

Since Hydro One ceased to be an agency of the Crown following passage of the Act, it was not required to participate in this follow-up. As an act of good faith and courtesy, Hydro One nevertheless sent us a document on April 26, 2017, presenting actions it had taken to respond to our recommendations (following our formal request in late January 2017 for it to report back to us). However, as explained in more detail in the following section, it declined to provide us with any more details beside this document.

Given that our Office ceased having jurisdiction over Hydro One as of December 4, 2015, we requested that the Ontario Energy Board take the observations we made in our audit into consideration during its regulatory processes.

Status of Actions Taken on Recommendations

We conducted assurance work between April 1, 2017, and July 26, 2017. To meet new Canadian auditing standards, we requested Hydro One's CEO and/or Vice President to sign a management representation letter, dated September 1, 2017, at the completion of our work. The purpose of the letter was to obtain written representation from Hydro One that it had provided us with a complete update of the status of the recommendations made in the original audit two years ago. On August 29, 2017, Hydro One responded that it declined to sign this letter or any similar document. Hydro One indicated that since it ceased to be an agency of the Crown following passage of the *Building Ontario Up Act, 2015*, it was not required to participate in this follow-up, and it was not appropriate for it to sign the letter.

Hydro One's update was sent to us on April 26, 2017. Normally, after receiving such an update, we have questions that need to be answered, and we request supporting documents so we can verify the information our auditee has provided. We presented our first round of questions and our request for supporting documents in early May 2017. Hydro One responded that the information it had already provided was given in good faith and as a courtesy, since it was not required to participate in our follow-up. It declined to participate any further in our follow-up process.

Since we no longer have the authority to follow up with Hydro One, we have classified all of our recommendations as no longer applicable. And since we did not have the support to verify or confirm the information Hydro One provided in April, we were unable for most recommendations to assign any other status but "no longer applicable"—with the following exceptions:

- When Hydro One clearly stated that it will not implement a recommended action, we assigned the status "Will not be implemented."
- When we were able to obtain supporting documents ourselves to verify the information that Hydro One provided (since they were included in Hydro One's applications to the Ontario Energy Board (OEB) for rate increases, which we obtained from the OEB), we assigned either the status "Fully implemented" or "In the process of being implemented by [a specific date]."

We also determined whether the OEB had taken the observations we made in our 2015 audit into consideration in its regulation of Hydro One's transmission and distribution rates. At the time of our follow-up, Hydro One's transmission and distribution rate applications were under review by the OEB. We noted that the OEB conducted oral hearings to examine the evidence provided by Hydro One for its rate applications and submitted over 100 questions to Hydro One in order to clarify how Hydro One had addressed the specific areas of concern cited in our 2015 report in its rate applications.

Transmission System

Recommendation 1

To ensure the reliable operation of the transmission system and to reduce the number of power outages experienced by customers, Hydro One should:

- *set multi-year targets and timetables for reducing the frequency and duration of power outages that would lead to it having a system reliability and availability that compares favourably to other utilities in North America, establish an action plan and strategy for achieving these targets, and regularly report publicly on its efforts to achieve these targets;*

  Status: No longer applicable.

Details

In our 2015 audit, we found that Hydro One's transmission system had become less reliable, with longer and more frequent outages. While Hydro One's system reliability and availability were generally better than that of other Canadian electricity transmitters, reliability and availability had deteriorated over time and were worse than that of U.S. transmitters.

The document Hydro One sent us in April 2017 as a courtesy did indicate that it had done the following to improve its transmission system reliability and reduce outages:

- developed multi-year transmission reliability targets;

- implemented Transmission Strategies, which include combining planned maintenance activities into a single work-stream, to reduce planned outages and reduce the risk of delivery point interruptions to customers;
- made organizational changes that have established a Planning Analytics team to work closely with asset planners to improve performance analysis on its transmission system and to integrate this analysis into the investment planning process; and
- reviewed the outstanding defects and deficiency reports across all asset groups, which include transmission stations and lines, to ensure that all critical defects have been addressed and to mitigate the impact of equipment failures.

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying this information from Hydro One.

- *set targets and timetables, and cost-effective action plans, to improve the poor performance of its single-circuit transmission system;*

  Status: No longer applicable.

Details

Hydro One measures its transmission system reliability for areas serviced by a single-circuit system (where a customer has only one line delivering electricity) separately from areas serviced by a multi-circuit system (where a customer has multiple towers and lines delivering electricity). Our 2015 audit found that 47% of transmission outages from 2010 to 2014 occurred in Northern Ontario, where 86% of the delivery points were supplied by a single circuit.

The document Hydro One sent us in April 2017 as a courtesy did indicate that it had done and was doing the following to improve its transmission delivery point performance:

- developed multi-year transmission reliability targets;
- annually conducting an analysis of transmission delivery point performance to determine remedial options for affected customers and to provide data that can be integrated into its future business plans to improve system reliability;
- annually conducting an analysis of five-year and 10-year transmission reliability performance to further investigate system reliability issues and to identify remedial options for affected customers in accordance with the Customer Delivery Point Performance Standards;
- annually reviewing customer delivery point performance; and
- annually communicating its plans for improvement activities to affected customers.

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying this information from Hydro One.

- *more thoroughly analyze outage data on both its single- and multi-circuit systems to correct the main issues that are contributing to the system's declining reliability.*

  Status: No longer applicable.

Details

Our 2015 audit found that the difference in transmission reliability for areas serviced by a single-circuit system and those serviced by a multi-circuit system was significant. Outages mainly occurred in Northern Ontario, where the majority of the delivery points are supplied by a single circuit. But Hydro One's reliability also deteriorated significantly in multi-circuit areas, with longer and more frequent outages.

The document Hydro One sent us in April 2017 as a courtesy did indicate that it had done and was doing the following to improve its transmission delivery point performance:

- annually conducting an analysis of transmission delivery point performance to determine

remedial options for affected customers and to provide data that can be integrated into its future business plans to improve system reliability;
- annually conducting an analysis of five-year and 10-year transmission reliability performance to further investigate system reliability issues and to identify remedial options for affected customers in accordance with the Customer Delivery Point Performance Standards;
- completed a high-level analysis comparing five-year historic transmission reliability performance to maintenance program spending to identify opportunities for shifting program funding to those asset classes contributing to long outages; and
- supplemented its analyses with a model to quantify reliability risk in order to improve its ability to measure the effect of investment on transmission reliability.

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying this information from Hydro One.

Recommendation 2

To ensure that Hydro One has an effective preventive maintenance program for all its critical transmission system assets to ensure they operate reliably and their expected service life is not shortened, Hydro One should:

- *establish a timetable that eliminates its growing preventive maintenance backlog as soon as possible;*

  Status: No longer applicable.

Details

Our 2015 audit found that Hydro One had a growing backlog of preventive maintenance on transmission system equipment, and this lack of maintenance led to equipment failures. From 2012 to 2014, the backlog of preventive maintenance increased by 47%, and the total number of equipment failures increased by 7%.

The document Hydro One sent us in April 2017 as a courtesy did indicate that the backlog we reported in our 2015 audit was partially due to one-time testing to ascertain the level of polychlorinated biphenyls (PCBs) in oil-filled equipment older than 1985. The testing is not expected to be completed until 2021. The test results will help Hydro One determine whether the equipment needs to be replaced to comply with federal regulations to phase out PCBs.

Our research found that PCBs are chemicals once used mainly for electrical equipment. Canada prohibited the manufacture, process, import and sale of PCBs in the 1970s because of their toxicity. To further reduce the release of PCBs into the environment, the federal government amended the PCB regulations in 2015 by setting an end-of-use deadline of December 31, 2025, for specific equipment located at electrical generation, transmission and distribution facilities.

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying Hydro One's information about the one-time testing and its role in the maintenance backlog.

- *improve its oversight of preventive maintenance programs to ensure maintenance is completed as required and on time.*

  Status: No longer applicable.

Details

Our 2015 audit noted that the preventive maintenance backlog existed because Hydro One did not have sufficient staff available to perform all scheduled maintenance. The situation had worsened since 2012, as maintenance staff had been assigned to complete capital projects to repair or refurbish Hydro One's aging transmission system.

The document Hydro One sent us in April 2017 as a courtesy did indicate that Hydro One had developed accountabilities and processes for maintenance order generation, prioritization, redirection, scheduling, cancellation and deferral. This includes a control whereby no critical preventive maintenance orders can be deferred without approval from Asset Management.

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying this information from Hydro One.

Recommendation 3

To reduce the risk of equipment failures that can cause major power outages on the transmission system, Hydro One should:

- *ensure that its asset replacement program targets assets that have the highest risk of failure, especially those rated as being in very poor condition;*

  Status: No longer applicable.

Details

Our 2015 audit found that Hydro One did not replace assets in very poor condition and at very high risk of failing. During 2013 and 2014, Hydro One replaced only four of the 18 power transformers it deemed to be in very poor condition. Two of these transformers failed and resulted in outages. Hydro One planned to replace in 2015 and 2016 only eight of the 34 power transformers that were rated at very high risk for failure.

The document Hydro One sent us in April 2017 as a courtesy did indicate that it has implemented investment planning processes and trained planning engineers to develop asset renewal plans based on multiple risk factors. The document also stated that to support its choice of which transformers to replace in 2017 and 2018, Hydro One conducted assessments and prepared engineering reports based on an Asset Risk Assessment (ARA) process outlined in its 2017/18 rate application to the OEB.

Since Hydro One did not provide further details on the ARA process, we reviewed Hydro One's 2017/18 rate application to find out more. We noted that the ARA process takes into account each asset's condition, demographics, performance, criticality, economics and utilization based on data analyses and engineering studies. Hydro One collects this data during routine maintenance, inspections and testing done for planning purposes. In assessing asset needs, asset planners also consider other factors such as obsolescence, environmental risks and requirements, compliance obligations, equipment defects, health and safety considerations, and customer needs and preferences. Asset planners then make recommendations regarding what investments should be made. The ARA process is only one step in the asset planning process and does not replace decisions made by engineers who physically inspect the assets.

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying whether and how well Hydro One actually implemented the ARA process.

- *reassess its practice of replacing assets that are rated as being in good condition before replacing assets in very poor condition;*

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

Details

In our 2015 audit, we found that Hydro One's transmission assets in very poor condition were not replaced while others in reportedly better condition were. We questioned how Hydro One asset management staff prioritized transmission assets for replacement when assets known to be in very poor condition were not replaced. We also found that Hydro One's asset investment planning system—Asset Analytics—did not record and consider key factors that affected asset investment decisions, including those related to technological/manufacturer obsolescence, known defects, environmental impact and health and safety.

Hydro One informed us that it had considered our recommendation but decided not to implement it.

Hydro One indicated that the findings in our 2015 audit regarding asset replacement were based solely on asset condition information without considering other factors that Hydro One uses in making asset replacement decisions. For example, Hydro One may decide to replace assets in good condition based on other factors such as environmental impact, health and safety issues, and customer needs and preferences, while assets that have deteriorated but have no significant impact on the system may not need immediate replacement.

- *replace assets that have exceeded their planned useful service life.*

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

Details

Our 2015 audit found that Hydro One did not have an effective program for replacing transmission assets beyond their planned useful service life. This increases the risk of power failures.

Hydro One informed us that it had considered our recommendation but decided not to implement it.

Hydro One explained to us that an asset's expected or planned useful service life is the average time in years that an asset can be expected to operate under normal conditions. But Hydro One does not believe that an asset older than that expected age necessarily needs immediate replacement. Hydro One acknowledged that it has such older assets; however, its asset management objective is to maintain asset performance while minimizing costs, to the benefit of ratepayers. It therefore does not replace assets that, while old, are in good working condition. The aim is to maximize the life expectancy of an asset and optimize work efficiency.

Recommendation 4

Hydro One should ensure that its applications for rate increases to the Ontario Energy Board provide accurate information on its asset replacement activities, including whether it actually replaced assets in poor condition that were cited in previous applications and whether the same assets in poor condition are being resubmitted to obtain further or duplicate rate increases in current applications.

Status: No longer applicable.

Details

In our 2015 audit, we found that Hydro One did not follow through on the information it provided the Ontario Energy Board (OEB). For example, Hydro One's 2015/16 rate application indicated it would replace 43 transformers. They included 13 that had been rated in very poor condition in Hydro One's 2013/14 rate application and had been funded for replacement then but were not replaced. For the second year in a row, the OEB approved rate increases to fund replacing these transformers.

The document Hydro One sent us in April 2017 as a courtesy did indicate that it had done the following to ensure that its rate increase applications give an accurate picture of asset replacement:

- engaged a third-party expert, Electric Power Research Institute, to review its transformer fleet health (condition) assessment, which supported Hydro One's assessment methodology and verified that Hydro One's rate applications have accurately reflected its asset replacement activities;
- aligned its asset replacement rates and pacing of investments with customer needs and preferences, which have been reflected in its rate applications; and
- outlined in its rate applications its replacement strategies for transformers and breakers, its selection process and its execution methodology, thus providing the OEB with the rationale behind its asset replacement activities.

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying this information from Hydro One.

Recommendation 5

To ensure Hydro One is replacing assets that are at the highest risk of failure as determined through accurate asset condition ratings, Hydro One should:

- *enhance its Asset Analytics system to include information on all key factors that affect asset investment decisions, including those related to technological/manufacturer obsolescence, known defects, environmental impact and health and safety;*

  Status: In the process of being implemented by the fourth quarter of 2020.

Details

Our 2015 audit found that Hydro One's asset investment planning system—Asset Analytics—did not record and consider a number of key factors, including technological or manufacturer obsolescence information, known defects in the assets, environmental impact, and health and safety concerns. As a result, assets that needed replacing were not always being identified.

Hydro One informed us that the Asset Analytics system is one tool used to help it make asset investment decisions, but its results are not the only factor considered in making these decisions. The purpose of the system is to provide asset planners with convenient access to asset data to assess emerging risk factors in an efficient manner. Asset planners then make asset replacement decisions based on not only data from the system but also other factors—demographics, criticality, economics, obsolescence, environmental risks and requirements, compliance obligations, equipment defects, health and safety considerations, and customer needs and preferences.

Since Hydro One would not provide further details on the Asset Analytics system, we obtained its 2017/18 application to the OEB for rate increases, in which Hydro One indicated that the system requires remediation because the existing risk factors have remained unchanged since the initial deployment of the system (asset planners use risk factors to support maintenance programs and plan future investments). Hydro One was planning to implement a project to update the system's risk factors. The project will refine the existing risk factors to improve the quality of asset-planning data and decisions. Key elements of the project will include:

- adding two new risk factors, including an obsolescence risk factor and a health, safety and environmental-impact risk factor;
- modifying the existing risk factors by adding new supporting factors and adjusting the weighting of such factors to improve the prioritization of assets for work and replacement; and
- training end-users on the changes to the system.

The planned completion of the project is by the fourth quarter of 2020.

- *review and adjust current weighting assigned to risk factors in Asset Analytics to more accurately reflect their impact of asset condition and risk of failure;*

  Status: In the process of being implemented by the fourth quarter of 2020.

Details

Our 2015 audit noted that the Asset Analytics system applies six factors to evaluate asset condition: the age of the asset; the asset's condition; the amount spent on repairs to the asset; how much the asset is used relative to its capacity; its performance reliability (assessed using unplanned outages data); and its importance (based on the number of customers it serves). The system weighs all six factors for each asset type to generate a risk score for making asset replacement decisions. However, our audit found that the system did not properly weigh the risk posed by certain conditions that may shorten asset life.

As previously noted, Hydro One's 2017/18 application to the OEB for rate increases outlined a project to update Asset Analytics risk factors.

The project will refine the existing risk factors to improve the quality of asset-planning data and decisions. The planned completion of the project is by the fourth quarter of 2020.

- *make changes to its Asset Analytics system and procedures so that updates to its data are complete, timely and accurate;*
  Status: No longer applicable.

Details

Our 2015 audit found that the Asset Analytics system did not provide complete and accurate information. Key information was often not included, or incorrectly weighted, in the system.

The document Hydro One sent us in April 2017 as a courtesy did indicate that Hydro One had initiated a data remediation project to address data quality, collection and functionality issues relating to the Asset Analytics system. Hydro One told us it had completed the following data and functionality improvements to the system in 2015 and 2016:

- Data from transmission stations had increased from 35% to 85%, and data from transmission lines had increased from 50% to 70%.
- Data from distribution stations had increased from 35% to 60%; work was ongoing to increase data from distribution lines data from 69% to 85% by the end of 2017.
- Work to improve distribution data, such as the number of poles and pole-top transformers, and to develop a dashboard for distribution lines, was ongoing, with a targeted completion date of the end of 2017.
- Dashboards to show population levels, missing data reports and the effectiveness of new assets were established for all transmission and distribution asset classes.
- About 30% to 40% of asset characteristics being collected in the Asset Analytics system that were not required were deleted.
- More than 250 data templates in the Asset Analytics system were revised to improve the quality of data entry and provide clear direction to staff.

In addition, Hydro One told us it had updated its Transmission Lines Geographical Information System (TLGIS), which stores images, photographs and videos of transmission line assets. Asset planners can now use the Asset Analytics tool to view the transmission network in the TLGIS environment. The details stored in the TLGIS will be updated each year and as assets change.

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying this information from Hydro One.

- *conduct a comprehensive review of the data quality in Asset Analytics to update any incomplete or erroneous information on its assets and to ensure the information can support its asset replacement decision-making process;*
  Status: No longer applicable.

Details

Our 2015 audit found that the Asset Analytics system did not provide complete and accurate information to support Hydro One's asset replacement decision-making process. As a result, not all of the assets that needed replacing were being identified. For example, oil leaks are one of the leading reasons for replacing a transformer; however, the presence of oil leaks has very little impact on Asset Analytic's scoring of the risk of the asset failing and the need to replace it.

The document Hydro One sent us in April 2017 as a courtesy did indicate that Hydro One had initiated a data remediation project to address data quality, collection and functionality issues relating to the Asset Analytics system. The document stated that Hydro One had completed data and functionality improvements in 2015 and 2016.

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying this information from Hydro One.

- *investigate why known deficiencies in the reliability of the Asset Analytics system, such as those found two years earlier by internal audits, have not been corrected by management in a timely manner.*
  Status: No longer applicable.

Details

In our 2015 audit, we noted that in 2013, Hydro One's internal auditors found that 21% of defective equipment notifications recorded by maintenance staff did not accurately identify the transmission asset that was defective. As a result, the defective asset was not entered into Hydro One's database. Our testing found that this problem still existed in 2015.

The document Hydro One sent us in April 2017 as a courtesy did not have any information on this finding and recommendation.

Hydro One also would not provide us with any more information, so this follow-up has no information to report on this recommendation.

Recommendation 6

Hydro One should ensure that its applications to the Ontario Energy Board for rate increases include accurate assessments of the condition of its assets.

Status: No longer applicable.

Details

Our 2015 audit noted that Hydro One included inaccurate condition ratings for some of its assets in its applications to the OEB for rate increases. Specifically, some of the assets that Hydro One replaced or planned to replace from 2013 to 2016 were inaccurately rated as being in good or very good condition. The main reason for these inaccuracies was the unreliable data in Hydro One's information systems.

The document Hydro One sent us in April 2017 as a courtesy did state that Hydro One has endeavoured to ensure the data submitted to the OEB for rate setting accurately reflects asset conditions. Hydro One said that our 2015 report focused on the information about investments that appeared in successive applications to the OEB and that, in practice, investments might be delayed because of work delays and changing circumstances leading to changes in priority. Hydro One said that it used the best information available at the time concerning its capital spending plans to file its 2017/18 application. Hydro One also indicated that it is prepared to explain variations from its previous plans and/or OEB-approved spending amounts, compared to actual work completed.

The document also stated that Hydro One had initiated a data remediation project to address data quality, collection and functionality issues relating to the Asset Analytics system, ensuring that its rate applications to the OEB have accurate information on the condition of its assets.

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying this information from Hydro One.

Recommendation 7

To ensure that its maintenance expenditures on the transmission system are cost-effective, and activities produce more timely improvements to the reliability of the transmission system, Hydro One should conduct:

- *an assessment of its past maintenance expenditures and activities to determine what changes and improvements can be made to more effectively focus its efforts on the critical factors that improve system reliability and how its planned maintenance and capital improvements work can be completed with less risk of service disruption;*
  Status: No longer applicable.

Details

Our 2015 audit found that Hydro One's overall increased spending to maintain and operate the transmission system from 2010 to 2014 did not result in improved system reliability. The average frequency of outages of Hydro One's multi-circuit transmission system increased 24% over this period, primarily due to an increase in the number of unplanned outages, such as those caused by equipment failure or weather.

The document Hydro One sent us in April 2017 as a courtesy did indicate that Hydro One has conducted a high-level analysis of transmission reliability relative to spending on maintenance to identify opportunities for shifting program funding to those asset classes that have contributed to significant outage duration, in addition to:

- annually conducting an analysis of transmission delivery point performance to determine remedial options for affected customers and to provide data that can be integrated into its future business plans to improve system reliability;
- annually conducting an analysis of five-year and 10-year transmission reliability performance to further investigate system reliability issues and to identify remedial options for affected customers in accordance with the Customer Delivery Point Performance Standards; and
- supplementing its analyses with a model to quantify reliability risk in order to improve its ability to measure the effect of investment on transmission reliability.

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying this information from Hydro One.

- *benchmark cost assessments with other similar North American transmitters to compare its results with those that have reasonable expenditures and that maintain reliability;*

  Status: Fully implemented.

Details

In our 2015 audit, Hydro One acknowledged that its transmission cost measures could be benchmarked against those of other utilities, but it had not attempted to do so since the Canadian Electricity Association stopped annually comparing costs of all major Canadian transmitters in 2009.

The document Hydro One sent us in April 2017 as a courtesy indicated that Hydro One had engaged a third party to conduct a cost and reliability performance benchmarking study—the "Total Cost Benchmarking Study"—which Hydro One submitted as part of its 2017/18 application for rate increases to the OEB.

We reviewed the study as it appeared in the rate application. The study was completed in May 2016 and included a set of benchmarks comparing Hydro One's total transmission cost and performance against peer utilities in Canada and the United States. The study focused on five key areas: cost, reliability, project management, safety and staffing. In most areas, Hydro One's transmission business benchmarked well relative to the peer group. The study reported the following:

- Hydro One's total spending on transmission lines and stations was among the lowest in the peer group.
- Hydro One's sustained outage frequency for the lower voltage lines was the highest in the peer group. Momentary outage frequency was also among the highest in the peer group.
- Hydro One put significant project management resources in place to manage its large annual capital investment plan. The number of project managers on staff exceeded the peer group average. Its project estimates were relatively accurate.
- Hydro One's lost time severity rate (the time lost as a result of work-related injuries or illnesses) was low compared to the peer group. Its vehicular incident rate (the frequency rate of both preventable and non-preventable motor vehicle accidents) was also lower than the peer group average.
- Hydro One's wage rates were close to the peer group average. Hydro One's hourly cost of overtime was higher than the peer group average, but overtime usage was consistent with the group average.

- *a study of other leading cost-effective transmitters and consider implementing their best practices to quickly improve Hydro One's reliability and improve its costs.*

  Status: Fully implemented.

Details

In our 2015 audit, we noted that the OEB recognized the need for Hydro One to compare its costs with those of Hydro One's costs with other similar transmitters. As part of the OEB's January 2015 decision to award Hydro One a transmission system rate increase for 2015/16, Hydro One agreed to complete an independent transmission cost benchmarking comparison study, and to provide it to the OEB in spring 2016 as part of its next rate application for 2017/18.

As previously mentioned, Hydro One did have a third party conduct this study and we had access to it as it appeared in Hydro One's 2017/18 application to the OEB. In addition to the key findings listed in the previous section, the study identified industry best practices and made the following recommendations to Hydro One based on these best practices:

- Reassess and adjust performance indicators across all levels of the organization.
- Target a corrective maintenance spending that is about 25% of total corrective and preventative spending.
- Assess opportunities to reduce administrative costs.
- Continue building on the use of external resources for engineering to create a pipeline of construction-ready projects.
- Manage contingency budgets at the corporate level.
- Allocate project management resources to improve effectiveness.
- Formalize a rolling two-year capital budget and project portfolio and reporting framework.
- Refresh the formal driver training program.

Recommendation 8

To ensure a robust and high level of security for the transmission system to mitigate the risk of service disruptions due to sabotage, vandalism, software viruses, and unauthorized or unintentional changes to device software or controls, Hydro One should develop a comprehensive security framework to cover all its electronic devices. The framework should include best practices for security over electronic devices, including establishing standards similar to those set by the North American Electricity Reliability Corporation, performing security vulnerability risk assessments on all electronic devices, establishing appropriate actions and controls to mitigate security risks to an acceptable level, and conducting regular audits to validate that the security framework has been adhered to.

Status: No longer applicable.

Details

Our 2015 audit found that Hydro One had weak security for most of the electronic devices on its transmission system. The North American Electricity Reliability Corporation (NERC) has security standards for North American transmitters' electronic devices that are critical for the whole continent's electricity system and that could have an impact on other jurisdictions. Only 18% of Hydro One's transmission stations fall under the NERC security standards, and only 17% of Hydro One's electronic devices fall under NERC's definition of critical devices. Hydro One's security policies are less rigorous for those of its electronic devices not required to comply with NERC standards. There was also no requirement for Hydro One's security policies to be tested periodically to ensure compliance.

The document Hydro One sent us in April 2017 as a courtesy did indicate that Hydro One had developed a comprehensive security framework called the Security Code of Practice, which includes Hydro One's Security Policy and Security Operating Standards and had been implemented in compliance with version 5 of NERC's Critical Infrastructure Protection Standards.

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying this information from Hydro One.

Distribution System

Recommendation 9

In order to improve the reliability ratings for its distribution system, Hydro One should:

- *establish more ambitious performance goals, targets and benchmarks for system performance;*
  Status: No longer applicable.

Details

Our 2015 audit found that Hydro One's distribution system was one of the least reliable among large Canadian electricity distributors between 2010 and 2014, with no improvement over this time period. The total number of distribution-side power outages increased by 11%, primarily due to equipment failures.

The document Hydro One sent us in April 2017 as a courtesy did indicate that Hydro One was planning to have set multi-year distribution reliability targets by the end of April 2017.

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying this information from Hydro One.

- *develop short- and long-term strategies for new and enhanced activities and cost-effective investments that will improve its overall reliability record.*
  Status: Fully implemented.

Details

Our 2015 audit found that Hydro One was among the worst-performing large Canadian electricity distributors from 2010 to 2014. In a scorecard published by the OEB in 2014, Hydro One was ranked the worst distributor in Ontario for the duration of its outages in 2013 and the second-worst distributors in Ontario for the frequency of its outages in 2013.

The document Hydro One sent us in April 2017 indicated that Hydro One had done the following to improve its distribution reliability record:

- implemented distribution strategies, which include expanding renewal programs for distribution lines and stations, improving control-room visibility and the controllability of devices, and focusing vegetation-management programs on large commercial/industrial customers;
- updated its distribution investment prioritization matrix, including giving greater weight to reliability and increasing priority categories to give field crews more direction in their work and to cut lower-priority work if funding constraints are encountered;
- required monthly monitoring and reporting of distribution work accomplishments "on a more granular level (including program completions)" (in the absence of clarification from Hydro One, we interpret this to mean requiring more detailed reporting);
- required annual monitoring of the scope of work in station refurbishments; and
- developed a Distribution System Plan (DSP) for 2018–2022 that incorporates strategic updates based on feedback from consultations with customers, along with adjusted investments in programs to improve the reliability of specific underperforming distribution assets.

We were able to review this DSP because it was included in Hydro One's most recent rate application to the OEB, which we obtained. Our review noted that the DSP has reflected customer needs and preferences, and that Hydro One had taken or was planning to take actions to address customer feedback. For example:

- Residential and small-business customers requested that Hydro One maintain its existing level of reliability. In response, Hydro One assessed the condition of its key assets and developed an investment plan to sustain reliability performance through system renewal projects and programs such as the Pole Replacement Program, Distribution Station Refurbishment Projects and Line Renewal Projects.

- Large industrial customers ranked improved power quality as their top priority. In response, Hydro One created a program that will install power quality meters and surge arresters to help customers figure out the source of any power quality issue. Hydro One also increased funding for reliability enhancement projects targeted to mid-size industrial customers.

Recommendation 10

To lower costs and ensure Hydro One's vegetation-management program is effectively reducing the number of tree-related outages experienced by its distribution system customers, Hydro One should:

- *shorten its current 9.5-year vegetation-*management *cycle to a more cost-effective cycle of less than four years, in line with other similar local distribution companies;*

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

Details

Our 2015 audit found that Hydro One experienced more outages caused by fallen trees or tree limbs because Hydro One did not trim back trees as often as other utilities did. Hydro One was operating on a 9.5-year vegetation-management cycle—over double the length of the cycles in use by similar local distribution companies. Hydro One's vegetation-management costs in 2014 were $84 million higher than they would have been under a four-year cycle.

Hydro One informed us that it had considered our recommendation but decided not to implement it.

Hydro One also told us that it introduced a new On-Cycle Maintenance Program in 2016 and adjusted the 9.5-year vegetation-management cycle to an eight-year cycle. Hydro One believes that any shorter of a cycle (such as a four-year cycle as we recommended) is not economically feasible.

- *change the way it prioritizes lines that need clearing so that lines with more frequent tree-related outages are given higher priority and work crews are dispatched sooner.*

Status: No longer applicable.

Details

Our 2015 audit found that Hydro One's system for designating distribution lines for vegetation management did not prioritize areas where trees caused outages. Instead, as the examples we found attested, Hydro One did vegetation management for distribution lines that had few tree-caused outages. The result of poor prioritizing was a 5% increase in tree-caused outages between 2010 and 2014.

The document Hydro One sent us in April 2017 as a courtesy did indicate that Hydro One had reviewed the vegetation-management program and would review it annually going forward. It also stated that Hydro One had improved its prioritization model by giving greater weight to reliability, thus making reliability a major driver of prioritization. It further stated that Hydro One had improved its deployment of work crews and implemented flexible locational work to focus on areas with more tree-related outages.

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying this information from Hydro One.

Recommendation 11

To ensure that management decisions on replacing distribution system assets are made using reliable and complete information, Hydro One should take the actions needed to ensure its Asset Analytics system provides timely, reliable, accurate and complete information on the condition of assets.

Status: No longer applicable.

Details

Our 2015 audit found that Hydro One's Asset Analytics system, a key tool for making replacement decisions, had incomplete and unreliable data on distribution assets. For example, there was limited data available to evaluate all 152 distribution-station breakers; and 14 distribution-station power transformers that were under 10 years old were mistakenly assigned age scores of 100, well past the 40-year expected service life of such transformers.

The document Hydro One sent us in April 2017 as a courtesy did indicate that Hydro One had initiated a data remediation project to address data quality, collection and functionality issues relating to the Asset Analytics system. It also said that Hydro One had completed improvements for the system's data and functionality in 2015 and 2016.

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying this information from Hydro One.

Recommendation 12

To reduce the risk of equipment failures that can cause power outages on the distribution system, Hydro One should:

- *replace assets that have exceeded their planned useful service life;*

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

Details

Our 2015 audit found that Hydro One did not replace distribution system assets that had exceeded their planned useful service life, increasing the risk of power failures. For example, of Hydro One's 1.6 million wood poles, 202,000 (or 13%) had exceeded their 62-year expected service life and only about 12,000 poles were replaced each year. From 2010 to 2014, there were 47 outages caused by fallen wood poles.

Hydro One informed us that it had considered our recommendation but decided not to implement it.

Hydro One explained to us that an asset's expected or planned useful service life is the average time in years that an asset can be expected to operate under normal conditions. But Hydro One does not believe that an asset older than that expected age necessarily needs immediate replacement. Hydro One acknowledged that it has such older assets; however, its asset management objective is to maintain asset performance while minimizing costs, to the benefit of ratepayers. It therefore does not replace assets that, while old, are in good working condition. The aim is to maximize the life expectancy of an asset and optimize work efficiency.

- *reassess its planned expected service life for assets and justify any variances in the years used by Hydro One compared to other similar local distribution companies.*

  Status: No longer applicable.

Details

Our 2015 audit found that Hydro One set the planned useful life for its distribution system assets longer than other comparable local distribution companies (LDCs). For wood poles, Hydro One expected a 62-year service life, while other LDCs expected a service life of only 44 years. For station transformers, Hydro One's expected service life was 50 years, whereas that of other LDCs was 45 years.

The document Hydro One sent us in April 2017 as a courtesy did indicate that Hydro One had reviewed the expected or planned service life values for key asset classes, which it found were valid and in line with other utilities.

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying this information from Hydro One.

Recommendation 13

To ensure that its capital sustainment and maintenance expenditures on the distribution system are cost effective and produce more immediate improvements to the reliability of the distribution system, Hydro One should:

- *conduct an assessment of its past maintenance expenditures and activities to determine how to focus efforts on more critical factors that affect the system;*
  Status: No longer applicable.

Details

Our 2015 audit found that Hydro One's increased spending on capital sustainment and on operations, maintenance and administration (OM&A) for its distribution system did not result in improved system reliability. While Hydro One's 18% overall increase in spending in these two areas from 2010 to 2014 would have been expected to improve system reliability and result in fewer equipment failures, outages had actually increased by 11% over this period.

The document Hydro One sent us in April 2017 as a courtesy did indicate that Hydro One had assessed its past maintenance expenditures and activities, with a focus on critical factors and contributors to distribution reliability. It also said Hydro One had undertaken strategic updates to its distribution programs and projects based on customer feedback during the third quarter of 2016. Hydro One told us it included these updates in the Investment Summary Documents as part of its Distribution System Plan.

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying this information from Hydro One.

- *benchmark cost assessments with other similar local distribution companies (LDCs) in Ontario and Canada, and consider implementing the best practices of the leading cost-effective LDCs.*
  Status: Fully implemented.

Details

Our 2015 audit noted that, according to a 2013 study, Hydro One's operations, maintenance and administration (OM&A) and capital sustainment costs were higher than other similar LDCs. The Canadian Electricity Association also found that Hydro One had higher costs than the average of its members from 2006 to 2010. As well, in 2014, the OEB gave Hydro One its lowest cost-efficiency ranking among distributors. Hydro One's actual costs were more than 25% higher than what the OEB expected.

The document Hydro One sent us in April 2017 as a courtesy indicated that Hydro One had participated in benchmarking studies to support its approaches to the investment, maintenance and sustainment activities included in its 2017/18 distribution rate application. These studies included vegetation management, the pole replacement program, and the station refurbishment program. The document also indicated that in 2016, Hydro One arranged for an independent third-party review of its Distribution System Plan (DSP), providing unit-cost validation for its forestry, pole replacement and station refurbishment programs.

We obtained Hydro One's 2017/18 rate application from the OEB. This enabled us to verify that Hydro One had engaged third parties to conduct benchmarking studies to assess its distribution system performance and examine best practices. The key findings from each major study were as follows:

- The Pole Replacement Program Study found that Hydro One's costs are in line with the average of the comparison group, with low unit costs for inspections and average costs for replacement of poles; Hydro One inspects its poles more frequently than most utilities, but Hydro One replaces its poles less frequently than do the comparison utilities.
- The Distribution Station Refurbishment Program Study noted that utilities' refurbishment activities vary widely, limiting the ability to make comparisons; it nevertheless could observe that Hydro One's costs for individual station refurbishments are within the range observed across the comparison utilities.

- The Vegetation Management Program Study found that Hydro One has high unit costs compared to the peer group due to heavy workloads associated with long cycle lengths and higher costs for labour and equipment, and that Hydro One is below the peer group average for tree-related outages per system kilometre.
- The Total Compensation Study showed that on an overall weighted basis, Hydro One's compensation amounts are 14% higher than the market median at industry comparator organizations.

Recommendation 14

To lower its repair costs and improve customer service relating to power outages through more accurate and timely dispatches of its repair crews, Hydro One should develop a plan and timetable for using its existing smart meter capability to pinpoint the location of customers with power outages.

Status: No longer applicable.

Details

Our 2015 audit found that Hydro One installed 1.2 million smart meters on its distribution system at a cost of $660 million, yet it did not implement the related software and capabilities to improve its response times to power outages. Hydro One used smart meters predominantly for billing purposes, but not for the purpose of remotely identifying the location of power outages in the distribution system before a customer calls to report the outage.

The document Hydro One sent us in April 2017 as a courtesy did indicate that Hydro One had approved a pilot project called the Advanced Metering Infrastructure for Operations and the Advanced Metering Infrastructure for Analytics. The project is to integrate smart meter outage data to the outage management system, enabling Hydro One to monitor asset loading information in order to avoid premature and possible unplanned asset failures due to overloaded equipment. In addition to being able to ping meters to determine whether customers have power at their premises and avoid re-dispatching crews for further repair work, the project is to deliver further value by consolidating multiple meters without power and showing the scope of a power outage to the control room operators. Hydro One indicated that it had confirmed the project's requirements and scope and selected vendors. Hydro One's document to us stated that the project was expected to be completed by the end of 2017.

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying this information from Hydro One.

Spare Transformers in Storage Not Aligned with Hydro One's Needs

Recommendation 15

To reduce its excess inventory of spare transmission and distribution system transformers to an appropriate cost-effective level, and to lower costs while still being able to replace failed transformers in a timely manner, Hydro One should:

- *improve the forecasting model it uses for predicting transformer failures, and maintain its inventory levels of spare transformers in accordance with the forecasts;*

  Status: No longer applicable.

Details

Our 2015 audit found that Hydro One did not have a cost-effective strategy for ensuring it had an appropriate number of spare transformers on hand, resulting in an excessive number of spare transformers in storage. Hydro One used a model to help forecast the number of transformers it would need to keep in storage, but it did not apply the model to the vast majority of types of distribution system transformers and did not follow the model to determine the number of spares to stock.

The document Hydro One sent us in April 2017 as a courtesy did indicate that Hydro One had updated its forecasting model (called the Markov Model) to predict its need for spare transformers. The document stated that the model uses industry-proven strategic spares risk-analysis methodology to determine the appropriate quantity of operating spares. Hydro One also indicated that it had implemented Transmission and Distribution Spares Strategies to address key issues, including reducing existing inventory, reinforcing a "first-in-first-out" policy and establishing the shelf life of spare transformers to trigger mandatory deployment.

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying this information from Hydro One.

- *develop a plan to standardize in-service transformers as much as possible, and set targets and timelines for achieving savings from better managing both spare and in-service transformers.*
  Status: No longer applicable.

Details

Our 2015 audit found that Hydro One had already saved $50 million to $60 million since 2009 by standardizing transmission system transformers; however, no similar plans were in place for standardizing distribution system transformers. We estimated that another $25 million in savings over 10 years could be forgone if no changes were made to standardize distribution system transformers. We also estimated that this savings could be much higher, ranging from $50 million to $70 million, by not buying more spare transformers over the next 10 years.

The document Hydro One sent us in April 2017 as a courtesy did indicate that Hydro One had taken the following actions to standardize and manage its power transformers:

- reviewed its transmission power transformer fleet for further standardization and determined that its existing 14 procurement standards are sufficient, so adopting additional standards would have limited value;
- reviewed its distribution power transformer fleet, revised its procurement standards (reducing them from 60 to 45) and documented its calculation of savings and timelines for achieving such savings;
- reviewed and documented its power transformer inventory at the Central Maintenance Shop storage area to ensure that the required level of inventory is maintained (with plans to continue to do this annually); and
- reviewed and updated the asset data in its system to improve the tracking of available spares and their deployment status (with plans to continue to do this annually).

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying this information from Hydro One.

Data from Power Quality Meters Not Used to Help Customers Avoid Disruptions

Recommendation 16

To minimize the number and impact of power quality events for its large customers, Hydro One should proactively use the data collected by its power meters to help assess the frequency and location of power quality events on its transmission and distribution systems and thereby improve the reliability of the power supply.

Status: No longer applicable.

Details

Our 2015 audit found that Hydro One did not proactively correct power quality issues, such as fluctuations in voltage levels, on its transmission and distribution systems. Hydro One had installed 138 power quality meters since 2010; however, it did not monitor and analyze the data from these meters to improve system reliability for its customers. Instead, Hydro One addressed the issues only if customers complained.

The document Hydro One sent us in April 2017 as a courtesy did indicate that Hydro One had completed system studies to estimate the magnitude, frequency and duration of sags in voltage levels. The document stated that the information provided by the studies will enable Hydro One to identify and undertake initiatives to minimize the impacts of power quality events on customers. Hydro One also indicated that it had been working with its customers to enable their power meters to serve as power quality meters, which will allow Hydro One to assess power quality events and their impacts on customers. As well, Hydro One said it had engaged third-party experts to assess customers' premises and recommend measures to increase customers' resilience to minor or moderate power quality events.

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying this information from Hydro One.

Weak Management Oversight Processes over Capital Project Costs

Recommendation 17

To ensure that management can better manage and monitor capital projects that use its own workforce, as well as lower project costs, Hydro One should:

- *use industry benchmarks to assess the reasonableness of capital construction project costs, and whether using internal services and work crews is more economical than contracting out capital projects;*

  Status: No longer applicable.

Details

Our 2015 audit found that Hydro One did not assess whether its spending on capital construction projects was reasonable or competitive with industry standards. While Hydro One spent over $1 billion annually from 2012 to 2014 on capital projects to sustain its transmission and distribution systems, it had weak oversight processes to minimize project costs, and it did not regularly analyze or benchmark its internal costs to industry standards.

We were able to obtain details on Hydro One's Total Cost Benchmarking Study (see the second action of Recommendation 7) by reviewing Hydro One's 2017/18 rate application to the OEB. This study noted that Hydro One's overall direct capital expenditures between 2010 and 2014 were generally below those of its peer group.

The document Hydro One sent us in April 2017 as a courtesy indicated that Hydro One had refined its internal work breakdown structure to enable a more efficient, consistent and accurate process for capturing actual project costs and comparisons. In addition, Hydro One indicated that it had been working with peer Canadian utilities to establish a consistent approach to benchmarking capital project work. The initial focus has been on transmission lines projects, with plans to move on later to substation projects.

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying this information on Hydro One's use of industry benchmarks to assess the reasonable of capital construction project costs.

Furthermore, neither the Total Cost Benchmarking Study nor information provided in Hydro One's April 2017 courtesy document have any details on whether using internal services and work crews is more economical than contracting out capital projects.

- *use and adhere to contingency and escalation allowances that are more in line with industry norms for capital construction projects;*

  Status: No longer applicable.

Details

Our 2015 audit found that all Hydro One's capital project cost estimates included, on average, a 20% contingency allowance and an 8% escalation allowance over and above the original estimates. Such large allowances gave Hydro One staff little incentive to complete a project at its original cost estimate or develop more accurate cost estimates for projects.

The document Hydro One sent us in April 2017 as a courtesy did indicate that Hydro One had reviewed and adjusted the contingency and escalation allowances, and that escalation allowances are in line and consistent with its business plan.

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying this information from Hydro One.

- *improve its management reporting and oversight of project costs by regularly producing reports that show actual project costs and actual completion dates compared to original project cost estimates, cost allowances used, original approved costs, subsequent approvals for cost increases, and planned completion dates;*
  Status: No longer applicable.

Details

Our 2015 audit found that the reports received by Hydro One's senior management on the progress of capital projects did not include enough detail about costs and timelines to allow them to effectively assess how well a project was being managed. The project management reporting system was not designed to compare original cost estimates and completion dates with the final costs and dates.

The document Hydro One sent us in April 2017 as a courtesy did indicate that Hydro One had implemented a quantitative project risk management methodology and a formalized project closure reporting process, which includes all project stakeholders, to analyze the project plan and the effectiveness of its execution.

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying this information from Hydro One.

- *regularly analyze its success in preparing project estimates by comparing them with final project costs.*
  Status: No longer applicable.

Details

In our 2015 audit, we found that several completed projects had cost overruns. We noted the following common causes for the overruns: the complexity and magnitude of the work was significantly underestimated at the planning stages; in-depth site visits either were not conducted or were insufficient for understanding the magnitude and complexity of the project; and unit costs used in the estimation process were not current.

The document Hydro One sent us in April 2017 as a courtesy did indicate that Hydro One had implemented a quantitative project risk management methodology and a formalized project closure report process, which includes all project stakeholders, to analyze the project plan and the effectiveness of its execution.

However, Hydro One would not provide us with any more details or supporting documents, which prevented us from verifying this information from Hydro One.

Treasury Board Secretariat

Infrastructure Planning

Follow-Up on VFM Section 3.07, *2015 Annual Report*

RECOMMENDATION STATUS OVERVIEW					
	# of Actions Recommended	Status of Actions Recommended			
		Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	3		3		
Recommendation 2	1	1			
Recommendation 3	1		1		
Recommendation 4	1		1		
Recommendation 5	2	2			
Recommendation 6	1	1			
Total	**9**	**4**	**5**	**0**	**0**
%	**100**	**44**	**56**	**0**	**0**

Overall Conclusion

According to the information that the Treasury Board Secretariat (Secretariat) and the Ministry of Infrastructure (Ministry) provided to us, as of June 30, 2017, 44% of actions we recommended in our *2015 Annual Report* have been fully implemented, and 56% of the recommended actions are in the process of being implemented.

Overall, the Secretariat and Ministry have done the following:

- completed a number of recommendations on updating their guidelines and instructions to the ministries to submit more detailed information for their infrastructure plans;
- implemented a process to monitor project cost overruns and delays; and
- provided additional training to analysts to improve documentation to support their analyses and recommendations to the Treasury Board/Management Board of Cabinet.

However, some significant areas that still require work include:

- defining the desired condition at which to maintain infrastructure assets;
- striking a balance between funding new projects and funding repair/rehabilitation projects; and
- developing a cross-sector province-wide framework to prioritize infrastructure investments.

Background

Ontario's portfolio of public infrastructure includes highways, bridges, transit systems, schools, universities, hospitals, government buildings, and a wide variety of other assets. It has a replacement value of close to $550 billion.

The Ontario Government oversees about 40% of these assets, either directly or through broader-public-sector organizations, such as school boards and hospitals. The remaining assets are managed by other entities, including municipalities, universities, social service facilities and long-term-care facilities. Much of Ontario's current stock of infrastructure was built between the end of the Second World War and the 1970s. Infrastructure spending slowed between 1980 and 2005 but picked up again in the last 12 years. However, Ontario is managing an aging asset portfolio. The average age of hospitals in Ontario, for example, is 45 years, while the average of schools is 38 years.

Infrastructure spending includes preserving or expanding existing assets and building new ones. In the last 10 years, Ontario's largest infrastructure spending has been in the transportation sector, followed by health and education. For example, the Province spent nearly $24 billion on transit projects, more than $25 billion on roads and bridges, nearly $30 billion on major hospital and other health-care projects, and nearly $23 billion on schools and post-secondary facilities between 2007/08 and 2016/17.

Proper planning is necessary to ensure infrastructure needs are identified and existing infrastructure is adequately maintained and renewed for public use. Such planning must take into account the benefits of infrastructure investment, the risks to the public when needed facilities are not built or are allowed to deteriorate, and the resources required to meet future demand.

At the time of our audit in 2015, we noted that the Treasury Board Secretariat (Secretariat), which is responsible for reviewing and making recommendations to the government on infrastructure funding requests from ministries, generally evaluated each ministry's requests on a stand-alone, historical basis; it did no comparison at an overall provincial level to ensure the most pressing needs, within the combined ministries, receive top priority for funding.

Some of our significant observations included the following:

- Two-thirds of funding was planned to go toward building new assets and one-third to repairs and renewals of existing facilities; however, the Province's analyses determined that it should be the other way around in order to adequately maintain and renew existing public infrastructure.
- No guidelines existed for the desired condition at which facilities should be maintained, and ministries lacked consistency among themselves on how to measure the condition of asset classes such as highways, bridges, schools, and hospitals.
- Ontario lacked a reliable estimate of its infrastructure deficit—the investment needed to rehabilitate existing assets to an acceptable condition—to better inform where and when spending should be directed.
- An independent assessment calculated that the Ministry of Education needed $1.4 billion a year to maintain schools in a state of good repair. However, actual annual funding in the previous five years ranged from $150 million to $500 million.
- A similar assessment done for the Ministry of Health and Long-Term Care identified annual capital funding needs of $392 million for the province's hospitals. However, actual capital funding since 2010/11 was just $56 million and rose to $125 million in 2014/15.
- Our audit found that existing funding did not address significant pressures faced by ministries for new projects. For example, 100,000 students were using temporary

portables and about 10% of schools in the province were operating at over 120% capacity. Although portables are needed to provide some flexibility to address changes in school capacity, existing funding was not sufficient to renovate the existing buildings and to replace these structures with more permanent classrooms in some cases.
- The Secretariat did not know how well individual construction projects were managed. Our review of reports from the ministries to the Secretariat noted that information was generally reported at a program level only and not on individual projects within a program. Instead, the Secretariat relied on ministries to monitor individual projects.

Our audit report recommended, among other things, that the Secretariat do the following:

- work with ministries to better identify, measure and quantify the Province's infrastructure investment needs;
- ensure that ministries are putting forward viable strategies that address bridging the gap between actual infrastructure needs and available funding;
- ensure that funding strikes an appropriate balance between new projects versus repair/rehabilitation and replacement of existing assets to minimize lifecycle costs; and
- require ministries to report on project cost overruns and delays to monitor the status of significant infrastructure projects under way in the province.

We received commitment from the Secretariat that it would take action to address our recommendations.

Following the release of our audit report, the Ministry of Infrastructure was established as a stand-alone ministry on June 13, 2016 with a mandate to guide Ontario's infrastructure planning and develop a strategic approach to capital planning. The Ministry and Secretariat have been collaborating in addressing the recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between April 1, 2017 and June 30, 2017. We obtained written representation from the Treasury Board Secretariat (Secretariat) and Ministry of Infrastructure (Ministry) that effective September 1, 2017, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

The status of each of our recommendations is as follows.

Complete, Reliable Information Needed for Effective Capital Planning

Recommendation 1

To better identify, measure and quantify the province's infrastructure investment needs, the Treasury Board Secretariat, working with ministries, should:

- *define how ministries should identify and measure the condition of all asset classes and determine how to assist those ministries that currently lack the capacity to do so;*
  Status: In the process of being implemented by May 2020.

Details

Our 2015 audit noted that there was no reliable estimate of the overall infrastructure deficit within the Government's portfolio of assets. Ministries lacked agreement among themselves on how to consistently measure and compare conditions of various asset classes and some ministries were not able to undertake this work. As a result, the information provided by ministries on asset conditions to the Treasury Board Secretariat (Secretariat) was inconsistent among ministries.

In September 2016, the Ministry started to work with the other provincial ministries to assess their infrastructure planning practices. This action was in response to the need to develop an evidence-based and transparent infrastructure planning and investment process. The need for a new process was identified in our 2015 audit, in the *Infrastructure for Jobs and Prosperity Act, 2015* (proclaimed in May 2016), and in the 2016 Ministry of Infrastructure Mandate Letter from the Premier. The Ministry found significant variations across the ministries, including:

- inconsistent methods of managing assets, measuring state of good repair, and measuring whether the asset, such as a building or bridge, is functioning properly;
- incomplete data on infrastructure investments in renewal/rehabilitation versus expansion;
- no framework for prioritizing requests across sectors or between renewal/rehabilitation and expansion projects; and
- a lack of clarity on how a proposed infrastructure investment would contribute to the achievement of the desired or needed service level.

The initial results of this work and the Ministry's proposed three-year work plan to address the findings of the assessment were reported to the Treasury Board/Management Board of Cabinet in February 2017.

The actions in the three-year work plan include:

- update the Infrastructure Asset Management Framework to bring consistency, where possible, to how the Ontario Public Service manages assets and measures asset condition;
- develop a method for accurately tracking investments in renewal/rehabilitation versus expansion;
- design a cross-sector framework to prioritize projects; and
- create guidelines to bring consistency and transparency to ministries' methods for forecasting service needs and demand, where possible.

The Ministry anticipates working with the other ministries to improve the internal infrastructure planning process over the next three years, from May 2017 to May 2020, by carrying out the actions in the proposed work plan.

The Ministry also plans to conduct research, including the engagement of consultants, to inform asset management planning. This would include an update to the Infrastructure Asset Management Framework beginning this fiscal year.

- *provide guidance to ministries on the desired condition at which to maintain infrastructure assets;*

  Status: In the process of being implemented by May 2020.

Details

In September 2016, the Secretariat and the Ministry engaged a Canadian think-tank—a group of experts who give advice—to research best practices in other jurisdictions in managing and analyzing infrastructure data.

The Secretariat and the Ministry anticipate that the results of this work will help guide ministries in determining the desired condition at which to maintain their infrastructure assets. They also expect the results to help develop an infrastructure needs/benefits framework to get the greatest benefit from future investments.

Initial research completed by the think-tank in February 2017 found that an asset should be renewed when the annualized lifecycle cost of renewing it is less than the annualized cost of operating and maintaining the asset, as calculated by the ministries. The annualized lifecycle cost approach was identified as a best practice. The think-tank is in the process of confirming this research with experts in other jurisdictions and expects to complete this work by summer 2017.

After the work of the think-tank is completed, the Ministry anticipates that it will work with the Secretariat and ministries to strengthen asset management planning over the next three years, from May 2017 to May 2020. This planning will include a consistent approach for collecting and reporting asset inventory information. Information on asset inventory will include the location, value, age and condition of provincial assets. The information will be used to identify key trends and expected needs for public infrastructure over the next 10 years.

- *publicly report on the progress made in achieving targets set for the desired condition for the province's infrastructure.*
  Status: In the process of being implemented by May 2020.

Details

As we noted in our 2015 audit report, the Government is required to make public a Long-Term Infrastructure Plan within three years of passing the *Infrastructure for Jobs and Prosperity Act, 2015,* which came into effect on May 1, 2016. Subsequent plans must be publicly available at least every five years after the first one is released. At minimum, these plans will be required to include:

- a description of provincial infrastructure assets, including an assessment of age, value and condition of the assets;
- an estimate of the Government's anticipated infrastructure needs for at least the next ten years; and
- a strategy to meet those needs.

The Ministry is currently working with the Secretariat and ministries to develop the infrastructure plan. This plan is expected to outline the age and condition of infrastructure assets and is expected to be released to the public by the end of 2017. However, it will not include information on the desired condition that ministries should maintain infrastructure assets. Research in this area is still ongoing, including the work by the Canadian think-tank as discussed above, which is expected to be completed by summer 2017. When research is completed, the Ministry anticipates that it will use the results to work with the Secretariat and ministries over the next three years, from May 2017 to May 2020, to improve the infrastructure planning process.

Existing Funding Does Not Address Significant Pressures Faced by Ministries for New Projects

Recommendation 2

The Treasury Board Secretariat should ensure that ministries put forward viable strategies that address bridging the gap between actual infrastructure needs and the funding allocated including options such as adjusting service levels, delivering the same service levels more efficiently, and internally realigning expenses.

Status: Fully implemented.

Details

As we reported in 2015, ministries are required to identify their potential infrastructure gap—the difference between their actual infrastructure needs and the funding allocated—and to identify strategies to bridge the gap, as part of their infrastructure plans. However, in our review of the plans submitted by ministries, we noted the strategy was often to defer their infrastructure needs to future years.

Since our audit, the Secretariat continues to require ministries to identify strategies to meet their infrastructure needs. The ministries also need to identify ways to complete infrastructure projects within the context of both provincial priorities and the ministries' share of funding.

In addition, as part of the process to develop their infrastructure plans, the ministries are now required to review their programs for effectiveness, efficiency and sustainability. Based on these assessments, they must identify opportunities to improve outcomes. This includes assessing risks when asking for changes to their programs. That assessment will be incorporated in the recommendations that are presented to the Treasury Board/Management Board of Cabinet for approval.

In the 2017/18 infrastructure plan submissions, we noted ministries had to complete a section entitled "Strategy to Meet Need" for each of their program areas. In contrast, the prior requirement was for a short description of strategies for the ministry as a whole. For example, in the 2016/17 submission for condition of schools, the Ministry of Education's infrastructure plan submission had only a high level statement that said: "renewal, retrofit and/or replacement of existing schools based on condition." Compare this to the 2017/18 submission, which identified specific strategies that the Ministry of Education had carried out to address its needs. One of the strategies, for example, was directing school boards to apply their proceeds from the sale of assets to renovate their existing school inventory. The Ministry of Education is also continuing with a process to consolidate schools. The goal is to find savings through combining schools and to address the backlog of infrastructure renovation projects.

In September 2016, the Secretariat also created a group of ministry staff to help guide the development and analysis of infrastructure plan submissions from the ministries. The purpose of this group is the following:

- to serve as a place for ministries to have more consistent and frequent contact throughout the infrastructure planning process;
- to solicit ministry feedback in advance of releasing major new capital requirements; and
- to provide suggestions for improvements and collaborate on best practices. This would include discussing new requirements on strategies to meet the gap between the needs in the infrastructure plans and the funding that is available.

The group meets on a regular basis (for instance, seven times between September and December 2016 and plans to meet monthly during the next budget planning cycle) and the agenda is shaped by both the Secretariat and input from the ministries.

Funding Allocations Not Always Based on Need

Recommendation 3

The Treasury Board Secretariat should make use of all relevant and available ministry information such as the condition of assets and what is needed to meet target service levels in ensuring that funding allocations strike an appropriate balance between funding new projects versus funding repair/rehabilitation and replacement of existing assets to minimize lifecycle costs and prolong the life of assets.

Status: In the process of being implemented by December 2017.

Details

In our 2015 audit, we found that the Secretariat's internal analysis had noted that investments on new projects had historically been favoured over renewal projects. The Secretariat estimated that two-thirds of the Province's capital funding should go to renewing existing assets. However, the Province's 10-year capital plan for infrastructure spending that the ministries proposed had only about one-third of funding allocated to renewal.

After our audit, in fall 2016, the Secretariat began requiring ministries to identify how much of their capital spending is on renewal of assets. The Secretariat's analysis of the 2017/18 infrastructure plans submitted by the ministries found that an estimated 43% of funds allocated to capital were for renewal projects.

In addition, the ministries are also now required to submit detailed infrastructure plans that include:

- a summary inventory of their assets;
- a description of the differences between current and target service levels; and
- a strategy to meet renewal and expansion needs based on long-term forecasts of service levels.

The Ministry of Infrastructure is also currently updating its analysis of investments needed to maintain service levels. Its goal is to find a balance between repairing existing assets and expansion in order to meet demographic growth. This analysis will use simulation scenarios to look at trade-offs across the sectors and at trade-offs between renewal and expansion.

The simulations will track existing assets over time and take into consideration that these assets will get older, deteriorate in condition, and require investments to keep in a state of good repair. New assets can be added to either replace existing assets or to account for expansion. The amount of investment in the scenarios determines how much rehabilitation, replacement and expansion can be undertaken. The costs and benefits of the investment scenarios can be compared, once the initial investment is established.

The Ministry, working with the Secretariat, expects to improve the infrastructure planning process using this analysis and data in the Long-Term Infrastructure Plan, which is expected to be released by the end of 2017.

Recommendation 4

To ensure the Province makes the most effective infrastructure investments, the Treasury Board Secretariat should ensure that funding allocated to ministries is supported by an objective analysis of needs prioritized on a province-wide basis as well as by individual ministries.

Status: In the process of being implemented by May 2020.

Details

After our audit, in December 2016 and January 2017, the Ministry met with ministries that have capital assets to assess their approaches to asset management, project prioritization and service level/needs planning. The findings from these meetings identified:

- the need for improved asset management, including province-wide consistency in measuring the condition of assets and how well they are functioning;
- that deferred maintenance is a significant concern; and
- that funding needs to shift from expansion to renewal projects.

In February 2017, the Ministry proposed to the Treasury Board/Management Board of Cabinet two key recommendations to address these findings:

- develop a new 12-month planning cycle to provide more time for in-depth planning in advance of fiscal decision-making; and
- develop a new method to prioritize investments within and across sectors.

The Secretariat expects to provide more details of the changes to the infrastructure planning process by the end of 2017.

The Ministry is also working on two tools for economic analysis that it will use for two purposes: to assess the appropriate level of public stock and investment to achieve the most economic growth; and to give funding to the sectors that provide the largest impact on provincial gross domestic product (GDP). The two models are:

- Optimal method—determines the total amount that should be invested in public infrastructure to maximize long-term GDP impact and the number of jobs supported; and
- Efficient allocation—estimates in which sectors the highest marginal returns on GDP are achieved through infrastructure investments.

These two models are still under review and development, and the Ministry is working on confirming the data and methodology before making them part of the budget planning process. The Ministry will use the results from applying the above tools to inform recommendations it provides to the Secretariat on infrastructure funding requests made by ministries.

As well, over the next three years, from May 2017 to May 2020, the Ministry will be working with the Secretariat and provincial ministries to develop a cross-sector framework for determining infrastructure investment priorities.

Inadequate Review by Secretariat of Ministry Submissions

Recommendation 5

To ensure an appropriate review of ministries' proposed infrastructure plans, the Treasury Board Secretariat should:

- *ensure that proper documentation of analysts' work is completed and made centrally accessible and provide the training necessary to address knowledge gaps;*
  Status: Fully implemented.

Details

After our audit, the Secretariat updated its Analyst Guide to Infrastructure to include detailed instructions for managing records. This step ensures that the assessment of infrastructure funding requests and recommendations to Treasury Board/Management Board of Cabinet is properly documented. The guide specifies keeping analysis and assessment notes, as well as email correspondence, meeting notes and other documents that support the analysis and recommendations.

The Secretariat now has a folder on its shared drive, where all documentation to support infrastructure investment recommendations to Treasury Board/Management Board of Cabinet must be saved in appropriate folders and be centrally accessible.

The Secretariat also updated its Capital Planning Division Analyst Checklist. The checklist reminds analysts to have all back-up documentation and source data organized in a clearly marked binder and to save all sign-off material in a folder on the shared drive, not on their local drive, before final sign-off.

In order to address gaps in training noted in our 2015 audit report, the Secretariat launched a new training curriculum in June 2016. Courses included:

- broad concepts of government decision-making, appropriations, capital planning overview, and financial concepts;
- training on collaboration with the Ontario Financing Authority; and
- technical courses on cap and trade, and infrastructure analytics, which includes analyzing and interpreting complex data, for improved decision-making.

Although attendance was not mandatory, according to the Secretariat's records, capital analysts employed at the Secretariat attended an average of four courses (out of seven available courses) in summer 2016.

- *amend the tools that analysts currently use to assess ministry proposals to better enable them to clearly determine whether key criteria have been satisfied by a project proposal, and train all analysts in the consistent use of these tools.*
  Status: Fully implemented.

Details

At the time of our audit in 2015, the tools that analysts used to assess ministry proposals included an analysis checklist, a prioritization-scoring template, and a best-practices guide. However, in our review of these tools, we found they did not ensure that infrastructure requests met the Secretariat's criteria to support recommendations, such as aligning with government policy objectives and addressing imminent health or safety risks.

After our audit, between February 2016 and July 2016, the Secretariat completed an assessment of its current suite of tools used during assessment of proposals. Key findings of this assessment included the need to:

- clearly articulate submission expectations to ministries;
- ensure ministries are providing multiple, realistic options as part of their submission with clear rationale as to why the preferred option was chosen;
- link the initiative at hand to current related government activities; and
- clearly articulate citations and assumptions for analysis in the submissions.

In addition, the Secretariat introduced or amended the following tools to ensure the appropriate information is available to support its analysis:

- Interest Calculator to determine interest on debt;

- Proportion Renewal Report to track renewal and expansion activities of ministries;
- Analysts Guide to Capital Planning;
- Capital Planning Division Analysts Checklist; and
- Borrowing Template to determine borrowing requirements for capital.

In addition to these tools, the Secretariat made it a requirement for analysts to prepare sector and ministry overviews to brief the Assistant Deputy Minister of the Secretariat's Capital Planning Division in advance of the analysts receiving ministry submissions. The exercise of preparing for the brief helped to improve analyst expertise on the files and ensured they focused on issues and concerns that were identified in previous years' infrastructure plans.

Training on the use of these new and amended assessment tools was incorporated into the new training curriculum that began in early 2016 as noted in the first bullet point of **Recommendation 5**.

Insufficient Monitoring of Infrastructure Spending

Recommendation 6

To ensure adequate monitoring of infrastructure investments in the province, the Treasury Board Secretariat should require ministries to report information on project cost overruns and delays to inform future decisions and to monitor the status of significant infrastructure projects under way in the province.

Status: Fully implemented.

Details

In August 2015, the Treasury Board/Management Board of Cabinet issued a new directive—the Directive for Major Public Infrastructure Projects—to support the planning and approval of major infrastructure projects. This directive applies to all major public infrastructure projects with the following characteristics:

- the projects have provincial funding of $20 million or more. The exception is the transportation sector. For this sector, the directive applies when provincial funding is $50 million or more for expansion projects, and $75 million or more for rehabilitation projects;
- the projects pose significant risk to the government because of a high probability of an event that could prevent achieving the project's objectives; or
- the projects are of significant interest to the province.

Under this new directive, ministries must report quarterly:

- on all approved major public infrastructure projects for which a construction contract was awarded during the quarter;
- on all major projects for which construction is under way; and
- on projects that were substantially completed during the quarter.

The reporting requirements were rolled out to all ministries in January 2017 for the third quarter of the 2016/17 fiscal year. They specify the information ministries are to report. The information includes the project status, cost and timelines, and any variances from the approved project terms. In future quarters, variances will also be tracked quarter-over-quarter to demonstrate project changes over time. If a project's scope, schedule or cost changes substantially, a description and risk assessment is also required. See **Figure 1** for a summary of the quarterly reporting process.

In addition, the Treasury Board/Management Board of Cabinet also created the Infrastructure Delivery Leadership Council (Council) in September 2016 as envisioned in the directive to:

- analyze and recommend an infrastructure delivery model;
- review proposed changes to project scopes, timing, project financing and/or delivery model. The Council would approve minor variations and escalate significant changes

to Treasury Board/Management Board of Cabinet; and

- administer the quarterly risk-based reporting on major projects.

This Council is an executive-level committee. It is chaired by the Assistant Deputy Minister of Capital Planning Division, has a Vice-Chair from the Ministry of Infrastructure, and its members are representatives from ministries that have major capital assets.

The directive requires ministries to provide the quarterly reports to the Secretariat.

In May 2017, the Secretariat presented the first quarterly report to the Council. The report listed 52 projects with a total project cost of $28.1 billion. Of the 48 projects under construction during the quarter, five were identified as high risk for delay or cost overruns:

- three from the Ministry of Transportation relating to the procurement of light rail vehicles;
- one from the Ministry of Health and Long-Term Care on a hospital expansion project; and
- one from the Ministry of the Attorney General relating to a courthouse project.

The Secretariat will present the quarterly report to the Treasury Board/Management Board of Cabinet and continue to monitor and review these projects as part of the quarterly reporting process.

Figure 1: Quarterly Reporting Process

Source of data: Treasury Board Secretariat

Ministries

- Report on status of projects using tools and processes outlined by the Treasury Board Secretariat
- May advise on status of high-risk projects as required

Treasury Board Secretariat

- Reviews quarterly submissions from ministries
- Assesses levels of risk to project scope, cost and timing/schedule

Infrastructure Delivery Leadership Council (Council)

- Reviews and approves risk report on projects
- Provides recommendations to Treasury Board/Management Board of Cabinet based on results of risk-based quarterly reporting

Treasury Board/Management Board of Cabinet

- Reviews report from the Council on the status of major projects
- Provides additional direction as needed after review of Council report on major projects

Chapter 1

Section **1.08**

LHINs—Local Health Integration Networks

Follow-Up on VFM Section 3.08, *2015 Annual Report*

RECOMMENDATION STATUS OVERVIEW

	# of Actions Recommended	Status of Actions Recommended			
		Fully Implemented	**In Process of Being Implemented**	**Little or No Progress**	**Will Not Be Implemented**
Recommendation 1	3	2	1		
Recommendation 2	1		1		
Recommendation 3	2		2		
Recommendation 4	3	2	1		
Recommendation 5	2		2		
Recommendation 6	1	1			
Recommendation 7	2	1	1		
Recommendation 8	3	2		1	
Recommendation 9	3		3		
Recommendation 10	3	3			
Recommendation 11	3	1	2		
Recommendation 12	2		2		
Recommendation 13	1	1			
Recommendation 14	1			1	
Recommendation 15	1		1		
Recommendation 16	1	1			
Recommendation 17	1	1			
Recommendation 18	2		2		
Recommendation 19	1	1			
Recommendation 20	1	1			
Total	**37**	**17**	**18**	**2**	**0**
%	**100**	**46**	**49**	**5**	**0**

Overall Conclusion

According to the information the Ministry of Health and Long-Term Care (Ministry) and the Local Health Integration Networks (LHINs) provided to us, as of May 31, 2017, 46% of the actions we recommended in our *2015 Annual Report* had been fully implemented. For instance, the Ministry was analyzing the reasons for the gaps in performance of LHINs and had clarified under what circumstances it, as opposed to the LHINs, is responsible for establishing common approaches to delivering health services. As well, the LHINs developed a framework to use for approving Urgent Priorities Fund applications to allow for consistent decision-making, and had established a common complaint-management process that clearly defined methods for informing the public on how to register complaints. The Ministry and the LHINs had made progress in implementing another 49% of the recommendations. For instance, the LHINs developed a framework for assessing the impact of integration initiatives but had not yet fully implemented it. As well, the Ministry was working toward undertaking a comprehensive review of performance indicators to assess the appropriateness of current indicators and consider any new or revised indicators to reflect changes in the health-care system. However, there had been little or no progress on other actions. For example, the LHINs, in collaboration with Health Quality Ontario, had done little to assess patients' satisfaction with their health-service providers and the extent to which they feel they are receiving quality services, and there had also been little work done by LHINs to identify opportunities to save costs through back-office integration among health-service providers.

The status of actions taken on each of our recommendations is described in this report.

Background

Ontario's 14 Local Health Integration Networks (LHINs) were established by the *Local Health System Integration Act, 2006* (Act). LHINs began assuming their role in managing local health services in April 2007, under the responsibility of the Ministry of Health and Long-Term Care (Ministry), replacing the Ministry's seven regional offices and 16 district health councils. By July 2010, LHINs had fully assumed their role over public and private hospitals, long-term-care homes, Community Care Access Centres, community mental health and addiction agencies, community support service agencies, and community health centres. In the year ending March 31, 2017, LHINs provided health-care organizations within these six sectors a total of about $26 billion in funding ($25 billion in the 2014/15 fiscal year), which in both years represented slightly more than half of the provincial health-care budget.

Each LHIN is a not-for-profit Crown agency that covers a distinct region of Ontario. The regions vary in size and have different service delivery issues and health-service providers, and their populations have different health profiles. In the 2016/17 fiscal year, the operational expenditures of the 14 LHINs totalled $90 million (as they did in the 2014/15 fiscal year), or about 0.4% of the Ministry's $26 billion in LHIN funding (also 0.4% in the 2014/15 fiscal year). Most of these expenditures were for the health-care organizations that LHINs fund.

Under the Act, LHINs are responsible for "[achieving] an integrated health system and [enabling] local communities to make decisions about their local health systems." The Act sets out the LHINs' obligation to plan, fund and integrate local health systems.

Our 2015 audit found that the Ministry had not clearly determined what would constitute an integrated health system, or by when it should be achieved. As well, the Ministry had not developed ways to measure how effectively LHINs are performing as planners, funders and integrators of health care.

We also noted that if achieving their mandate to provide the right care at the right time consistently throughout the health system meant that LHINs should have met all expected performance levels that were measured, then they had not succeeded at the time of our audit in 2015. We found that, while province-wide performance in six of the 15 areas measured had improved from when the LHINs were created to 2015, in the remaining nine areas, performance had either stayed relatively consistent or had deteriorated since 2010 or earlier. For instance, a greater percentage of hospital days were used by patients who no longer needed acute care in a hospital setting for the year ending March 31, 2015, compared to 2007.

Most LHINs performed below expected levels in the 2014/15 fiscal year; on average, LHINs achieved their respective local targets in only six of 15 performance areas. The best-performing LHIN met local targets in 10 areas, and four LHINs met only four. Provincial results that include all 14 LHINs showed that only four of 11 provincial targets that measure long-term goals were met. Other significant observations we made in 2015 included the following:

- Due to inconsistent and variable practices that still persisted across the province, patients faced inequities in accessing certain health services. These variances meant that, depending on where they live, some people experienced better access to better integrated health care than others, and some people were not receiving health care in the setting that best met their health needs and, sometimes, at a much higher cost than necessary.
- The Ministry took little action to hold LHINs accountable when they did not meet targets. This had contributed to performance issues persisting for years. For instance, one of the four LHINs we visited did not meet the wait-time target for MRI scans in six of the eight years leading up to March 31, 2015. Another did not meet its hip-replacement wait-time target in seven of the last eight years. When an expected performance was not achieved in one year, the Ministry made the target more lax for the following year for some LHINs; yet, for other LHINs, the Ministry kept the target the same or made it more stringent.
- The performance gap among LHINs had widened over time in 10 of the 15 performance areas. For instance, patients in the worst-performing LHIN waited 194 days to receive semi-urgent cataract surgery in 2012, which was five times that of the best-performing LHINs. Three years later, this performance gap widened from five times to 31 times. The Ministry needed to better understand the reasons for the widening gap and implement changes to narrow that gap if it wanted to achieve the goal of ensuring health service levels do not vary significantly across the province.
- LHINs must better monitor health-service providers' performance. At the four LHINs we visited (Central, Hamilton Niagara Haldimand Brant, North East, and Toronto Central), we found that the quality of health service was not consistently monitored, performance information submitted by health-service providers (some of which contained errors) was not verified, and providers who did not perform well were not consistently dealt with in accordance with Ministry guidelines.
- Tracking of patient complaints lacked rigour and there was no common complaint-management process across LHINs, and LHINs did not always ensure that patient complaints are appropriately resolved. Across the province, three LHINs did not track complaints at all in 2014, or only partially tracked them.
- LHINs could not demonstrate that they have maximized economic efficiencies because the use of group purchasing and back-office integration differed across the LHINs we visited.

In our report, we recommended that the Ministry establish a clear picture of what a fully integrated health system looks like; analyze the reasons for the widening gap in the performance of LHINs in key performance areas; require LHINs to establish reasonable timelines to address performance gaps and monitor their progress; clarify with the LHINs what authority they have to reallocate funding among health-service providers; and finalize the annual funding each health-service provider will receive before the fiscal year begins or as early in the current fiscal year as possible.

We also recommended the LHINs take appropriate remedial action according to the severity and persistence of performance issues identified at health-service providers; establish a common complaint-management process; and develop and implement action plans with timelines to address the service gaps identified in all health services in their regions.

We made 20 recommendations, consisting of 37 actions needed for improvement, and received commitments from the Ministry and the four LHINs we visited during the audit that they would take action to address them.

Status of Actions Taken on Recommendations

We conducted assurance work between April 1, 2017, and May 31, 2017. We obtained written representation from the Ministry of Health and Long-Term Care and the four Local Health Integration Networks (Central, Hamilton Niagara Haldimand Brant, North East, and Toronto Central) that, effective September 1, 2017, they had provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Performance Improved Only in Limited Areas over Time and Varies from One LHIN to the Next; Variation Widens over Time for Two-Thirds of Measured Areas

Recommendation 1

To minimize the differences in health service performance among Local Health Integration Networks (LHINs) across the province, the Ministry of Health and Long-Term Care, in conjunction with the LHINs, should:

- *analyze the reasons for the widening gap in the performance of LHINs in key performance areas;*
  Status: Fully implemented.

Details

In our 2015 audit, we reported that the performance gap among LHINs from 2012 through 2015 increased in 10 of the 15 areas of performance selected by the Ministry for measuring the effectiveness of LHINs. For instance, in 2012, patients in the worst-performing LHIN waited 194 days, or five times that of the best-performing LHIN, to receive semi-urgent cataract surgery. Three years later, this performance gap widened from five times to 31 times. We noted that the Ministry needed to better understand the reasons for the widening gap in the performance of LHINs so it can take appropriate action to reduce the gaps. At the time of this follow-up, the Ministry was collecting a quarterly performance report from each LHIN that included an analysis of strengths and challenges that resulted in gaps in performance relative to other LHINs. The Ministry informed us that it analyzes these reports and follows up with LHINs to better understand challenges that they are facing in meeting performance targets.

- *establish the degree of variation it would consider acceptable among LHINs' performance in each measured performance area;*
  Status: Fully implemented.

Details

In our 2015 audit, we noted that the Ministry had a goal of reducing the performance gap among LHINs over time so that the level of health service does not vary significantly across the province, but the Ministry had not indicated what degree of variation it would consider acceptable in each of the performance areas. In the current Ministry-LHIN accountability agreement covering the 2015/16 to the 2017/18 fiscal years, the Ministry introduced provincial targets that are consistent for all LHINs.

- *set timelines for bringing the performance gaps among LHINs to acceptable levels.*

  Status: In the process of being implemented by March 2018.

Details

The current Ministry-LHIN accountability agreement covering the 2015/16 to the 2017/18 fiscal years has consistent provincial targets for all LHINs. The Ministry informed us that it expects all LHINs to demonstrate progress toward achieving these provincial targets by March 2018, which is the end of the term for the current agreement.

None of the LHINs Were Able to Meet All Performance Targets and the Ministry Could Do More to Help LHINs Improve Their Performance

Recommendation 2

To help ensure that patients across the province receive targeted levels of care, the Local Health Integration Networks should better manage capacity and demand for community-based services and MRI scans within their individual regions.

Status: In the process of being implemented by December 2018.

Details

We noted in our 2015 audit that most LHINs performed below targeted levels in critical areas, such as repeat unscheduled emergency visits for patients with mental-health or substance-abuse conditions within 30 days of a previous visit, and patients having to wait 28 days or more for non-urgent MRI scans. The Ministry and the LHINs cited lack of effective and available community-based mental-health and addiction services and inability to meet increasing demand for non-urgent MRI scans as reasons for these performance concerns. At the time of this follow-up, the LHINs were supporting the Ministry to develop a capacity-planning framework for home and community care. Individual LHINs had also begun conducting various capacity-planning initiatives. For example, two neighbouring LHINs and representatives from their health-service providers engaged a third-party firm to assess community needs and capacity and determine current and forecast gaps in service. With respect to MRI scans, the LHINs had also identified five practices to try and address demand and capacity issues within their individual catchment areas, including a central-intake model, a practitioner education session, and process improvement projects in areas such as booking and scheduling of MRIs. The LHINs informed us that implementing these practices would take time and that they expected work to be complete by December 2018.

Recommendation 3

To help ensure that patients across the province receive consistent levels of care, the Ministry of Health and Long-Term Care should:

- *ensure that capacity and demand for community-based services and MRI scans are managed province-wide with consideration to existing resources;*

  Status: In the process of being implemented by December 2018.

Details

At the time of this follow-up, the Ministry had drafted a framework to guide capacity planning and help the Ministry and LHINs with decision-making for local services, including those that are community-based. The Ministry was also assessing the usefulness of a capacity-planning and demand-prediction tool to assist with determining MRI funding requirements. In addition, the Ministry informed us that it was working with LHINs to evaluate and implement MRI efficiency practices, including those listed in **Recommendation 2**.

- *develop the provincial plan on health-care needs in rural and northern communities according to its commitment in 2007.*
  Status: In the process of being implemented by March 2018.

Details

As part of a broader provincial plan on health-care needs in rural and northern communities, the Ministry announced in August 2016 $2.5 million in funding over three years for five rural health-hub pilot sites, four of which are in northern communities. These health hubs are working to create systems that provide individuals with a full continuum of health services, and they are expected to improve access to health-care services. At the time of our follow-up, the Ministry was working with LHINs to engage various health-service providers to help in the implementation of these hubs, and expected all hubs to have developed a work plan by March 2018 that moves them toward becoming fully integrated with the health-care system.

Recommendation 4

To ensure Local Health Integration Networks (LHINs) perform at desired levels, the Ministry of Health and Long-Term Care, in conjunction with the LHINs, should:

- *communicate best practices observed in well-performing LHINs to LHINs that need intervention so the latter can identify potential solutions to performance shortfalls;*
  Status: Fully implemented.

Details

As part of its quarterly reporting to the Ministry, each LHIN is expected to provide details on initiatives that have improved or are expected to improve performance. The Ministry makes each LHIN's quarterly report available to all the LHINs, thereby enabling all LHINs to review peer reports and identify initiatives that have improved performance.

- *assist LHINs in analyzing the root causes of performance gaps and determining appropriate action to address ongoing issues;*
  Status: Fully implemented.

Details

As part of its quarterly reporting to the Ministry, each LHIN is expected to identify factors that have affected performance and outline initiatives that are under way to address performance issues. The Ministry informed us that it provides data analytics and policy research to LHINs and consults them on provincial priorities and strategies to address ongoing issues.

- *require LHINs to establish reasonable timelines to address performance gaps and monitor their progress accordingly.*
  Status: In the process of being implemented by March 2018.

Details

As part of its quarterly reporting to the Ministry, each LHIN is expected to outline initiatives to improve performance gaps. The Ministry informed us that it monitors and discusses LHIN progress against these initiatives. As well, the Ministry set common performance targets for all LHINs in the current Ministry-LHIN accountability agreement and informed us that it expects all LHINs to demonstrate progress toward these targets by March 2018.

Recommendation 5

To ensure that Local Health Integration Networks (LHINs) are assessed objectively and comprehensively *on their operational effectiveness and for all health sectors that they manage, the Ministry of Health and Long-Term Care should:*

- *develop LHIN-specific performance targets that reflect current evidence-based benchmarks;*
  Status: In the process of being completed by March 2018.

Details

The Ministry informed us that it would be undertaking a comprehensive review of all performance indicators included in the current Ministry-LHIN accountability agreement and expected to complete this work by March 2018. This review is expected to assess the appropriateness of current indicators and consider any new or revised indicators to reflect changes in the health-care system, such as those resulting from the implementation of the *Patients First Act, 2016*.

- *examine the appropriateness of including additional performance indicators not currently in those recommended by the Indicators Advisory Group and finalize the implementation of the performance indicators that measure non-hospital-sector performance as well as co-ordination of health services.*
  Status: In the process of being implemented by March 2018.

Details

The current Ministry-LHIN accountability agreement includes nine new performance indicators, some of which measure non-hospital-sector performance or co-ordination of health services. The following are some examples of new performance indicators:

- the percentage of home-care clients who received their nursing visit within five days of the date they were authorized for nursing services;
- the hospitalization rate for ambulatory-care-sensitive conditions (conditions that, if treated correctly in the community, should likely not result in hospitalizations); and
- the percentage of acute-care patients who had a follow-up with a physician within seven days of discharge.

Another seven performance indicators were expanded to capture wait times for additional priority levels of surgeries, including cataract and cancer surgeries.

We noted that all changes to the performance indicators were consistent with recommendations made by the Indicators Advisory Group. The Ministry informed us that it would be completing a comprehensive review of all performance indicators by March 2018 and that this review may result in new and revised indicators.

Recommendation 6

To better meet Local Health Integration Networks (LHINs)' mandate of integrating local health systems, the Ministry of Health and Long-Term Care should determine how best LHINs can manage the primary-care sector.

Status: Fully implemented.

Details

Under the *Patients First Act, 2016*, which received royal assent in December 2016, the *Local Health System Integration Act, 2006* was amended to include LHIN primary care planning functions and expand the definition of a health-service provider under a LHIN to include family health teams; nurse practitioner-led clinics; Aboriginal Health Access Centres; entities providing primary care nursing services, maternal care or inter-professional primary care programs and services; hospices and other non-profit palliative care service providers; and, physiotherapy clinics. Thus, the LHINs have an expanded role with respect to primary care planning and performance improvement. This accountability relationship does not include primary-care physicians, which will remain the responsibility of the Ministry. All LHINs are now also required to participate in the development and implementation of health-promotion strategies in co-operation with primary health-care services, public health services and community-based services. The *Local Health System Integration Act, 2006* amendment also includes a provision that, if proclaimed, could allow LHINs to support planning of primary-care services, including physician services, by requiring physicians to notify them of practice changes such as upcoming retirements or extended leaves, to ensure timely access and improve patient outcomes.

Recommendation 7

To ensure Ontario benefits from a fully integrated health system in the foreseeable future, the Ministry of Health and Long-Term Care should:

- *establish a clear picture of what a fully integrated health system looks like, its milestones and final targets, and timelines for when LHINs should achieve those targets;*

  Status: In the process of being implemented by April 2018.

Details

In February 2015, the Ministry released the report *Patients First: Action Plan for Health Care*. This report contained broad goals of what a fully integrated health system would achieve. For example, the report looked at improving access to the right care, delivering better co-ordinated and integrated care in the community, and providing education and information to support people in making decisions about their health. As well, the *Patients First Act, 2016*, which was enacted in December 2016, allows for the legislative and structural changes to streamline and reduce administration of the health-care system, direct savings to patient care, and improve local connections between primary-care providers, interprofessional health-care teams, hospitals, public health, and home and community care. As part of the LHIN renewal, the Ministry established the following six high-level goals:

- effective integration of services and greater equity through sub-regions;
- timely access to, and better integration of, primary care;
- more consistent and accessible home and community care;
- stronger links to population and public health;
- services that meet the needs of Indigenous people; and
- inclusion of Indigenous voices in health-care planning.

At the time of this follow-up, the Ministry was working with the LHINs on the development of indicators for these six goals that will measure the success of an integrated health system. Examples under consideration include wait times for addiction treatment programs, percentage of health-service providers that actively offer French language services, and percentage of complaints acknowledged to the person who made the complaint within two, five and 10 business days. These indicators, however, do not measure activities that are not under the control of the LHINs, such as public health and most primary care. The Ministry expects that an updated set of indicators and, where necessary, targets, will be included in the accountability agreement between the Ministry and the LHINs effective April 1, 2018.

- *require that LHINs develop performance measures and targets to meet the goals they propose in their three-year strategic plans, and report on their results.*

  Status: Fully implemented.

Details

Each year, LHINs are required to submit an Annual Business Plan describing how they will implement the health-care strategies outlined in their Integrated Health Service Plans. At the time of this follow-up, these business plans included the identification of performance measures to assess the progress that the LHIN has made each year. The LHINs' annual reports to the Minister of Health and Long-Term Care included the results of these performance measures.

LHINs' Oversight of Health Service Providers Needs Strengthening

Recommendation 8

To help improve patient care and quality of health services, Local Health Integration Networks, in collaboration with Health Quality Ontario, should:

- *assess patients' satisfaction with their health-service providers and the extent to which they feel they are receiving quality services;*
  Status: Little or no progress.

Details

In our 2015 audit, we noted that while LHINs were required to undertake strategies to improve patient care, they seldom measured the quality of health services. Two of the four LHINs we visited took steps to measure patient satisfaction, but the other two did not. In August 2016, the Ontario Patient Experience Measurement Committee, an advisory committee co-chaired by Health Quality Ontario (an agency created in 2005 to provide advice to the Ministry of Health and Long-Term Care on the quality of health care) and the LHINs, released the Ontario Patient Experience Measurement Strategy. This strategy identified a number of recommendations for improving the measurement of patient experience, including developing a co-ordinated provincial reporting strategy for patient experience across sectors. Our review of the strategy found that there was a significant amount of work that needed to be done and that it would take place over a span of four years, with all sectors measuring patient experience by 2020. At the time of this follow-up, the LHINs informed us that Health Quality Ontario had begun work to identify and develop a set of indicators to measure patient experience and that the work was ongoing.

- *assess whether a quality improvement plan should be required of all health-service providers;*
  Status: Fully implemented.

Details

A quality improvement plan is a documented set of quality commitments that a health-care organization makes each year to its patients, clients, residents, staff and community. The *Excellent Care for All Act, 2010* (Act) requires certain health-care organizations to submit quality improvement plans to Health Quality Ontario. Under the Act, all hospitals, long-term-care homes, Community Care Access Centres and other primary-care organizations (such as community health centres), but not mental-health and addiction agencies and community support service agencies (which are also overseen by LHINs), are to prepare quality improvement plans and submit them to Health Quality Ontario. In May 2016, representatives from both Health Quality Ontario and the LHINs worked together to identify ways to complement the quality and performance tools already in use. The working group made several recommendations to better align quality improvement plans with health-service-provider accountability agreements. Senior management at the LHINs subsequently agreed to implement these recommendations, which include requiring all health-service providers under the oversight of LHINs to either submit a quality improvement plan to Health Quality Ontario and the LHIN or to be engaged in quality improvement initiatives and capacity building.

- *ensure health-service providers implement the actions contained in the quality improvement plans.*
  Status: Fully implemented.

Details

In our 2015 audit, we noted that neither the LHINs nor Health Quality Ontario ensured that health-service providers implement the actions identified in the submitted quality improvement plans. At the time of this follow-up, Health Quality Ontario was reporting back to LHINs on the progress of quality initiatives and providing a high-level analysis of results. The LHINs informed us that they are able to run queries to determine the progress and results of quality initiatives by health-service providers using a tool available on Health Quality Ontario's website.

Recommendation 9

To ensure that performance issues of health-service providers are addressed in an appropriate and timely manner, Local Health Integration Networks (LHINs) should:

- *clarify with the Ministry of Health and Long-Term Care whose responsibility it is to verify data submitted by health-service providers; if it is the LHINs' responsibility, verify on a sample basis information submitted by health-service providers;*

  Status: In the process of being implemented by December 2018.

Details

In our 2015 audit, we found that neither the Ministry nor the LHINs were routinely verifying that data submitted by health-service providers was accurate and reliable. Subsequent to our audit, the LHINs developed a data quality oversight framework that clarified responsibilities with respect to data and highlighted areas for improvement. At the time of this follow-up, this framework identified the Ministry as having the primary responsibility to verify data submitted by health-service providers, while LHINs had a secondary responsibility with respect to assessing the reasonableness of data submitted. Further work to implement this recommendation has been put on hold due to changes in LHINs resulting from the *Patients First Act, 2016* and an upcoming review of the Ministry-LHIN Accountability Agreement terms and indicators. The LHINs informed us that they expected to implement this recommendation by December 2018.

- *take appropriate remedial action according to the severity and persistence of performance issues;*

  Status: In the process of being implemented by December 2018.

Details

In our 2015 audit, we noted that the four LHINs we visited predominantly discussed and shared information with health-service providers (as opposed to ensuring that performance issues were resolved), even for performance issues that were of long standing. The LHINs explained that they used this strategy because they wanted to maintain a positive working relationship with their health-service providers, who are not directly governed by the LHINs, and to work with them to identify solutions. In December 2016, the LHINs developed a performance oversight and performance management framework that recommended focusing work on performance issues in areas of high risk. These frameworks do not set out specific policies or practices that must be consistent across the province; each LHIN continues to have the independence to manage performance issues and take remedial action as it sees fit. The LHINs informed us that further work on this recommendation would continue as part of the ongoing changes due to the *Patients First Act, 2016* and an upcoming review of the Ministry-LHIN accountability agreement terms and indicators, and that the recommendation would be implemented by December 2018.

- *follow up with health-service providers to ensure they provide explanations of performance shortfalls and take effective corrective actions to resolve issues according to a committed timeline.*

  Status: In the process of being implemented by December 2018.

Details

The performance oversight and performance management frameworks developed by the LHINs in 2016 identify principles and elements for LHINs to consider when following up with health-service providers on performance shortfalls. At the time of our follow-up, the LHINs had put further work on this recommendation on hold as a result of ongoing changes due to the *Patients First Act, 2016* and an upcoming review of the Ministry-LHIN accountability agreement terms and indicators, and expected to implement this recommendation by December 2018.

Recommendation 10

To ensure patients receive quality health services, and to facilitate collaboration between Local Health Integration Networks (LHINs) and the Patient Ombudsman, LHINs should:

- *establish a common complaint-management process that, among other things, clearly defines the methods for informing the public on how to register complaints;*

  Status: Fully implemented.

Details

In our 2015 audit, we noted that all LHIN CEOs had agreed in 2014 that LHINs should manage patient complaints consistently but had not yet established a common complaint-management system. In December 2016, the LHINs developed and approved for use the Pan-LHIN Model for Complaints Management that provided LHINs with guidelines and tools to address complaints consistently. At the time of this follow-up, all LHINs had clearly defined on their websites how individuals could register complaints with the LHIN. All LHINs also included a website link and/or details about the role of the Patient Ombudsman.

- *implement processes to determine whether health service providers have established policies and procedures to address and satisfactorily resolve patient complaints;*

  Status: Fully implemented.

Details

All health-service providers in the community and long-term-care sectors must submit to their LHIN an annual declaration of compliance indicating their fulfilment of service accountability agreement requirements, which includes a requirement to "address complaints about the provision of services, the management or governance of the health-service provider." Hospitals are required under the *Excellent Care for All Act, 2010* to have a patient-relations process in place for receiving, reviewing and addressing complaints from patients and caregivers. Hospitals agree to follow all applicable legislation in their signed agreement with the LHIN.

- *clarify the working relationship between LHINs and the incoming Patient Ombudsman.*

  Status: Fully implemented.

Details

The Patient Ombudsman began receiving and responding to complaints from patients about public hospitals, long-term-care homes and Community Care Access Centres (which were transitioned to LHINs during this follow-up) in July 2016. In summer 2016, the LHINs consulted with the Patient Ombudsman as part of the development of the Pan-LHIN Model for Patient Complaints Management. The LHINs informed us that this consultation helped clarify the working relationship between the two parties, specifically noting that the LHINs will continue to have a role in addressing patient complaints for all LHIN health-service providers.

Processes Used to Plan and Integrate the Health System Need Improvement

Recommendation 11

To best meet the patients' health-care needs, Local Health Integration Networks should:

- *assess the effectiveness of each community engagement activity as required by the* LHIN Community Engagement Guidelines and Toolkit *issued by the Ministry of Health and Long-Term Care;*

  Status: Fully implemented.

Details

We noted in our 2015 audit that the Ministry's 2011 *LHIN Community Engagement Guidelines and Toolkit* required LHINs to evaluate the success of their engagement activities, but we found that only one of the four LHINs we visited consistently evaluated their community-engagement activities in the three-year period ending in March 2015. In June 2016, the LHINs revised the guidelines to better align with current best practices and re-released it with the title *LHIN Community Engagement Guidelines—Revised*. The revised guidelines include a requirement for LHINs to evaluate engagement activities for effectiveness. To assist with tracking and evaluation of these activities, the LHINs developed and began using a tracking sheet that captures details such as the purpose of the engagement, the number of participants, feedback from participants and engagement evaluation results.

- *begin to collect, over a reasonable time period, the data needed to determine the existing capacity of all health services in their regions;*
  Status: In the process of being implemented by December 2017.

Details

In our 2015 audit, we noted that concerns had been raised about insufficient capacity planning in the areas of palliative care, home and community care, and rehabilitative services. At the time of this follow-up, the LHINs were supporting the Ministry in developing a capacity planning framework for home and community care. All LHINs had also established processes for capacity management, and some LHINs had also begun conducting various capacity planning initiatives. For example, two neighbouring LHINs and representatives from their health-service providers engaged a third-party firm to assess community needs and capacity and use that information to determine current and forecast gaps in service. The LHINs informed us that they expected to undertake more capacity planning initiatives by December 2017.

- *develop and implement action plans with timelines to address the service gaps identified.*
  Status: In the process of being implemented by December 2018.

Details

In our 2015 audit, we identified a LHIN that noted in its 2013/14 annual business plan that it did not know whether there were service gaps in the delivery of community health services in its region. At the time of this follow-up, the LHINs informed us that they were in the process of building community profiles for each of their sub-regions, which included identifying service needs, availability and gaps by December 2017, and implementing action plans with timelines to address the service gaps identified by December 2018.

Recommendation 12

To ensure that best practices are effectively identified and shared, Local Health Integration Networks should:

- *develop guidelines and training to evaluate whether projects result in best practices;*
  Status: In the process of being implemented by December 2017.

Details

In December 2016, the LHINs developed the Leading Practices Framework. This framework draws on several tools already in use in Canada and other countries and builds on work done by Health Quality Ontario to create a common tool for evaluating new practices for their appropriateness to be used across the province. The framework suggests bringing together successful practices from individual LHINs and conducting an assessment to determine which practices should be endorsed for use across other LHINs. The LHINs informed us that they expected to fully implement the framework by the end of 2017.

- *establish a protocol to use for sharing best practices.*
  Status: In the process of being implemented by December 2017.

Details

The Leading Practices Framework, developed in December 2016, establishes formal methods and protocols to share best practices. The LHINs informed us that there will be revisions made to address changes in the LHIN organizational structure resulting from the *Patients First Act, 2016* before implementing the framework by December 2017.

Recommendation 13

To reduce the variation in the experiences of patients, the Ministry of Health and Long-Term Care should clarify under what circumstances it, as opposed to the Local Health Integration Networks, is responsible for establishing common approaches to delivering health services.

Status: Fully implemented.

Details

In our 2015 audit, we found that while both the Ministry and the LHINs had shared responsibility in developing standardized responses to common issues and services in some areas, some LHINs were using inconsistent approaches for other health service areas because standardized approaches were lacking. At the time of this follow-up, the Ministry informed us that while its role is primarily to provide direction and priorities for the health-care sector, in some situations it may issue provincial standards for the delivery of health services. This has been clarified through changes to the *Local Health System Integration Act, 2006*, which now enables the Minister of Health and Long-Term Care to issue provincial standards for the provision of health services that are provided or arranged by LHINs or health-service providers where the Minister considers it to be in the public interest to do so.

Recommendation 14

To ensure that health services across Ontario are delivered as cost efficiently as possible, Local Health Integration Networks should identify further group-purchasing and back-office integration opportunities in the various health sectors, and implement these cost-saving practices.

Status: Little or no progress.

Details

In our 2015 audit, we found that the use of group purchasing and back-office integration (that is, integrating or consolidating the administrative and business operations of LHINs and/or health-service providers) differed across the four LHINs we visited.

In the case of group purchasing, the Ontario Government established the Healthcare Sector Supply Chain Strategy Expert Panel in April 2016 to recommend a province-wide supply chain strategy for health care, analyze the strategic procurement structures in place to understand their current capabilities and opportunities, and recommend a model for health-care providers to participate in with associated costing and savings, along with an implementation plan. In May 2017, the Expert Panel submitted a report to the government, which included 12 recommendations. These recommendations, if adopted, are intended to transform Ontario's health-care supply chain over the next three years, and include establishing an integrated organization that serves all publicly funded health-care organizations, and requiring all LHINs, publicly funded hospitals and home and community-funded service providers to fully participate in the integrated supply chain. At the time of the follow-up, the Ministry was reviewing the Expert Panel's recommendations.

In the case of back-office integration, at the time of this follow-up, the LHINs informed us that they continue to support and rely on health-service providers to implement back-office integration when cost savings, improved quality and/or increased capacity can be realized. We still believe that LHINs should have greater involvement in this area as part of their mandate to integrate the health system. Even though the *Patients First Act, 2016* allows for regulatory changes to allow Health Shared Services Ontario to provide shared services to both LHINs and other health-service providers, at the time of our follow-up it was only mandated to provide shared services to LHINs.

Recommendation 15

To ensure integration initiatives improve local health systems and to help identify the most effective types of approaches to integration, Local Health Integration Networks should measure the impact that each integration initiative has on LHIN service levels and costs.

Status: In the process of being implemented by September 2017.

Details

In December 2016, the LHINs created the Framework for Assessing the Impact of Integration Activities. This framework directs LHINs to evaluate what positive and negative impacts an integration initiative had on the following:

- persons and populations;
- health-service providers; and
- system dynamics, such as demand and sustainability.

These evaluations can take the form of self-reported impacts from health-service providers or a formal program evaluation; the method of evaluation would vary depending on the integration initiative. At the time of this follow-up, the framework had been shared across the LHINs, and implementation was expected by September 2017. The LHINs informed us that they would inform health-service providers about the framework shortly after it is implemented.

Funding Process Needs Improvement to Better Meet Patient Needs

Recommendation 16

To ensure that Local Health Integration Networks (LHINs) appropriately facilitate areas of health care to address local needs, the Ministry of Health and Long-Term Care (the Ministry) should clarify with the LHINs what authority they have to reallocate funding among health-service providers, and inform them that they can negotiate the use of dedicated funding with the Ministry.

Status: Fully implemented.

Details

In the 2015–2018 Ministry-LHIN Accountability Agreement, the Ministry re-emphasized the LHINs' ability to reallocate unused dedicated funding to another service if prior approval from the Ministry is received.

Recommendation 17

To ensure health-service providers can properly plan to meet patient-care needs, the Ministry of Health and Long-Term Care, in conjunction with the Local Health Integration Networks, should finalize the annual funding each health-service provider will receive before the fiscal year begins or as early in the current fiscal year as possible.

Status: Fully implemented.

Details

Our 2015 audit found that the Ministry had given LHINs funding for specific initiatives late into the fiscal year, resulting in amounts having to be returned to the Ministry as a result of LHINs and health-service providers not having enough time to fully implement the initiatives. In the 2016/17 fiscal year, the Ministry improved the timing of funding notifications to the LHINs and informed us that it is continually working with LHINs to confirm new funding amounts as early as possible.

Recommendation 18

To ensure that the share of the Urgent Priorities Fund allocated to each Local Health Integration Network reflects current patient needs, the Ministry of Health and Long-Term Care should:

- *ensure the amount allocated to the Fund is appropriate considering overall funding increases over time;*

  Status: In the process of being implemented by March 2018.

Details

In our 2015 audit, we reported that the funds allocated to the Urgent Priorities Fund to cover all 14 LHINs had remained constant at $50 million since the Fund's inception, while funding to health-service providers had increased by 12% (inflation-adjusted) between 2008 and 2015. At the time of this follow-up, the Ministry was in the process of reviewing the Urgent Priorities Fund as a result of changes to the LHIN mandate in the *Patients First Act, 2016*. The Ministry informed us that this review, expected to be completed by March 2018, would include determining whether the amount allocated to the Fund is appropriate.

- *regularly revise the allocation on the basis of current population and/or other relevant information.*

  Status: In the process of being implemented by March 2018.

Details

In our 2015 audit, we noted that each LHIN's annual allocation from the Fund was based on the population information the Ministry had when the Fund was created in 2007, but that the populations within the LHINs had changed since then. At the time of this follow-up, the Ministry was in the process of reviewing the Fund as a result of changes to the LHIN mandate in the *Patients First Act, 2016*. The Ministry informed us that in this review it would consider whether to take current population and other relevant information into account in allocating Fund amounts among the LHINs.

Recommendation 19

To ensure health-service providers spend funding from the Urgent Priorities Fund only on patient services, as the Fund requires, Local Health Integration Networks should follow a consistent decision-making process and approve applications only on the basis of established criteria.

Status: Fully implemented.

Details

We noted in our 2015 audit that one of the four LHINs we visited used a different decision-making framework than the other three, which adopted a standard framework developed by the LHIN Collaborative. In the 2016/17 fiscal year, the Urgent Priorities Fund guidelines were changed from requiring that the Fund be used for direct-patient services to allowing the Fund to be used for any of the services defined in the *Local Health System Integration Act, 2006*. In May 2016, all LHIN CEOs reviewed and reapproved the standard framework. The LHINs indicated that each LHIN had ensured that its internal decision-making processes aligned to the standard framework.

LHIN Boundaries Need Revisiting

Recommendation 20

To ensure the division of the Local Health Integration Networks (LHINs) is conducive to effective planning and integrating of local health-care services, the Ministry of Health and Long-Term Care should review existing LHIN boundaries.

Status: Fully implemented.

Details

Our 2015 audit found that LHIN boundaries were formed in 2006 and had not been reviewed since. In September 2016, the Ministry required LHINs to submit recommendations for the creation of sub-regions within their boundaries. These sub-regions are expected to allow the LHINs to identify local community priorities and tailor initiatives to them. The Ministry endorsed the LHIN sub-region submissions in January 2017, and all LHINs were required to publicly post maps that identify their sub-regions, in accordance with the requirements outlined in the *Patients First Act, 2016*. At the time of this follow-up, all LHINs had complied and had posted maps of their sub-regions on their websites. While this process did not include a formal review of LHIN boundaries, the Ministry informed us that the development of sub-regions would assist with identifying potential changes to boundaries in the future.

Chapter 1

Section

1.09

Ministry of Health and Long-Term Care

Long-Term-Care Home Quality Inspection Program

Follow-Up on VFM Section 3.09, *2015 Annual Report*

RECOMMENDATION STATUS OVERVIEW

	# of Actions Recommended	Status of Actions Recommended: Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	3		2	1	
Recommendation 2	4	3	1		
Recommendation 3	2	2			
Recommendation 4	1	1			
Recommendation 5	2	1		1	
Recommendation 6	2		2		
Recommendation 7	1		1		
Recommendation 8	2	1	1		
Recommendation 9	3	2		1	
Recommendation 10	3		2	1	
Recommendation 11	1		1		
Recommendation 12	3		1	2	
Recommendation 13	3		1	2	
Total	**30**	**10**	**12**	**8**	**0**
%	**100**	**33**	**40**	**27**	**0**

Overall Conclusion

According to the information that the Ministry provided to us, as of July 27, 2017, 33% of the actions we recommended in our *2015 Annual Report* have been fully implemented. For example, since our last audit, the Ministry conducted a cost-benefit analysis on the frequency of comprehensive inspections, which led to the development of a shorter, risk-focused comprehensive inspection and a change in how often homes will receive a traditional, full comprehensive inspection. For all long-term-care homes, the Program's new policy is to perform a full comprehensive inspection at every home at least once every three years. However, homes that are low-risk (that is, substantially compliant) may now receive a risk-focused comprehensive inspection in the remaining two of those three years. Medium- and high-risk homes must continue to receive a full comprehensive inspection each year.

The Ministry has made progress in implementing a further 40% of the recommended actions. For instance, the Ministry is referring more cases of repeat non-compliance to the Director appointed under the *Long-Term Care Homes Act, 2007* (Act) and has announced its intention to make legislative and regulatory changes to implement new enforcement measures, such as fines.

There has been little or no progress on the remaining 27% of actions. Fluctuations in the number of complaints and critical incidents requiring inspections continue to be an issue. As of April 2017, the backlog of complaints and critical incidents requiring inspections increased to about 3,370 from about 2,800 in March 2015.

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

Background

There are about 630 long-term-care homes in Ontario, providing accommodation and care to adults who are unable to live independently and/or who require round-the-clock nursing care in a secure setting. The homes provide care to approximately 76,300 residents (as of March 2015—77,600 residents), most of whom are over 65 years old.

The Ministry of Health and Long-Term Care (Ministry) funds, licenses and regulates Ontario's long-term-care homes. Homes can be either for-profit or not-for-profit. In the 2016/17 fiscal year, Ministry funding to long-term-care homes through the Province's Local Health Integration Networks totalled $3.7 billion (2014/15—$3.6 billion).

The Long-Term Care Homes Quality Inspection Program (Program) is designed to protect and safeguard residents' rights, safety and security, as well as ensure that long-term-care homes comply with legislation and regulations. Under the *Long-Term Care Homes Act, 2007* (Act), the Ministry may conduct inspections at any time without having to alert the homes beforehand. Inspectors who find a home that does not comply with the Act take formal enforcement action, including issuing a compliance order to take action and resolve the non-compliance by a prescribed deadline.

There are four types of inspections that check for compliance with the law:

- comprehensive inspections, that assess residents' satisfaction and the homes' compliance;
- complaint inspections, in response to complaints from residents, their families or the public;
- critical-incident inspections, following incidents such as fire, sudden death, missing residents, as well as reports of abuse, neglect, improper care or unlawful conduct; and
- follow-up inspections of homes issued with orders to comply with legislation.

Our 2015 audit found that, since 2013, the Ministry focused its attention and resources on completing comprehensive inspections of the 630 long-term-care homes by the end of 2014 and continuing to inspect all homes every year after that. However, the Program had to deal with a growing workload in other areas, including an increase of complaints and critical incidents at homes, and more follow-ups of non-compliance issues. As such, the Ministry needed to strengthen its oversight of the Program to address the significant variations in inspectors' workloads, the number of compliance orders issued, and inspection and reporting timeliness across the province.

Other significant observations from our *2015 Annual Report* include the following:

- While the Ministry made good on its commitment to do comprehensive inspections of all 630 homes (completed in January 2015), the backlog of inspections triggered by complaints and critical incidents more than doubled—from about 1,300 as of December 2013 to 2,800 as of March 2015. We found that 40% of high-risk complaints and critical incidents that should have triggered immediate inspections took longer than three days to act on. Over a quarter of these cases took between one and nine months for inspection. Sixty percent of our sample of medium-risk cases that should have been inspected within 30 days took an average of 62 days. Delays in complaint inspections and critical-incident inspections can place residents of long-term-care homes at risk.
- The Ministry did not prioritize comprehensive inspections based on the risk level of homes in terms of their compliance with legislation or regulations. For example, only a few homes that were considered high- or medium-risk had earlier comprehensive inspections from June to December 2013.
- Homes were given inconsistent timelines to rectify issues identified by inspectors. The Ministry did not provide clear guidance on how long homes should be given to comply with orders. For example, in 2014, inspectors in one region gave homes an average of 34 days to comply with orders relating to key risk areas (such as carrying out a resident's plan of care, protecting residents from abuse and neglect, and providing a safe, secure and clean home), while inspectors in another region gave homes an average of 77 days to comply with similar orders.
- The Ministry did not have an effective process for monitoring compliance orders that required follow-up. About 380 compliance orders, or two-thirds of those due to be completed in 2014, had not been followed up within the Ministry's informal 30-day target.
- The Ministry had not taken sufficient action against long-term-care homes that had repeatedly failed to comply with orders to fix deficiencies. We noted that homes in one region did not comply with almost 40% of the compliance orders issued by the Ministry in 2014, while homes in another region did not comply with about 17% of orders. The Ministry did not know why the homes repeatedly failed to correct certain deficiencies.
- Ontario does not legislate a minimum front-line staff-to-resident ratio at long-term-care homes. Home administrators told us that insufficient staffing and training were the main reasons they failed to achieve full compliance.
- As of March 2013, approximately 200 long-term-care homes (accommodating over 20,000 residents) did not have automatic sprinkler systems. The Ministry did not have more recent information on whether any of these homes had been retrofitted with automatic sprinkler systems. The current law does not require this to be done until 2025.

In our 2015 audit, we recommended that the Ministry identify the reasons for the significant fluctuation in the number of complaints and critical incidents; collect and analyze the information needed to develop a detailed resource plan and distribute resources accordingly; track, monitor and prioritize complaints, critical incidents and orders that are overdue for inspection; prioritize comprehensive inspections based on long-term-care homes' compliance history and other risk factors; establish a clear policy for inspectors to use in determining an appropriate time frame for homes to comply with orders addressing similar risk; strengthen its enforcement processes to promptly address homes with repeated non-compliance issues; and establish a formal protocol with the Office of the Fire Marshal and Emergency Management and municipal fire departments to regularly share information on homes' non-compliance with fire safety regulations.

We received commitment from the Ministry that it would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between April 1, 2017, and July 27, 2017, and obtained written representation from the Ministry of Health and Long-Term Care that, effective September 1, 2017, it had provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

The Ministry Is Slow in Addressing Complaints and Critical Incidents at Long-Term-Care Homes

Recommendation 1

To ensure that the Program significantly improves the timeliness of inspecting complaints and critical incidents, the Ministry of Health and Long-Term Care should:

- *identify the reasons for the significant fluctuation in the number of complaints and critical incidents as well as cases requiring inspection;*
  Status: Little or no progress.

Details

Our 2015 audit found that the backlog of complaints and critical incidents had more than doubled—from about 1,300 as of December 2013 to about 2,800 as of March 2015. The increased backlog is mainly due to a significant increase in complaints and critical incidents requiring inspections—from approximately 3,640 in 2013 to 5,440 in 2014.

Since our audit, fluctuations in the number of complaints and critical incidents requiring inspections continue to be an issue, and the Ministry has been unable to determine the reasons for these significant fluctuations.

As of April 2017, the backlog of complaints and critical incidents requiring inspections has increased by 20% to about 3,370 (about 730 complaints and 2,640 critical incidents)—from about 2,800 (about 960 complaints and 1,840 critical incidents) in March 2015. While the Ministry was able to clear the backlog from 2015, they were not able to keep up with an increase (37%) in the number of complaints and critical incidents requiring inspections in 2016—from approximately 5,440 in 2014 to 7,475 in 2016.

- *collect and analyze all the information needed (including total projected workload, the number of inspectors available compared to demand, inspection duration and timeliness, regional circumstances, and other risk factors) to develop a detailed resource plan and distribute resources accordingly;*
  Status: In process of being implemented by January 2018.

Details

In our 2015 audit, we found that the Ministry had not undergone a thorough analysis of the projected and actual workload in each region before deciding to hire an additional 100 inspectors in July 2013. Instead, the decision was based solely on the resources the Ministry estimated would be needed to meet the Minister's commitment to conduct comprehensive inspections of every home by the end of 2014. As such, it did not take into account the Program's other responsibilities, such as conducting complaint, critical-incident and follow-up inspections as well as reporting inspection results.

Following our audit, the Ministry undertook an analysis of the Program's current organizational structure, including staffing and management complements, inspector workload, intake and administrative functions. In November 2015, the Ministry hired a consultant to perform a review of the Program's organizational structure and develop recommendations and an implementation strategy to support the efficient use of inspector resources. In February 2016, the Ministry received the consultant's report, which included an analysis of key strengths, challenges, and detailed recommendations on how to address some of the gaps in the Program. The Ministry is currently in the process of implementing a number of the recommendations made in the report, such as establishing a centralized education model, creating a dedicated quality-assurance and program-development function, increasing inspector resources in some areas and redeploying inspector resources in a logical manner. The Ministry expects to implement a majority of the recommendations by October 2017.

- *regularly monitor and evaluate the resource plan against actual performance to determine if further action is required.*
  Status: In process of being implemented by January 2018.

Details

As mentioned, the Ministry is in the process of implementing a number of the recommendations identified as part of its organizational review. It will be the future responsibility of the new quality assurance and Program development function to create additional benchmarking and reporting tools to monitor whether the resource plan is working as intended.

The Ministry has also developed a number of new management reports to assist in evaluating the performance of its regional offices and inspectors. For example, the Ministry has created reports to analyze inspector workload, timeliness of inspections, and number of outstanding intakes requiring inspection. These reports will help the Ministry to determine whether further action is required with respect to its resource plan. While an improvement, these management reports are still manually created, which is very time-consuming and, as a result, are not readily accessible to management in regional offices on a regular basis. The Ministry expects to complete automation of these management reports by October 2017, and evaluate the resource plan when it is fully implemented in January 2018.

Tracking of Complaints and Critical Incidents Is Inconsistent and Inadequate

Recommendation 2

To better track, prioritize and monitor the handling of complaints and critical incidents, the Ministry of Health and Long-Term Care should:

- *perform periodic secondary reviews of complaints and critical incidents received by the Program's centralized intake unit to ensure that reasons for not conducting an inspection are justified and documented;*
  Status: Fully implemented.

Details

During our 2015 audit, we found that the Program's centralized intake unit determined that only about one-third of the approximately 16,240 complaints and critical incidents it was informed of in 2014 required an inspection. We reviewed a sample of the remaining two-thirds of complaints and critical incident cases that had been closed without inspection and found that 65% of them had insufficient documentation to show why an inspection was not required.

Following our audit, the Program updated its complaint and critical incident policies to require its centralized intake unit to perform reviews on 5% of complaint and critical incident cases closed without an inspection to confirm that the rationale was both justified and documented.

The updated policies also require the centralized intake unit to perform monthly reviews of complaint and critical incident cases that they forward for inquiry or inspection to regional offices. In April 2017, the staff in the centralized intake unit began performing and documenting these audits using standardized checklists. As of May 2017, the centralized intake unit performed about 100 audits of which five related to complaints or critical incidents requiring inspections that inspectors closed without an inspection. Reviewers are consolidating and summarizing the results and trends identified in these audits in a log maintained by the centralized intake unit.

- *track and monitor complaints and critical incidents that are overdue for inspections;*
  Status: Fully implemented.

Details

We reported in our 2015 audit that the Ministry did not know how many inspections were overdue, or for how long, because it did not have an effective system in place to track complaints and critical incidents that require inspections.

Since our audit, the Ministry has developed a monthly dashboard that the Program's centralized intake unit uses to monitor the number of outstanding complaints and critical incident cases that require inspections. In addition, the Ministry updated its inspection software to allow inspectors to identify outstanding complaints and critical incident inspections. The Ministry has also developed a management report that allows it to review all outstanding complaints and critical incidents requiring inspection and compare the list against established targets. Both provincial and local teams can use this report to determine the timeliness of complaint and critical incident inspections. The Ministry is working on automating this report, as it is currently a time-consuming manual process, by October 2017.

- *clarify expectations on how to prioritize and when to inspect complaints and critical incidents to ensure consistency throughout the province;*
  Status: Fully implemented.

Details

Our 2015 audit also found wide variations in inspection timelines across different regions in the province. For example, one region took, on average, 36 days to conduct medium-risk complaint and critical-incident inspections, while another took 86 days, far exceeding the Ministry's 30-day target for medium-risk inspections.

Since our audit, the Ministry has updated its complaint and critical incident policies to establish formal targets on how to prioritize and when to inspect complaints and critical incidents, as follows:

- High-risk complaints and critical incidents, which result in immediate jeopardy or risk to the patient, are still required to have an immediate inspection.
- Medium-risk complaints and critical incidents are assessed on how much harm or risk there is to the patient. If assessed as resulting in significant actual harm or risk to the patient, the complaint or critical incident must be inspected within 30 business days. Alternatively, if the actual harm or risk to the patient is more than minimal, but below significant, the complaint and critical incident must be inspected within 60 business days.
- Low-risk complaints and critical incidents, which pose minimal harm or risk to the patient, must now receive an inquiry within 90 business days—an improvement over the Ministry's previous informal target of 120 business days.

The Ministry communicated these changes to its inspectors by providing an education session in December 2016 that almost all of its inspectors and managers attended.

- *inform complainants and the family members of inspection results or why an inspection was not conducted, and document the action taken.*
  Status: In process of being implemented by December 2017.

Details

In our 2015 report, we found that the Ministry did not always contact residents involved in a complaint or their family members to ask if they were satisfied that any problems or concerns were resolved appropriately. Despite the Ministry's policy that requires inspectors to report back to complainants on the outcomes of their inspections, we found no documentation in the Ministry's tracking system to show that this had been done for over 20% of the files we reviewed.

The Ministry updated its policies and procedures to reflect how the Program will update complainants on the status of their complaint at specific points in the inspection. For example, inspectors must now contact complainants within two business days after completing an inquiry or inspection. To ensure that inspectors are adhering to these requirements, the Ministry has developed new audit processes and checklists to assist reviewers.

From April 2017 to May 2017, inspectors in the centralized intake unit performed about 100 audits and, in almost all cases where the inspector performed an inquiry, they documented their discussions with the complainant. However, the inspectors at regional offices are not performing audits of complaint inspections to ensure that inspectors are informing complainants; they intend to start performing these audits in December 2017.

Comprehensive Inspections Are Not Prioritized by Risk

Recommendation 3

To put the safety of residents first by focusing on high-risk areas, the Ministry of Health and Long-Term Care should:

- *prioritize comprehensive inspections based on long-term-care homes' complaints and critical incidents, compliance history and other risk factors; and*
- *consolidate past inspection results and conduct a cost-benefit analysis to determine the frequency in which comprehensive inspections should take place in the future.*

Status: Fully implemented.

Details

Our 2015 audit noted that the Ministry needed to better prioritize comprehensive inspections, allocate resources more efficiently and assess the frequency of comprehensive inspections based on risk. This was required because of the increase in complaints and critical incidents requiring inspections and the extensive resources that are required to complete a comprehensive inspection.

We found that very few medium- and high-risk homes had been inspected from June to December 2013; instead, almost all comprehensive inspections of high-risk homes were performed relatively evenly throughout 2014. If the Ministry prioritized the inspections based on risk, issues at homes that were later identified by the Ministry could have been prevented or rectified by the homes sooner.

In May 2016, the Ministry hired a consultant to analyze and review data collected from comprehensive inspections to identify options to develop a shorter, risk-focused alternative to the full comprehensive inspection. The results of the consultation produced a new approach whereby homes that are low-risk may receive a shorter, risk-focused comprehensive inspection.

Compared to a full comprehensive inspection, the risk-focused comprehensive inspection interviews and examines a smaller number of residents, has one less mandatory inspection protocol, and only nine inspection protocols out of the full 21 inspection protocols can be triggered. As a result, the risk-focused comprehensive inspection is shorter in duration, lasting about three to five days, and requires fewer inspectors (for example, two inspectors instead of three to four) than a full comprehensive inspection.

In August 2016, the Ministry began performing risk-focused comprehensive inspections in addition to full comprehensive inspections. According to its policy, the Ministry's target is to perform a maximum of two risk-focused comprehensive inspections every three years for low-risk homes. Full comprehensive inspections are still required for all homes at least once every three years. It is still the Ministry's intention to perform either a full or a risk-focused comprehensive inspection at all long-term-care homes every year.

As of January 2017, the Ministry classified almost 90% of long-term-care homes as low-risk and eligible to receive its new, shorter risk-focused inspections. Medium- to high-risk homes will continue to receive a full comprehensive inspection every year.

The Ministry Needs to Pay More Attention to Fire Safety at Long-Term-Care Homes

Recommendation 4

To mitigate the risk of fire at long-term-care homes, the Ministry of Health and Long-Term Care should work with the Office of the Fire Marshal and Emergency Management and municipal fire departments to establish a formal protocol to regularly share information with the Ministry on homes' non-compliance with fire safety regulations, focusing on homes that do not yet have automatic sprinklers installed.

Status: Fully implemented.

Details

In our 2015 audit, we noted that 30% of long-term-care homes did not have automatic sprinklers installed as of March 2014. Furthermore, by the end of our audit work, the Ministry still had no information on whether these 200 homes (representing over 20,000 residents) were in compliance with the Fire Core requirements aimed to reduce risk in dwellings with no automatic sprinkler systems. Municipal fire departments are responsible for attending fire drills and conducting fire inspections at long-term-care homes, but there is no formal protocol to share inspection results with the Ministry on a regular basis.

In May 2016, the Ministry entered into a memorandum of understanding with the Office of the Fire Marshal and Emergency Management (Office) to establish a formal protocol of exchanging information relating to the fire safety of long-term-care homes. According to the memorandum of understanding, the Office is responsible for notifying the Ministry of any orders issued to close a long-term-care home resulting from a failure to comply with fire safety legislation. In addition, the Office will advise municipal fire departments to contact the Ministry regarding any long-term-care home that is chronically or wilfully non-compliant with the fire code. To date, there have been three instances where the Ministry and the Office shared information to facilitate their respective investigations.

The Ministry was unable to provide us with an updated number of long-term-care homes that do not have automatic sprinklers installed. However, the Ministry has shared its list of the 200 homes that did not have automatic fire sprinklers with the Office and municipal fire departments to help better carry out its mandate.

Long-Term-Care Homes Are Given Inconsistent Deadlines to Rectify Issues

Recommendation 5

To ensure residents across the province are equally protected by the Long-Term Care Homes Act, 2007*, the Ministry of Health and Long-Term Care should:*

- *establish a clear policy and guidelines for inspectors to use in determining an appropriate time frame for homes to comply with orders addressing similar risk and non-compliance areas;*

  Status: Fully implemented.

Details

In our 2015 audit, we reported that the Ministry did not provide clear guidance on how much time long-term-care homes should be given to comply with orders. For example, in 2014, inspectors in one region gave homes an average of 34 days to comply with orders relating to key risk areas (such as carrying out a resident's plan of care, protecting residents from abuse and neglect, and providing a safe, secure, and clean home), while inspectors in another region gave homes an average of 77 days to comply with similar orders.

Since our audit, the Ministry updated its policies and procedures to set more consistent compliance due dates for orders relating to similar risk and non-compliance areas, with a specific focus on orders that pose a greater risk to residents. Inspectors are now required to flag whether orders are high-risk in their system. An order is high-risk if the non-compliance poses significant harm or risk to a resident, is a recurring issue, or is associated with a director referral. All high-risk orders must be followed up within 30 days.

In addition, the policies now set mandatory compliance order due dates for specific high-risk areas. For example, orders relating to abuse, neglect, or failure to provide a safe and secure home must be rectified within seven days.

- *periodically review whether the policy and guidelines are being followed consistently by regional offices.*
  Status: Little or no progress.

Details

Our audit found that the Ministry had not tracked and compared information between regions and could not provide reasons for variations in due dates for orders of similar risk and/or area of non-compliance.

At the time of our follow-up, the Ministry informed us that it is currently not performing audits to ensure regional offices are complying with its updated policies and guidelines relating to compliance order due dates. The Ministry is in the process of recruiting additional resources to lead its quality assurance function, which will be responsible for performing periodic audits to ensure compliance with its policies and guidelines. As a result, the Ministry could not confirm whether there are still variations between different regions with respect to compliance order due dates.

The Ministry's Actions Are Not Sufficient to Deter Homes from Repeating Non-compliance

Recommendation 6

To ensure that long-term-care homes are not repeatedly in non-compliance with the Long-Term Care Homes Act, 2007*, the Ministry of Health and Long-Term Care should:*

- *strengthen its enforcement processes to promptly address homes with repeated non-compliance issues including when to escalate homes for further actions and the evaluation of the use of other enforcement measures (e.g., fines penalty);*
  Status: In process of being implemented by June 2018.

Details

In our 2015 audit, we noted that, in 2014, homes in one region did not comply with almost 40% of the compliance orders issued by the Ministry, while homes in another region did not comply with about 17% of orders. The Ministry did not know the reasons why these homes repeatedly failed to correct certain deficiencies. In addition, we found that the Ministry was taking too long to escalate cases of recurrent non-compliant homes to the Director for further action. Furthermore, the Ministry seldom used stronger enforcement actions that it had at its disposal, such as ordering funding to be returned or withheld, ordering a home's management to be replaced, or revoking a home's licence. We noted that inspectors for nursing homes in Alberta, British Columbia, the United States and United Kingdom, for example, could fine homes in cases of serious non-compliance.

Following our audit, the Ministry began escalating cases of non-compliance to the Director more frequently. In 2015 and 2016, the number of referrals made to the Director increased to 35 and 86 respectively—a significant increase from none in 2013 and one in 2014. The large increase in referrals to the Director in 2016 was primarily due to a change in the Ministry's Director Referral policy, where compliance orders are referred to the Director if a long-term-care home fails to comply with an order a second time.

In 2016, the Ministry's analysis showed that, after intensive meetings between the Director and home operators, homes complied with over 50% of the compliance orders at the next follow-up inspection. As a result, the Ministry appears to be having some success with this initiative. Of the remaining compliance orders, long-term-care homes failed to comply with 20% of them, and about 30% either required a follow-up inspection or were not yet due.

In January 2017, the Ministry announced its intention to propose legislative and regulatory amendments to the existing *Long-Term Care Homes Act* to introduce new enforcement measures. These measures include financial penalties, new provincial offences, the authority to suspend an operator's licence and order interim management, a provision to direct homes to use a new skin and wound care protocol, and other improvements to promote transparency. The Ministry is currently working on the proposal and intends to table it by fall 2017 and fully implement the measures by June 2018.

- *help homes achieve compliance with the Act by providing additional information and support on how to rectify issues, and by sharing best practices between long-term-care homes.*

  Status: In process of being implemented by November 2017.

Details

Almost all of the homes we contacted during our 2015 audit, including the ones that we surveyed, advised us that that they would benefit from an adviser or an advisory function within the Ministry for clarification and guidance on the Act and other issues. However, the Ministry had concerns with providing this advisory function because it believed that there would be an inherent conflict of interest if inspectors had to verify whether their own advice was followed.

Since our audit, the Ministry has begun to support long-term-care homes by regularly publishing a memo online to the sector. This memo includes information updates and important reminders to home operators. For example, a memo published in January 2017 provided clarification on plans of care and verifying staff credentials in response to a report from the Ontario Coroner's Geriatric and Long-Term Care Review Committee.

In addition, the Ministry met with Health Quality Ontario and other key stakeholders in the long-term-care home sector to explore partnerships and identify options for required supports to build long-term-care home capacity. These discussions are still in the preliminary stages and, as a result, there has been no decision on what additional supports to provide or who will be providing these supports. The Ministry expects to complete a formalized plan in November 2017.

Recommendation 7

To ensure the long-term-care homes are held accountable to their performance, the Ministry of Health and Long-Term Care should review the role and responsibility of the Local Health Integration Networks with regards to the use of inspection results in monitoring the performance of long-term-care homes.

Status: In process of being implemented by October 2017.

Details

In our 2015 audit, we reported that while inspection results on homes with longstanding problems were provided to Local Health Integration Networks (LHINs), the LHINs did not use these results to monitor the performance of homes through their service accountability agreements. Instead, LHINs relied on the Director to take actions whenever the Director considered it necessary to do so.

Following our audit, the LHINs' roles and responsibilities with regard to non-compliance have increased to focus on enhanced enforcement. The Ministry regularly invites representatives from the LHINs to attend meetings with long-term-care home licensees when a compliance order has been referred to the Director. The LHINs' representatives have consistently attended these meetings. For example, based on discussions held between a LHIN and the Director, the LHIN chose to withhold additional funding from one home due to repeated non-compliance. LHINs are also routinely copied on all letters from the Director to operators, informing them of the results of the referrals so that they are aware and continue to be informed about performance concerns and improvements.

LHINs are now communicating any non-compliance concerns they discover in a long-term-care home to the Ministry. The Ministry has yet to develop a formal cross-reporting process with the LHINs and additional indicators to inform long-term-care home compliance, but expects to do so by October 2017.

Situations Placing Residents at Risk Are Not Followed Up in a Timely Manner or Not Followed Up At All

Recommendation 8

To better ensure that residents at long-term-care homes are protected from harm, the Ministry of Health and Long-Term Care should:

- *establish a formal target for conducting follow-up inspections on orders, and prioritize those inspections based on risk;*
  Status: Fully implemented.

Details

In our 2015 audit, we found that the Ministry had no formal policy on when follow-up inspections must be conducted, though it had an informal target of 30 days after the order's due date. We found that there was a great variance in how regional offices prioritized their follow-up inspections, with some regions prioritizing according to risk level and other regions prioritizing according to inspection due date. As a result, the highest-risk areas were not always followed up with inspections as promptly as they should be.

Since our audit, the Ministry has updated its policies and procedures to include a formal target for conducting follow-up inspections on compliance orders. According to the Ministry's policy, high-risk orders must be followed up on within 30 business days after the due date of the order has passed. All other orders must be followed up on within 60 business days after the due date of the order has passed.

- *regularly track and monitor follow-up inspections to ensure they are conducted within the targeted time frame.*
  Status: In process of being implemented by October 2017.

Details

Our 2015 audit found that not all regions had reliable processes in place to track and monitor compliance order due dates, so inspectors were not always aware when the orders were overdue. Specifically, two-thirds (about 380) of compliance orders due in 2014 had not been followed up within the Ministry's informal 30-day target. On average, it took the Ministry two-and-a-half months after an order's due date to perform a follow-up inspection.

As discussed, the Ministry has since developed a new management report to track and monitor whether inspectors conducted follow-up inspections within the targeted time frame. Because the Ministry has to manually extract and manipulate data to create the management report, it is not readily available to each regional office on a regular basis. In addition, because the management report does not distinguish between high-risk and other orders, the Ministry could not confirm whether high-risk orders were being followed up on a timely basis and within their targeted time frame. Automation of the management report and improvements to allow it to segregate high-risk orders will be completed by October 2017.

In 2016, there were approximately 1,000 compliance orders due for a follow-up inspection. While almost three-quarters of those orders received a follow-up inspection, only 35 of these inspections were completed within the targeted time frame. The Ministry took, on average, about two months after an order's due date to perform a follow-up inspection.

Inspection Results Are Not Reported in a Timely Manner or Not Reported At All

Recommendation 9

To ensure that inspection results are communicated on a timely basis, the Ministry of Health and Long-Term Care should:

- *establish formal targets for reporting inspection results to both home licensees and the public;*
  Status: Fully implemented.

Details

Our audit identified significant delays in reporting inspection results to both long-term-care homes and the public, with some inspection results—dating back as far as 2011—not yet made public. The Ministry had an informal target to deliver the inspection report to the operator of the home within two weeks of the inspection, and to publish an edited version (without residents' personal and health information) of the report on its website within two months.

Since our audit, the Ministry has updated its policies and procedures to include a formal target for reporting inspection results to both home operators and the public. The target to deliver an inspection report to the operator is 20 business days after the completion of the inspection, and the target to post the report on its website is 30 business days after the completion of the inspection.

- *monitor and review actual reporting timelines against pre-established targets, and take corrective action when such targets are not met;*
  Status: Little or no progress.

Details

In our 2015 audit, we also found that the Ministry did not monitor its reporting timelines to confirm whether it was meeting its informal targets.

Following our audit, regional offices began collecting the necessary data to monitor their actual reporting timelines. Only two regional offices actually used the data to monitor whether they were meeting the pre-established targets for providing inspection reports to home operators and publishing them on the Ministry's website. However, neither regional office met its targets a majority of the time. The Ministry is planning to incorporate this data and use it as one of its key performance indicators by October 2017.

- *implement procedures to ensure that all inspection reports are posted on its public website.*
  Status: Fully implemented.

Details

Our 2015 audit found that reports for about 8% of the inspections in our sample, some dated as far back as 2011, were not available on the Ministry website. The Ministry confirmed that a total of 905 inspection reports had not been uploaded to its website—about 10% of all the inspections that took place from April 2011 to December 2014. The Ministry cited administrative errors (such as electronic files that failed to transfer or that had been misplaced) as the reason for the missing reports.

Since our audit, the Ministry has developed a new quality assurance process to ensure that it posts all completed inspection reports on its public website. Administrative assistants in each regional office use a tracking spreadsheet that records all inspection reports completed by inspectors. Completed reports are uploaded to the website on a weekly basis, and administrative assistants in each regional office are required to verify that all inspection reports in the spreadsheet are posted onto the Ministry's website. The administrative assistants are then required to enter the date of verification into the spreadsheet as proof of their review.

Inspection Reports Need to Provide More Useful Information on Long-Term-Care Homes

Recommendation 10

To provide the public with better information for decision-making on long-term-care homes, the Ministry of Health and Long-Term Care should:

- *summarize and report the number of instances identified of non-compliance, for individual homes and on a provincial basis, and when they were rectified;*

  Status: In process of being implemented by December 2018.

Details

In our 2015 audit, we reported that while it was useful for the public to know what issues were found at a home during an inspection, it would be more useful if the Ministry also reported and summarized whether instances of non-compliance were later rectified, or how a home was performing compared to other homes in the province.

As of our follow-up, the Ministry has updated its main website to include a search tool that can display long-term-care homes by name, municipality and/or by Community Care Access Centre (CCAC)/LHIN. The website also includes current inspection data for the last 12-month period for each home, updated on a quarterly basis, including the last time the home received a comprehensive inspection, the number of non-compliances and orders it was issued, and how the home compares against the provincial average. The website also includes the number of times a home received a complaint, critical incident or follow-up inspection.

Despite these improvements, the Ministry's website still does not show how many non-compliances and compliance orders are outstanding, and whether or not (and when) they were rectified. In addition, the Ministry currently has a separate website for publishing inspection reports online, but it does not provide the same summary-level compliance information as the Ministry's main website.

The Ministry informed us that there is additional work underway to redesign the Ministry's website and expects it to be completed by December 2018.

- *consolidate its inspection results together with quality-of-care information from other entities, such as Health Quality Ontario and the Community Care Access Centres, in order to provide a broader perspective on each home's performance, including the use of antipsychotic drugs, wait lists, staffing ratios and other quality-of-care indicators;*

  Status: Little or no progress.

Details

Our audit found that apart from the Ministry, other organizations, such as Health Quality Ontario, the Canadian Institute for Health Information and Community Care Access Centres report on the quality of long-term-care homes. Their reports included indicators such as wait times, direct-care hours per resident per day, and the use of physical restraints and antipsychotic drugs. The Ministry had made no attempt to consolidate and publish its inspection results with other useful information available in these reports. This information would help provide a complete picture of how well a home is performing compared to other homes or compared to the provincial average.

Since our audit, the Ministry has made little progress on consolidating its inspection results with other sources of information. While the Ministry's website does provide limited summary-level compliance information for each long-term-care home, it does not provide any other information that would help users evaluate homes' performance in other areas. As a result, it is still not possible to compare homes against each other without consolidating data and information from various sources such as the Ministry's inspection reporting website, the Canadian Institute for Health information, Health Quality Ontario and others.

As part of the work under way to improve the Ministry's website, the Program is currently looking into how best to incorporate data sets from

Health Quality Ontario, which will provide users with better information on the quality of long-term-care homes.

- *consult with other stakeholders and consider best practices from other jurisdictions to develop a reporting strategy that allows the public to compare and rank homes' level of compliance and other quality-of-care indicators against the provincial average.*

  Status: In process of being implemented by November 2017.

Details

In our *2015 Annual Report*, we recommended that Ontario look to other jurisdictions for best practices in the use of reporting indicators to help the public determine how well a particular home is performing relative to others. In the United Kingdom, for example, inspection results were summarized into ratings for each home, from inadequate to outstanding, in five general categories: treating people with respect; providing care that meets people's needs; safety; staffing; and quality of management. In the United States, the federal government used a five-star rating system that combined its health inspection reporting on nursing homes with staffing ratios and other quality measures. The rating system allowed people to compare information about nursing homes across the country.

The Ministry has since conducted an inter-jurisdictional scan of best practices in reporting information on long-term-care homes, and has developed several options to improve the website in line with the recommendations from our audit. In addition, the Ministry is consulting with key stakeholders over the summer of 2017 to get input into the types of information and method of presentation that would be helpful to the public. The Ministry expects to develop a reporting strategy by November 2017.

Allocation of Inspectors Needs Further Analysis

Recommendation 11

To ensure residents' concerns are addressed equitably across the province, the Ministry of Health and Long-Term Care should periodically review and assess inspectors' workload and efficiency among the regions, and take necessary actions to address any unexpected variations.

Status: In process of being implemented by November 2017.

Details

In our 2015 audit, we found that the Ministry had not regularly collected the necessary information to assess whether its current allocation of inspectors was appropriate, such as determined by either workload or efficiency of inspectors across the province.

In November 2015, the Ministry hired a consultant to perform a review of the Program's organizational structure including staff and management complements, inspector workload, intake and administrative functions. The consultant's report, received in February 2016, included a summary of the Program's strengths, key challenges and recommendations. It noted that, when fully staffed and trained, the number of inspectors seemed to be appropriate to achieve the Program's desired outcomes. However, it also found that the Program did not have enough managers, had too many dispersed functions, and that policies, procedures and processes were being applied inconsistently across regions. Some of the key recommendations in the report included centralizing a number of functions, increasing the number of managers and supervisors, and hiring additional staff for the Program's central intake unit. The report also recommended balancing the number of homes per regional office through a possible realignment of geographic boundaries or by increasing the number of regional offices. The Ministry is working on implementing these recommendations by October 2017.

As stated earlier in this follow-up report, the Ministry also developed a number of management reports to help regional offices evaluate their workload and make changes accordingly, but these reports lack automation and therefore are not readily accessible. A project is currently under way to implement new software that will assist regional offices in scheduling inspections, managing available inspector resources and sharing information such as policies, guidelines and best practices. The Ministry expects to implement these improvements by November 2017.

The Ministry Does Not Effectively Ensure the Quality of Inspectors' Work

Recommendation 12

To ensure the high quality and consistency of inspectors' work across the province, the Ministry of Health and Long-Term Care should:

- *revisit the quality assurance procedures, including peer reviews and the use of post-inspection audit checklists, that were put on hold and evaluate their relevance and usefulness;*
  Status: In process of being implemented by January 2018.

Details

During our audit, we found that the Ministry developed quality assurance procedures in January 2013 (including peer reviews and post-inspection audit checklists) to determine whether policies and procedures had been followed during inspections and to identify training needs. However, these measures were not implemented as the Ministry was focused on meeting the Minister's commitment to complete comprehensive inspections of every long-term-care home in the province by the end of 2014.

Following our audit, the Ministry revisited its quality assurance procedures as part of its review of the Program's organizational structure. As discussed earlier in this report, the Ministry received advice from a consultant to implement a new quality assurance function with dedicated staff. The Ministry has also updated its policies to include periodic audits of inspectors' compliance to Program policies and has developed post-inspection audit checklists to assist reviewers. While the Ministry has approved a number of new positions to staff its quality assurance function and post-inspection audit-related activities, it had not yet filled these positions at the time of our follow-up. As a result, with the exception of the centralized intake unit, regional offices are not conducting post-inspection audits of inspectors' work. The Ministry expects the quality assurance function to be operational by January 2018.

- *perform management reviews of inspectors' work on a regular basis and document the results;*
  Status: Little or no progress.

Details

Our 2015 audit found that although the Ministry had policies in place for regional managers and/or inspector team leads to review and approve inspection reports before they were finalized, it did not track whether these reviews were actually done.

At the time of our follow-up, with the exception of the centralized intake unit, the Ministry did not perform post-inspection audits of inspectors' work and did not document results at its regional offices on a regular basis. The Ministry is currently in the process of hiring additional staff to perform these post-inspection audits.

- *consolidate and evaluate results from quality reviews and use them for training purposes.*
  Status: Little or no progress.

Details

The Ministry has made little to no progress in consolidating and evaluating its results from quality assurance reviews. As discussed earlier in this follow-up report, the Ministry does not currently perform and document post-inspection audits for the majority of its policies and procedures, but plans to do so after hiring more staff. The new quality assurance function will be responsible for consolidating and evaluating results of quality reviews, which will guide the development of inspector training. The Ministry also plans to implement a centralized education model, where each regional office will assign an education lead that will be responsible for providing training and other support functions to inspectors. Education leads will assess the consistency of inspectors' work with respect to complying with Program policies and procedures.

The Ministry Is Not Measuring Program Performance

Recommendation 13

To ensure the mandate of the Long-Term Care Homes Quality Inspection Program is met and its performance is transparent to the public, the Ministry of Health and Long-Term Care should:

- *identify key performance indicators and establish reasonable targets for each and to periodically review all targets to ensure they are appropriate;*
  Status: In process of being implemented by April 2018.

Details

When we completed our 2015 audit work, the Ministry was still in the process of determining what information could and should be collected to monitor and track performance. The Ministry was also determining what targets should be established in areas such as inspector workload, timeliness of inspections, inspection reports and follow-ups on compliance orders.

Since our audit, the Ministry's established formal targets and management reports monitor areas such as the timeliness of inspections, outstanding complaints, critical incidents and compliance orders, and inspector workload. For example, as discussed earlier in this report, there are now established targets for inspecting complaints and critical incidents, following-up on compliance orders and providing inspection reports to operators of homes and the public. The Ministry has developed management reports for all of these, with the exception of reporting inspection results. Using these management reports, the Ministry has identified a number of key performance indicators that it will report in its Program-level balanced scorecard. The Ministry is currently in the process of formalizing its Program-level balanced scorecard and expects to complete it in April 2018.

- *monitor and evaluate actual results against all targets established and take corrective action when any targets are not met;*
  Status: Little or no progress.

Details

A recurring theme in our 2015 audit had been that the Ministry had no clearly defined and expected outcomes or targets against which it could assess how the Long-Term Care Homes Quality Inspection Program is performing. Without established benchmarks, the Ministry had no way of assessing whether regional variations in areas such as timelines for completing inspections, following up on compliance orders and publicly reporting inspection results, indicated that some are operating more or less efficiently than others.

Since our audit, although the Ministry has established targets in its policies, it does not regularly monitor and evaluate actual results and take corrective action when the targets are not met. The integration and automation of the Ministry's management reports to monitor established targets and key performance indicators into its information systems is a large focus for the Ministry, which it plans to complete in October 2017.

- *regularly publish actual results against targets.*
  Status: Little or no progress.

Details

At the time of our 2015 audit, the Ministry reported publicly on only one performance measure: the number of comprehensive inspections completed throughout the year. The number of complaints or critical incidents that were inspected within the expected time frame was not publicly reported.

As of our follow-up, the Ministry does not report on additional performance measures. The Ministry is currently developing a Program-level balanced scorecard with a number of key performance indicators, though this project is at a standstill until the Ministry staffs its new quality assurance function that will be responsible for moving this project forward. The Ministry has not decided if it will publish its key performance indicators publicly as part of its Program-level balanced scorecard. It expects to complete work on the Program-level balanced scorecard in April 2018.

Chapter 1

Section

1.10 Management of Contaminated Sites

Follow-Up on VFM Section 3.10, *2015 Annual Report*

RECOMMENDATION STATUS OVERVIEW					
	# of Actions Recommended	Status of Actions Recommended			
		Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	2	2			
Recommendation 2	2	1		1	
Recommendation 3	1	1			
Recommendation 4	2	2			
Recommendation 5	1		1		
Recommendation 6	2	2			
Recommendation 7	2		1	1	
Total	**12**	**8**	**2**	**2**	**0**
%	**100**	**66**	**17**	**17**	**0**

Overall Conclusion

According to information the ministries and the Provincial Controller's Office provided to us, as of June 23, 2017, of the seven recommendations consisting of 12 actions we made in our *2015 Annual Report*, eight (66%) of the actions had been fully implemented. The ministries and the Provincial Controller's Office have made progress in implementing two (17%) more of the actions recommended.

For example, the government designated a central oversight body with overall responsibility for managing contaminated sites. Also, a central database inventory of all contaminated sites in the province has been developed and implemented. And the ministries finalized the risk prioritization model that ministries will use to assess all remediation funding proposals. Also, the Provincial Controller's Office is in the process of finalizing its Accounting and Financial Reporting Policy and Guidelines for Environmental Contamination.

However, there has been little or no progress on two actions. They will take more time to fully address, specifically:

- providing the public with access to information on contaminated sites for which the government has recorded a liability; and

- providing ministries with guidance for carrying out an annual review of their liability estimates, and carefully monitoring ministry liability submissions to ensure that adjustments are made, where required, before their inclusion in the Province's consolidated financial statements.

The status of actions taken on each of our recommendations is described in this report.

Background

Governments are responsible for cleaning up certain sites in their jurisdictions that have been contaminated by chemicals or other materials that are hazardous to the environment or to human health.

In Ontario, a number of provincial laws deal with environmental protection and contamination. The most comprehensive law is the *Environmental Protection Act*. It states that if contamination in an area for which the Province is responsible causes or may cause an adverse effect on the environment or human health, the government must clean it up. Several ministries and provincial agencies share responsibility for the Province's contaminated sites. They are:

- Ministry of the Environment and Climate Change;
- Ministry of Natural Resources and Forestry;
- Ministry of Northern Development and Mines;
- Ministry of Economic Development, Employment and Infrastructure;
- Ministry of Transportation;
- Ministry of Housing; and
- Government agencies, such as Ontario Place Corporation and the Ontario Mortgage and Housing Corporation.

To fulfill the responsibility of cleaning up contaminated sites, governments need strong systems for identifying the sites in their jurisdictions, assessing the nature and extent of the contamination, implementing programs to mitigate the risks posed by these sites to the public and the environment, and for remediating these sites for future use.

At the time of our audit in 2015, we noted that there were weaknesses in the government's processes for identifying, measuring, and reporting on its contaminated sites liability. While we were satisfied with the government's efforts to identify all contaminated sites for which it is financially responsible, we wanted to see a continued focus on improving the government's estimate of its financial liability for these sites in the future.

We found that there was no centralized oversight of the way in which ministries managed their contaminated sites and estimated their liabilities in this area.

Additional significant observations included:

- The government needed a centralized inventory of contaminated sites. Without one, it is difficult to get a complete picture of the government's contaminated sites or track the progress of managing them. We found a few instances where more than one ministry reported being responsible for the same contaminated site.
- The Province needed a government-wide process for prioritizing high-risk contaminated sites for remediation. Without a model that captures and prioritizes all contaminated sites, the government risks funding remediation of lower-priority sites and neglecting sites that have a greater impact on the health and safety of the public.
- The government had no overall plan or funding strategy in place for cleaning up its contaminated sites. Although it had identified its high-risk contaminated sites, it lacked a central leader to manage the clean-up process from a government-wide perspective.
- Without clear direction, ministries may make errors in accounting for and reporting the liabilities associated with their contaminated sites. The Provincial Controller's Office provided guidance to ministries on implementing a new accounting standard in this

regard. While this guidance was helpful, the Provincial Controller's Office should provide ministries with additional formal guidance in several areas, including clarifying the types of costs that should be included in the liability calculation, clarifying when and how present value accounting techniques should be applied, and providing approaches to estimating a liability in the absence of an environmental site assessment.

- We found there was poor documentation to support the calculation of the liabilities associated with contaminated sites. Without adequate documentation, there is a risk that the number of contaminated sites for which the government is responsible and/or the costs associated with cleaning them up could be misstated. There is also the risk that critical information could be lost if staff who have knowledge in these areas leave government.
- The government had no policies or processes for updating financial liability estimates for remediating contaminated sites. Ministries need to monitor their sites and review them annually to determine whether environmental site assessments require updating or whether liability estimates need to be revised to reflect changes in technology, site conditions, environmental standards, inflation or other factors.

We made seven recommendations with 12 actions for improvement and received commitments from the ministries that action would be taken to address our recommendations.

Status of Actions Taken on Recommendations

We conducted our follow-up work between April 1, 2017 and June 23, 2017. We obtained written representation from the Treasury Board Secretariat and the ministries that effective September 1, 2017, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Need for Centralized Oversight of Contaminated Sites

Recommendation 1

To ensure that contaminated sites for which the government is responsible are identified and properly assessed, and that provincial liabilities are identified and valued on a timely basis:

- *the government should designate a central unit or ministry group with overall responsibility for managing contaminated sites;*

  Status: Fully implemented.

Details

During our 2015 audit, we noted that there was no centralized ministry oversight over the ministries' processes for managing their contaminated sites and estimating their contaminated site liabilities. Without proper oversight, government initiatives are rarely implemented effectively or on a timely basis. This lack of oversight was ultimately responsible for most of the errors and issues identified in our 2015 report.

In February 2017, the Treasury Board/Management Board of Cabinet authorized the Inter-ministerial Contaminated Sites Assistant Deputy Ministers' Steering Committee (Steering Committee) to be responsible for the implementation and management of the co-ordinated approach to provincial contaminated sites. The Ministry of the Environment and Climate Change is the Chair of the Steering Committee. The ministries remain responsible for addressing their inventory of contaminated sites, consistent with any direction provided by the Steering Committee. Therefore, the Steering Committee has the overall responsibility for the management of provincial contaminated sites.

- *The Inter-ministerial Contaminated Sites Assistant Deputy Ministers' Steering Committee should be reconvened to perform an oversight role until this function or co-ordinated team is established.*

  Status: Fully implemented.

Details

The Steering Committee reconvened on November 1, 2016. The Steering Committee has representation from all six ministries that have contaminated sites. Representatives from the Treasury Board Secretariat and the Ministry of Finance have been invited to participate as observers to provide advice. As of June 2017, the Steering Committee has met six times since reconvening in November 2016.

Improvements Needed in Tracking, Prioritizing and Funding Remediation of Contaminated Sites

Recommendation 2

To ensure that the government has a complete picture of its existing and potential contaminated sites liability, the stakeholder ministries should ensure that:

- *a centralized database inventory of all contaminated sites is developed and implemented;*

  Status: Fully implemented.

Details

At the time of our audit in 2015, we noted that there was a need for a centralized inventory of contaminated sites. Without a centralized inventory, it is difficult to form a complete picture of, or track progress in, managing the government's contaminated sites. In November 2016, the government began housing the centralized inventory of contaminated sites information within the Ministry of Natural Resources and Forestry's Land Information Ontario system. This system is accessible by all ministries with responsibilities for contaminated sites.

- *the public has access to information on contaminated sites for which the government has recorded a liability.*

  Status: Little or no progress.

Details

During our audit in 2015, we encouraged the government to provide public information on all contaminated sites. We noted that the federal government already provides information on each of its contaminated sites that the public can access online. At the time, the ministries' responded that they would undertake an analysis to guide decisions on public access to information on contaminated sites. Currently, the government has made little progress on this recommended action.

Many areas of work are outstanding regarding the extent and nature of public access to information on contaminated sites. These areas include: policy work involving all affected ministries; research on how much information is provided to the public on contaminated sites by other jurisdictions to support future policy considerations; and the development of a paper outlining options for public access for the approval of the Steering Committee.

Recommendation 3

To ensure that the cleanup of high-priority sites is consistently funded before that of low-priority sites, the stakeholder ministries should finalize the risk prioritization model and ensure that ministries use this model to assess all remediation funding proposals.

Status: Fully implemented.

Details

During our audit in 2015, we noted that high-risk sites needed to be prioritized for remediation. Without an Ontario Public Sector-wide risk prioritization model that captured all contaminated sites and prioritized them together, the government risked funding low-priority sites for remediation before high-priority sites that have a higher impact on public health or safety.

The risk prioritization model was finalized in November 2016. The model uses consistent information inputs to assess and score the risk to public health and safety and the natural environment posed by the contamination on each site. When used in combination with the centralized inventory of contaminated sites information, the model provides a score of approximate levels of risk posed by every site. This enables ministries to compare the results among contaminated sites across the province.

The prioritized list of contaminated sites was reviewed by the Steering Committee in November 2016. It recommended that ministries use this list during the fall 2017 Program Review, Renewal and Transformation to support their funding requests in order to remediate current sites with the highest priorities.

Recommendation 4

To ensure that ministries have sufficient resources available to remediate their high-risk sites in a prudent manner, the stakeholder ministries should:

- *co-ordinate the development of a long-term plan for remediating the Province's contaminated sites. The plan should incorporate both an annual and a long-term funding strategy;*
  Status: Fully implemented.

Details

During our audit in 2015, we noted that the government had no overall funding strategy or resources allocated specifically for the management of its contaminated sites. The lack of a funding and resource allocation strategy may leave the public exposed to long-term risks to human health or the environment.

The ministries' 2017/18 Program Review, Renewal and Transformation submissions included a long-term plan, co-ordinated by the Ministry of the Environment and Climate Change, outlining the cash flow requirements for the remediation of 65 specific sites. Through future quarterly reporting and annual Program Review, Renewal and Transformation processes, the government will continue to review ministries' updates and existing liabilities and the identification of new sites and associated impact. The 2017/18 submission reflects both the annual and long-term funding strategy for remediating the province's contaminated sites. This includes a plan to remediate 65 sites over the next eight years.

- *periodically report to the Treasury Board, on a consolidated basis, their progress in remediating sites under their annual and long-term plans.*
  Status: Fully implemented.

Details

During the 2015 audit, we noted that the government needed a system to periodically report on the progress made in remediating contaminated sites. This process would ensure that funding decisions are continually reviewed and revised as needed to reflect the latest available information, and plans adjusted accordingly to ensure resources are dedicated to the highest-risk sites.

Each ministry submitted to the Treasury Board/Management Board of Cabinet through the 2017/18 Program Review, Renewal and Transformation process their plan to remediate contaminated sites. These six submissions were consolidated and reviewed by the Treasury Board/Management Board of Cabinet at one meeting. Starting July 2017, through the quarterly reporting and Program Review, Renewal and Transformation processes, there was one consolidated submission, which reported the progress made by ministries in the remediation of contaminated sites and the long-term plan.

Improvements Needed to Liability Estimation Process

Recommendation 5

To ensure the government's ongoing contaminated sites liability estimate is reasonably and *consistently calculated, the Office of the Provincial Controller Division should provide formal guidance to ministries on how to account for and measure these liabilities.*

Status: In the process of being implemented.

Details

Our 2015 audit noted that improved guidance was needed to ensure consistent liability estimates among the ministries because without clear direction, ministries may make errors in accounting for and reporting their contaminated sites. We further noted that the Provincial Controller's Office could reduce the risk by providing ministries with additional guidance in several areas, such as:

- clarifying the types of costs that should be included in the liability calculation;
- clarifying if, when and how present value accounting techniques should be applied; and
- providing methods to estimate a liability in the absence of an environmental site assessment.

As of June 2017, the Provincial Controller's Office was in its final stage of reviewing its Final Draft Accounting and Financial Reporting Policy and Guidelines for Environmental Contamination (Policy and Guidelines). The Provincial Controller's Office is targeting a release date of the Policy and Guidelines by the end of September 2017. The planned implementation date will be retroactive to April 1, 2017 to be used for the 2017/18 fiscal year.

Recommendation 6

To ensure that future decisions and cost estimates for remediating contaminated sites are based on the best information available, and to prevent errors and inconsistencies, the stakeholder ministries should:

- *improve the supporting documentation they maintain regarding contaminated site liability estimates. Documentation should include explanations of how the contaminated site was identified, what risk-based approaches were used to identify high-risk sites, what remediation strategies were selected, how they were chosen, and what assumptions were used in determining and estimating liabilities;*

  Status: Fully implemented.

Details

During our 2015 audit, we found that the ministries' documentation to support their contaminated sites liability estimates was often incomplete. Without adequate documentation, there is a risk of misstating the number of contaminated sites the government has responsibility for and/or the cleanup costs associated with these sites. We noted the following areas that required improvement:

- site identification processes inadequately documented;
- risk-based approaches inadequately documented;
- remediation strategies inadequately documented; and
- valuation approach inconsistently applied.

Since our audit, the ministries have improved the quality of their documentation regarding contaminated site liability estimates. The ministries' documentation for the contaminated sites they are responsible for now includes the following:

- explanations of how the contaminated site was identified;
- what risk-based approaches were used to identify high-risk sites;
- what remediation strategies were selected and how they were chosen; and
- what assumptions were used in determining and estimating liabilities.

- *periodically review sites that have been classified as low risk to ensure that this clas-sification remains valid.*

  Status: Fully implemented.

Details

All ministries have a process in place to annually review low-risk sites to ensure this classification remains valid. Currently, there is only one site that is classified as low risk on the priority list of contaminated sites for the province. The Ministry responsible for this site follows the process annually.

Recommendation 7

To ensure that the contaminated sites liability estimates reflect newly available relevant information:

- *the stakeholder ministries should implement a process for annually reviewing all of their liability estimates. This process should include a review of remediation costs incurred to date and an assessment of those costs in relation to the recorded liability to determine if the liability estimate needs to be updated;*

  Status: In the process of being implemented.

Details

Our 2015 audit noted that the government had no policies or processes requiring ministries to incorporate newly available information into their assessments and liability valuations of contaminated sites. Without formal updating processes, there is a risk that the calculations supporting the government's reported contaminated sites liability will lose accuracy over time.

Currently, five of the six ministries have a process in place to annually review all of their liability estimates. This annual process includes a review of costs incurred to date for remediation, and a review of any new information that may result in a change to the liability estimate. Therefore, this recommendation is fully implemented for five of the six ministries.

However, this recommendation is in the process of being implemented for one of the six ministries. The remaining ministry annually reviews and updates its liability estimates, but this process does not include all sites. For the sites that are currently not annually reviewed, this ministry plans to review and update the previous liability estimates for its sites with the results of updated assessments. Those assessments will be performed over a three-year period starting April 1, 2017 and ending March 31, 2020.

- *once established, the central unit or ministry group should provide the ministries with guidance for carrying out this annual exercise, and carefully monitor ministry liability submissions to ensure that adjustments are made, where required, before their inclusion in the Province's consolidated financial statements.*

  Status: Little or no progress.

Details

As of June 2017, the Steering Committee was waiting for the Accounting and Financial Reporting Policy and Guidelines for Environmental Contamination (Policy and Guidelines) to be finalized before moving forward with this recommended action. As noted under **Recommendation 5**, as of June 2017, the Provincial Controller's Office is in its final stage of reviewing the Policy and Guidelines. The planned date to initiate the Policy and Guidelines will be retroactive to April 1, 2017 to be used for the 2017/18 fiscal year. The Steering Committee plans to review the final Policy and Guidelines to develop a single package of consistent guidance to address our recommendation from 2015. The Steering Committee plans to have this single package available late fall 2017 so it can be used by the ministries to support 2017/18 year-end work.

Chapter 1

Section

1.11

Ministry of Northern Development and Mines

Mines and Minerals Program

Follow-Up on VFM Section 3.11, *2015 Annual Report*

RECOMMENDATION STATUS OVERVIEW					
	# of Actions Recommended	Status of Actions Recommended			
		Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	3	1	1	1	
Recommendation 2	3			3	
Recommendation 3	1	1			
Recommendation 4	2	1		1	
Recommendation 5	4	3	1		
Recommendation 6	3	1		2	
Recommendation 7	1		1		
Recommendation 8	1			1	
Recommendation 9	3	1	1	1	
Recommendation 10	2		1	1	
Recommendation 11	2		2		
Recommendation 12	2	1	1		
Recommendation 13	1		1		
Total	**28**	**9**	**9**	**10**	**0**
%	**100**	**32**	**32**	**36**	**0**

Overall Conclusion

According to the information that the Ministry of Northern Development and Mines (Ministry) provided to us, as of July 31, 2017, 32% of the actions we recommended in our *2015 Annual Report* have been fully implemented. The Ministry has also made progress in implementing 32% of the recommended actions. However, there has been little or no progress on the remaining 36% of actions.

Overall, the Ministry has done the following:

- implemented a monitoring and tracking system for all current geosciences projects;
- undertaken steps to improve the transfer payment reporting process for payments to the Indigenous communities in the Ring of Fire region;

- hired a Closure Plan Co-ordinator to review all mine closure plans and ensure appropriate technical reviews have been completed by the relevant technical specialists; and
- improved its process to review a mine's rehabilitation by its private owner before returning a portion of the financial assurance. This improved due diligence ensures that the mine development is in line with the closure plan.

However, some areas that still require work include:

- evaluate its current investment-marketing activities and determine whether new, more appropriate strategies should be implemented;
- establish a detailed plan for the development of the Ring of Fire with measurable outcomes and regularly assess and report on progress in achieving them;
- inspect all high-risk abandoned mines that have not been inspected in the previous five years to determine whether these sites pose risks to public safety; and
- review and update, where necessary, the Province's mining fees, taxes and royalty payments to ensure that Ontarians receive a fair share of the province's mineral resources.

Background

The Ministry of Northern Development and Mines (Ministry) is responsible for overseeing the province's minerals sector in accordance with the *Mining Act* (Act). Ontario is the largest mineral producer in Canada, accounting for a quarter of the country's mineral production. The Act and its regulations are intended to encourage development of mineral resources in a way that recognizes existing Indigenous and treaty rights and minimizes adverse effects on public health and safety and the environment.

The responsibilities under the Act are carried out by the Ministry's Mines and Minerals Division and its Ring of Fire Secretariat (Secretariat), which is responsible for overseeing the development of the Ring of Fire mineral deposit in Northern Ontario. In the 2016/17 fiscal year, the Mines and Minerals Division had more than 253 full-time employees and spent $40 million.

Our 2015 audit highlighted that the Ministry had not been effective in encouraging timely mineral development in the province. A 2014 edition of a Fraser Institute annual survey of mining and exploration companies ranked Ontario ninth among Canada's provinces and territories in investment attractiveness in mineral exploration, even though it had one of the lowest mining tax rates in the country. As of September 2015, Ontario's effective tax rate was only 5.6%, considerably lower than the national average of 8.6%. However, exploration spending in Ontario peaked at $1.1 billion in 2011 and had since dropped by 50% in 2014.

We also noted that the amount of mining taxes and royalties collected from mining companies over the previous 20 years had averaged less than 2% of the value of minerals extracted. Ontario had collected very little in royalties from its only diamond mine. The Ministry also lacked adequate processes to manage mine closure plans and the rehabilitation of abandoned mines.

In 2010, the government established the Ring of Fire Secretariat to work and consult with Indigenous peoples, Northern Ontarians and the mining community to encourage the sustainable development of the Ring of Fire. The Secretariat has 19 full-time staff in Sudbury, Thunder Bay and Toronto. Since it was established, the Secretariat has incurred over $19.5 million in operating expenses.

The Ring of Fire is in the James Bay lowlands, about 500 kilometres northeast of Thunder Bay. It is approximately 5,000 square kilometres, with most mineral discoveries to date located in a 20-kilometre-long strip. In 2001, significant deposits of nickel, copper, zinc and platinum were identified. However, it was the discovery of North

America's first commercial quantity of chromite in 2008 that attracted more intense interest to the area. Chromite is a mineral used to make ferro-chrome, an alloy essential to making stainless steel, and is in demand worldwide. The chromite deposit is estimated to be at least 220 million tonnes, which would make it one of the richest deposits in the world. The chromite and nickel deposits in the region are estimated to have a potential value of $60 billion. The Ring of Fire discovery is one of the province's greatest mining opportunities. However, at the time of our audit, the area was not close to being ready for production and the Ministry had no detailed plan or timeline for developing the region.

Our other significant observations from our *2015 Annual Report* included the following:

- The Ministry's marketing strategies may be ineffective, and it was slow to make geosciences information available to the mining industry. Mapping projects expected to be completed by 2014 were behind an average of 19 months. As well, over 1,250 geological assessments dating back to 2013 had not yet been made publicly available online through a searchable database. As a result, this technical information was not easily accessible to potential developers to help them identify opportunities for mineral exploration and development.
- Investment was slowed because of a lack of clarity on requirements to consult with Indigenous communities.
- Since 1993, the Ministry had not estimated the total cost of rehabilitating the 4,400 abandoned mine sites in Ontario and therefore did not know the current cost for doing so. As well, it did not have a long-term plan for rehabilitating these abandoned mine sites. The Ministry recently determined rehabilitation costs for the 56 highest-risk contaminated sites alone to be $372 million. However, it had no plans to carry out a detailed cost estimate for the remaining sites, where potential rehabilitation costs could range from $163 million to $782 million.
- The Ministry had conducted minimal inspections and follow-ups on abandoned mines and had inspected only 6% (248) of abandoned mines to ensure that they did not pose a risk to public health and the environment. Of 362 mines that were considered high-risk, only 142 had been inspected.
- The remoteness of the Ring of Fire requires significant infrastructure investment to open access to it and to encourage development in the region. In 2014, the provincial government committed $1 billion to infrastructure in the region, contingent on matching funds from the federal government. However, the federal government did not commit to match the funds because of the lack of detailed plans for development. The Province's commitment alone will not be enough to meet the region's infrastructure needs.
- No minerals had been extracted yet from the Ring of Fire. In 2013, an international mining company that held the rights to develop the chromite deposits pulled out and sold most of those rights to a Canadian junior mining company. The Canadian company had no current plans to develop the chromite holdings. Other potential investors cannot mine most of the chromite in the region unless the Canadian company agrees to sell its rights.

In our report, we recommended, among other things, that the Ministry do the following:

- evaluate its current investment-marketing activities and determine whether new, more appropriate strategies should be implemented;
- ensure that requirements surrounding its Indigenous consultation process are clarified and can be easily understood by potential investors;
- establish a detailed plan for the development of the Ring of Fire with measurable outcomes

and regularly assess and report on progress in achieving them;

- inspect all high-risk abandoned mines that have not been inspected in the previous five years to determine whether these sites pose risks to public safety; and
- review and update, where necessary, the Province's mining fees, taxes and royalty regimes to ensure that Ontarians receive a fair share of the province's mineral resources.

We made 13 recommendations, consisting of 28 actions, to address our audit findings.

We received commitment from the Ministry that it would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between April 1, 2017, and July 31, 2017. We obtained written representation from the Ministry of Northern Development and Mines (Ministry) that effective September 1, 2017, it has provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

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

Ontario Could Do Better to Attract Mining Investment

Recommendation 1

To attract more investment in the province's mining sector, the Ministry of Northern Development and Mines should:

- *fully evaluate the cost-effectiveness of its current investment-marketing activities and determine if new, more appropriate strategies should be implemented (we made a similar recommendation in our* 2005 Annual Report*);*

Status: Little or no progress.

Details

At the time of our audit in 2015, the Ministry had a 2012 marketing strategy to promote Ontario as the premier destination internationally for mineral exploration, development and investments. Activities identified in the strategy include:

- building relations with the industry and other stakeholders;
- engaging the media to spread the message that Ontario is actively seeking new mineral investments;
- creating a presence at international and domestic events and trade shows; and
- building an online community for the sector to engage target audience(s).

However, we noted that the majority of its marketing efforts were focused on participating in about five selected trade and investment marketing events annually. The Ministry had not assessed the effectiveness of its marketing efforts, nor had it attempted to determine whether it was pursuing the right mix of activities to maximize its exposure to potential investors.

Since our audit, the Ministry has integrated its marketing strategy for the province's mining sector with the Ministry's other Trade and Investment Marketing activities, which target and engage with companies in order to attract and secure new investments in Northern Ontario, including in the mining sector.

In November 2016, the Ministry approved a new Trade and Investment Marketing Strategy to help job creation, investment and trade enhancements across Northern Ontario, including promoting investment opportunities in the province's mining sector. Performance measures identified in the strategy include:

- the amount in dollars of export sales opportunities identified;
- new qualified leads for potential investments;

- number of closed/won investment deals facilitated and resulting in direct jobs; and
- number of closed/won investment deals facilitated and amount invested.

At the time of our follow-up, the Ministry had not begun monitoring these performance measures for the mining sector and evaluating the cost effectiveness of its marketing strategies.

- *complete geological mapping projects and upload the final reports, including geological assessment reports from prospectors, on a timely basis to better facilitate the use of this information by potential prospectors;*

Status: Fully implemented.

Details

Using information collected through geological surveys and field visits, the Ministry produces geological maps and reports that describe the structure, attributes, chemical composition, and physical properties of land in Ontario. The mining industry uses this geosciences information to identify and select areas for mineral exploration.

As such, it is important to provide high-quality and timely information to the industry to attract exploration and development to the province. However, our 2015 audit found that many mapping projects were not being completed on a timely basis, and the Ministry was slow to upload geological assessment reports submitted by prospectors for online access. At the time of our audit, mapping projects were on average 19 months behind schedule and there was a backlog of about 1,250 assessment reports to be uploaded online.

After our audit, in April 2016, a Project and Results Management Co-ordinator position was permanently filled to create a project monitoring and tracking system for all current geosciences projects. All decisions that affect project progress or changes are now required to be documented; we noted that the timeliness of these projects has improved since our audit. In addition, the Ministry no longer has a backlog of geological assessment reports to upload online.

- *ensure that the requirements surrounding its Aboriginal consultation process are clarified and can be easily understood by potential investors and Aboriginal communities with serious consideration of the Province assuming more of a leadership role.*

Status: In the process of being implemented by March 2018.

Details

In cases where exploration or mine development on Crown land has adverse effects on existing Indigenous or treaty rights, the Province has the legal duty to consult with those communities. The level and amount of consultation is determined based on the degree of potential impact on the communities and the nature of the Indigenous and treaty rights in question.

During our 2015 audit, we noted that the Ministry would identify the Indigenous communities that need to be consulted and delegate aspects of the consultation process to the mining and exploration companies, such as providing information to the communities and ensuring the concerns the communities raised were addressed or minimized.

However, mining industry associations raised concerns about the delegation of the consultation process and indicated that the process discouraged private-sector investment. Further, a 2014 Fraser Institute report noted that the lack of clarity and understanding of Indigenous consultation was a factor in Ontario's low ranking among Canadian jurisdictions.

Since our audit, the Ministry has taken steps to improve the Indigenous consultation process by taking a direct and central role for early exploration activities. For example:

- The Ministry now requests that the Indigenous communities provide it with comments on any potential adverse effects on their Indigenous or treaty rights of the proposed activities.
- The Ministry may then direct any comments to the private companies that require further explanation, or to discuss and consider adjustments on the proposed activities in order to

mitigate potential adverse effects identified by the Indigenous communities.

For Indigenous consultation on advanced exploration and mine production, the Ministry will continue to delegate certain aspects of consultation to the private companies. The Ministry says that the companies can explain their projects better and know what alterations or changes can be made to accommodate comments and concerns from the Indigenous communities.

However, the Ministry is piloting a new process to increase the rigor of the consultation process for advanced exploration and mine production. This new process will involve Ministry staff and community members in a joint review process with the industry on large new or existing projects. This process will begin when an applicable mine closure plan is received by the Ministry for advanced exploration or mine production. The Ministry expects to receive the next mine closure plan by March 2018.

Ring of Fire Development Has Been Slow

Recommendation 2

To help ensure the timely development of the Ring of Fire, the Ministry of Northern Development and Mines should:

- establish a detailed plan with measurable outcomes, and regularly assess and report on progress in achieving them;

  Status: Little or no progress.

Details

In 2010, the Ring of Fire Secretariat was established to lead the overall development of the region, including co-ordination of infrastructure needs, economic development, the environmental assessment process, and Indigenous consultation.

However, our 2015 audit found that the government's development initiatives had few timelines for completion, and where target dates did exist, they were missed. For instance, mine development cannot begin until environmental assessments and land use planning are complete and both were still incomplete at the time of our audit. Further, the Ring of Fire Secretariat had no performance measures to gauge and report on the effectiveness of the activities it had undertaken to help development in the region.

Since our audit, the Ministry has developed a plan with anticipated timelines and is internally reporting on its progress. However, the Ministry noted that the timelines for development continue to be adjusted based on current conditions and any number of external factors beyond the Ministry's control.

For instance, the project plans depend on achieving a number of milestones in partnership with the Indigenous communities, such as identifying a preferred corridor for an all-season road connecting some of the Indigenous communities. A Regional Community Service Corridor Study released in June 2016 was supposed to identify this corridor; however, it did not. Instead, it identified other issues that the Indigenous communities were seeking resolution on, including road ownership, governance, and the impacts of road access on the existing funding formula for remote communities. The Ministry is addressing these issues.

A draft set of performance measures was developed during 2015/16 based on the discussions at that time. However, with the shift to priorities noted in the June 2016 study, the prepared draft measures were no longer appropriate. The Ministry then decided to suspend the identification of Ring of Fire performance measures until clear priorities and direction were agreed to by the Chiefs of the Indigenous communities and senior management in the Ontario Government.

On August 21, 2017, the Province announced that it will support First Nations to plan and construct two all-season access roads connecting three First Nation communities to the existing provincial highway network. The First Nation communities are working to begin environmental assessments for these projects by January 2018, with construction planned for 2019. With this announcement, the Ministry will now be updating its project plans and performance measures that were previously developed in 2015/16.

- *continue to engage all stakeholders, including the federal government, in the funding and development of the region;*
  Status: Little or no progress.

Details

In the 2014 Budget, the government committed up to $1 billion to develop strategic all-season industrial and community transportation infrastructure in the Ring of Fire. It also announced a multi-stakeholder development corporation to accelerate infrastructure development in the region.

At the time of our audit, the Ministry had not set any timelines for infrastructure projects in the Ring of Fire that could be funded from the government's $1-billion commitment. Also, the corporation was intended to bring together both private and public sectors—including key mining companies, Indigenous communities and the federal government—to create partnerships and help with investment decisions in the transportation infrastructure; however, the corporation had no representation on the board of directors from any of these stakeholder groups.

Since our audit, the Ministry has worked with the federal government on projects in the Ring of Fire, including:

- expanding broadband connectivity for the Indigenous communities;
- supporting training in the areas of health and wellness; and
- promoting skills training to ensure the communities are able to participate in discussions on development.

However, there has been no progress on development of infrastructure projects. Discussions on development in the area depend on identifying a preferred corridor for an all-season access road; the Province just recently announced that it will support First Nations to plan and build two all-season access roads connecting three First Nation communities to the existing provincial highway network as noted in discussion of the first bullet point of **Recommendation 2**. Further, the Ministry has not applied to the federal New Building Canada Fund, which offers funds to assist with infrastructure projects that could lead to economic growth. Also, there has been no stakeholder involvement in the corporation, which has spent $1.4 million, primarily on infrastructure studies, since its inception.

- *work to expedite negotiations with Aboriginal communities.*
  Status: Little or no progress.

Details

In March 2013, the Chiefs of the Matawa Tribal Council, representing the nine First Nation communities in the region, requested a community-based regional process for negotiating with the government. A Regional Framework Agreement was signed in March 2014, with the purpose of establishing a protocol for negotiations between the communities and the Province. This was Phase 1 of the negotiations with the Chiefs of the Matawa Tribal Council.

Phase 2 of negotiations then began to plan for the shared priorities identified in this framework agreement, such as resource-revenue sharing, and regional and community infrastructure planning. However, there was no completion date for this phase. As of June 2017, Phase 2 was still in progress without a target completion date.

There is no commitment on specific targets for negotiations under the Regional Framework Agreement. However, as noted in discussion of the first bullet point of **Recommendation 2**, the Ministry is working with the Indigenous communities on resolving issues identified in the study released in June 2016 for a preferred corridor for an all-season road. As well, the Province has recently announced that it will support First Nations to plan and construct two all-season access roads connecting three

First Nation communities to the existing provincial highway network.

Recommendation 3

The Ring of Fire Secretariat should ensure that transfer payments made to Aboriginal communities in the Ring of Fire are used in accordance with the transfer payment agreements by obtaining the requisite reporting (progress reports, expense reports and audited financial statements) on a timely basis. The reports submitted should be detailed enough to show how the funds are spent.

Status: Fully implemented.

Details

Since its inception in 2010, the Secretariat has transferred about $32 million to the nine Indigenous communities in the region to help build knowledge within the communities to prepare for, and respond to, mining development within the region. The communities are required to provide reports for the payments they receive. However, at the time of our audit in 2015, we noted that these reports were not submitted on a timely basis, and the reports that were submitted contained little supporting documentation to show whether the funds were spent according to the transfer-payment agreements.

Since our audit, the Secretariat has undertaken several activities to improve the transfer payment reporting process. These include:

- developed a suite of tools and templates that can be used by key community staff in meeting reporting requirements. They were created from a review of previously provided reporting materials;
- provided the Indigenous communities with additional funds and hands-on coaching and support to help meet reporting requirements;
- created a joint Ontario-tribal council team (Joint Regional Framework Agreement Team) that meets regularly to discuss concerns, review material and respond to questions and requests from the communities related to the requirements of transfer-payment agreements;
- aligned the quarterly reviews of program financials and milestones with the quarterly reporting requirements in the agreements. This ensures that work is proceeding as expected and that reporting material is provided on a timely basis; and
- updated its reporting templates so that the work done to validate reported expenses is clearly stated, including more explicitly identifying and tracking changes in activities and budget.

The Secretariat is also making efforts to obtain outstanding reports and track missed timelines. In our review of a sample of reports and the Secretariat's tracking sheets for 2016, we observed that the reports and supporting documents were submitted on a timelier basis to the Secretariat.

Staking and Claims System Needs Improvement to Ensure Exploration Work Continues Responsibly

Recommendation 4

To ensure continual exploration on claimed land, and proper rehabilitation of sites where exploration has taken place, the Ministry of Northern Development and Mines should:

- *disallow forfeited claims from being re-staked by the same owners until an appropriate period has passed (we made a similar recommendation in our* 2005 Annual Report*);*

  Status: Little or no progress.

Details

The first step in exploration is for licensed prospectors to stake a mining claim, which gives them exclusive right to explore for minerals. As of April 2017, there were about 31,913 registered claims covering 3.5 million hectares of Crown land. To maintain a claim in good standing, the holder must perform a minimum of $400 worth of eligible exploration work annually for each claim unit (one claim unit is 16 hectares of land) and report these activities to the Ministry for approval.

Our 2015 audit noted that when claimholders forfeit mining claims because they have not performed the minimum exploration work, the Ministry allows them to re-stake the claims. This allows prospectors to maintain claims indefinitely without performing the required exploration work, which could negatively impact the discovery of mineral resources.

While the Ministry is working to identify some suspect claims and follow up with the owners, we noted there is still no plan to disallow the re-staking of claims forfeited by the same owners.

- *develop a risk-based plan to inspect sites undergoing exploration work with the potential to have a negative impact on the environment.*

Status: Fully implemented.

Details

The *Mining Act* requires rehabilitation of sites where exploration work has impacted the environment. Prospectors who perform moderate-impact assessment work, for example mechanized surface stripping greater than 100 square metres, are required to apply for an exploration permit and must perform rehabilitation work prior to the permit's expiration date.

In our 2015 audit, we noted that the Ministry's inspections of sites to ensure that sufficient rehabilitation has been completed were limited. Only a total of 41 inspections were completed in 2013 and 2014, representing only 6% of the sites with an active plan or permit as of December 2014.

Since our audit, the Ministry has been developing a risk-based approach to inspect sites that are undergoing exploration work. The factors that will be considered in identifying high-risk sites for inspections include:

- the scope of early exploration activities;
- the scale of the proposed activities on the site; and
- the compliance history for the site.

The Ministry completed the development of the risk-based approach in July 2017. The Ministry indicated that it will review existing exploration sites on an annual basis and use the risk-based approach to decide which sites to inspect.

Financial Assurance May Be Insufficient to Cover Mine Close-Out Costs

Recommendation 5

To ensure submitted closure plans are adequately reviewed and reflect activities that are taking place on a mine site, the Ministry of Northern Development and Mines should:

- *segregate the responsibility for the promotion of mineral exploration and development in Ontario from those responsible for the oversight of mine-closure plans;*

Status: Fully implemented.

Details

The *Mining Act* requires a mining company to submit a closure plan and financial assurance for the estimated cost to rehabilitate a site before it commences advanced exploration activities or mining operations. In 2015, the Ministry had 13 in-house Mineral Exploration and Development Consultants. They were responsible for overseeing and reviewing the industry's mine-closure plans. This included assessing whether the amount of the financial assurance provided by mining companies will be sufficient to rehabilitate sites when advanced exploration or mineral development activities cease.

Our 2015 audit found that the consultants had a conflicting role. As well as overseeing mine-closure plans, they also promoted mineral exploration and development in Ontario by helping the industry through the regulatory process to develop mining projects. This resulted in instances in which the consultants did not recommend the more stringent rehabilitation requirements on the industry as advised by Ministry specialists or inspectors because they felt the requirements created hardship for mining companies.

Since our 2015 audit, the Ministry has taken steps to ensure that the consultants have a better understanding of their roles and responsibilities for the oversight of mine-closure plans. These steps include reviews of staff roles and responsibilities during staff meetings held twice a year and clarification of expectations of the consultants' roles in their employee performance development and learning plans.

In addition, the Ministry has also hired a Closure Plan Co-ordinator to work directly with the consultants to ensure that technical specialist(s) review closure plans. The role of the Closure Plan Co-ordinator is discussed further under the second bullet point of **Recommendation 5**.

- *develop specific guidelines on when high-risk components of closure plans should be subjected to expert review;*
  Status: Fully implemented.

Details

The Mineral Exploration and Development Consultants can choose to pass along high-risk components of mine-closure plans for technical review by the Ministry's three rehabilitation specialists, who have technical expertise in different mine hazards such as tailings, and acid and metal leaching into the environment. However, in our 2015 audit, we noted there were no guidelines regarding when certain components of closure plans should be subject to technical review. In our review of a sample of closure plans, we found only 30% of files had any evidence that specialists' input had been sought. We also found plans that were not reviewed by a specialist but had risk factors that may have warranted a specialist's review.

During our 2015 audit, the Ministry hired a Closure Plan Co-ordinator, who is a professional engineer, to start addressing this recommendation. The role of this new position is to ensure a more thorough and consistent review of the rehabilitation requirements and financial assurances in the closure plans. The Co-ordinator works directly with the consultants to review all closure plans and ensure appropriate technical reviews have been completed by the relevant technical specialist(s) for high-risk components of the closure plans.

All reports and correspondence regarding the closure plans are now centrally stored on a shared drive and form the technical and administrative recommendation to the Director of Mine Rehabilitation for approval.

- *inspect sites that have a closure plan in place on a regular basis to ensure the plan accurately reflects current mining activities on the sites;*
  Status: In the process of being implemented by December 2017.

Details

At the time of our 2015 audit, the Ministry was not regularly conducting site inspections to ensure that the closure plans for mines accurately reflected the mining activities that were taking place. Of the 162 closure plans on file as of August 2015, 16 had not been inspected within the Ministry target of five years, and 10 had never been inspected.

As of August 2017, the Ministry has identified 176 closure plans, of which 72 are high risk because they are for active sites. We noted that the Ministry has inspected all but five of the 72 high-risk active sites within the last five years and has committed to completing these inspections by December 2017. For the remaining sites that are inactive or closed-out, the Ministry has established a risk-based approach to inspect these sites and this is documented on its annual master work plan schedule.

- *enforce the rehabilitation requirements recommended by ministry specialists and inspectors*

and take proactive measures to ensure that the financial assurance is adjusted accordingly on a timely basis.
Status: Fully implemented.

Details

As discussed in the first bullet point of **Recommendation 5**, our 2015 audit noted that the Mineral Exploration and Development Consultants were not always enforcing the rehabilitation requirements recommended by Ministry specialists and inspectors. For example, in one case, we noted the consultant had accepted financial assurance for land re-vegetation at a cost that was 10 times lower than the recommended cost.

Since our audit, the Ministry has started a process to track the rehabilitation requirements recommended by the Ministry specialists and inspectors and the responses from the mining companies. This new tracking document will help ensure that requirements identified by the specialists and the inspectors are addressed.

The Closure Plan Co-ordinator, whose role is to ensure the closure plans have received the appropriate technical reviews, reviews this tracking document prior to filing the closure plans. The tracking document is also included in the briefing to the Director of Mine Rehabilitation for approval.

Any amendments to closure plans, and any increases in financial assurance as a result of the technical review of the plans, are also stored in a shared directory at the Mineral Development and Lands Branch of the Ministry.

Recommendation 6

To ensure that the amount of the financial assurance collected by the Ministry of Northern Development and Mines (Ministry) provides sufficient security against potential liabilities related to mine close-out costs, the Ministry should:

- *require mining companies to regularly update their estimated mine close-out costs and the related financial assurance to reflect changing market conditions and changes to rehabilitation standards (we made a similar recommendation in our* 2005 Annual Report*);*
  Status: Little or no progress.

Details

Mining companies are required to submit closure plans with cost estimates for rehabilitation of the mining site prior to starting advanced exploration activities or mining operations. These cost estimates are based on the market rates at the time of submission and are used in calculating the amount of financial assurance to be held as a security if the mining company fails to perform adequate rehabilitation work. Mining companies are not required to regularly update the estimated costs to reflect changing market conditions and rehabilitation standards.

Our 2015 audit found that one-third of closure plans were filed or last amended in the 1990s and early 2000s. Applying a simple rate of inflation adjustment resulted in a potential $63-million shortfall between the financial assurances the Ministry originally collected and the potential costs of closing and rehabilitating the mining sites. Further, the Ministry took no action to ensure closure plans and related costs were compliant with current standards. Over 20% of closure plans predated the rehabilitation standards implemented in 2000, and two-thirds of these plans were submitted during a period when the Ministry had no technical experts.

Since our 2015 audit, the Ministry has researched practices in other jurisdictions and developed policies that support the regular updating of mine closure costs. However, the Ministry has not demonstrated that it is implementing these practices.

- *verify when it inspects progressive rehabilitation prior to returning a portion of the financial assurance whether mine development is still in line with the existing closure plan, and that no other hazards exist on site which the Ministry was not previously aware of;*
  Status: Fully implemented.

Details

Over the life of a mine or exploration activities, companies can request the return of portions of the financial assurance after they have undertaken progressive rehabilitation work. This portion is returned following a Ministry inspection of the site and acceptance of the work. In our 2015 audit, we noted concerns over the limitations of these inspections and an instance of the Ministry returning financial assurance of $500,000 and subsequently becoming liable for clean-up of contamination on the same site at an estimated cost of $2 million.

Since our audit, the Ministry is documenting discussions with the mining companies on changes to the site that have occurred since the most recently amended closure plan. The Ministry also takes into account the amount of financial assurance required to conduct the remaining rehabilitation on the site. This is done when mine owners request the return of financial assurance. We noted on several occasions, the Ministry returned lower amounts than were requested after it identified other hazards on sites that increased estimated costs for rehabilitation.

- *reassess its practice of allowing certain companies to self-assure mine close-out costs (we made a similar recommendation in our* 2005 Annual Report*).*

  Status: Little or no progress.

Details

If a mining company's credit rating meets or exceeds two of the following credit rating thresholds, the company is allowed to self-assure the mine close-out costs for the entire life of the mine and is not required to provide any other form of security to the Ministry:

- A (low) from the Dominion Bond Rating Service Limited;
- A3 from Moody's Investors Services Inc.; and
- A– from Standard and Poor's Inc.

The company is allowed to self-assure for the first half of the life of a mine if that first half is at least four years and the company meets or exceeds BBB (low), Baa3, and BBB– rating from the same three credit rating agencies.

We noted that although this is allowed under the *Mining Act*, it exposes the government to some financial risk. If the companies are unable to meet their obligations, the rehabilitation costs become the Province's responsibility. The Ministry has yet to perform any work specifically assessing this practice.

The Ministry stated that it is currently supporting the "Red Tape Challenge" for the mining sector. The Red Tape Challenge is a government-wide initiative in which external stakeholders, such as businesses and industry, submit concerns relating to 'red tape' (barriers) that limit the private sector's work in increasing economic growth. The feedback and participation from the mining sector is expected to be completed by March 2018. The Ministry is awaiting these results to assess the next steps on the issue of self assurance.

Recommendation 7

To inform the public on the potential liabilities related to mine close-out costs, the Ministry of Northern Development and Mines (Ministry) should annually publish the approved mine closure plans (for rehabilitation and restoration), including the estimated closure cost and associated financial assurance held by the Ministry.

Status: In the process of being implemented by October 2017.

Details

Although the mine-closure plans may be viewed by the public at any time by directly contacting the Ministry, at the time of our 2015 audit, the information on the amount of financial-assurance associated with the closure plans was not made available.

Since our 2015 audit, the Ministry has advised mining companies that the financial assurance component of their mine-closure plan will be publicly available. The Ministry has compiled a list of all companies with filed closure plans and the corresponding financial assurance. The Ministry has confirmed that this information will be made available on its website by October 2017.

Recommendation 8

The Ministry of Northern Development and Mines should work with the Ministry of Environment and Climate Change to assess the benefits of larger mining projects in Ontario undergoing a provincial environmental assessment similar to the environmental assessments conducted in other Canadian provinces.

Status: Little or no progress.

Details

An environmental assessment is a process undertaken to identify, predict and mitigate any effects that a proposed project may have on the environment before the project begins. Ontario is the only province in Canada that does not require a provincial environmental assessment to be performed for mining projects.

The Ministry has identified that little to no progress has been made on this recommendation. The Ministry will continue to work with the Ministry of the Environment and Climate Change as it looks at ways it can further improve the existing program as committed to in the Environmental Assessments audit in our *2016 Annual Report*.

Abandoned Mines Pose Significant Financial Risks to Ontario

Recommendation 9

To protect public health and safety and the environment from the risks posed by abandoned mines, the Ministry of Northern Development and Mines should:

- as soon as possible inspect all high-risk abandoned mines that have not been inspected in the last five years to determine if these sites pose risks to public safety;

  Status: In the process of being implemented by March 2019.

Details

The Ministry currently knows of about 4,400 abandoned mines in Ontario containing over 15,000 mine hazards. The hazards include shafts, open pits, structures on the land, rock piles and tailings waste. The Crown holds about 2,400 of these abandoned mines and the other 2,000 are privately held. The Province is responsible for the clean-up of any hazards in abandoned mines held by the Crown and for monitoring and enforcing the rehabilitation of privately held mines.

At the time of our 2015 audit, we noted that the Ministry conducted minimal inspections and follow-up activities on abandoned mine sites to ensure that these mines do not pose a threat to human health or the environment. In the five years preceding our audit, the Ministry had only inspected about 6% (248) of the approximately 4,400 abandoned mines on both Crown and privately held sites. Of the 362 high-risk sites, only 142 (39%) had been inspected at least once in the previous five years by the Ministry.

Since our audit, the Ministry has developed a schedule for the inspections of 44 high-risk mine sites with tailings (tailings are fine-grain material left over from the processing of mineral ores; tailings are held in place by earth-filled dams). The Ministry is developing an inspection schedule for the remaining high-risk abandoned mine sites. The inspection programs and plans for these sites were approved in August 2017. The inspection schedule will depend on the assessment of the sites using the prioritization ranking system, as discussed in the second bullet point of **Recommendation 9**, along with the date of the sites' last inspection. The Ministry expects to complete these inspections by March 2019.

- *adopt a risk-based process to regularly monitor and inspect previously inspected abandoned mines to ensure that the conditions at the sites are not posing a risk to human health or the environment (we made a similar recommendation in our* 2005 Annual Report*);*

  Status: Fully implemented.

Details

Since our 2015 audit, the Ministry has developed a prioritization ranking system to identify the abandoned mines requiring monitoring and inspections. The results of the ranking, the Ministry's internal knowledge and expertise, and concerns from the public or Indigenous communities determine whether the sites are selected for inspection.

For example, highest priority abandoned mines that have tailings and are estimated to cost more than $10 million to rehabilitate will rank higher on the list than sites that have only physical hazards. Common mine features on these high-risk sites include deep unprotected surface openings, waste rock piles with acid rock drainage, and dilapidated buildings.

- *develop an operational and financial short- and long-term plan to clean up mine sites posing a threat to human health and safety or the environment (we made a similar recommendation in our* 2005 Annual Report*).*
  Status: Little or no progress.

Details

At the time of our 2015 audit, the Ministry did not have a current estimate of the total costs of, or a long-term plan for, rehabilitating physical hazards and contamination on all abandoned mine sites in Ontario.

Since our audit, the Ministry has created a short-term plan of work on only 44 abandoned mine sites. The Ministry plans to perform site assessments over the next three to four years to obtain the scientific data to develop a long-term plan to clean up sites that are posing a threat to human health and safety or the environment. The plan will be dependent on its annual budget allocations.

Recommendation 10

To ensure that the owners of privately held abandoned mines take all reasonable steps to reduce potential health and environmental risks, the Ministry of Northern Development and Mines (Ministry) should:

- *take timely follow-up actions to ensure that private owners are complying with Ministry inspection results;*
  Status: In the process of being implemented by September 2018.

Details

In our 2015 audit, we noted that the Ministry has rarely exercised its authority to issue orders to private owners to enforce compliance; instead, it relies on voluntary compliance by the private owners. In the five years preceding our audit, only three such orders were issued by the Ministry to force private owners to undertake rehabilitation work or to submit a closure plan, and only one charge was laid, resulting in a fine of about $10,000. As of May 2015, none of the issues identified in 17 inspection reports had been resolved. In fact, the Ministry had not followed up with 10 of the 17 private owners after the inspection reports were mailed to them.

Since our 2015 audit, the Ministry has improved its tracking system for inspection reports because now each follow-up action has a set compliance target date. This tracking system identified unrectified actions dating back as far as 2012. The Ministry is also in the process of acquiring software that will track and monitor actions to ensure that timely follow-up is occurring. The Ministry expects to start using this software by September 2018.

- *develop a strategy to make private owners aware of the requirement to rehabilitate abandoned mines on their land.*
  Status: Little or no progress.

Details

During our 2015 audit, the Ministry informed us that private mine owners are not always aware of the responsibility to rehabilitate their sites and submit rehabilitation reports. Although it was aware of this, the Ministry had not done everything to build awareness of the requirement to rehabilitate abandoned mines.

We noted that British Columbia promoted compliance with its rehabilitation requirements by performing outreach activities, conducting media campaigns, and developing guidelines and education materials to increase awareness, educate, and motivate voluntary compliance.

Since our 2015 audit, the only effort the Ministry has made to improve private owners' awareness of their responsibilities was to propose changes in the wording of letters sent to the private owners. The Ministry has just in July 2017 started to explore other communication strategies to promote private mine owner compliance.

Recommendation 11

The Ministry of Northern Development and Mines should:

- *update the information on abandoned mines in Ontario and their associated mine hazards in its Abandoned Mines Information System (AMIS);*
  Status: In the process of being implemented by December 2017.

Details

The Ministry developed and implemented the Abandoned Mines Information System (AMIS) in 1988/89 to create a centralized way to track all abandoned mines in Ontario. The purpose was to capture data about all known abandoned mines and their associated hazards so that the Ministry can prioritize these sites for rehabilitation.

Our 2015 audit noted that the information contained in AMIS was outdated because the information came primarily from site assessments completed in 1993 and 2000. The remaining information came from the limited inspections conducted by the Ministry.

Since our 2015 audit, the Ministry continued to update the AMIS system with additional information on 918 sites. With this update, the Ministry asserts that this brings them to an 80% completion level of information on known abandoned mines as of August 2016. The Ministry plans to complete updating the system with information on all known sites by December 2017.

- *improve the functionality in AMIS to identify sites for rehabilitation that pose the greatest risk to public health and safety, and to the environment.*
  Status: In the process of being implemented by December 2017.

Details

Another AMIS limitation our 2015 audit noted was that a key system function was not producing accurate information. The capability to rank sites according to a public safety and environment score did not function properly and was not being used.

Since our 2015 audit, the Ministry has been addressing this issue through the development of a standalone priority-scoring tool that will use AMIS data. This new tool will include enhancements to the screening criteria, including 15 prioritization questions to identify and rank the sites based on their potential risk to public health and safety and to the environment. The results of the new tool will feed into the Ministry's overall priority-ranking system. The Ministry said that the new priority-ranking tool will be in use as of December 2017.

Provincial Revenue from Mining Low in Relation to Significant Value of Mineral Resources Extracted

Recommendation 12

To ensure that Ontarians receive a fair share of the province's mineral resources while remaining competitive to attract mining investments to the province, the Ministry of Northern Development and Mines should:

- *review and update where necessary the province's current mining lease rate, mining profit tax, and diamond royalty regimes (we made a similar recommendation in our* 2005 Annual Report*);*
  Status: In the process of being implemented by March 2019.

Details

Our 2015 audit noted that, over the previous 20 years, the Province had collected less than 2% of the value of minerals extracted by mining companies. The tax system that had been in place since 2004 was one of the lowest in Canada. According to a 2013 University of Calgary research paper and its addendum, updated to 2015, Ontario's marginal effective mining tax rate was only 5.6%, considerably lower than the national average of 8.6%, as of September 2015.

The Ministry is performing a review of the Province's current mining lease rate and mining lands tax as part of the overall Mining Act Modernization. The Treasury Board Secretariat approved the review in 2016/17, and, as part of the review, the Ministry is researching fee structures in other provinces and consulting with other stakeholders. The Mining Act Modernization is expected to be completed by February 2018, with updated fees ready for announcement by fiscal year end 2017/18. The Ministry anticipates that the new fees could start as early as the 2018/19 fiscal year. Mining profit tax is not governed under the *Mining Act*.

Our 2015 audit also raised questions about the revenues collected through Ontario's only diamond mine. The Province had not undertaken a formal assessment of its diamond royalty regime since it was introduced in 2007. At the time of our audit, the mining company had extracted $2.5 billion worth of diamonds but paid less than 1% of the value of the diamonds extracted. The Ministry indicated that with the closure of the only diamond mine targeted for early 2019, it was not considering a change to the diamond royalty structure in the near future.

- *take timely collection actions for amounts owing that are in arrears (we made a similar recommendation in our* 2005 Annual Report*).*

  Status: Fully implemented.

Details

If payments of rents or taxes are not made, the Ministry has the right under the *Mining Act* to declare the privately owned land forfeited and to terminate the mining leases and licences. However, our 2015 audit noted that the Ministry had not taken timely action on collecting outstanding payments.

As of March 31, 2015, accounts receivable related to rent and taxes totalling $1.7 million had been in arrears for more than two years. The Ministry informed us that some of those properties had not been forfeited because of liabilities associated with mine hazards on the land.

Since our 2015 audit, the Ministry has updated its policies on invoicing and collections and, as of June 2017, amounts in arrears for more than two years were $2.3 million, of which $1.4 million is to be collected through a payment plan with the mining company, starting in October 2017.

Performance Measures Do Not Address Ministry Goals and Responsibilities

Recommendation 13

The Ministry of Northern Development and Mines should develop more comprehensive measures to assess its effectiveness in meeting its goals of developing the province's mining sector, while minimizing the impact of development on public health and safety, and on the environment, and regularly report to the public its progress in meeting its goals (we made a similar recommendation in our 2005 Annual Report*).*

Status: In the process of being implemented by March 2018.

Details

Our 2015 audit identified that the Ministry lacked performance indicators to assess its effectiveness in achieving the overarching goals and objectives in the *Mining Act*. In December 2016, the Ministry submitted performance measures to Treasury Board that are to be implemented in the 2017/18 fiscal year. These measures will collect and report data including:

- Ontario's percentage of all mining exploration spending in Canada;
- the percentage of decision makers who used the Ministry's geosciences products and services to support their mineral investment decisions;
- the percentage of participants in mineral development and/or exploration who state that Ministry services increased their understanding and compliance with their obligations under the *Mining Act*; and
- the percentage of Aboriginal Participation Funding recipients that show growth in their organizations and activities as a result of the funding.

The Ministry also is working on developing performance measures for all of its other programs required as part of the annual budget submission from all provincial ministries to Treasury Board. The Ministry expects to have its first set of performance measures completed by March 2018.

Chapter 1

Section

1.12

Ministry of Community and Social Services

SAMS—Social Assistance Management System

Follow-Up on VFM Section 3.12, *2015 Annual Report*

RECOMMENDATION STATUS OVERVIEW

	# of Actions Recommended	Status of Actions Recommended			
		Fully Implemented	**In Process of Being Implemented**	**Little or No Progress**	**Will Not Be Implemented**
Recommendation 1	3	3			
Recommendation 2	4	2	2		
Recommendation 3	2		2		
Recommendation 4	1	1			
Recommendation 5	2	2			
Total	**12**	**8**	**4**	**0**	**0**
%	**100**	**67**	**33**	**0**	**0**

Overall Conclusion

At the time of our follow-up, the Ministry of Community and Social Services (Ministry) informed us that, as of May 30, 2017, it had spent about $294 million on the Social Assistance Management System (SAMS) and installed three major upgrades to make the system more stable. The Ministry told us that, since 2016 and going forward, it expects to spend about $50 million per year to maintain SAMS. As of July 4, 2017, the Ministry has taken the necessary steps to implement 67% of actions we recommended in our *2015 Annual Report*. For example, since our last audit, the Ministry reviewed the backlog of help desk calls about potential new defects and reallocated its resources to prioritize fixing these defects. The Ministry also hired qualified staff to directly oversee consultants to ensure that they no longer report directly to other consultants.

The Ministry has made progress in implementing the remaining 33% of our recommended actions. For instance, the Ministry has developed a process to reconcile all benefit payment calculation errors generated by SAMS' defects so far. Going forward, the Ministry will use this process to reconcile new calculation errors caused by existing SAMS' defects. The Ministry also made progress in ensuring that consultants' work is assessed for efficiency and effectiveness by making some improvements to the way it monitors and tracks their performance. The Ministry is in the process of reviewing and updating the consultants' service performance to make further improvements in this area.

The status of actions taken on each of our recommendations is described in this report.

Background

Approximately 940,000 (900,000 in 2015) Ontarians in need receive social assistance because they are unemployed and/or have disabilities. Social assistance provides financial aid, health benefits, access to basic education, and job counselling and training to some people, with an objective of helping them become as self-sufficient as possible.

To help improve and modernize the administration and delivery of social assistance, the Ministry of Community and Social Services (Ministry) decided to replace its old information technology system with a new system known as the Social Assistance Management System (SAMS). In 2009, Curam Case Management System (now IBM) won the competition to supply the system. The government approved a project budget of $202.3 million and an initial deadline of November 2013 for the launch of SAMS. The launch date was changed several times because of delays and issues that arose, and SAMS was finally launched in November 2014, a year later than planned and about $40 million over budget.

About 11,000 Ministry and municipal personnel rely on SAMS to help them determine an applicant's eligibility for social assistance; calculate and distribute about $7.1 billion ($6.6 billion in 2015) in annual benefit payments; generate letters to inform people about their eligibility or changes to their benefits; and generate reports with information that the Ministry and municipalities need to manage social assistance programs.

At its launch, SAMS had a number of serious defects that caused numerous errors. For example, the system generated about $140 million in benefit calculation errors—$89 million in potential overpayments and $51 million in potential underpayments. As well, SAMS generated many letters and tax slips containing incorrect information. Some of these errors may never be resolved. At the completion of our 2015 audit, SAMS was still not functioning properly, requiring caseworkers to use time-consuming workarounds to deal with problems.

In March 2015, at an additional expense, the Ministry hired consultants to conduct a review of SAMS and put in place an integrated transition and business recovery plan. The Ministry also committed to working with municipal delivery partners on the ongoing improvement of SAMS. At the time of our audit, the Ministry did not anticipate SAMS would become fully stable until spring 2016 and, at the completion of our audit, it did not know what the final cost of SAMS would be.

Other significant findings from our audit included the following:

- Prior to launch, SAMS was not fully tested and the system performed poorly on the tests that were done. SAMS was also not piloted with data converted from the previous system because of delays. At launch, there were about 114,000 errors in client data that caused SAMS to generate incorrect results for client eligibility and benefit payments.
- Only some of the government-mandated payment testing was conducted and many serious payment-related defects were found after launch. According to the Office of the Provincial Controller, SAMS was the only computer system ever connected to the government's accounting system without passing government-mandated payment testing.
- The Executive Committee overseeing the development of SAMS assumed significant risk when it decided to launch the system, because it knew that SAMS did not meet the launch criteria developed by the Ministry. The Ministry launched SAMS anyway because it considered the risks of delaying to be greater than the risks of launching a system that was not fully ready.
- While the Executive Committee knowingly assumed some risks by launching SAMS, it was not made aware of key information, including that there were more serious defects

than reported, and that some crucial tests had produced worse results than reported.

- In the six months before launch, the testing team began reporting to the business project director instead of the technical project director. However, the business project director did not have an IT background or the required technical expertise.
- Ontario's Internal Audit Division proposed an audit of SAMS' readiness four months before launch. However, Internal Audit and SAMS' project leads could not agree on the scope of the audit and it was not performed.
- The Ministry did not properly oversee the external consultants; instead, consultants oversaw other consultants through most of SAMS' development. The vagueness in consultants' time reporting, and the lack of independent oversight during much of the project, made it difficult to assess how efficiently consultants were working.
- Training provided by the Ministry to caseworkers on how to use SAMS, prior to launch, was inadequate.
- As of July 31, 2015, there were still 771 serious defects identified in SAMS that had not been fixed. Our audit found that Ministry resources were not sufficiently dedicated to fixing defects. Also, there were likely additional defects that had not been identified because the Ministry had a backlog of complaints and problems that caseworkers had reported.
- Problems would persist in SAMS until defects are dealt with. It would remain difficult to use, continue to generate incorrect eligibility determinations and benefit payments, and continue to generate inaccurate reports that the Ministry and municipalities need to properly manage Ontario Works and the Ontario Disability Support Program. In addition, caseworkers would continue to have to use time-consuming "workarounds" to deal with these problems, taking away time from providing the full range of case-management services to clients.

In our 2015 report, we recommended that the Ministry review the backlog of information related to potential defects so that they could be prioritized for fixing; reconcile all benefit payment errors generated by SAMS to the eligible amounts clients should have received; ensure that consultants' work is assessed for efficiency and effectiveness; establish a knowledge transfer strategy for Ministry staff; and ensure that SAMS undergoes and passes all government-mandated payment testing.

The report contained five recommendations, consisting of 12 actions, to address our audit findings.

Status of Actions Taken on Recommendations

We conducted assurance follow-up work between April 1, 2017, and July 4, 2017, and obtained written representation from the Ministry of Community and Social Services (Ministry) on September 1, 2017, that it has provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Ministry Response to SAMS Problems Inadequate

Recommendation 1

In order to ensure that eligible individuals receive the level of social assistance and support to which they are entitled, and to eliminate, as best as possible, eligibility and benefit payment errors made by the Social Assistance Management System (SAMS), the Ministry of Community and Social Services should:

- *assign adequate resources to review the backlog of information related to potential defects so that defects can be prioritized for fixing;*
Status: Fully implemented.

Details

During our 2015 audit, we found that the Ministry had a backlog of about 11,500 calls from the help desk which it had not reviewed. After SAMS launched, the Ministry provided other helplines for specific errors, but these also had a backlog of a few hundred unanswered calls when we finished our audit. Until these calls were reviewed, potential new SAMS' defects would remain unknown.

Since our audit, in October 2015, the Ministry hired an outside consulting firm to review the backlog of calls containing information about potential defects and prioritize the newly-identified defects for fixing. The consulting firm was also asked to provide recommendations on how the Ministry could streamline its process of reviewing help desk calls. By May 2016, the consulting firm finished its review and potential defects were prioritized for further investigation and fixing.

Based on the consultant's recommendations, the Ministry also streamlined its call review process. By February 2017, all information about potential and existing SAMS' defects was merged into a single database. Since then, information about potential new defects provided by callers is being logged into the database. This allows the Ministry to review and prioritize calls faster, as it can more easily reconcile information provided by callers about potential new defects with defects that it is already in the process of investigating or fixing. At the time of our follow-up, there was no backlog of calls to the help desk.

- *allocate its resources so that fixing of defects takes priority;*

  Status: Fully implemented.

Details

During our 2015 audit, we found that only external consultants (rather than Ministry staff) had the skills to fix serious defects, but they were spending less than half of their time (44%) doing so. The remaining 56% of their time was spent developing new enhancements to SAMS' functions, resolving ad hoc requests and transferring knowledge to Ministry staff.

Since our audit, the Ministry told us that it has allocated more resources to fixing defects and has installed three major SAMS' upgrades that fixed old defects. Based on time-tracking reports that we reviewed, by November 2016, Ministry staff and external consultants' time spent fixing serious defects increased by about 10%. In the database where the Ministry tracks the progress of defect fixing, we found that all of the old 771 serious defects were fixed by December 2016.

At the time of our follow-up, the Ministry was working on fixing 196 newly-identified serious defects. The Ministry told us that, going forward, fixing defects will remain a priority and that its staff and consultants will continue to spend about 50% to 65% of their time on it.

- *develop a process to reconcile all benefit payment errors generated by SAMS to the eligible amounts that clients should have received and ensure that they are corrected.*

  Status: Fully implemented.

Details

In our 2015 audit, we noted that serious defects in SAMS caused benefit payment calculation errors amounting to $140 million ($89 million in potential overpayments and $51 million in potential underpayments) but this only included defects that were fixed. The Ministry could only quantify the dollar-impact error of a defect once it was fixed because that is when SAMS automatically recalculated past incorrect benefits. For example, if SAMS incorrectly calculated the monthly benefit for a client as $570 when it should be $600, only when the defect is fixed would SAMS recalculate the amount and report that the client got $30 a month less than he or she should have.

The Ministry designed and implemented manual workarounds for this problem, so a caseworker may have already identified the error and circumvented the normal SAMS process to issue the correct payment well before the Ministry fixed the defect. However, the Ministry could not confirm if workarounds were always applied by caseworkers; as a result, the Ministry did not know what portion of the approximately $140 million had already been corrected by caseworkers. Thus, allowing SAMS to adjust the $140 million of past incorrect benefits could reverse corrections made previously by caseworkers. In response to this, the Ministry suspended the adjustment of all benefit corrections calculated by SAMS, and told us it was planning to have caseworkers manually review such corrections—starting at an unspecified time in the future.

Since our audit, between November 24 and December 18, 2015, an external consulting firm hired by the Ministry reviewed the $140 million in benefit calculation errors and identified that there was a possibility that—for about $59 million of the errors—caseworkers might not have applied workarounds and clients could have ended up receiving incorrect benefit payments. The consulting firm recommended a process to investigate and fix these calculation errors. As part of this process, in March 2016, the Ministry communicated to all caseworkers a list of recommended actions to investigate and fix the calculation errors for which workarounds might not have been applied. Between June and December 2016, based on a recommendation from the consulting firm, the Ministry sampled 61% of the $59 million calculation errors to check if they were correctly handled. At the time of our follow-up, the Ministry told us that all of the calculation errors in its sample were fixed and that clients ended up receiving correct benefit amounts. As part of our follow-up, we reviewed the process used by the Ministry to investigate and fix the benefit calculation errors and conducted our own sample of calculation errors from the $59 million. In all of our samples, we found that the errors were fixed and clients were paid correctly.

Going forward, the Ministry will continue to use its current process for investigating and fixing defects to ensure clients are paid the right benefit amounts.

Consultant Work Inadequate, Not Properly Overseen by Ministry

Recommendation 2

To prevent unnecessary delays in bringing the Social Assistance Management System (SAMS) to full and effective functionality, and to ensure that the consultants still working on SAMS are held accountable for delivering quality results, the Ministry of Community and Social Services should:

- *assign its own properly qualified staff to directly oversee consultants;*
  Status: Fully implemented.

Details

Our 2015 audit found that the Ministry did not properly oversee Curam and IBM consultants. It relied on the consultants not only to design and develop most of SAMS, but to also oversee their own work. Consultants billed an average hourly rate of $190 and were overseen by other consultants who were paid daily rates as high as $2,000. Many consultants took much longer than anticipated to complete their work, and, in some instances, billed for time spent on fixing errors in their own work.

Since our audit, between December 2015 and April 2016, the Ministry has hired nine full-time qualified staff to replace consultants in lead positions who oversaw the work of other consultants. Information provided to us by the Ministry showed that all major areas of SAMS, including software development, system upgrades installation and testing, are now led and overseen by full-time Ministry staff.

In January 2016, the Ministry also improved its oversight of consultants by requiring them to submit their timesheets on a weekly basis instead of monthly. On their timesheets, consultants must now provide more details about the work that they performed and full-time Ministry staff are responsible for reviewing and signing off on all submitted timesheets before consultants are paid.

At the time of our follow-up, the Ministry also confirmed that none of the Curam and IBM consultants currently involved in lead roles on SAMS oversee the work of other consultants and that all consultants are directly supervised by full-time Ministry staff.

- *ensure that consultants' work is assessed for efficiency and effectiveness;*

  Status: In the process of being implemented by fall 2017.

Details

During our 2015 audit, we found that, between November 2013 and March 2014, Curam billed the Ministry 11,500 hours, at an average rate of $190 per hour, for work that was estimated to take about 10,300 hours, indicating that they were working inefficiently. While the Ministry received timesheets from Curam and IBM, it was not assessing if consultants worked efficiently or effectively.

Since our audit, the Ministry has made some progress toward assessing consultants' work. In fall 2016, the Ministry developed better system testing reports and, together with the new merged defects database implemented in February 2017, was able to track more detailed information about potential and existing SAMS defects. This information allows the Ministry to investigate if a defect was caused by consultants' poor workmanship. The Ministry has also begun to set targets for the number of defects consultants should be able to fix within a specified time and told us that it monitors consultants' progress against those targets on a weekly basis. The warranty period for consultants' work has also been extended from 150 to 180 days and a new contract clause has been added that requires consultants to fix defects or other SAMS problems that were caused by their poor workmanship at their own cost.

At the time of our follow-up, the Ministry told us that it is in the process of reviewing its contract with consultants. As part of the review, the Ministry wants to include in the contract a more defined description of service performance levels and a requirement that consultants report on meeting these performance levels. The Ministry also wants to introduce additional financial consequences to consultants if they fail to meet their contractual performance levels. This review is expected to conclude in fall 2017, at which time the Ministry will determine what changes are necessary.

- *on future projects, work towards reducing its dependence on consultants, and ensure consultants' knowledge is transferred to ministry staff.*

  Status: First part of recommendation is fully implemented; second part of recommendation is in the process of being implemented by March 31, 2018.

Details

At the time of our 2015 audit, we found that the Ministry still relied heavily on Curam consultants to fix serious defects and that it did not ensure that Curam consultants transferred their knowledge to Ministry staff.

Since our audit, the Ministry has hired new staff and transferred staff from other departments to fill about 30 new full-time positions to perform work on SAMS that was previously done by consultants. The Ministry is also spending less on consultants, from about $20 million in 2015/16 to $12.5 million in 2016/17. At the time of our follow-up, the Ministry told us that it was on track to reduce its spending on consultants by another $1.5 million to about $11 million in 2017/18.

In May 2017, the Ministry made a submission to Treasury Board Secretariat to convert more consultant positions into Ministry positions (including 12 full-time positions) working on SAMS. The Government has approved the Ministry's submission. The Ministry also told us that it is in the process of developing a new strategy to manage its resources, which includes knowledge transfer on SAMS. The strategy is being developed specifically for SAMS in response to **Recommendation 3** in our 2015 audit. Although, at the time of our follow-up, the Ministry had no imminent plans to launch a new major information system or to replace SAMS, it told us that the strategy will provide a blueprint for knowledge transfer on future IT projects. Completion of the strategy is expected in March 2018.

Recommendation 3

In order to ensure that ministry staff can help fix all defects in the Social Assistance Management System (SAMS) in the short term, and maintain SAMS in the long term after consultants have left, the Ministry of Community and Social Services should:

- *establish a knowledge transfer strategy for ministry staff which includes outcome targets based on achieving learning objectives;*

  Status: In the process of being implemented by March 2018.

Details

Our 2015 audit found that the Ministry did not ensure that Curam consultants transferred their knowledge to its own staff before launch and the Ministry relied heavily on Curam consultants to fix serious defects as only they, not the Ministry, had the skills to do so.

Since our audit, in spring 2016, the Ministry implemented a formal mentorship program where Ministry staff are paired with consultants and a formal knowledge transfer agreement is developed. We reviewed some of the agreements and found that they included a detailed knowledge transfer plan, which listed outcome targets and timelines for achieving specific learning outcomes.

As previously discussed, the strategy the Ministry is developing to manage its resources also includes knowledge transfer on SAMS. The knowledge transfer strategy covers specific areas, such as knowledge transfer tools, and sets specific levels for staff learning and development. The Ministry expects to complete its strategy in March 2018.

- *assess and document the progress in achieving these targets.*

  Status: In the process of being implemented by March 2018.

Details

During our 2015 audit, we noted that, although the Ministry's staff of 11 developers were becoming more knowledgeable, they were only slowly learning to fix even minor problems. The Ministry still relied heavily on Curam consultants to both develop and fix serious defects in SAMS.

Since our audit, in September 2016, the Ontario Internal Audit Division stated in its report on SAMS that the Ministry's assessment and documentation of knowledge transfer was incomplete. At the time of our follow-up, the Ministry told us that it developed a knowledge transfer plan in 2016 to assess and document (on an aggregate basis) its progress in achieving knowledge transfer targets. However, the documentation of knowledge transfer activities outlined in the plan has not been completed. The Ministry told us that the main reason for that is the fact that it was focused on fixing SAMS' serious defects as soon as possible; however, now that the system has become more stable, the Ministry will begin to educate its staff on the importance of properly completing knowledge transfer documentation. This education will be conducted as part of the mentorship program beginning in fall 2017, and the Ministry plans to make it part of its knowledge transfer strategy. The Ministry told us that it expects that knowledge transfer documentation will improve by March 2018.

Ministry Overly Optimistic about SAMS' Readiness for Launch

Recommendation 4

To ensure that the Social Assistance Management System (SAMS) reaches the high level of performance intended and that it functions in compliance with government requirements, the Ministry of Community and Social Services should ensure that SAMS undergoes and passes all government-mandated payment testing.

Status: Fully implemented.

Details

Since 2005, the government has mandated that the computer system for any program that provides payments must pass certain tests to ensure that payments and cheque stubs are accurate. In our 2015 audit, we found that SAMS interfaces with the government's accounting system to make benefit payments, so it should have undergone the mandatory testing. However, when SAMS was launched, it was not in stable enough condition for the government's Enterprise Financial Services and Systems Division (EFSS) to perform all of the required tests. We also found that SAMS was required to undergo the same government-mandated payment testing whenever major software upgrades were installed. Although SAMS had been upgraded several times, we found in 2015 that these tests were not performed.

At time of our follow-up, the Ministry informed us that, in July 2016, it formalized a process for ensuring SAMS undergoes government-mandated payment testing when major software upgrades are installed. Since that time, the Ministry has installed four major upgrades, and provided us with documentation signed off by EFSS that all required testing was conducted.

Recommendation 5

In order to improve the decision-making process used to launch a major information system, the Ministry of Community and Social Services should:

- *ensure that the decision to launch an information technology system is based on relevant criteria and information that provides decision-makers a complete and accurate status of system readiness;*

  Status: Fully implemented.

Details

During our 2015 audit, we found that SAMS had 737 serious defects, but that project staff told the Executive Committee that SAMS had 418 serious defects. Ministry staff explained to us that the remaining 319 serious defects were not shared with the Executive Committee because they had started developing solutions or fixes for them. Of the 418 defects reported to the Executive Committee, project staff advised that 217 of them could be handled by just 27 workarounds. No workarounds had been devised for the other 201 serious defects. We also found that the Executive Committee did not know:

- that project staff did not test 11 of 85 interfaces;
- that not all required payment tests were conducted or conducted testing was incomplete;
- the number of actual case discrepancies due to defects; and
- that converted data was not fully tested.

In May 2015, the Ministry updated its policies on what information should be shared with the decision-makers and told us that it has been providing them with a complete and accurate status of SAMS each time it installs new major system upgrades.

At the time of our follow-up, the Ministry told us that it had no imminent plans to launch a new major information system or to replace SAMS but that, in the future, it will review and update its current policies to ensure that the decision to launch a new system is based on relevant criteria and that decision-makers are provided with complete and accurate information about the status of system readiness. The Ministry said that these changes will be made during the initiation of the next major information system launch to ensure that the recommendations are followed throughout the project lifecycle.

- *have Internal Audit independently review key information used in assessing the system's state of readiness while making the decision to launch.*

  Status: Fully implemented.

Details

Our 2015 audit found that, while Internal Audit did conduct audit work on the SAMS project, the last report it issued was in November 2013, a full year before SAMS was launched. Four months prior to the launch, Internal Audit met with SAMS' project leads to propose an audit of SAMS' readiness for launch, but they could not agree on the scope of the audit. Internal Audit told us that the Ministry believed the IBM consultants on the project team had the necessary expertise to assess SAMS' readiness. The Ministry therefore suggested that Internal Audit's scope of work should focus on SAMS after launch.

At the time of our follow-up, the Ministry provided us with documents showing that, on July 12, 2017, it made a mandatory policy to request that Internal Audit independently review key information used in assessing a major system's state of readiness for launch. The Ministry also told us that, in September 2016, Internal Audit assessed the progress of the Ministry's efforts in also responding to recommendations and advice provided by an external consultant in addressing SAMS' post-implementation issues.

Ministry of Education

Student Transportation

Follow-Up on VFM Section 3.13, *2015 Annual Report*

RECOMMENDATION STATUS OVERVIEW					
	# of Actions Recommended	Status of Actions Recommended			
		Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	2	1	1		
Recommendation 2	1		1		
Recommendation 3	3		1	2	
Recommendation 4	1				1
Recommendation 5	4	1	2	1	
Recommendation 6	2			2	
Recommendation 7	1	1			
Recommendation 8	3		1	1	1
Recommendation 9	1	1			
Recommendation 10	1			1	
Recommendation 11	2			2	
Recommendation 12	7	3	1	3	
Recommendation 13	1				1
Recommendation 14	1				1
Recommendation 15	1				1
Total	**31**	**7**	**7**	**12**	**5**
%	**100**	**23**	**23**	**38**	**16**

Overall Conclusion

According to the information the Ministry of Education, Ministry of Transportation and school board transportation consortia provided to us, as of August 8, 2017, 45% of actions we recommended in our *2015 Annual Report* had either been fully implemented or were in the process of being implemented. Little progress was made on implementing 39% of our recommendations, and 16% would not be implemented.

For recommendations directed at the Ministry of Education, 20% were either fully implemented or in the process of being implemented, 40% had little or no action and 40% would not be implemented. Specifically, the Ministry informed us that it will not be implementing recommendations requiring it, in connection with school boards and transportation consortia, to develop consistent safety policies for the transport of students, set standards for optimal utilization of school vehicles, clarify the roles of each body in setting eligibility and employing efficiency measures, and develop standard criteria for selecting school bus operators. According to the Ministry, its role is to provide transportation funding to school boards, and the role of school boards is to decide whether to provide those services and to set policies to guide the provision of those services. It further added that the Ministry has no legal mandate to impose specific transportation policies on school boards.

We obtained a legal opinion on this matter and were advised that school boards are subject to the legal authority of the Ministry of Education. The Minister of Education has specific power to legislate and regulate the transportation of students, and, therefore, has the legal authority to require school boards to implement our recommendations.

For recommendations directed at the Ministry of Transportation, 50% were either fully implemented or in the process of being implemented, 42% had little or no action and another 8% would not be implemented. More action was required to ensure information in the Commercial Vehicle Operator's Registration system provides safety information on local terminals of school bus operators, and a strategy is devised to conduct risk-based reviews of motor vehicle inspection stations.

For recommendations directed at transportation consortia, 67% were either fully implemented or in the process of being implemented, and 33% had little or no action. More action was needed by some consortia to increase efficiency and, in turn, decrease costs of transportation services.

The status of action taken on each of our recommendations is included in this report.

Background

In the 2015/16 school year, about 830,000 Ontario students were transported daily to and from publicly funded schools on approximately 19,000 school vehicles. More than 70% of the children transported were in kindergarten or elementary school (similar to 2013/14).

The *Education Act* does not explicitly require school boards to provide transportation services, but every board provides some level of transportation services to students. Transportation grants for the 2016/17 school year were estimated to be $897 million ($880 million in the 2014/15 school year). Almost all student transportation in Ontario is provided through contracts with school bus operators.

Five parties are involved in student transportation:

1. The Ministry of Education provides funding to the 72 school boards and conducts an annual survey of the boards. The Ministry gives the boards authority for overall decisions, including policies and eligibility criteria.
2. Thirty-three transportation consortia formed by the school boards plan transportation services and contract with school bus operators, manage their contracts and monitor performance.
3. School boards oversee the consortia and provide them with key information about their schools and students. The boards determine which groups of students they transport and spend their funding on (based largely on the distance between home and school).
4. School bus operators are contracted by consortia to transport students. They are required to ensure their vehicles and drivers meet legislated safety requirements, and to comply with contract provisions such as safety training for drivers and students, and background checks for drivers.
5. The Ministry of Transportation enforces federal and provincial laws and regulations for the design and mechanical condition of vehicles, licensing of drivers and safe operation of vehicles.

In our *2015 Annual Report*, we noted that school vehicles were generally considered a safe mode of transportation based on the number of collisions in relation to the number of passengers transported and kilometres travelled. The Ministry of Transportation had reported that from the 2008/09 to the 2012/13 school year, school vehicles had been involved in 5,600 collisions that had resulted in property damage, personal injuries and fatalities.

Overall, in Ontario, the risk of personal injury from collisions involving school vehicles was lower than for other types of vehicles, and the risk of fatalities was similar to that for all other types of vehicles. However, in 2013, the latest year for which information was available at the time of our audit, Ontario's school vehicles were involved in more collisions proportionately than automobiles and trucks, but fewer than other types of buses, based on total number of vehicles by type. Police determined that the school bus driver was at fault in 40% of cases.

Nevertheless, the potential of risk to students being transported made it important that the Ministry of Education, school boards and transportation consortia, and the Ministry of Transportation continue to consider and minimize risk factors in three key areas that impact the safe transport of students: bus driver competence, vehicle condition and student behaviour.

Based on our 2015 audit, we concluded that better oversight of bus operators and their drivers, better processes for ensuring the safe operation of school vehicles, better training for students in bus safety, and better tracking and analysis of collisions and incidents may even further reduce risks to students.

Specific observations regarding the safe transport of students included the following:

- Better oversight and monitoring were needed by the consortia to ensure school bus driver competence.
- The Ministry of Education had not set guidelines for the reporting of school vehicle collisions and incidents. Only limited information was being tracked by consortia on incidents impacting students, such as late buses and mechanical breakdowns of vehicles, that could be used to identify the causes and develop strategies to prevent them. With the limited information available to us during our audit, we noted a 67% increase in such incidents between 2012/13 and 2013/14, from almost 35,000 incidents to nearly 58,000 incidents.
- Improvements were needed by consortia and the Ministry of Transportation in ensuring school vehicles were in good condition. For example, inspections conducted by the Ministry of Transportation did not target those vehicles most at risk for safety violations, were not always done on time, and did not always ensure that defects were fixed.
- There was little oversight of school bus operators, who are allowed to certify their own buses for mechanical fitness.
- The Ministry of Education had not mandated bus safety training for students. Only 16 of the 33 consortia had mandatory general school bus safety training.

Ontario had no provincial standard for busing. We found that busing was not available on an equal basis to students across the province or even in schools within the same board. We also saw differences in how consortia operated and managed busing services. The ability of a consortium to efficiently and effectively manage transportation services was impacted by the level of authority delegated by the school boards it serves and the willingness of school boards to work co-operatively and integrate services.

Our specific observations in the area of efficient transportation of students, the level of service provided, funding and procurement practices, included the following:

- Funding for school transportation was not based on need, but instead on each board's 1997 spending level, with annual adjustments. The Ministry of Education's funding formula did not take into account local factors that significantly influence transportation costs.

- The Ministry of Education had not determined if the wide variances among boards in the cost of transporting students were justified.
- Reliable bus utilization data was not available. Consortia we visited did not typically track the number of riders. As well, each set its own capacity for a bus and used different methods to calculate the utilization rate.
- Consortia were contracting for more bus services than they need.

In total, we made 15 recommendations, consisting of 31 actions, and received commitments from the ministries and transportation consortia that they would take action to address them.

Status of Actions Taken on Recommendations

We conducted assurance work between April 1, 2017, and August 8, 2017, and obtained written representation from the Ministry of Education, the Ministry of Transportation and three school board transportation consortia—Toronto Student Transportation Group (Toronto), Sudbury Student Services Consortium (Sudbury) and Student Transportation of Peel Region (Peel)—on September 8, 2017, that they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Oversight Processes for Safety Can Be Improved

Recommendation 1

The transportation consortia in conjunction with school boards should:

- *develop and conduct consistent and effective oversight processes for school bus operators to confirm their compliance with contract and legal requirements for driver competence and vehicle condition;*

Status: Toronto consortium: Fully implemented.
Peel consortium: Fully implemented.
Sudbury consortium: Fully implemented.

Details

Toronto: Operational reviews were being conducted at the time of our 2015 audit. The consortium expanded its operator audit form in April 2017 to include additional review items in the areas of operations, safety and planning in order to satisfy the legal and contractual requirements. Consistent forms are used for the operational review (checklist consisting of operational, safety and planning criteria), bus audit (a sample of buses to check for required documentation, log book and safety equipment), and driver file review (a sample of drivers for required training). A follow-up review is done a month later for any outstanding audit items.

Peel: The consortium has developed a checklist system to be used in its operators' audits to ensure a consistent approach to measure each operator's performance and compliance. One of the checklists that is now required is the Random Vehicle File Check List, which consists of selecting vehicles at random and reviewing their annual and semi-annual inspection certificates for the past two years to confirm that they have passed Ministry of Transportation inspections. If not, the operator will be required to produce a copy of the vehicle's inspection and log book to confirm that it was not used during any of the non-compliant periods identified. This new process came into effect May 2017.

Sudbury: The consortium has revamped its Operator Audit Policy as of November 2016 to include compliance with contract and legal requirements for driver competence and vehicle condition. The consortium has created an annual contract compliance audit checklist, which evaluates the compliance of each contract requirement.

- *track the rate of bus driver turnover, along with accidents and incidents such as dropping students at the wrong stop, to help determine* *if there is a link between driver turnover and safety risks, and if action is needed.*

Status: Toronto consortium: In the process of being implemented by August 2017.

Peel consortium: In the process of being implemented by June 2018.

Sudbury consortium: In the process of being implemented by July 2018.

Details

Toronto: In September 2016, the consortium expanded the key performance indicators that its school bus operators report to include driver turnover, number of collisions and number of incidents. The consortium expected to start analyzing this information by August 2017 to determine if there is a link between driver turnover and safety risks.

Peel: Starting in November 2016, the consortium updated its accident reporting data to include the driver's name and years of experience. Additionally, it tracks the number of resignations on a weekly basis, along with the number and nature of accidents and incidents in the weekly report submitted by school bus operators. Incidents where students are dropped off at the wrong stop are not tracked in the weekly report, but instead are tracked manually and followed up on with the bus operator. Analysis of this data had not yet begun at the time of our follow-up. The consortium expects to start analyzing the data by June 2018, as it moves toward online reporting.

Sudbury: The consortium started to track the rate of bus driver turnover, as well as collisions relating to bus drivers' years of experience, in the 2016/17 school year. It also started to track incidents in relation to bus driver experience in March 2017. The consortium expects to have this data analyzed and summarized by the end of the 2017/18 school year.

Recommendation 2

To help promote good practices and safe driving by drivers of school vehicles, the Ministry of Transportation should monitor the delivery of the School Bus Driver Improvement Program and review its effectiveness.

Status: In the process of being implemented by July 2019.

Details

During our audit, we found that the Ministry of Transportation had not ensured that school bus operators or third parties had developed and delivered the School Bus Driver Improvement Program in conformity with the standards set by the Ministry. Nor had the Ministry reviewed the effectiveness of the program to determine whether it had made an impact on safety in the industry.

At the time of our follow-up, the Ministry had developed a plan to monitor the School Bus Driver Improvement Program. The monitoring is expected to consist of an initial attestation by course providers, followed by the submission of third-party audit reports to the Ministry on an ongoing, cyclical basis. The implementation date for this new process was July 1, 2017, and the first audit reports are due to the Ministry in July 2019.

Recommendation 3

In order for the Commercial Vehicle Operators' Registration program (CVOR) to effectively track the on-road performance of school buses and trigger ministry intervention when school bus operators' ratings reach unacceptable levels, the Ministry of Transportation should:

- *ensure that safety infractions are updated in the CVOR in a timely manner and that these are reflected in the operator's safety rating for the full 24 months from the time the infraction is input into the system;*

  Status: Little or no progress.

Details

During our audit, we found that the safety ratings for school bus operators were not always up to date. Half of the safety violation convictions took at least 83 days to appear in the safety rating, and half of the collisions took at least 105 days to appear. Moreover, violations that were challenged in court were not reflected in the operator's rating unless the operator was convicted.

According to the Ministry, the CVOR system monitors the on-road safety performance of registered carriers by tracking collisions, convictions and inspections over a 24-month period, as established by national agreement. This common system exists to ensure reciprocity among Canadian jurisdictions in the rating and treatment of carriers, as well as to ensure a consistent regulatory framework for the country.

The Ministry informed us that, since our audit, it has raised our concerns regarding having safety infractions appear on the safety rating for a full 24 months with federal and provincial partners, and would continue to raise these concerns at the national level.

- *ensure that information in the CVOR is easy to interpret and provides safety information on local terminals of school bus operators;*

  Status: Little or no progress.

Details

During our audit, we reported that CVOR safety ratings were of limited use to transportation consortia in helping them assess the safety records of locally contracted school bus operators. This was because the ratings consolidated safety information for all of an operator's locations and for all of its commercial vehicles of every type, including vehicles not used for transporting students.

In March 2016, the Ministry implemented a new registration and licensing system for monitoring carriers in the CVOR program. Although the new computer system included revisions to the format for presenting information relating to driver safety, it continues to present consolidated safety information by operator, instead of by location and types of commercial vehicles operated. At the time of our follow-up, the Ministry had no plans to present safety information by school bus terminal and stated that its Bus Inspection Tracking System provides more detailed safety information on school bus terminals than the CVOR. However, in our opinion, it does not provide the same level of safety information as the CVOR, as it does not include drivers' traffic violations, collisions and audits at the operator's place of business.

- *consider ways to verify the accuracy of self-reported information on the number of vehicles in the operators' fleets and the number of kilometres driven.*

  Status: In the process of being implemented by September 2017.

Details

During our audit, we noted that operators self-report the distances their buses are driven; hence, there was a risk they could manipulate the numbers to obtain a more favourable safety rating.

The Ministry informed us that the new registration and licensing system contains built-in mechanisms that prompt the operator to validate the information when self-reported fleet information and travel distances are outside of expected ranges. The Ministry also informed us that it is in the process of implementing by September 2017 an online channel that allows updates to fleet and distance information for carriers.

Recommendation 4

To help increase the safety of school transportation, the Ministry of Transportation should consider changing the threshold that triggers a facility audit for school bus operators.

Status: Will not be implemented.

Details

In our 2015 report, we reported that the Ministry of Transportation was not auditing or inspecting all school bus operators' facilities on a regular basis. To illustrate, during a five-year period, the Ministry had conducted only 24 facility audits on 19 school bus operators. Few school bus operators reached the threshold that triggered an audit.

At the time of our audit, the Ministry said it would do further analyses and establish an intervention protocol specific to school bus operators based on the operator's safety performance.

During our follow-up, the Ministry informed us that it will not be implementing this recommendation because, based on a 2007 Transport Canada fact sheet, school bus travel is one of the safest methods of travel for children and youth. In addition, the Ministry says that the new registration and licensing system lets it monitor effectively all carriers, including school bus operators, for trend and behavioural changes through its CVOR program. For example, new triggers have been added that will cause a carrier to be reviewed for significant on-road events such as vehicle impoundments and convictions. We believe, however, that this action by the Ministry will likely not increase the number of school bus operators' facilities audited, and we continue to support the implementation of this recommendation to further increase the safety of school transportation.

Recommendation 5

To increase the effectiveness of its safety inspections of school buses at operators' terminals, the Ministry of Transportation (MTO) should:

- *update and maintain its Bus Inspection Tracking System with complete and accurate information on the location of operators' terminals and school vehicles at each terminal;*
  Status: In the process of being implemented by December 2018.

Details

In our 2015 audit, we found that the Ministry's Bus Inspection Tracking System contained inaccurate information on the location of operator terminals for nearly 50% of the operators we sampled. As well, we found that the number of vehicles recorded in the Ministry's system was less than the number of school vehicles contracted by transportation consortia.

In November 2016, the Ministry of Education provided a list of known school bus operators to the Ministry of Transportation for comparison with information contained in the Bus Inspection Tracking System. In March 2017, the analysis was completed and discrepancies were assigned to the appropriate district offices for follow-up and verification by July 2017.

In addition, the Ministry of Transportation informed us that it has begun to modernize the Bus Inspection Tracking System platform. This work is scheduled for completion by the end of December 2018.

- *have inspectors focus on school buses considered to be high risk and those that have not been inspected recently;*
  Status: Fully implemented.

Details

During our 2015 audit, we noted that the Ministry had inspected more newer buses and fewer older buses than required under Ministry policy, for more than 30% of operators tested.

The Ministry informed us that the latest annual refresher training for inspectors took place in May 2017. This training emphasized following procedures as outlined in the Bus Inspection Manual for selecting buses to inspect and the timing of inspections. Officers were also given refresher training on internal policies for following up on defects found and issuing repair verification notices. In addition, we were told that managers and regional managers are expected to regularly discuss operational policies with staff.

- *complete safety inspections of school buses within the time frames stipulated by MTO's risk-based inspection approach;*
  Status: In the process of being implemented by December 2018.

Details

In 2015, we found that more than 90% of school bus inspections we sampled were not completed within the time frames stipulated by the Ministry's risk-based inspection approach.

At the time of our follow-up, the Ministry was putting in place a new protocol to validate the status of inspections specifically for school bus operators. According to the protocol, quarterly meetings with all district enforcement managers will be scheduled to verify inspection status and ensure timely inspection of school bus operators. The Ministry confirmed that, as of August 2017, several school bus operator terminals were overdue for inspection. The Ministry informed us that, as school bus operators are typically not open in the summer months, it has assigned officers to complete the required terminal inspections in September 2017 when they reopen. The Ministry expects to fully implement this recommendation by December 2018.

- *obtain evidence that violations or infractions noted during school bus inspections are rectified in a timely manner by a school bus operator.*
  Status: Little or no progress.

Details

During our 2015 audit, for two-thirds of inspections with violations or serious infractions we sampled, there was no documented evidence that repairs were made or that a repair verification order had been issued requiring the operator to make a repair.

As part of the annual refresher training course for inspectors in May 2017, Ministry inspection officers were trained on internal policies for following up on defects found and issuing repair verification notices. However, at the time of our follow-up, the Ministry was not tracking whether violations or infractions noted during school bus inspections were being rectified on a timely basis.

Recommendation 6

To ensure that Motor Vehicle Inspection Stations (MVISs) are conducting effective mechanical inspections, the Ministry of Transportation should:

- *devise a strategy that enables it to conduct risk-based reviews of MVISs, especially those that are run by school bus operators licensed to inspect their own school vehicles;*
  Status: Little or no progress.

Details

In our 2015 audit, we found that the Ministry provided little oversight of MVISs to ensure that they conducted thorough mechanical inspections. This oversight was important since many school bus operators also owned their own MVIS, which they could use to conduct the required mechanical inspections of their own fleet of vehicles.

Since our audit, the Ministry system that supports the MVIS program has been upgraded to allow it to readily identify commercial vehicle operators, including school bus operators, who are also licensed to have an inspection station. At the time of our follow-up, the Ministry informed us that it was reviewing the MVIS program for ways to improve it, but had not yet made any decisions on changes to program delivery.

- *require the MVIS to submit its results of annual and semi-annual inspections for tracking in situations where concerns are identified, as confirmation that its school vehicles have undergone the necessary mechanical inspection.*
  Status: Little or no progress.

Details

During our audit, we found that the Ministry had very little assurance that all school vehicles had undergone the required mechanical inspections.

As noted above, the MVIS program was still being reviewed, and no decisions on changes to the program's delivery had been made at the time of our follow-up.

Recommendation 7

The Ministry of Transportation, in conjunction with the Ministry of Education, school boards and transportation consortia, should develop a protocol *to share information on the results of their inspections and audits of school bus operators and motor vehicle inspection stations, and collision information. This will help facilitate timely action to enforce the safety of school transportation services throughout the province.*

Status: Fully Implemented.

Details

During our 2015 audit, we found that there was no protocol for information sharing between the Ministry of Transportation, school boards, transportation consortia and the Ministry of Education, nor did the Ministry of Education receive or request reports or specific information regarding school bus safety from these other participants.

Since the audit, a Ministry of Transportation representative has met regularly with consortium managers at the Ontario Association of School Business Officials Transportation Committee. At these meetings, the Ministry of Transportation representative acts as a subject matter expert, providing guidance on enforcement and compliance. The Ministry has also stressed to consortia the importance of the information contained in the CVOR level 2 abstract, and on a one-on-one basis addresses concerns with specific operators.

Recommendation 8

To improve student transportation safety, the Ministry of Education, in conjunction with school boards and transportation consortia, should:

- *develop consistent safety policies for the safe transport of students and for dealing with behavioural issues on the bus;*

  Status: Will not be implemented.

Details

During our 2015 audit, we found that policies regarding the safe transport of students varied at each consortium we visited.

According to the Ministry, it has no legal mandate to impose specific transportation policies on school boards, but has taken some actions to support them in developing consistent safety policies. These are described below.

In March 2016, the Ministry surveyed consortia in Ontario regarding behavioural incidents that have occurred on school buses (30 consortia responded). The survey found that only one-third (11) of the respondents track the number of behavioural incidents. For these consortia, the combined number of reported behavioural incidents increased from 7,774 in 2013/14 to 10,529 in 2014/15. The survey also found that 29 consortia reported having policies regarding student conduct/behaviour on school buses; 23 consortia indicated that schools (principals or delegates) are ultimately responsible for disciplining students (for example, suspension from the bus or from classes); and only two-thirds of consortia (20) indicated that the necessary follow-up or disciplinary actions were enforced often or always, whereas one-third indicated that follow-up actions were enforced sometimes.

At the same time, the Ministry also sought feedback on behavioural incidents on school buses from school bus operators. On behalf of the Ministry, the Ontario School Bus Association (OSBA) surveyed its operators and found that 87% of responding school bus operators reported fairly serious unruly student behaviour on school buses. The OSBA also stated that in most cases the principals took action, but in many cases, such as if they feared it would affect a student's enrolment, they did not act. In some instances parents undermine the principal's actions by complaining to superintendents, trustees or the media. The OSBA also stated that when unruly student behaviour is not addressed by the schools, it leads to drivers quitting, which further intensifies the overall shortage of drivers.

The Ministry met with the Minister's Principal Reference Group (a consultative body composed of 20 principals and vice-principals) in March 2016, and with the committee of transportation consortium managers on June 2016, to present the findings and issues identified.

In October 2016, in the lead-up to School Bus Safety Week, the Deputy Minister sent a memo to all Directors of Education reinforcing the fact that the provincial requirements on the code of conduct and reporting serious incidents apply on the school bus. It informed principals, especially new principals, that the school bus is an extension of the classroom and that they should address behaviour incidents that occur on the bus in the same manner as incidents that occur in the school.

In November 2016, the Ministry convened an ad hoc transportation safety committee to discuss the safety-related recommendations we made in our *2015 Annual Report*. The committee was composed of stakeholders including Ministry of Education and Ministry of Transportation staff, senior school board officials, transportation managers, and representatives from the two school bus operator associations (the Ontario School Bus Association and the Independent School Bus Operators Association). The Ministry updated the committee on its actions to date on student behaviour on the bus, including the survey results from the consortia, and feedback from the Ontario School Bus Association and the Minister's Principal Reference Group.

In March 2017, the Ministry contacted both bus operator associations to ask whether they would be interested in establishing a data collection mechanism for school bus operators to report on behaviour incidents and provide an annual summary report to the Ministry, consortia and school boards. The bus operator associations agreed to do so and the Ministry expects to follow up with them in fall 2017.

- *identify or develop mandatory training programs and standard information packages for students on school bus safety, and ensure that this training is delivered consistently to all students across the province; and*

  Status: In the process of being implemented by September 2018.

Details

During our 2015 audit, we found variations at the three consortia we visited in the information and the training programs offered to students on school bus safety. In addition, only some consortia made their safety programs mandatory for school bus riders.

According to the Ministry, it has no legal mandate to impose specific transportation policies on school boards, but has taken some actions to support the sector in standardizing school bus safety training.

In October 2016, the Ministry engaged the Ontario Education Collaborative Marketplace (OECM), a group procurement organization, to explore opportunities to procure school bus rider safety videos and on-site school bus safety training modules, which will be available to all school boards as a standard program. In March 2017, the OECM contracted with a service provider to produce three school bus rider safety videos by the start of the 2017/18 school year. These videos will target specific groups of students— first-time riders, junior kindergarten to Grade 3 students, and Grade 4 to Grade 8 students. As well, the service provider will also develop two standardized on-site school bus safety training modules—one for junior kindergarten to Grade 3 students, and one for Grade 4 to Grade 8 students—by the start of the 2018/19 school year.

The Ministry expects that the availability of a standardized school bus safety training program will support school boards and consortia in implementing this recommendation. It informed us that consortia were in agreement in principle with having a standardized training program.

- *determine which grades should be met at the bus stop by an adult, and develop a standardized process for this across the province.*

  Status: Little or no progress.

Details

During our 2015 audit, we found that the grades of students who must be met at the bus stop after school by a parent or designated adult varied across the province from kindergarten to Grade 3.

We were informed by both the Ministry and one of the consortia that this recommendation was discussed with the Ontario Association of School Business Officials Transportation Committee in June 2016. Consensus could not be reached on the need to standardize the policy on which grades should be met at the bus stop by an adult, and on the suitability of a standardized process across the province.

Recommendation 9

The Ministry of Education should set formal guidelines on the reporting of school vehicle collisions and incidents among the transportation consortia to enable comparison and analysis of their causes and facilitate the identification of issues and best practices of consortia for the purpose of developing strategies to mitigate these in the future.

Status: Fully implemented.

Details

In spring 2016, the Ministry sought feedback on collecting data on incidents from a subcommittee of the OASBO Transportation Committee involved with identifying key performance indicators.

In summer 2016, the Ministry followed up on the survey we had conducted during the course of the audit, to determine whether more consortia were now tracking incidents involving school vehicles by type of occurrence (for example, student dropped off at wrong stop, bus late, bad behaviour). Overall, the percentage of consortia tracking incidents by type had not generally improved since the time of our audit.

The Ministry added new survey questions related to incidents with school buses to the 2016/17 transportation survey, to expand data collection on incidents and promote consistent reporting. Consortia will be asked to report the number of instances (1) where students were reported lost or dropped off at the wrong stop; (2) where students were returned to school due to not being met at the stop according to policy; (3) of poor student behaviour or other student injury or medical emergency. Consortia will also be asked what percentage of time school vehicles were on time.

At the time of our follow-up, the Ministry had shared the results of the 2016/17 transportation survey with consortia and posted them on its website.

The Ministry informed us that it will continue to consult with the subcommittee of the OASBO Transportation Committee on changes to the annual transportation survey to support consistent data collection and to enable analysis of the data.

Eligibility for Busing Varies Significantly across the Province

Recommendation 10

The Ministry of Education, in conjunction with school boards, should set standards on eligibility for transportation services, especially home-to-school walking distances for students, to promote greater consistency in transportation services across school boards within the province.

Status: Little or no progress.

Details

During our 2015 audit, we noted that eligibility criteria (based on home-to-school walking distances) to qualify for busing services varied among consortia, among school boards in the same consortium and sometimes among schools within the same school board. Eligibility criteria also varied between grades.

Since the time of the audit, the Ministry has analyzed school board and consortium eligibility policies for transportation services and has identified the range across the province in home-to-school walking distances by grade for the 2010/11 and 2014/15 school years. The Ministry presented these variations in walking distance policies at the June 2016 meeting of the OASBO Transportation Committee, in order to support decision-making by school boards and transportation consortia.

The Ministry informed us that it was considering using transportation eligibility as a criterion/discussion point in the transportation funding formula review, discussed under **Recommendation 11**, but this was still in the early stages. The Ministry recognizes that equity in funding would be supported by standardized eligibility criteria.

Funding Formula Needs Updating

Recommendation 11

After implementing standardized eligibility criteria, we recommend that the Ministry of Education (Ministry) should:

- *revisit its current funding formula. The formula needs to reflect school boards' local transportation needs based on the number of eligible riders and consortia utilization of buses, and taking into consideration factors such as geography, availability of public transit and the number of students needing transportation services (due to distance, special needs, special programs or road hazards);*

  Status: Little or no progress.

Details

During our 2015 audit, we found that school board funding for school transportation was not based on need, but was generally historically based with some annual adjustments for enrolment and inflation, and other minor adjustments.

At the time of our follow-up, the Ministry informed us that it was developing a plan to revisit its funding formula. It was expecting to begin consultations with stakeholders in fall 2017.

- *implement an updated funding formula ensuring that any targeted funding for specific initiatives is spent for the purposes intended.*

  Status: Little or no progress.

Details

During our 2015 audit, we found that the Ministry of Education had provided targeted funding for specific initiatives such as safety programs and wage enhancements for school bus drivers, but had not verified that the funds were spent for the intended purpose.

As noted earlier, the Ministry expected to begin consultations on revising its funding formula in fall 2017.

Opportunities Exist for Efficiency Gains

Recommendation 12

In order to increase the efficiency of school transportation services and in turn decrease costs, transportation consortia should:

- *track and monitor utilization by using the most relevant and accurate information available in planning student transportation services, including actual ridership;*

  Status: Toronto consortium: In the process of being implemented by March 2018.

  Peel consortium: In the process of being implemented by September 2017.

  Sudbury consortium: Fully implemented (at the time of our 2015 audit).

Details

At the time of our 2015 audit, we noted that two consortia (Toronto and Peel) were determining the number of buses needed using the number of students who are eligible for transportation rather than the actual number of students riding the buses.

Toronto: In the spring, this consortium confirms with schools which of their students who ride the bus will be returning to school in the following school year. The consortium is also in the process of updating its student transportation website to have parents confirm on-line if their children will be using busing services in the following school year. The consortium expects the portal to be fully operational by March 2018.

Peel: This consortium will track actual headcounts by individual bus run three times per school year, every October, March and May. This process will be fully implemented for the 2017/18 school year.

Sudbury: This consortium met the recommendation at the time of our audit.

- *evaluate the benefits of parents of students who are eligible to use school board–provided transportation services being required to opt in or out of using transportation services;*

  Status: Toronto consortium: Little or no progress.

  Peel consortium: Little or no progress.

  Sudbury consortium: Fully implemented (at the time of our 2015 audit).

Details

At the time of our follow-up, consortia in both Toronto and Peel still did not require parents to opt in/out of using busing services. Parents may notify them in advance either on-line or through the summer call centres, but this is on a voluntary basis. The on-line confirmation process being developed by the Toronto consortium will also be on a voluntary basis. Neither consortia had evaluated the benefits of requiring parents of students eligible for busing services to opt in/out of receiving such services.

At the time of our 2015 audit, the consortium in Sudbury had been requiring parents of eligible students to opt in/out of using busing services during the summer months, to enable route planning.

- *use route optimization software where feasible as a starting point in mapping the most efficient routes to transport students;*

  Status: Toronto consortium: In the process of being implemented by September 2018.

  Peel consortium: Fully implemented (at the time of our 2015 audit).

  Sudbury consortium: Fully implemented (at the time of our 2015 audit).

Details

Toronto: As at the time of our 2015 audit, this consortium still continues to use route optimization software primarily for the purpose of reallocating costs between the two boards it serves, not for route planning purposes. The consortium informed us that it had run the optimization software to plan the routes for the 2016/17 school year. However, the software generated more buses than were currently on the road, so no major adjustments were made. At the time of our follow-up, the consortium was looking for a new route software provider, which the consortium expects to be using by September 2018.

Peel: This consortium was using route optimization software to plan its routes at the time of our 2015 audit and continues to do so.

Sudbury: This consortium has been using route optimization software for over 10 years for route planning purposes, and will continue to do so.

- *increase sharing of school buses among boards and transporting students from different boards on the same bus;*

  Status: Toronto consortium: Little or no progress.

  Peel consortium: Little or no progress

  Sudbury consortium: Fully implemented (at the time of our 2015 audit).

Details

At the time of our 2015 audit, we noted that the Ministry's transportation survey in 2013/14 indicated that 36% of consortia reported that the boards they served were sharing buses for at least half of the routes, but only 18% indicated that students from different boards (that is, public/Catholic and/or English/French, within the same region) rode together on the bus for at least half of the trips made. The 2015/16 Ministry survey results showed that 36% of consortia still reported that their boards were sharing buses for at least half of the routes, but only 12% indicated that students from different boards rode together on the bus for at least half of the trips made. Therefore, overall, there has been no change in sharing of school buses among boards but a decline in transporting students from different boards on the same bus.

Comparing the 2013/14 and 2015/16 survey results, we did not note any change for the three consortia visited, as shown in **Figure 1**.

- *stagger school start and end times where possible to reduce the number of buses needed, by allowing them to be used on more than one run;*
  Status: Toronto consortium: Little or no progress.

  Peel consortium: Fully implemented (at the time of our 2015 audit).

  Sudbury consortium: Fully implemented (at the time of our 2015 audit).

Details

Toronto: There has not been much change in the staggering of bell times since our audit in 2015. The school boards have been unable to adjust their hours as a result of community resistance, and the cost of hiring the teachers who would be needed is greater than the expected transportation savings. The consortium hopes that the new routing software for which it has put out a request—which it estimates will be in use in September 2018—will reduce the number of buses needed.

Peel: The consortium regularly suggests start and end times that are normally accepted by the schools to increase the efficiency of school transportation.

Sudbury: This consortium decides the start times for schools in its area, and will continue modifying school bell times to reduce the number of buses needed.

- *reduce the need for transportation services by co-ordinating common days off;*
  Status: Toronto consortium: Little or no progress.

  Peel consortium: Little or no progress.

  Sudbury consortium: Fully implemented (at the time of our 2015 audit).

Details

Toronto: As at the time of our 2015 audit, at the time of our follow-up, most days off were already co-ordinated in common among boards. The exceptions were the three professional activity days at the secondary school level that are devoted to local needs and priorities. The consortium noted that there is a possibility of further co-ordination if the Ministry decides to dictate days off.

Peel: The consortium informed us that it continues to ask the boards it serves to consider co-ordinating common days off, and that the boards are now more aware of the benefits of having common days off. However, since 2015, there has been no additional co-ordination of common days off.

Sudbury: At the time of our 2015 audit, the Sudbury consortium had been co-ordinating common days off between its four member boards.

- *only contract for services that are required.*
  Status: Toronto consortium: Little or no progress.

  Peel consortium: Little or no progress.

  Sudbury consortium: Fully implemented (at the time of our 2015 audit).

Figure 1: Ministry of Education Transportation Survey, 2013/14–2015/16

Source of data: Ministry of Education

	At Least 50% of School Bus Routes Shared amongst Boards		Students from Different Boards Ride on the Same Bus for at Least 50% of Trips	
	2013/14	2015/16	2013/14	2015/16
Toronto	No	No	No	No
Peel	Yes	Yes	No	No
Sudbury	Yes	Yes	Yes	Yes

Details

Toronto: At the time of our audit, we found that the consortium was paying bus contractors based on a combination of time and kilometres travelled. We found that the base rate was calculated strictly on time (three hours a day) for its large buses, and they were being used for less than the contracted hours. The consortium has not made any changes to its payment structure since the time of our audit.

Peel: At the time of our audit, the consortium was paying bus contractors based on a combination of time and kilometres travelled. We found that one-third of its buses were significantly underutilized based on the contracted hours. The consortium has not made any changes to the payment structure since the time of our audit.

Sudbury: As found in our 2015 audit, the practice of contracting and paying for actual bus use will continue to be followed.

Recommendation 13

The Ministry of Education should set standards for the optimal utilization of school vehicles for school boards and transportation consortia, and provide guidance to them in calculating utilization rates.

Status: Will not be implemented.

Details

In our *2015 Annual Report*, we reported that consortia were calculating the seating capacity and utilization rates of buses differently, because there was no provincial standard for either one. This made it difficult to compare consortia across the province to see where improvements were needed and to link utilization to the funding for student transportation.

At the time of our audit, the Ministry said it would encourage and support the Ontario Association of School Business Officials Transportation Committee to address the issue at a provincial level.

In June 2017, the Ministry released the results of its 2015/16 Transportation Survey in which it provided guidance to school boards on how to calculate efficiency measures. The report outlines the following routing efficiency measures:

- average students per full-size bus—to measure ability to use available seating capacity;
- average runs per route—to measure ability to reuse assets; and
- number of buses per 100 students—to measure both ability to use both the available seating capacity and to reuse the assets.

According to the survey, in 2015/16, the average students per full-size bus ranged from 40.1 at one consortium to 115.5 at another consortium, the number of runs per route ranged from 1 to 2.2, and the number of buses per 100 students varied from 0.9 to 2.5 province-wide. Huge differences were also noted when comparing consortia serving areas of similar density.

However, the Ministry informed us that it does not plan to set standards for the optimal utilization of school vehicles for school boards. The Ministry's reasoning is that utilization rates for vehicles used for student transportation are directly related to policy and operational decisions at the consortium and school board level.

We continue to believe that the Ministry should implement this recommendation to enable comparison of school bus utilization rates across consortia.

Recommendation 14

The Ministry of Education should clarify the roles and responsibilities of school boards and consortia in setting eligibility and employing efficiency measures.

Status: Will not be implemented.

Details

During our 2015 audit, we noted that the ability of a consortium to efficiently and effectively manage transportation services is affected by the level of authority delegated to it by the school boards it serves, and the willingness of school boards to work co-operatively and integrate services. Consortia with the authority to establish eligibility criteria and employ efficiency measures uniformly across their entire service area were more likely to employ best practices to their fullest potential.

At the time of our follow-up, the Ministry informed us that is does not plan to implement this recommendation, noting that school boards and consortia are responsible for their own student transportation policies and operational decisions, including eligibility decisions. The Ministry directed us to resources and supports it has provided over the years to school boards and consortia to encourage them to adopt efficiency measures. These resources were in existence at the time of our audit, however, and had not had the desired effect.

We continue to believe that the Ministry should implement this recommendation to enable consortia to manage transportation services more efficiently and effectively.

Procurement of Student Transportation Services Needs Improvement

Recommendation 15

The Ministry of Education, in conjunction with the school boards and transportation consortia, should develop standard criteria for evaluating the submissions of school bus operators in procuring student transportation services. The criteria should appropriately consider the operators' ability to safely transport students.

Status: Will not be implemented.

Details

During our 2015 audit, we found that, of the three transportation consortia we visited, only two had considered both qualitative factors and price when procuring busing services. The other consortium had selected school bus operators entirely on price. We also noted that safety-related criteria varied significantly among the three consortia, ranging from a high of 65% to a low of 26% of the total qualitative score.

At the time of our audit, the Ministry agreed to support school boards and consortia in reviewing this recommendation. In November 2015, an expert panel that the Ministry commissioned to identify best practices and explore options for competitively acquiring busing services other than through requests for proposals presented its report to the Ministry. In January 2016, the Ministry shared the report, entitled *Student Transportation Competitive Procurement Review Report*, with the chairs of Ontario district school boards and with the two associations representing the school bus operators. The Ministry expressed its expectation "that school boards and consortia work together to carefully review both the expert panel's report and the Auditor General's report, and consider addressing, where appropriate, the opportunities they present." According to the Ministry, implementation decisions reside with the school boards and consortia.

The Ministry informed us that, in 2016, it provided $200,000 to the Ontario Association of School Business Officials to establish the Student Transportation Competitive Procurement Advisory Committee, whose first task would involve reviewing standardization opportunities identified in the *Student Transportation Competitive Procurement Review Report*. Based on our review of the report produced by the advisory committee, in July 2016, the committee provided a sample list of requirements for school bus operators, but not a list of evaluation criteria or how much weight each criterion should carry in the selection process. It left these decisions up to each school board or consortium.

We continue to believe that the Ministry should implement this recommendation to ensure all consortia appropriately consider both price and qualitative factors, such as safety, to the same extent when procuring the services of school bus operators.

Chapter 1

Section 1.14

Ministry of Research, Innovation and Science

University Intellectual Property

Follow-Up on VFM Section 3.14, *2015 Annual Report*

RECOMMENDATION STATUS OVERVIEW						
	# of Actions Recommended	Status of Actions Recommended				
		Fully Implemented	In 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	4		3	1		
Recommendation 6	1			1		
Recommendation 7	1			1		
Recommendation 8	1	1/3	2/3			
Recommendation 9	4	1	1/3	1/3	2	1/3
Recommendation 10	1	1/3	1/3		1/3	
Recommendation 11	2	1/3	1/3	1/3	1	
Recommendation 12	2			1	2/3	1/3
Recommendation 13	2	2/3		1 1/3		
Recommendation 14	1	2/3	1/3			
Recommendation 15	4	3	1/3	1/3		1/3
Total	**27**	**6 1/3**	**8 1/3**	**7 1/3**	**4**	**1**
%	**100**	**23**	**31**	**27**	**15**	**4**

Overall Conclusion

According to the information provided to us as of August 8, 2017, by the Ministry of Research, Innovation and Science (Ministry), McMaster University, the University of Toronto and the University of Waterloo, 54% of the actions we recommended in our *2015 Annual Report* had either been fully implemented or were in the process of being implemented. Little progress was made on implementing another 27% of our recommendations, and 15% would not be implemented.

For recommendations directed to the Ministry, 67% were in the process of being implemented and

33% had little or no action taken. Specifically, the Ministry has done little to assess progress on the Province's 2008 Innovation Agenda and has not developed a strategy or action plan to address barriers to commercialization.

For recommendations directed at the universities, 48% were either implemented or in the process of being implemented, 24% had little or no progress, and 22% would not be implemented. For example, little or no progress was made in developing socio-economic performance indicators to better communicate outcomes of research and commercialization efforts. Recommendations that would not be implemented by at least one university included those aimed to help ensure all intellectual property created with university resources are being disclosed.

The status of each of our recommendations is included in the report.

Background

The audit focused on whether the Ministry of Research, Innovation and Science (Ministry) had put effective processes in place to provide research funding to universities, monitor the use of research funding, and assess the benefits to Ontarians. As well, the audit looked at how select universities manage intellectual property generated from university research, including identifying, protecting, assessing and commercializing intellectual property.

Ministry of Research, Innovation and Science

The Province provides research grants to post-secondary institutions, research hospitals and not-for-profit research institutions. Under Ontario's Innovation Agenda of 2008, the Ministry (previously the Ministry of Research and Innovation) is responsible for extracting "more value from all provincial investments in research and innovation." The Ministry's commercialization programs are intended to provide services such as access to capital, business acceleration services, mentoring, training and networking to companies, entrepreneurs and researchers. The Ministry provides funding to a network of organizations, including the Ontario Centres of Excellence, MaRS, Regional Innovation Centres and sector innovation centres, which in turn fund and/or provide these services.

We estimated that from 2009/10 to 2013/14, the Province had provided at least $1.9 billion for university research, excluding funding for service delivery agents (such as MaRS and regional innovation centres) and tax incentives for private companies.

In our *2015 Annual Report*, we noted that the Ministry did not co-ordinate or track all of the Province's investments in research and innovation, and had not measured the value created from these investments. As a result, it was difficult for the government to determine whether it was getting value for money from its significant investment in university research.

Some of our significant observations relating to the Ministry included the following:

- The Ministry needed to develop an implementation plan to monitor whether it is getting value for money from its investments in research and innovation in accordance with the strategic direction outlined in its 2008 Innovation Agenda.
- The Ministry had a comprehensive selection process for awarding university grants, and was generally following its guidelines for awarding these grants, but did not confirm that research outcomes aligned with those identified in grant proposals.
- In order to address barriers to commercialization, the Ministry needed to develop a strategy and action plans with timelines to monitor progress.
- The provincial government had virtually no rights to intellectual property resulting from the research it funded. Unlike Ontario, we

noted that U.S. federal government agencies could use intellectual property made with government funding royalty-free for their own non-commercial purposes.

Universities

Inventions and scientific discoveries made at universities could spur economic growth and enhance Ontarians' quality of life if they are commercialized. This requires universities to protect their rights to the intellectual property in their discoveries, and to bring their discoveries to market for the benefit of Ontarians.

Each university in Ontario has a vice-president of research responsible for managing and co-ordinating the university's research and commercialization activities. University technology transfer offices share their expertise and industry connections with inventors, in exchange for which inventors may agree to give up some or all of their intellectual property rights, in accordance with the universities' policies.

We further found during our 2015 audit that technology transfer offices we visited had experience with assessing the commercialization potential of inventions, but could make some improvements. Specifically:

- While universities were tracking key commercialization indicators and results of their technology transfer offices, they were not yet measuring the socio-economic impact of their research activities and commercialization efforts.
- Universities may not always be taking out patent protection in time to prevent others from obtaining patents on their inventions.
- None of the technology transfer offices we visited highlighted revenue generation as a driving force.
- None of the technology transfer offices we visited had formal guidelines or policies on managing costs associated with commercialization. In a number of cases, there were delays in collecting revenues from intellectual property revenue-generating agreements.
- From our review of files in technology transfer offices, documentation was not available to confirm that formal processes were used to assess the feasibility of commercialization and track decisions/actions being taken.

In our 2015 report, we recommended that the Ministry establish processes to track and monitor the total direct and indirect provincial funding for research and innovation, and the new technologies and inventions resulting from the funding; develop a strategy and action plan on addressing barriers to commercialization and monitor its progress; collaborate with stakeholders to collectively develop useful performance measures that assess the socio-economic benefits to Ontarians; and revisit and assess the pros and cons of including provisions in selective research funding agreements that would allow the Province to share in future income and/or have the non-exclusive right to use intellectual property royalty-free for non-commercial internal purposes.

We also recommended that universities review their performance measures and identify opportunities to report more detailed information in their annual research reports and in reports going to senior management; develop guidelines to help faculties assess whether university resources were used in the creation of intellectual property; formally track and review how long it takes to complete assessments on whether or not to commercialize disclosures and address any delays; file for patent protection as early as possible; develop case management documentation guidelines and ensure commercialization decisions and actions are clearly and consistently documented; implement policies and guidelines regarding cost management and track costs incurred by type for each disclosure; and improve revenue collection efforts.

In total, we made 15 recommendations, consisting of 27 actions, to address our audit findings and received commitments from the Ministry that it would take action to address most of them and from the universities that they would take action to address the ones most applicable to their circumstances.

Status of Actions Taken on Recommendations

We conducted assurance work between April 1, 2017, and August 8, 2017, and obtained written representation from the Ministry of Research, Innovation and Science, the University of Toronto, McMaster University and the University of Waterloo on September 8, 2017 that they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Government Research-Related Investments and Activities

Recommendation 1

As the lead ministry in ensuring Ontario's efforts to strengthen its innovation culture are co-ordinated and comprehensive, the Ministry of Research and Innovation should establish processes to track and monitor the total direct and indirect provincial funding for research and innovation and the new technologies and inventions resulting from that funding.

Status: In the process of being implemented by October 2017.

Details

The Ministry has developed a research inventory tracking tool to be used by ministries for tracking research investments and expenditures, including both direct and indirect costs. The tool is expected to be finalized and provided to all government ministries by October 31, 2017, and will capture information related to research funding programs available; total funding for each research activity, including the breakdown between direct and indirect costs; and whether each ministry tracks the intellectual property arising from the funded research activities—that is, invention disclosures, patents applied for and granted, copyrights and licences. Ministries will be expected to report annually on their previous fiscal year's activity.

Recommendation 2

The Ministry of Research and Innovation should develop and implement a multi-year plan to cover the Innovation Agenda's strategic direction as well as provincial goals and initiatives on research and innovation. This plan should provide enough detail to clearly summarize the deliverables, and establish timelines and targets to deliver on key strategies, initiatives and research and innovation programs.

Status: In the process of being implemented by March 2018.

Details

In 2016 the government announced the $400 million Ontario Business Growth Initiative, which provides an overarching framework and strategy for key ministries involved in economic development. This initiative complements the Innovation Agenda by building on three components:

- investing in research and innovation, including the commercialization and adoption of new technologies;
- scaling up by helping Ontario's small- and medium-sized companies gain access to capital and expertise to grow their businesses; and
- streamlining the regulatory system to avoid impeding business growth.

Rather than focusing specifically on the Innovation Agenda, the Ministry has revised its approach and throughout the 2017/18 fiscal year it plans to design and implement programs and more detailed action plans in alignment with this new framework, with a key focus on measuring program performance. Specific details of programs, initiatives and related performance measures were released in June 2017 as part of the Ministry's *2017/18 Estimates Briefing Book*.

Recommendation 3

To assess progress on the Province's 2008 Innovation Agenda and provide comparisons between Ontario and its peer jurisdictions, the Ministry of Research and Innovation should conduct assessments periodically against the indicators in the scorecard and report the results publicly.

Status: Little or no progress.

Details

According to the Ministry, its existing innovation indicators, developed in 2013 by its Research and Analysis Branch to help inform policy and program development, are no longer appropriate. It informed us that work is underway to revise these to develop a suite of high-level key performance innovation indicators to better measure program effectiveness and reflect both the 2008 Innovation Agenda and the 2016 Ontario Business Growth Initiative. For example, the Ministry informed us that it is seeking to identify reliable data sources, data gaps and methods to operationalize these indicators once approval is obtained. It expects to have these indicators by November 2017. The Ministry continues to assess the merit of publishing an innovation scorecard or other comparative benchmark measurements.

Recommendation 4

To address barriers to commercialization of intellectual property, the Ministry of Research and Innovation should consult again with stakeholders for a current review of barriers, develop a strategy and action plan with a timeline for implementation, and monitor its progress on addressing those barriers.

Status: In the process of being implemented by November 2017.

Details

The Ministry informed us that legislation and regulations regarding intellectual property are the purview of the federal government. As Ontario is a sub-national government, its approach to intellectual property is either enabled or constrained by national legislation and international agreements.

The Ministry held roundtable sessions in September 2016, December 2016 and March 2017 to engage policy makers, academics and representatives of Canada's intellectual property business sector. The objective of these sessions was to identify challenges and problems facing the national and provincial intellectual property landscape and to develop new ideas about how intellectual property could be further leveraged to strengthen Canada's performance. The key problems identified included a lack of understanding of intellectual property and insufficient intellectual property expertise to meet needs; lack of access to affordable legal services, especially at the earliest stages of the business venture; systemic gaps in technology transfer and commercialization at universities and research institutions; and absence of a national intellectual property strategy and co-ordination among different levels of government. The Ministry informed us that it is planning further engagements with stakeholders to help validate potential provincial policy approaches. It also told us that it has engaged with the federal government.

In conjunction with these stakeholder consultations, the Ministry told us it is also undertaking research to support the development of an intellectual property framework. As part of this process, the Ministry is examining policies and programs in other jurisdictions and seeking to further identify gaps and barriers affecting innovation and commercialization of intellectual property in Ontario. The Ministry expects to implement an intellectual property framework by November 2017.

Recommendation 5

To ensure the Ministry of Research and Innovation (Ministry) is getting value for money for its investment in research and commercialization activities, the Ministry should:

- *track what portion of research funding goes to basic vs. applied research, and develop appropriate indicators for each type of research;*
Status: In the process of being implemented by fall 2017.

Details

The Ministry has designed a tool to track the amount of research funding it provides and the nature of research activity—that is, basic versus applied. The tracking tool allows research funding recipients to assess the percentage of their research that falls within the categories of pure basic research, oriented basic research, applied research and experimental development. The Ministry has tested the tool in two pilot studies involving recipients of the Ontario Research Fund – Research Excellence program (July 2016) and recipients of Early Researcher Awards funding (October 2016). The Ministry plans to launch the tracking tool for all active projects within its major research funding programs by July 31, 2017, with results available in fall 2017. The Ministry informed us that while it will be including a performance measure that distinguishes basic versus applied research undertaken for its major funding programs, no performance targets will be established because the Ministry's objectives with research funding are broader than simply encouraging one type of research over another.

The intent of our recommendation was that the Ministry develop a distinct set of indicators to be used to assess the effectiveness of basic research, and a different and distinct set of indicators to be used for applied research. We recognize that the purpose of basic research is different from applied research (that is, generating and advancing basic knowledge versus developing new technologies or techniques). Therefore, basic research would not perform well when judged against indicators that measure, for example, the number of invention disclosures, patents and licences.

- *collaborate with stakeholders to collectively develop useful performance measures that assess the socio-economic benefits to Ontarians;*
Status: In the process of being implemented by summer 2018.

Details

The Ministry has not yet developed specific performance measures that assess the socio-economic benefits to Ontarians. However, the Ministry expects an upcoming review of the Ontario Research Fund to provide recommendations on how to assess impact, which could include suggestions for socio-economic performance indicators. The review will be conducted by an expert panel. The Ministry expects the review to be completed by summer 2018.

The Ministry is also conducting studies including a jurisdictional scan to support the development of a potential socio-economic impact framework. It has advised that no gold standard exists for measuring the socio-economic impact of research, but that these studies will be used as a reference point. The Ministry expects to complete the jurisdictional scan by December 2017.

- *increase the reliability of performance results by implementing measures to increase the response rate from clients receiving commercialization supports and developing processes to eliminate duplicate reporting;*
Status: Little or no progress.

Details

The Ministry advised that since our audit, each Regional Innovation Centre has conducted follow-up activities with its clients in order to increase survey response rates. For example, Regional Innovation Centres review their survey tool to determine which clients have not yet responded and then send out weekly reminders to complete the survey. We were also informed that the Toronto-based Regional Innovation Centre called clients up to three times if they did not respond to the survey. As a result, since the time of our audit, the survey response rate has increased about 5 percentage points, from 36.5% in 2014/15 to 41.2% in 2015/16 for all Regional Innovation Centres combined. Although there has been improvement, this is still a low response rate.

In 2016, the Ministry started requiring the Ontario Network of Entrepreneurs tech-based delivery partners to collect Canada Revenue Agency business numbers from clients. The Ministry expects that collection of this information could eliminate some duplicate reporting by, for example, removing the double-counting of jobs created by clients. However, this is still very early in a long-term project, which the Ministry expects could take a number of years before yielding insightful results.

- *publicly report performance results on research funding and commercialization programs.*
  Status: In the process of being implemented by December 2017.

Details

The Ministry advised that it will report on performance of its research and commercialization programs through its *2017/18 Estimates Briefing Book*. The briefing book will highlight achievements of the Ministry's major funding programs, including results related to job creation and the number of businesses supported.

As part of the Province's Open Data Directive to make government data publicly-accessible, the Ministry has agreed to share some performance data related to the Ontario Network of Entrepreneurs (which provides ministry-funded commercialization services) with the Treasury Board Secretariat, which is co-ordinating data from all ministries. The data, which includes client profile and impact information (including licences), has not yet been approved by the Minister but the Ministry expects it to be approved and released before the end of 2017.

Intellectual Property Rights

Recommendation 6

The Province should re-visit and assess the pros and cons of including provisions in selective research funding agreements that would allow it to share in future income from the sale or licence of resulting intellectual property, and/or to have the non-exclusive right to use the intellectual property royalty-free for non-commercial internal purposes, where there may be value to do so.

Status: Little or no progress.

Details

At the time of our 2015 audit, the Ministry indicated that Ontario's approach to intellectual property ownership was consistent with best jurisdictional practices, federal policy and academic/industry preference, and was based on the assertion that government ownership of intellectual property is costly and may be an impediment to commercialization and innovation. We reported that intellectual property rights should not be viewed as an impediment to commercialization without further detailed analysis of the impact and potential value to Ontario. In its response to our audit recommendation, the Ministry agreed to assess the pros and cons of adopting this approach. However, since the time of our audit, the Ministry has not performed any additional review or analysis.

The Ministry informed us that it was in the middle of developing a strategy for intellectual property, and that there is no consensus about the most effective ways to secure value for inventions.

University Oversight of Research and Intellectual Property

Recommendation 7

In conjunction with government sponsors, universities should develop socio-economic performance measures to better communicate the outcomes of their research and commercialization efforts.

Status: All three universities: Little or no progress.

Details

None of the universities have developed socio-economic performance measures in conjunction with government sponsors. Although the Ministry hosted roundtable events in 2016 to discuss intellectual property commercialization strategies, awareness and outreach, and technology transfer at universities, the universities informed us that the development of socio-economic performance measures has not been part of these discussions. All three universities were interested in participating in government-led discussions to design such measures.

Recommendation 8

Universities should review their research reporting requirements on performance measures, and identify opportunities to report more detailed information in the annual research report and in management reports going to senior management.

Status: University of Toronto: Fully implemented.

McMaster University: In the process of being implemented by December 2017.

University of Waterloo: In the process of being implemented by December 2017.

Details

University of Toronto: At the time of our 2015 audit, only this university's technology transfer office had some performance measures related to commercialization activities and was reporting regularly on them. At the time of our follow-up, we noted that it continues to report both internally and publicly on a number of research and commercialization performance measures. For example, the technology transfer office provides a quarterly report on industry partnerships, disclosures, licensing and start-up activity to the Vice-President Research and Innovation and also to the research administrative leadership of each faculty. As well, its annual research report contains information on research funding, including funding provided, number of principal investigators, funding programs involved, private-sector partners, new funding applications and other matters. It contains innovation and entrepreneurship information as well, including disclosures, licensing agreements, patent filings, start-ups, start-up investment dollars, start-up sales and other information. The university informed us that it undertakes an annual review of its performance measures as part of its regular reporting process and considers any new measures that may warrant inclusion.

McMaster University: The technology transfer office's annual report on commercialization activity was revised to include a more detailed analysis of the distribution of inventors and revenues among the different faculties and hospitals; this information was not present in previous annual reports. It also continues to examine whether any other information should be included in its performance reports and is currently considering the inclusion of performance measures surrounding workshops given or hosted and company connections made. In addition, the university plans to provide further guidance on performance measures reported to senior administration and to the public in its next strategic research plan, which it expects to develop by December 2017.

University of Waterloo: At the time of our follow-up, no significant changes had been made since our 2015 audit in the type of information reported publicly or internally to senior management. The university's strategic plan continued to provide high-level information in two areas related to research and innovation, which it referred to as "transformational research" and "uniquely entrepreneurial." For example, in the area of "transformational research," performance indicators reported on are primarily based on the amount of research funding overall and by source. In the area of "uniquely entrepreneurial," performance indicators include the number of jobs and new enterprises created by students and alumni, the number of new enterprises still active after one year, and number of university-based undergraduate students whose companies receive venture capital backing. The university informed us that by December 2017, it expects to assemble information similar to that reported by the other two universities into an annual report for the Vice President of Research, who will, in turn, discuss the information with the deans and other senior administrative personnel.

Commercialization Activity at Universities

Recommendation 9

To ensure that all intellectual property created with university resources is disclosed, universities should:

- *develop guidelines to help faculties assess university resources in the creation of intellectual property and to require such assessments be documented;*

  Status: University of Toronto: Fully implemented.

  McMaster University: In the process of being implemented by December 31, 2017.

  University of Waterloo: No longer applicable.

Details

University of Toronto: The university's FAQ sheet relating to Inventions and Commercialization activity at the university describes "what constitutes the use of university resources": namely, whether all or part of the work was supported by research grants administered by the university; performed in a university-owned or operated facility; made use of proprietary software or other applications; or made use of specialized facilities owned or operated by the university. In addition, the university has an intellectual property officer who acts as a resource to the university community, including faculties, to clarify concerns surrounding the use of university resources. On a case-by-case basis, the technology transfer office's director will also assist if additional clarification is needed beyond the policy and guidelines.

The technology transfer office does not maintain documentation of the methods used by faculties to assess the use of resources in the creation of an invention; however, where a faculty member discloses an invention that was created with no significant use of university resources, the technology transfer office maintains the signed attestation by the inventor(s) with the applicable department chair/director sign-off.

McMaster University: In early 2017, the university developed guidelines to help faculties assess the use of university resources used in the creation of intellectual property. This new process will first be communicated to the university's research council and deans of research and will then be posted on the university's website and formally communicated to faculties. The assessment will require written confirmation through the review and approval of the use of university resources by the appropriate department chair, supervisor, faculty dean or vice-president. Documentation will be kept on file at the technology transfer office. The university plans to have this process in place by December 31, 2017.

University of Waterloo: This university has an inventor-owned intellectual property policy; as a result, this recommendation is not applicable to it.

- *clearly communicate invention disclosure requirements during technology transfer office presentations to staff and students;*

  Status: University of Toronto and the University of Waterloo: Fully implemented.

  McMaster University: Little or no progress.

Details

University of Toronto: In January 2017, the university developed new presentation materials outlining its invention disclosure requirements, including information on why, when and how inventions should be disclosed. Presentations, using the revised material, have since been made to university faculty, departments and students.

McMaster University: The university's technology transfer office has continued to make presentations to faculty and students since our audit. However, we noted that presentation materials it provided did not include sufficient detail to ensure that staff and students are fully aware of the university's disclosure requirements. For example, presentation slides provided highlight the university's intellectual property policy, including ownership, but do not explicitly mention the disclosure requirements.

University of Waterloo: In September 2016, the university developed a presentation deck that articulates the university's intellectual property disclosure policy for use with students and faculty. This presentation deck was used to make two presentations to chairs/deans and to graduate students in 2017.

- *require all faculties to use only disclosures made directly to the technology transfer office for performance review purposes; and*
  Status: All three universities: Will not be implemented. The Office of the Auditor General continues to support the implementation of this recommendation.

Details

All three universities informed us that they will not implement this recommendation. The University of Toronto told us that it does not believe that a significant amount of intellectual property is not being disclosed to its technology transfer office. McMaster University did not believe that making this a requirement would lead to an increase in the likelihood that all inventions would be disclosed because faculty performance reviews, in most cases, do not have a heavy weighting on disclosures. The University of Waterloo said that technology disclosures are not significantly used in evaluating staff performance and are only nominally used within the faculty of engineering.

- *use research grant status reports sent to research funders to anticipate and track completeness of disclosures.*
  Status: All three universities: Will not be implemented. The Office of the Auditor General continues to support the implementation of this recommendation.

Details

All three universities informed us that they will not implement this recommendation. The University of Toronto told us that it does not believe that a significant amount of intellectual property is not being disclosed to its technology transfer office. McMaster University advised us that it would not be implementing this recommendation due to the time and resources needed to complete such a review. However, it informed us that it has occasionally followed up with inventors on the status of their work based on grant funding received, especially if the funding had objectives related to commercialization or developing applied technologies. The University of Waterloo said that there may not be a clear benefit given that it operates under an inventor-owned intellectual property policy.

Recommendation 10

In the absence of objective criteria to assess the commercial potential of disclosures, university technology transfer offices should develop a formal process to discuss and challenge decisions on commercial potential, including assessments undergoing a second level of review.

Status: University of Toronto: Fully implemented.

McMaster University: In the process of being implemented by December 2017.

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

Details

University of Toronto: All invention disclosures available to the university (those where ownership has not been acquired by the inventor or a third party) are reviewed by the technology transfer office and also by an external organization (MaRS Innovation), which provides a second level of review. In addition, the university works with other external commercialization partners, such as the Centre for the Commercialization of Regenerative Medicine, for additional review as required.

McMaster University: The technology transfer office holds monthly group meetings to review and challenge decisions made regarding the commercial potential of inventions. A guideline has been developed to formalize this secondary review process but no documentation of these discussions is currently retained. The technology transfer office intends to implement a process for recording minutes and keeping other documentation to support this review by December 2017.

University of Waterloo: The university advised us that it will not implement this recommendation because implementation of a secondary staff-level review would consume significant additional staff time for limited benefit. The university believes its current practice of completing an assessment worksheet and discussion between the designated Technology Manager and the Director is adequate to ensure that a project can be initiated in a timely manner. Furthermore, it says its current assessment processes rely on submitting project proposals to various federal government programs to secure funding to further demonstrate commercial viability. These programs perform their own expert peer review process, which the university considers to serve as a better second level of review than additional internal staff efforts.

Recommendation 11

To help ensure commercialization assessments are completed within a reasonable timeframe to avoid delays in patent filings, university technology transfer offices should:

- *establish time frames to complete assessments based on technology type or complexity of invention; and*

  Status: All three universities: Will not be implemented.

Details

None of the universities have established time frames to complete assessments based on the type or complexity of an invention. All three universities advised us that determining unique time frames for assessments would be too difficult to complete because of the diverse range of technologies assessed, stage of technological development, researcher interest in commercializing, and other considerations.

- *formally track and review how long it takes to complete assessments, and address any delays identified.*

  Status: University of Toronto: Little or no progress.

  McMaster University: In the process of being implemented by December 2017.

  University of Waterloo: Fully implemented.

Details

University of Toronto: The university does not track compliance with its 45-day target for completing an initial assessment of a disclosure. It noted that assessment times are often dependent on response times to information requests made to inventors and/or industry partners. At the time of our follow-up, the university informed us that it would commit to undertaking an annual process to review overall disclosure processing timelines and identifying possible system reasons for delay.

McMaster University: An informal review of assessment timelines began in June 2016 as part of monthly group meetings. However, no formal report or analysis is prepared. The technology transfer office is exploring ways to generate reports on assessment completion times and plans to have these reports in place and to evaluate whether they help identify undue delays by December 2017.

University of Waterloo: As of June 2017, the university began receiving a report to periodically review assessment times. But it advised us that there can be good reasons for purposely delaying a patent application—for example, to assemble additional data leading to a stronger application.

Recommendation 12

To help ensure intellectual property is properly protected, universities and/or their technology transfer offices, as applicable, should:

- *ensure contracts with faculty associations and researchers include provisions to make them aware of the importance of not disclosing inventions prior to filing for patent protection;*

  Status: University of Toronto and the University of Waterloo: Will not be implemented. The Office of the Auditor General continues to support the implementation of this recommendation.

  McMaster University: No longer applicable. Objective of the recommended action is being met through other means.

Details

University of Toronto: The university does not consider it necessary to amend its agreement with its faculty association because the purpose of the agreement is to set out the general relationship between faculty and the university, not specific provisions such as disclosing inventions. As a condition of employment, all faculty members agree to follow university policies (including the inventions policy) as outlined in their appointment letters. The university considers it inappropriate to single out the inventions policy among all others in appointment letters, since the majority of faculty will not be engaged in activities that result in disclosures. However, we noted that the university's invention policy does not warn against publicly disclosing inventions before filing for patent protection.

McMaster University: At the time of our audit, only this university had a formal policy on its website warning faculty and students about public disclosure of discoveries. The university's faculty association handbook is provided to all faculty to inform them of the policies they are expected to adhere to, including the university's intellectual property policy. This policy states that those involved in commercialization may be asked to withhold publication or refrain from making any presentations for at most six months from the time of disclosure, to ensure that appropriate protection can be put in place.

University of Waterloo: The university will not be implementing this recommendation. The university's reasoning is that the memorandum of understanding (MOU) with faculty spells out the terms and conditions of employment and it does not believe the MOU is the proper vehicle to specifically detail aspects of protecting intellectual property. The university believes that the objectives of this recommendation would be more appropriately implemented through education initiatives to increase awareness rather than formal faculty employment agreements.

- *file for patent protection as early as possible, where appropriate, to minimize the risk of others filing first and precluding them from obtaining a patent.*

  Status: All three universities: Little or no progress.

Details

All three universities informed us that they try to balance quick filing of patent protection with ensuring sufficient data has been compiled to support a strong patent application, thereby increasing the chances that a patent is granted. All three indicated that many factors have to be considered in determining when to file an application. However, none of the universities have done an analysis to compare the length of time taken to file a patent application with the success rate in obtaining a patent to support their assertions. Timely filing for patent protection does not preclude taking the time to develop a strong application.

Since our 2015 audit, the University of Toronto has hired a Patent Portfolio Administrator to aid with the timely filing of patent applications. We reviewed disclosures made at McMaster University for 2016 and noted that 37% of inventors indicated that they had made information public before disclosure to the transfer technology office.

Recommendation 13

To permit efficient management review of commercialization decisions and efforts and to help facilitate knowledge transfer among personnel in case of staff turnover, universities should:

- *develop case management documentation guidelines; and*

Status: University of Toronto and McMaster University: Little or no progress.

University of Waterloo: Fully implemented.

Details

At the time of our 2015 audit, we noted that the method used by all three universities to document the decisions and actions they took to manage inventions disclosed to them made it difficult to assess the sufficiency and scope of commercialization activities. For example, key decisions and actions were not summarized, and there were no checklists noting the full suite of commercialization activities to be undertaken. It was difficult to understand the full scope of commercialization activities from a review of the electronic files alone without commercialization managers explaining what actions and decisions they had taken to date.

At the time of our follow-up, the University of Toronto and McMaster University had not developed guidelines or made changes to their case management documentation to address the concerns above. McMaster University advised us that the nature of the technology or discovery may vary greatly, making it difficult to standardize documentation.

In May 2017, the University of Waterloo developed a draft case management standard operating procedure document that outlines the commercialization process staff should follow as well as certain documentation requirements.

- *ensure that commercialization decisions and actions are clearly and consistently documented in accordance with the guidelines to be developed.*

Status: University of Toronto and McMaster University: Little or no progress.

University of Waterloo: Fully implemented.

Details

University of Toronto and McMaster University: The universities were using the same case management system that was in place during our initial audit. McMaster University advised us that the nature of the intellectual property may vary greatly, making it difficult to standardize documentation.

University of Waterloo: The university designed an activities checklist to be used as a case management guideline for staff, starting June 2017. This checklist identifies standard tasks to be performed in the assessment and management of each disclosure received by the technology transfer office. These include looking for evidence that an invention is already known, scheduling internal meetings with the Director of Commercialization, contacting private companies for feedback, developing marketing plans, and other tasks. The case management system was also upgraded to allow management reports to be pulled based on the checklist data. These management reports could allow for review of key tasks and their associated due dates and completion dates, along with details of actions taken.

Recommendation 14

To manage costs incurred in the effort to commercialize intellectual property, university technology transfer offices should implement formal policies and guidelines regarding cost management, and track costs incurred by type (e.g., legal costs, patent fees, and marketing) for each disclosure.

Status: University of Toronto: Fully implemented.

McMaster University: Fully implemented.

University of Waterloo: In the process of being implemented by fall 2017.

Details

University of Toronto: The university has not established policies related to cost management of commercialization efforts for projects because commercialization activities vary across projects, and therefore it advised that a single framework is not appropriate. However, the university does track costs of commercialization activities for each project, for example, legal fees and patent costs, against informal guidelines.

McMaster University: Patent and legal expenses for each technology are recorded in the technology transfer office's information system and updated on a monthly basis. Technology transfer office staff also provide quarterly cost projections of expected patent and legal costs for each active disclosure they are managing to allow for better cost management.

University of Waterloo: The university is developing a semi-annual report that will provide staff with a snapshot of total patent and marketing costs for each of their projects and will require them to estimate and report on upcoming costs within the next six months; the report is expected to be implemented by fall 2017.

Recommendation 15

To help ensure the timely and accurate collection of revenue owing, all universities should:

- *ensure they have an accurate and up-to-date tracking payment schedule that includes due dates, so that universities can bill one-time payments in advance and remind licensees to submit royalty payments on time;*

  Status: All three universities: Fully implemented.

Details

University of Toronto: Since our 2015 report, the university has created a new administrative position to formally track all licensing projects, royalty payments and invoicing. Tracking documents have been created to let the university track money owed to it.

McMaster University: As of March 2016, payment schedules and licensee reporting requirements for current and active licences or commercialization agreements have been updated in the technology transfer office's information system. They now include activity alerts to ensure that university staff can issue invoices, request royalty reports, and follow up on late payments in a timely manner.

University of Waterloo: The university has developed a licence agreement checklist, containing information on fees due and licensee reporting requirements, that staff use once a commercialization deal has been executed. The technology transfer office administrator inputs the information from the checklist into the office's information system. Payment alerts have been programmed into the system, allowing staff to follow up when due dates are missed.

- *obtain sales and revenue reports from licensees to support the amount of royalties remitted;*

  Status: All three universities: Fully implemented.

Details

University of Toronto: The new administrative officer regularly reviews sales and revenue reports from licensees to support the amount of royalties received.

McMaster University: The technology transfer office's information system has been modified to request revenue reports from licensees and follow up when these are not received.

University of Waterloo: At the time of the audit, this university was in compliance with the recommended action to obtain adequate documentation to support the royalty payments received.

- *develop criteria to help assess when it is worthwhile to ask for an audit report (for example, when royalty payments are dependent on sales generated); and*

  Status: University of Toronto: Fully implemented.

  McMaster University: Little or no progress.

  University of Waterloo: In the process of being implemented by end of September 2017.

Details

University of Toronto: As part of a commercialization FAQ document, the university has developed criteria for when an audit may be undertaken. The criteria include:

- The products being sold are clearly dependent on the intellectual property licensed under the agreement.
- There is a sudden or unexpected decrease in royalty revenue.
- The lost revenue is expected to be greater than 5%.
- The lost revenue is expected to be greater than $250,000.

McMaster University: No criteria have been developed, but the technology transfer office advised that it has been involved in discussions with other universities regarding best practices for audit criteria.

University of Waterloo: The University of Waterloo has had discussions with the University of Toronto on the process it used to implement our recommendation, and was determining what elements of the process fit best with its practices. The university expects to implement this recommendation by end of September 2017.

- *enforce the interest penalties stipulated in contracts to encourage licensees to submit revenue payments on time.*

  Status: University of Toronto and McMaster University: Fully implemented.

  University of Waterloo: No longer applicable.

Details

University of Toronto: The university informed us that it follows up on delinquent payments as applicable and flags them for senior management at the technology transfer office. The university informed us that since 2015, it has had only three delinquent payments and charged interest in one case. In the second case, it terminated the licensing agreement, and in the third, it was waiting as the entity was undergoing restructuring.

McMaster University: At the time of our follow-up, this university was enforcing interest rate penalties. However, the university advised that interest penalties are not always an option for start-up or small companies where payment may be delayed due to their financial situation. In these cases, consideration is given to renegotiation or development of alternative payment schedules.

University of Waterloo: The technology transfer office's template for future agreements has eliminated the interest penalty provision because it believes that the provision to terminate an agreement for non-payment is much more of an incentive to pay than collecting a nominal interest penalty.

Chapter 1

Section

1.15 Toward Better Accountability

Follow-Up on Chapter 5, *2015 Annual Report*

RECOMMENDATION STATUS OVERVIEW					
	# of	Status of Actions Recommended			
	Actions Recommended	Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	2	1	1		
Recommendation 2	1	1			
Recommendation 3	1		1		
Recommendation 4	1		1		
Recommendation 5	1		1		
Total	**6**	**2**	**4**	**0**	**0**
%	**100**	**33**	**67**	**0**	**0**

Overall Conclusion

According to the information Treasury Board Secretariat provided to us, as of July 26, 2017, 33% of actions we recommended in our *2015 Annual Report* had been fully implemented. For example, Treasury Board Secretariat issued an update to the Agencies and Appointments Directive in July 2016 that stipulated that a Minister must approve an agency's annual report (and, where required by statute, table it in the Legislature) within 60 days of receiving it from the agency. The annual report must also be posted on the agency's or a government website within 30 days of tabling (if the report was tabled) and within 30 days of the Minister's approval (if it was not tabled).

Treasury Board Secretariat had made progress in implementing the remaining 67% of the recommendations. For example, it was in the process of amending the legislation covering agencies to streamline the annual reports approvals and public release process. In addition, Treasury Board Secretariat was developing tools to help track agencies' compliance with their deadlines, and providing training and education to ministries regarding agency annual reporting.

The status of actions taken on each of our recommendations is described in this report.

Background

Overview of Provincial Agencies

Provincial agencies undertake a variety of activities in the public interest, such as providing goods and services. They operate, to varying degrees, at arm's length from the government.

The Government of Ontario grants provincial agencies the authority and responsibility to perform their public functions or services. It establishes agencies through an act, a regulation of an act or an Order-in-Council (OIC), which is an order that the government issues to, for example, bring a law into force or appoint members to the board of an agency.

Agencies' governance structures are defined by Management Board of Cabinet directives issued under the *Management Board of Cabinet Act* and consist of three key parties:

- the responsible Minister;
- the governing board; and
- the agency's management.

Although agencies are not part of a ministry, they are accountable to the responsible Minister (and ultimately to the Legislature and the public) for fulfilling their legislative obligations, managing effectively the resources they use and maintaining the appropriate standards for any services they provide. To perform their duties, they either use public funds allocated to them by the government or generate their own funds.

An agency's annual report details the agency's activities and expenditures. This enables the government and the public to know whether the agency has achieved its goals and how it has spent its money.

In some cases, the legislation, regulation or OIC that established the agency specifies that the agency must produce an annual report. It may also specify when the annual report must be submitted to the responsible Minister.

In some cases, a Memorandum of Understanding (MOU) between the agency and its responsible Minister specifies when the annual report is to be submitted.

Given that legislation stipulates reporting requirements for only a limited number of agencies, and in some cases does not prescribe timelines, the Management Board of Cabinet has issued directives that formally require the preparation of annual reports by given deadlines. Treasury Board Secretariat is responsible for ensuring that provincial agencies comply with these directives.

The Legislature's Standing Committee on Government Agencies reviews proposed appointments to the boards of directors and other key roles of provincial agencies, as well as reviewing agency operations. It reports its findings and recommendations to the Legislature.

The Directives Governing Agency Annual Reporting

Two Management Board of Cabinet directives for agencies relating to annual reporting had been issued when we conducted our work for the *2015 Annual Report*. One, the Agency Establishment and Accountability Directive, was in effect until February 2015, and the second, the Agencies and Appointments Directive, succeeded and replaced the Agency Establishment and Accountability Directive as of February 2015.

Prior to February 2015—Agency Establishment and Accountability Directive

Under this directive, agencies (except advisory agencies and agencies with differing legislated requirements) were required to submit an annual report to the responsible Minister:

- within 120 days of the end of their fiscal year if they had a governing board; or
- within 90 days of the end of their fiscal year if they did not have a governing board.

Annual reports were required to include the agency's financial statements, as well as actual results, variances against estimates and explanations of those variances.

February 2015—Agencies and Appointments Directive

Under the new Agencies and Appointments Directive, issued in February 2015, in addition to the financial reporting required by the old directive, annual reports must contain a description of the agency's activities over the year, an analysis of operational and financial performance, and a discussion of performance targets achieved and of action to be taken when targets are not met.

Our 2015 Main Findings on Agency Annual Reporting

The following are the main findings in our *2015 Annual Report*:

- The annual reports of many of the 57 agencies in our sample were not submitted to the responsible Minister in time and not tabled in time over the previous three years. For example, only 58% of the agencies sampled submitted their annual reports to their responsible Minister within 120 days after the agency's fiscal year-end. Only 5% of annual reports were tabled within six months after the agencies' fiscal year-end, while 68% were tabled more than 12 months after the year-end, and 6% had not been tabled at all.
- Deadlines for submitting and tabling annual reports were not consistent. The agencies that report under the requirements of legislation, a regulation, an OIC or an MOU could have different reporting timelines than the other agencies subject to the requirements of the Management Board of Cabinet directive.
- The Agencies and Appointments Directive issued in February 2015 eliminated the requirement for Ministers to table provincial agency annual reports in the Legislature. One hundred and one provincial agencies fell under a statue that required them to table their annual report in the Legislature.
- The Agencies and Appointments Directive also did not specify a deadline for Ministers to release reports, either through tabling or by posting them on websites. As a result, an annual report could potentially sit in a Minister's office for months or even years without being released, and the Minister would not be in contravention of the directive.

We made five recommendations, consisting of six actions needed for improvement, and received Treasury Board Secretariat's commitment that it would take action to address them.

Standing Committee on Public Accounts

In April 2016, the Standing Committee on Public Accounts (Committee) held a public hearing on our 2015 chapter on Toward Better Accountability. In December 2016, the Committee tabled a report in the Legislature resulting from this hearing. The Committee endorsed our findings and recommendations. The Committee also made six of their own recommendations, consisting of a total of eight action items. Treasury Board Secretariat reported back to the Committee in April 2017. At the time of our follow-up, it had fully implemented four of the action items recommended by the Committee and it was in the process of implementing the remaining four action items. The Committee's recommendations and our follow-up on them are found in Chapter 3, **Section 3.07**.

Status of Actions Taken on Recommendations

We conducted assurance follow-up work between March 3, 2017 and July 26, 2017, and obtained written representation from Treasury Board Secretariat on September 12, 2017 that it had provided us with a complete update of the status of the recommendations we made in the *2015 Annual Report*.

Significant Delays in the Public Release of Annual Reports

Recommendation 1

To ensure agencies effectively demonstrate their accountability to their responsible Minister, the Legislature and the public, Treasury Board Secretariat, in conjunction with the ministries, should ensure that all agencies submit their annual reports within legislated time frames or the directed 90 or 120 days.

Status: Fully implemented.

Details

In our 2015 report, we found that less than a quarter of agencies sampled had legislated time frames for submitting their annual reports. The legislated time frames for these agencies to submit their annual reports to the responsible Minister varied from 90 days to 183 days after the end of the agency's fiscal year. Of the agencies sampled, five out of the 14 agencies with legislated time frames met their legislated requirements for submitting their annual reports. Overall, 58% of the agencies sampled submitted their annual reports to the responsible Minister within 120 days after the agency's fiscal year-end.

To ensure that all agencies submit their annual reports in time, Treasury Board Secretariat launched a new compliance tracking module in May 2017. Ministries continue to be responsible for tracking the status of documents for their agencies as they move through the approval process, but now have to use the module to report to Treasury Board Secretariat when key milestones are reached. The compliance tracking module gives Treasury Board Secretariat real-time information on all agencies' status in meeting their deadlines. Treasury Board Secretariat is using it to let ministries know that deadlines are approaching.

In addition, in June 2017, Treasury Board Secretariat began educating and training staff in ministries and Ministers' offices to improve their awareness of the requirements and timelines of the Agencies and Appointments Directive, to provide better insights into challenges and opportunities to enhance the annual report submission process, and to reduce potential delays when there is staff turnover at ministries.

In addition, ministries should co-ordinate with their Ministers to ensure the Minister tables and/or otherwise makes public the annual reports in a timelier manner than in the past.

Status: In the process of being implemented by October 2017.

Details

In our 2015 report, we found that only 5% of provincial agencies' annual reports, from 2012 to 2014, were tabled in the Legislature within six months of the agency's fiscal year-end. However, as previously indicated, 58% were provided by agencies to ministries within the required timeline in accordance with the Agency Establishment and Accountability Directive. This indicated to us that delays within the Minister's office mainly contributed to the delays in tabling of the annual reports.

Treasury Board Secretariat issued an update to the Agencies and Appointments Directive in July 2016 that stipulated that a Minister must approve an agency's annual report (and, where required by statute, table it in the Legislature) within 60 days of receiving it from the agency.

In addition, as previously discussed, Treasury Board Secretariat had developed a compliance tracking module for reviewing compliance results and sharing them with officials at various levels at the ministries and Ministers' offices. The intent is for progress to be presented on a regular basis to the Assistant Deputy Minister and Director Committees on Agency Oversight. At the time of our follow-up, Treasury Board Secretariat was planning to proactively reach out to ministries to ensure they meet their deadlines. For example, Treasury

Board Secretariat wants ministries to report not only their compliance, but also steps they are taking to ensure compliance, mitigation plans for areas/agencies at risk of being late, and/or remedial plans when agencies do not comply. This functionality was not yet available within the tracking module. Refinements and enhancements to the process and module were to be operational in October 2017.

Maximum Time Frames for Ministers to Approve Annual Reports for Public Release Eliminated for Most Agencies

Recommendation 2

To ensure that the annual reports of provincial agencies are released promptly, Treasury Board Secretariat should advise the government to consider revising the Agencies and Appointments Directive to specify the period of time for ministerial approval of agency annual reports after ministers receive them.

Status: Fully implemented.

Details

We reported in 2015 that, since there were no requirements for when a Minister must approve an annual report after receiving it, an annual report might never be made public if a Minister does not (unintentionally or by choice) approve it.

In July 2016, Treasury Board Secretariat changed the Agencies and Appointments Directive to stipulate that the responsible Minister must approve an agency's annual report (and, where required by statute, table it in the Legislature) within 60 days of receiving it from the agency. The annual report must also be posted on the agency's or a government website within 30 days of tabling or within 30 days of the Minister's approval if tabling is not required.

Directive No Longer Requires Annual Reports to Be Tabled

Recommendation 3

To increase the accountability of publicly funded provincial agencies after the directive was changed so that annual reports are no longer required to be tabled, Treasury Board Secretariat should advise the government to establish a process to ensure that all elected officials are notified when agencies publicly release their annual reports.

Status: In the process of being implemented by April 2018.

Details

We noted in our 2015 report that, notwithstanding Ontario's move away from tabling reports in the Legislature to posting them on websites, not tabling an agency's annual report may result in some loss of accountability and Legislature oversight. While posting a report on a website gives the public access to the report, tabling a report brings agencies' annual results to the attention of all elected officials, who can hold these agencies—which are responsible for billions of dollars in public funds—accountable. We therefore recommended that, in the absence of the tabling requirement, elected officials should be notified when agencies' annual reports are made public.

At the time of our follow-up, Treasury Board Secretariat was working on changes to legislation for all agencies so that legislation aligns with the timelines in the Agencies and Appointments Directive. In addition, Treasury Board Secretariat received government approval to update the Agencies and Appointments Directive to require tabling of all provincial agencies annual reports. This will result in elected officials being notified through the tabling process when an annual report is publicly released. Treasury Board Secretariat expects the Agencies and Appointments Directive will be updated by April 2018.

Requirements for Agency Annual Reports Lack Consistency

Recommendation 4

To ensure that provincial agencies are consistent in following the Agencies and Appointments Directive, Treasury Board Secretariat, in conjunction with Management Board of Cabinet, should consider amending the legislation governing some agencies to eliminate any inconsistencies with the directive, or introducing legislation applicable to all agencies that covers the preparation and tabling date or public release date for all annual reports.

Status: In the process of being implemented by fall 2017.

Details

We reported in 2015 that it is confusing for the reporting timelines of an agency and its responsible Minister to potentially be found in several different places—the establishing statute, a regulation, an Order-in-Council (OIC), a Memorandum of Understanding (MOU) or the Agencies and Appointments Directive. For example, an agency may mistakenly follow the Agencies and Appointments Directive for its reporting requirements when it should be following its establishing statute. We therefore recommended that consideration be given to having consistent reporting requirements for all agencies.

In late 2016, Treasury Board Secretariat undertook an in-depth legislative review to identify all statutory references to both the preparation and tabling of provincial agency annual reports. The review yielded 129 references to 119 provincial agencies associated with 19 ministries in 63 statutes, 10 regulations and five OICs.

In December 2016, Treasury Board Secretariat received approval from Treasury Board and Management Board of Cabinet to proceed, in collaboration with the 19 ministries, with the process of changing legislation to ensure consistent timelines and alignment with the Agencies and Appointments Directive.

At the time of our follow-up, Treasury Board Secretariat was proposing that legislative amendments include:

- standardizing all statutory language relating to provincial agency annual report production; and
- eliminating inconsistencies with the Agencies and Appointments Directive in agencies' governing legislation (simultaneously updating the Agencies and Appointments Directive to include a requirement to table).

At the time of our follow-up, Treasury Board Secretariat was planning to seek government approval of the legislative amendments in fall 2017.

Standing Committee on Government Agencies Has Not Reviewed Many Agencies, Boards and Commissions Since 1996

Recommendation 5

To ensure the ongoing accountability and transparency of the operations of provincial agencies, Treasury Board Secretariat should consult the Legislative Assembly of Ontario on how best to ensure the Standing Committee on Government Agencies is provided with all agencies' annual reports when they are made public, as the annual reports can assist the Standing Committee in determining which agencies it considers for review.

Status: In the process of being implemented by April 2018.

Details

We reported in 2015 that there is no requirement that all provincial agencies' annual reports be referred to the Legislature's Standing Committee on Government Agencies for review. Under the Agencies and Appointments Directive, not all annual reports are required to be tabled, and therefore the Committee receives only the reports of those agencies whose enabling legislation or a Memorandum of Understanding requires them to table their annual reports. As such, Committee members might not be receiving full information on agencies' annual results. It is important for the Committee to have such information as it could factor into its selection of which agencies to review.

At the time of our follow-up, Treasury Board Secretariat was working on an approach to notify all members of the Legislative Assembly, elected officials and the Standing Committee on Government Agencies, to implement this recommendation by:

- amending the Agencies and Appointments Directive, and
- seeking government approval for legislating timelines that are consistent with the Agencies and Appointments Directive.

In August 2017, Treasury Board Secretariat received government approval to update the Agencies and Appointments Directive to require that all provincial agencies' annual reports be tabled. This will result in elected officials being notified through the tabling process when an annual report is publicly released. Treasury Board Secretariat expects the Agencies and Appointments Directive to be updated by April 2018.

Chapter 2

Section

2.01 Community Care Access Centres—Financial Operations and Service Delivery

Follow-Up on *September 2015 Special Report*

RECOMMENDATION STATUS OVERVIEW						
	# of	Status of Actions Recommended				
	Actions Recommended	Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	1	1				
Recommendation 2	1	0.5				0.5
Recommendation 3	2		2			
Recommendation 4	2		2			
Recommendation 5	1	1				
Recommendation 6	2		2			
Recommendation 7	1	1				
Recommendation 8	1	1				
Recommendation 9	1	1				
Recommendation 10	1		1			
Recommendation 11	1	1				
Recommendation 12	3	1	2			
Recommendation 13	2	2				
Recommendation 14	1		1			
Recommendation 15	2	1	1			
Recommendation 16	1		1			
Total	**23**	**10.5**	**12**	**0**	**0**	**0.5**
%	**100**	**46**	**52**	**0**	**0**	**2**

Overall Conclusion

Note: Ontario's Community Care Access Centres (CCACs) were absorbed by the Local Health Integration Networks (LHINs) between May and June 2017.

According to the information the Ministry of Health and Long-Term Care (Ministry), Health Shared Services Ontario and the CCACs (now part of the LHINs) provided to us, as of June 30, 2017, 46% of the actions we recommended in our *2015 Special Report* had been fully implemented.

The Ministry, Health Shared Services Ontario and the CCACs have made progress in implementing 52% of the recommendations. The Ministry, Health Shared Services Ontario and the CCACs have fully implemented recommendations relating to areas such as earlier finalization of annual funding, following a common CEO compensation framework, changing rapid-response nurses staffing schedules to provide coverage over the weekend, developing staff caseload benchmarks for direct-nursing services, and developing performance indicators for these services. As well, the organizations were in the process of implementing recommendations relating to areas such as analyzing hospital readmission trends for all patients who have received rapid-response nursing services, putting harmonized billing rates for CCACs' contracted service providers in contracts, and developing standard data requirements to measure the cost-effectiveness of care protocols.

Another significant change that was continuing throughout our follow-up period was the streamlining of the service delivery model for home and community care. With the passage of the *Patients First Act, 2016*, the CCACs were dissolved and the responsibility for home and community care was transferred to the LHINs. By the time this follow-up report is released, CCACs would cease to exist.

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

Background

At the time of our 2015 audit, Ontario's 14 Community Care Access Centres (CCACs) were not-for-profit provincial government organizations that helped people access home- and community-based health care and related social services outside a hospital setting. These services included nursing, personal support, physiotherapy and occupational therapy, for example. Each CCAC was overseen and funded by a Local Health Integration Network (LHIN).

Following our *2015 Special Report*, Ontario passed the *Patients First Act* in December 2016. The Act expands the mandate of the LHINs as the single point of accountability for home and community care. At the time of our follow-up work, the Province was in the process of dissolving the CCACs and transferring their staff, resources and responsibilities to the LHINs.

In the 2016/17 fiscal year, CCACs spent about \$2.7 billion (\$2.4 billion in 2013/14), or about 5% of Ontario's total health-care expenditures. In the 2016/17 fiscal year, they served about 760,000 people (compared to about 700,000 people in 2013/14).

CCACs employed mostly care co-ordinators who determined the eligibility for and appropriateness of patient care and support, which was ultimately delivered, for the most part, by about 160 contracted service providers. These service providers ranged in size from individual professional contractors to large multi-disciplinary corporations operating in several provinces. In the 2016/17 fiscal year, six of the 14 (compared to five of the 14 in 2014/15) CCACs employed their own professionals to provide therapy services rather than contracting with external service providers.

In 2011, the Ministry of Health and Long-Term Care (Ministry) directed all CCACs to begin providing direct patient services in three program areas (rapid-response nurses, mental health and addiction nurses, and palliative care nurse practitioners). Under these programs, CCACs themselves employed and supplied direct-care nurses.

The Ontario Association of Community Care Access Centres (Association), funded by the Ministry and the CCACs, represented all CCACs. The Association provided shared services, such as procurement, policy and research, and information management to the CCACs.

In March 2014, the Standing Committee on Public Accounts requested that we review areas that included expenses, compensation, program effectiveness and procurement of home- and community-care services at the CCACs, their contracted service providers, and the Association. Among our findings included in our September 2015 *CCACs—Financial Operations and Service Delivery* special report:

- **Between 2009/10 and 2013/14, CCAC expenses increased 26% to provide more hours of care to patients with more chronic and complex health needs**—Combined spending by the 14 CCACs rose 26% between April 1, 2009, and March 31, 2014. About 62% of CCAC spending went to contracted service providers to supply services such as nursing, personal support and therapy. In the year ending March 31, 2014, these contracted service providers received from the 14 CCACs a combined total of about $1.5 billion, up 28% from the year ending March 31, 2010. Over the same period, the hours of care rose by 35% and the number of visits rose by 10%. Also over the same period, CCACs served a patient population with much more chronic and complex health issues. (The number of chronic and complex patients increased by 89% and 77%, respectively.) Spending by the Association increased by 6% over the same period.
- **Costs that CCACs considered to be for "direct patient care" included items that did not involve direct interaction with patients, such as service providers' overhead and profit**—CCACs follow the provincial health-cost-reporting guidelines and include all expenses they incur to care for patients as "direct patient care costs." This encompasses all expenses paid to CCACs' own clinical staff plus all the expenses they pay to contracted service providers—including the service providers' overhead costs and profits. Profits are defined as the difference between revenue from CCACs and expenses incurred to provide CCAC directed services, reported by both for-profit and not-for-profit service providers. (CCACs exclude their own overhead and administrative costs in reporting direct patient care costs). Using these rules, CCACs reported spending an average of 92% of their expenses on direct patient care in the year ending March 31, 2014. However, when service-provider overhead costs and profits are excluded from the calculation, the average falls to 81%. Furthermore, within the health-care sector, the definition of the term "direct care" varies. One stricter definition includes only those activities that involve direct interaction with patients. It excludes activities that might *influence* patient care but do not involve interaction, such as documenting patient care activity, travel and staff training. Under this definition that excludes both CCAC and service-provider spending on anything but direct patient interaction, CCACs spent on average 71.5% of total expenditures on direct patient care in the year ending March 31, 2014. If we include the costs of care-co-ordinator travel (which is inherent to home and community care) and documenting patient care (which is required under professional practice standards), CCACs spent an average of 72% of their expenses on direct patient care in the year ending March 31, 2014. Regardless of the definition used, spending on direct patient care benefits patients only to the extent that the care is effective and results in better patient outcomes. Neither the Ministry nor the CCACs and their Association had analyzed how given amounts of spending on any given

patient-care activities correlate with the patient outcomes that result. Such analysis would help CCACs prioritize their spending, and allocate sufficient resources and funds to the most effective patient-care activities.

- **CCAC CEOs' salaries up 27% between 2009 and 2013**—The 14 CCACs paid their CEOs an average of $249,000 each in 2013 (the most recent year that data was available during our audit), up 27% compared to the average in 2009. Excluding one-time payouts such as severance and vacation pay, the annualized salaries of CEOs at CCACs averaged $245,300 in 2013, also up 27% since 2009. This was 43% more than what service providers in 2013 paid their executives who they claimed to have similar responsibilities and duties as the CCACs' CEOs. However, in many cases CEOs at CCACs do in fact have different responsibilities and oversee different kinds of organizations than their service-provider CEO-equivalents. In these cases, comparing their compensation is more of an "apples-to-oranges" exercise than an "apples-to-apples" one.
- **Not all CCAC CEOs followed the common compensation framework designed specifically for them; service-provider CEOs followed different frameworks**—While all CCACs agreed to adopt a common CEO compensation framework that was developed in 2012, three had not implemented it at the time of our fieldwork. In addition, compensation for non-CEO senior executives was inconsistent, with CCACs using a variety of different compensation frameworks. Among the nine service providers we visited in this audit, all used different compensation frameworks for their executives (both CEOs and non-CEOs).
- **CCAC nurses and therapists were better paid than their service-provider counterparts in the year ending March 31, 2014**—We found that CCAC nurses were paid on average $40.80 an hour, compared to an average of $30 an hour for nurses employed by service providers. The difference in pay is due to nursing unions negotiating different pay rates with CCACs and service providers. Also, the two CCACs we visited that employed their own in-house therapists paid their therapists significantly more than what they paid service providers for similar services. At one CCAC, the higher pay was because the therapists served a large, sparsely populated geographic area without any service providers (such areas do not have a stable enough volume of work to keep service-provider staff fully employed). At the other, the higher pay was because the therapists' responsibilities were greater than those given to service-provider therapists.
- **No cost/benefit analysis of CCAC nurses directly providing services under three new programs (rapid response, mental health and addiction, and palliative care) was prepared before the programs were launched, and the effectiveness of these programs has not been evaluated**—The Ministry implemented three new programs in 2011 that required CCACs to hire their own nurses and nurse practitioners to directly provide services without the involvement of service providers. However, the Ministry did not first analyze whether service providers could provide the same service more cost-effectively. The programs have now been in place for more than three years but have not been assessed to determine whether they have met their goals. As well, even though both the Ministry and the Association developed some performance indicators for the three programs, most of these indicators did not measure program outcomes, and there were no targets set to ensure performance was meeting expected levels. The rapid-response nurses are supposed to visit patients at home within 24 hours of their being discharged from hospital, but 47% of patients were not visited within 24 hours. One CCAC we visited explained that this standard is not always

met because many patients are discharged on Fridays and there is no nursing coverage on weekends in some parts of the region.

- **Billing rates for the same service categories varied by service provider and CCAC—** Before February 2008, CCACs across Ontario used a competitive process to procure contracted services. The Ministry suspended this process because it heard that patients were concerned about losing their existing support workers whenever a competitive procurement process resulted in a change of service provider. During the use of the competitive process, different billing rates for services were established. Those billing rates did not change, even after CCACs amalgamated from the original 42 to the 14 in 2007. As a result, rates varied widely across CCACs, with some rates in certain service categories being more than double that of others for the same services. Moreover, some CCACs paid the same service provider different billing rates for the same service even within the same CCAC.
- **Service providers use a variety of clinical-care protocols; use of outcome-based pathways do not always result in cost savings—**There are no province-wide standard clinical-care protocols for service providers to use, and some CCACs require service providers to use a different care protocol for their patients than the service providers use for patients in other CCACs with the same type of medical condition. The Association has overseen the development of "outcome-based pathways" for specific conditions, such as wound care and hip and knee replacements, in addition to clinical-care protocols. These pathways state when specific improvements in a patient's recovery ("outcomes") should occur. By establishing and using these pathways, CCACs should, in time, be able to shift from paying service providers hourly or per visit to paying them based on achieving specified outcomes. This approach, in turn, should better enable the Ministry to adjust its health-care funding to hospitals and CCACs. Five CCACs tested the three pathways developed so far, but the Association was still analyzing the results at the time of our audit. As well, although achieving cost savings is not the sole objective for adopting clinical-care protocols and outcome-based pathways, we examined data on the treatment cost per patient before and after the implementation of clinical-care protocols at the three CCACs we visited, and found that the implementation of these tools did not always result in cost savings.

We made 16 recommendations, consisting of 23 actions needed for improvement, and received commitments from the Ministry, the Ontario Association of Community Care Access Centres and the three CCACs we visited during the audit (Central, North East, and Hamilton Niagara Haldimand Brant) that they would take action to address them.

Important Events Following Our 2015 Audit

In August 2016, the Ministry established a Levels of Care Expert Panel (Expert Panel) to provide advice and recommendations on the development and implementation of a levels-of-care framework in Ontario. The Expert Panel is co-chaired by a physician and a vice president of Health Quality Ontario (an agency created in 2005 to provide advice to the Minister of Health and Long-Term Care on the quality of health care), and a senior director at the former Toronto Central CCAC. The framework is intended to introduce common home- and community-care assessment and care planning practices, and is expected to have significant implications for care co-ordination.

In June 2017, the Expert Panel submitted a final report, *Thriving at Home: A Levels of Care Framework to Improve the Quality and Consistency of Home and Community Care for Ontarians*, to the Ministry. The Ministry expects to work with sector partners to plan for implementing the recommendations contained within this report through the summer and fall of 2017.

In December 2016, the *Patients First Act, 2016*, was passed. The Act expands the mandate of LHINs as the single point of accountability for home and community care through the transfer of CCAC staff, resources and services to the LHINs. By streamlining the delivery of services and removing a layer of administration within the CCACs, the Ministry expects the health-care system to be more responsive to people's needs. The transfer of all 14 CCACs into LHINs took place in stages, region by region, in May and June 2017.

As well, on March 1, 2017, Health Shared Services Ontario officially became operational. The organization, chaired by an associate deputy minister of the Ministry of Health and Long-Term Care and led by the former chief executive officer of the Ontario Association of Community Care Access Centres (Association), replaced the Ontario Association of Community Care Access Centres and two other former LHIN service organizations. Health Shared Services Ontario is tasked with supporting LHINs with health system integration and providing key shared service functions and supports to the LHINs.

Status of Actions Taken on Recommendations

We conducted assurance work between April 1, 2017, and June 30, 2017. We obtained written representation from the Ministry of Health and Long-Term Care (Ministry), Health Shared Services Ontario, and the three Local Health Integration Networks (Central, North East, and Hamilton Niagara Haldimand Brant) that have assumed the responsibilities of the former CCACs we visited, that effective September 1, 2017 they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Overall Expenses of CCACs, Service Providers and Ontario Association of CCACs

Recommendation 1

To ensure Community Care Access Centres (CCACs) can properly plan to meet patient-care needs, the Ministry of Health and Long-Term Care, in conjunction with the Local Health Integration Networks, should finalize the annual funding each CCAC will receive before the fiscal year begins or as early in the current fiscal year as possible.

Status: Fully implemented.

Details

The majority of home care services funding was a base budget that continued from one year to the next, but the finalized budget was subject to change during the year depending on whether the Ministry adjusted funding or implemented new initiatives. The Ministry informed LHINs of changes (an increase) in CCAC funding in April 2017 for the fiscal year 2017/18, compared to November 2014 three fiscal years prior.

Executive Compensation, Executive and Board Expenses

Recommendation 2

To ensure compensation paid to all Community Care Access Centre Chief Executive Officers (CEOs) is consistent and defendable, all Community Care Access Centres should follow a common CEO compensation framework and be required to report any exceptions to their respective Local Health Integration Networks.

Status: Fully implemented following the common compensation framework; reporting to LHINs is no longer applicable.

Details

We noted in our 2015 audit that while all 14 CCACs agreed to put in place the common CEO compensation framework developed in 2012, one was still in the process of implementing it and two had not yet implemented it at the completion of our audit.

Since the completion of our audit, all CCACs had implemented the compensation framework by the end of 2015.

As all 14 CCACs had completely transitioned to LHINs by the end of June 2017, the second part of our recommendation—that CCACs be required to report any exceptions to the common CEO compensation framework to their respective LHINs—is no longer applicable.

Direct Patient-Care Costs

Recommendation 3

To ensure Community Care Access Centres (CCACs) can consistently identify, compare and manage care co-ordinators' time and activities:

- *the Ontario Association of Community Care Access Centres, in conjunction with all CCACs, should update the standard care co-ordinator time-tracking report and establish benchmarks for time spent on various care co-ordination activities;*

  Status: In the process of being implemented by December 2018.

Details

The Association (now Health Shared Services Ontario) and the CCACs had begun developing benchmarks for care co-ordinators in the fiscal year 2015/16, including identifying weekly benchmarks for the number of patient visits. They had put this work on hold pending the outcome of the Ministry's initiative to develop a levels-of-care framework that would introduce common home- and community-care standards across the province. The LHINs expect to complete the review of the current care co-ordination benchmarks and guidelines and the associated reporting of care co-ordinators' time as part of the implementation of the levels-of-care framework by December 2018.

At the time of our follow-up, the individual CCACs we visited had implemented some initiatives to monitor care co-ordinators' time and activities. For example, one CCAC started identifying care co-ordinators' workload targets and tracking care co-ordinators' workload relating to their work with primary-care providers; another CCAC updated the care co-ordinators' workload list in its information system to better reflect the work that care co-ordinators do daily and for new initiatives.

- *all CCACs should use the updated standard care co-ordinator time tracking report.*

  Status: In the process of being implemented by December 2018.

Details

At the time of the follow-up, the levels-of-care framework had just been completed. The LHINs plan to review the framework and review the reporting of care co-ordination time by December 2018.

Recommendation 4

To ensure that funds are allocated where they will make the most positive difference for patient care, Community Care Access Centres, in collaboration with the Ontario Association of Community Care Access Centres, should:

- *analyze the relationship between specific patient-care activities—whether pertaining to direct patient contact or supportive services—and patient outcomes;*

  Status: In the process of being implemented by December 2018.

Details

In 2016, the Association (now Health Shared Services Ontario) began looking at the impact of personal support services on patient outcomes. Personal support services were identified as the starting point because they represent the highest-volume service provided by CCACs across the province. This analysis looks at several key patient outcome indicators, including reduced caregiver distress and lower rates of application to long-term care homes.

Another area where the sector had begun work in understanding the impact of care on patient outcomes is wound care. One of the goals in outcome-based pathways for wound care is to standardize the delivery of best practices and reporting in wound care. This work was put on hold pending the completion of provincial work led by Health Quality Ontario to develop wound care quality standards that would apply across the health system. The quality standards are expected to be released by the end of 2017. The Ministry is currently planning for implementation of the standards and will be collaborating with the LHINs in key priority areas of implementation in home and community care and other sectors. The LHINs expect that they will implement these quality standards in home and community care by December 2018.

The individual CCACs we visited in our 2015 audit had also undertaken some work to analyze the relationship between specific patient-care activities and patient outcomes. For instance, one CCAC completed an analysis on the outcomes of wound-care patients who received care at home versus those who received care at the CCAC's clinics. Based on the results of this analysis, which looked at outcome, heal time, utilization of services, and cost, the CCAC was better informed in its efforts to shift appropriate patients to care in clinic settings. Similarly, another CCAC changed the way it assigned therapy staff throughout the geographic area to reduce travel time, and used templates in the information system to speed up documentation for therapy services, both of which helped reduce patient wait time for these services.

- *use this information to set resource and funding benchmarks for key patient-care activities.*
  Status: In the process of being implemented by December 2018.

Details

At the time of our follow-up work, the Expert Panel had just submitted the levels-of-care framework to the Ministry. This framework contains guidance on resource benchmarks for home- and community-care patient activities. The LHINs expect that they will set resource and funding benchmarks for key patient-care activities by December 2018, following the implementation of the levels-of-care framework and Health Quality Ontario's quality standards.

Recommendation 5

To ensure that patients receive equitable and high-quality home- and community-based health care in the most cost-effective manner, the Ministry of Health and Long-Term Care should revisit the service delivery model that currently involves 14 Community Care Access Centres and about 160 private-sector for-profit and not-for-profit service providers.

Status: Fully implemented.

Details

In December 2016, the government passed the *Patients First Act, 2016*. This Act expands the mandate of LHINs to include the service management and delivery of home and community care. The 14 CCACs transferred their staff, resources and responsibilities into the LHINs in May and June 2017 and subsequently dissolved. Service-provider organizations that held contracts with the former CCACs will continue their contractual relationship with the LHINs. The LHINs will be managing these service contracts. The LHINs are also in the process of establishing sub-regions and aligning service-provider organizations and the delivery of contracted services with the sub-region boundaries.

Compensation of Nurses and Therapists at CCACs and Contracted Service Providers

Recommendation 6

To ensure that the in-house direct-nursing programs and therapy services are delivered as economically as *possible, the Ministry of Health and Long-Term Care, in conjunction with the Community Care Access Centres (CCACs), should:*

- *study the compensation paid to CCAC direct-nursing and therapist staff to confirm it is commensurate with the functions performed;*
  Status: In the process of being implemented by March 2018.

Details

CCAC (now LHIN) direct-nursing staff are unionized and compensation is set through the collective bargaining process. CCACs had begun collective agreement negotiations in fall 2016 and LHINs will continue negotiations through 2017 and 2018 as current contracts with the unions representing these staff expire. The home- and community-care sector indicated that negotiated rates for direct-nursing and therapists are based on recent trends in the labour market. The LHINs expected to finalize collective agreement negotiations in 2018.

- *incorporate into their assessment of possible changes to the service-delivery model under **Recommendation 5** an evaluation that includes information from all 14 CCACs of whether service-provider organizations or directly employed staff would be able to more cost-effectively deliver the direct-nursing programs (Rapid Response Nursing Program, Mental Health and Addictions Nursing Program, and Palliative Care Nurse Practitioner Program).*
  Status: In the process of being implemented by March 2020.

Details

At the time of our follow-up work, the CCACs we visited noted that they have strengthened their capacity to report on the performance metrics for the direct-nursing programs. Specifically, the CCACs have improved on the indicators, targets, and data collection system, as well as the training to support the implementation of these improvements. The results from this work are available to support the Ministry in evaluating the direct-nursing services model.

In December 2016, the government passed the *Patients First Act, 2016*. This Act expands the mandate of LHINs to include the service management and delivery of home and community care. The 14 CCACs were dissolved and their staff, resources and responsibilities were transferred into the LHINs in May and June 2017. Following this transition, the Ministry expects to focus on further improvements to the delivery model for home- and community-care services, including assessing whether direct-nursing programs would be delivered more cost-effectively by service-provider organizations or by directly employed staff.

Comparison of Effectiveness of Home-Care Visits by CCAC Staff and Contracted Service-Provider Staff

Recommendation 7

To ensure that medically complex children, and frail adults and seniors with complex needs or high-risk characteristics receive rapid-response nursing services on a timely basis after discharge from hospitals, Community Care Access Centres should arrange rapid-response nurse staffing schedules, including staffing consideration on the weekend when needed, that take the actual times of when patients are discharged from hospital into account.

Status: Fully implemented.

Details

We noted in our 2015 audit that all 14 CCACs reported that their rapid-response nurses failed to meet the standard of visiting patients at home within 24 hours following discharge from hospital in the year 2013/14. In our 2015 audit, one of the three CCACs we visited explained that the standard was not always met because many patients were discharged on Fridays, but there was no nursing coverage on weekends in some parts of the region. At the time of our follow-up, all three CCACs had implemented changes to staff schedules to provide coverage on weekends, based on hospital discharge patterns and demand, with one CCAC having established weekend scheduling in February 2016. As well, two of the three CCACs noted that they monitor whether rapid-response nurses visit patients within 24 hours and 48 hours of being discharged from hospital.

Recommendation 8

To ensure that patients eligible for rapid-response nursing are treated fairly and equitably no matter where in the province they live, Community Care Access Centres should follow all provincial program guidelines.

Status: Fully implemented.

Details

At the time of the follow-up, all three CCACs we visited were providing rapid-response nursing services seven days a week as required by the provincial program guidelines. One CCAC that was not servicing children with complex needs at the time of our 2015 audit began doing so in February 2017 in selected high-volume geographic areas within the region.

Recommendation 9

To reduce the risk that the conditions of school-age children with mental-health issues will worsen unnecessarily, Community Care Access Centres should consider expanding the availability of mental health and addictions nursing services to school-age children in the summer months.

Status: Fully implemented.

Details

At the time of our follow-up, all three CCACs we visited had made mental health and addictions nursing services available to school-age children in the summer months. These CCACs used various methods to expand access to their services in the summer months, including connecting patients with nurses through the Ontario Telemedicine Network technology, reminding school boards that CCAC services continue to support children over the summer even when schools are closed, and linking students transitioning to college or university with community agencies, primary-care providers, and/or supports in their new schools.

Recommendation 10

To ensure the cost-effectiveness of medication reconciliation services, Community Care Access Centres should review all the ways their individual patients can receive these services and choose only the most effective and economic option for each patient.

Status: In the process of being implemented by December 2017.

Details

In our 2015 audit, we found that while the rapid-response nurses provide medication reconciliation services as part of their regular duties, the same service is being offered by other programs, with some costing up to 70% more than others. After our audit, all CCACs agreed on a standard policy for medication management in April 2016 and medication reconciliation in February 2017.

At the time of this follow-up, all CCACs were in the process of implementing the provincial policy and providing training to their staff in this regard. In most cases, care co-ordinators will identify patients who meet certain criteria according to the standard policy and refer them to the most appropriate medication reconciliation service, either through a community pharmacy, a primary-care provider, a private-sector service provider contracted with the CCACs, or the CCAC's own direct-nursing services staff. At the time of our follow-up, all three CCACs we visited in the 2015 audit had also developed local policies on medication management and reconciliation that were or will be aligned with the provincial policy by December 2017.

Recommendation 11

To contribute to direct-nursing programs' improvement, where they are functioning at optimal levels and patients are receiving equitable level of services, Community Care Access Centres should develop staff-caseload benchmark ranges and monitor actual results against these ranges.

Status: Fully implemented.

Details

The Association (now Health Shared Services Ontario) and the CCACs developed direct-nursing program staff caseload benchmarks in 2015. At the time of our follow-up, each CCAC compiled caseload data by direct-nursing program every quarter and Health Shared Services Ontario compared this information provincially. To illustrate, in the month of October 2016, on average, each CCAC's rapid response nurse had 42 clients, each mental health and addictions nurse had 26 clients, and each palliative care nurse practitioner had 48 clients. In comparison, the staff-caseload benchmark for each of these three programs was 20 to 30 clients, 20 to 25 clients, and 18 to 23 clients, respectively. Management at the three CCACs we visited also monitored caseload sizes on a regular basis.

Recommendation 12

To fully measure the effectiveness of the direct-nursing programs (Rapid Response Nursing Program, Mental Health and Addictions Nursing Program, and Palliative Care Nurse Practitioner Program) at individual Community Care Access Centres (CCACs) and on a provincial level, the Ministry of Health and Long-Term Care should:

- *make available to CCACs data on hospital readmission and emergency room visits so they can individually monitor their own programs' success;*

  Status: In the process of being implemented by December 2017.

Details

In May 2017, the Ministry provided hospital data to Health Shared Services Ontario. At the time of this follow-up, the two parties were working together to ensure data quality.

- *analyze province-wide the readmission trends for patients who have received rapid-response nursing services;*

  Status: In the process of being implemented by March 2018.

Details

At the time of this follow-up, the Ministry was analyzing readmission trends and noted that it will work with the LHINs to review all three direct-nursing programs.

- *establish targets for the performance indicators developed for all three programs.*

  Status: Fully implemented.

Details

In 2016, a provincial working group comprising the former CCACs and the Association (now Health Shared Services Ontario) refined and finalized direct-nursing programs' targets and indicators. To illustrate some examples, rapid response nurses are expected to provide medication reconciliation to 90% to 95% of their patients; each mental health and addictions nurse is expected to have 20 to 25 active patients; and palliative care nurse practitioners are expected to see 90% to 95% of their patients within five days of the patients being available for a service visit.

Recommendation 13

To confirm that service providers deliver high-quality services to patients at home, Community Care Access Centres should:

- *establish performance targets for occurrences of missed care;*

  Status: Fully implemented.

Details

In March 2016, the former CCACs updated the provincial CCAC client service contract performance framework to include targets for missed care. For every 10,000 clients, the CCAC expected the service provider to miss care for no more than five clients.

- *determine, through contacting patients, for example, whether over an agreed time period service providers failed to provide care in accordance with the patients' care plans.*

  Status: Fully implemented.

Details

During 2015/16 and 2016/17, the Association (now Health Shared Services Ontario) made several updates to the provincial client satisfaction survey to improve the accuracy and reliability of survey responses. One of the updates involved adding questions to the client and caregiver evaluation survey specifically asking patients and caregivers if service-provider organizations provided services on time, if they kept patients informed of when services would arrive, and if provided services were those agreed to as part of their care plan.

Existing Contracts between CCACs and Service Providers

Recommendation 14

To ensure home-care services are procured from external service providers in a cost-effective manner, the Ministry of Health and Long-Term Care should work with Local Health Integration Networks and the Ontario Association of Community Care Access Centres to put harmonized billing rates in place.

Status: In the process of being implemented by March 2018.

Details

In October 2015, the Ministry established a working group to advise on a proposed harmonized rate for general personal support services (which accounts for about 80% of all personal support service volumes). This working group included representation from CCACs, the Association (now Health Shared Services Ontario), LHINs, service-provider organizations, and home-care provider associations. The Ministry also undertook two rounds of consultations with service providers about the proposed harmonized rate to confirm numbers and approach. Based on these efforts, the Ministry determined a harmonized rate for general personal support services in April 2017, and issued a directive to require CCACs to amend service contracts with their service providers to reflect the harmonized rate. The Ministry is continuing to work with the LHINs and the LHINs with their health service providers to update other rates.

Long-Term Cost-Effectiveness of Existing Care Protocols

Recommendation 15

To ensure consistent processes are followed in the delivery of patient care across the province, the Ontario Association of Community Care Access Centres, in conjunction with the Community Care Access Centres, should:

- *confirm that best practices regarding the various clinical-care protocols are used in the province;*

  Status: In the process of being implemented by December 2018.

Details

The home- and community-care sector is in the process of developing consistent provincial approaches on various patient populations. For instance, in 2015, the sector implemented new assessment guidelines on the use of a screening tool for all children and youth receiving CCAC mental health and addictions nursing services. The sector is also providing support to Health Quality Ontario in developing quality care standards on hip fractures, venous and mixed venous/arterial leg ulcers, diabetic foot ulcers, and pressure injuries. (Quality standards are concise sets of statements that will help patients know what to ask for in their care, help health-care professionals know what care they should be offering, and help health-care organizations measure, assess and improve performance.) The sector is awaiting Health Quality Ontario to release its quality standards on wound care before proceeding to implement standardized clinical-care protocols on this condition—the sector expects to do so by December 2018. As well, the sector has worked with the Rehabilitative Care Alliance (a province-wide collaborative established in April 2013 by all 14 LHINs) to develop rehabilitative care best-practice frameworks for patients with hip fracture and primary hip and knee replacement.

- *in collaboration with private-sector service providers, consider standardizing the home-care clinical-care protocols, including standardizing which medical supplies should be used, for the most prevalent health conditions.*

  Status: Fully implemented.

Details

At the time of this follow-up, all three CCACs we visited in the 2015 audit had developed local standards that define the types and the quantities of medical supplies for wound care, and one had further defined local standards for other home-care services such as catheter care and enteral feeding. The CCACs we visited told us they intended to monitor current best practice on an ongoing basis to ensure standards reflect best practice. They noted that standardizing medical supplies is influenced by local factors such as which supplies the local hospitals use. As a result, standardization would happen by region rather than provincially.

Recommendation 16

To ensure the long-term cost-effectiveness of care protocols can be assessed, the Ontario Association of Community Care Access Centres, in conjunction with the Community Care Access Centres, should develop standard data requirements and collect the necessary data for further analysis.

Status: In the process of being implemented by December 2018.

Details

At the time of the follow-up, Health Shared Services Ontario and the CCACs were awaiting Health Quality Ontario to finalize its work on wound care quality standards. Once complete, they expect to use those standards to develop data requirements and begin collecting data for further analysis and performance reporting.

Chapter 3

Follow-Up on Reports Issued by the Standing Committee on Public Accounts

Summary

The Standing Committee on Public Accounts (Committee) holds hearings throughout the year when the Legislature is in session on chapters in our Annual Reports or our special reports, and presents its observations and recommendations in reports that it tables in the Legislative Assembly. The ministries, agencies of the Crown and organizations in the broader public sector are responsible for implementing the recommendations made by the Committee; our role is to independently express a conclusion on the progress that the audited entity made in implementing the actions contained in the Committee's recommendations.

This year, we followed up on the status of the implementation of the Committee's recommendations from seven Committee reports tabled between June 2016 and March 2017. Our objective is to provide the Committee with information on the actions being taken by audited entities to provide the requested information and address the recommendations that the Committee made in its reports to the Legislature.

In conducting the follow-up work, our Office complies with the Canadian Standard on Quality Control 1 established by the Chartered Professional Accountants of Canada. Our staff who conducted the follow-up work comply with the independence and other ethical requirements of the Rules of Professional Conduct issued by Chartered Professional Accountants of Ontario.

We obtained a limited level of assurance in our follow-up work, which consists primarily of inquiries and discussions with the government, the relevant ministries or broader-public-sector entities; a review of their status reports; and a review of selected supporting documentation. In a few cases, the organization's internal auditors also assisted us with this work. The procedures performed in a limited assurance engagement vary in nature and timing from a reasonable assurance engagement, such as an audit, and do not extend as far. As this is not an audit, we cannot provide a high level of assurance that the corrective actions described have been implemented effectively. The actions taken or planned may be more fully examined and reported on in future audits. Status reports will factor into our decisions on whether future audits should be conducted in these same areas.

As noted in **Figure 1**, progress has been made toward implementing 67% of the Committee's 97 recommended actions, including 23% that have been fully implemented. The Treasury Board Secretariat, Ministry of Energy and ServiceOntario have fully implemented over 40% of the Committee's recommendations.

There has been little or no progress on three (3%) of the recommended actions. For instance, we found that the Ministry of Education had not set goals and targets for school boards to increase physical activity in schools. We also found Community Care Access Centres had made little progress in centralizing wait lists for community-based support services. Five percent of the recommended actions will not be implemented.

Twenty-five percent of the Committee's recommended actions are no longer applicable. This is primarily due to changes made under the *Building Ontario Up Act, 2015* (Act), which removed our ability to conduct value-for-money audits at Hydro One or to follow up on the implementation status of recommendations from our audits conducted prior to the tabling of the Act on December 4, 2015.

More specific details are presented in the sections that follow **Figure 1**.

Figure 1: Overall Status of Implementation of Recommendations from the Standing Committee on Public Accounts

Prepared by the Office of the Auditor General of Ontario

			Status of Actions Recommended				
Report Section	**# of Recs**	**# of Actions Recommended**	**Fully Implemented**	**In Process of Being Implemented**	**Little or No Progress**	**Will Not Be Implemented**	**No Longer Applicable**
3.01 CCACs—Community Care Access Centres—Home Care Program Tabled December 1, 2016	7	18	4	13	1	0	0
3.02 Electricity Power System Planning Tabled March 21, 2017	10	11	5	5	0	1	0
3.03 Healthy Schools Strategy Tabled October 17, 2016	4	8	0	7	1	0	0
3.04 Hydro One—Management of Electricity Transmission and Distribution Assets Tabled December 8, 2016	10	24	0	0	0	0	24
3.05 Metrolinx—Regional Transportation Planning Tabled June 7, 2016	6	21	6	11	1	3	0
3.06 ServiceOntario Tabled June 7, 2016	5	7	3	3	0	1	0
3.07 Toward Better Accountability Tabled December 5, 2016	6	8	4	4	0	0	0
Total	**48**	**97**	**22**	**43**	**3**	**5**	**24**
%	**100**	**100**	**23**	**44**	**3**	**5**	**25**

Chapter 3

Section 3.01

CCACs—Community Care Access Centres—Home Care Program

Standing Committee on Public Accounts Follow-Up on Section 3.01, *2015 Annual Report*

In May 2016, the Committee held a public hearing on our 2015 audit of Community Care Access Centres (CCACs)—Home Care Program. The Committee tabled a report in the Legislature resulting from this hearing in December 2016. The report can be found at **www.auditor.on.ca/en/content/standingcommittee/standingcommittee.html**.

The Committee made seven recommendations and asked the Ministry of Health and Long-Term Care (Ministry) and the Local Health Integration Networks (LHINs) to report back by the end of March 2017. The Committee directed the recommendations to LHINs rather than CCACs because LHINs were expected to assume the home-care function of CCACs, and the CCACs were to be eliminated subject to the passage of the *Patients First Act* (Act). The Act was passed in the Legislature about one week after the tabling of the Committee report. At the time of the follow-up, the transfer of home-care responsibility from CCACs to LHINs was in progress. The Ministry, Health Shared Services Ontario (formerly the Ontario Association of Community Care Access Centres) and the CCACs formally responded to the Committee on March 31, 2017. A number of issues raised by the Committee were similar to the audit observations in our 2015 audit, which we have also followed up on this year (see **Chapter 1**). The status of each of the Committee's recommended actions is shown in **Figure 1**.

We conducted assurance work between April 1, 2017 and June 30, 2017, and obtained written representation from the Ministry of Health and Long-Term Care, Health Shared Services Ontario and the three Local Health Integration Networks (Central, North East, and Champlain) that, effective September 1, 2017, they have provided us with a complete update of the status of the recommendations made by the Committee. (At the time of finalizing this report, LHINs had taken over the responsibility of home care from the CCACs, which ceased to exist.)

Overall Conclusion

According to the information the Ministry, Health Shared Services Ontario and the CCACs (now part of the LHINs) provided to us, as of June 30, 2017, 22% of the Committee's recommendations had been fully implemented and about 70% of the recommendations were being implemented. However, there had been little or no progress on one recommendation. For example, the Ministry and the CCACs had fully implemented recommendations

Figure 1: Summary Status of Actions Recommended in December 2016 Committee Report

Prepared by the Office of the Auditor General of Ontario

		Status of Actions Recommended			
	# of Actions Recommended	Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	4		4		
Recommendation 2	2		1	1	
Recommendation 3	1		1		
Recommendation 4	2		2		
Recommendation 5	1	1			
Recommendation 6	7	3	4		
Recommendation 7	1		1		
Total	**18**	**4**	**13**	**1**	**0**
%	**100**	**22**	**72**	**5**	**0**

relating to areas such as revising the client satisfaction survey methodology to be more effective and conducting routine site visits to monitor service-provider performance. As well, the Ministry and the CCACs were in the process of implementing recommendations relating to areas such as addressing funding inequities between CCACs, developing standard performance indicators and targets for home-care services and developing standard guidelines for prioritizing clients for home-care services. However, the CCACs had made little progress in centralizing wait-lists for community-based support services. The Ministry has confirmed that the LHINs, now responsible for home care, will pursue these recommendations.

Detailed Status of Recommendations

Figure 2 shows the recommendations and the status details that are based on responses from the Ministry, Health Shared Services Ontario and the CCACs, and our review of the information provided.

Figure 2: Committee Recommendations and Detailed Status of Actions Taken

Prepared by the Office of the Auditor General of Ontario

Committee Recommendation	Status Details
Recommendation 1 The Ministry of Health and Long-Term Care	
• address funding inequities between Community Care Access Centres; **Status: In the process of being implemented by June 2018.** • establish a minimum level of care, based on assessed need, that clients can expect to receive; **Status: In the process of being implemented by December 2018.** • develop standard guidelines for prioritizing clients for services, and monitor compliance with those guidelines; **Status: In the process of being implemented by December 2018.** • ensure that clients with the highest level of assessed need are provided hours of care closer to the regulated maximum. **Status: In the process of being implemented by December 2018.**	The Ministry had started using population-health data in allocating base funding increases of $100 million in 2016/17 and $80 million in 2017/18, and another $20 million in 2017/18 for services for high-needs clients. In making these funding increases, the Ministry considered the number of clients with complex needs and the length of time they received services at each CCAC. The Ministry indicated that it will continue to address historical inequities in home-care funding by June 2018. In August 2016, the Ministry established a Levels of Care Expert Panel (Expert Panel) to provide advice and recommendations on the development and implementation of a levels-of-care framework in Ontario. The Expert Panel is co-chaired by a physician and a vice president of Health Quality Ontario (an agency created in 2005 to provide advice to the Minister of Health and Long-Term Care on the quality of health care), and a senior director at the former Toronto Central CCAC. The framework is intended to introduce common home- and community-care assessment and care planning practices, and is expected to have significant implications for care co-ordination. In June 2017, the Expert Panel submitted a final report, *Thriving at Home: A Levels of Care Framework to Improve the Quality and Consistency of Home and Community Care for Ontarians*, to the Ministry. The Ministry expects to work with sector partners through the summer and fall of 2017 to plan for implementing the recommendations contained within this report. The LHINs will review the framework and work with the Ministry toward implementing recommendations relating to level of services, which may include establishing a minimum level of care, developing standard guidelines for prioritizing clients for services, and providing hours of care closer to the regulated maximum, by December 2018.

Committee Recommendation	Status Details
Recommendation 2 The Local Health Integration Networks	
• develop centralized wait-list information for all community-based support services in order to provide current information on the availability of such services to all health-service providers and clients; **Status: Little or no progress.**	At the time of this follow-up, the LHINs had not expanded the centralized wait-list information to include all community-based support services. The former CCACs (now LHINs) had regulatory authority to manage wait-lists for some community support service agencies (for example, respite/day programs, assisted living, and supportive housing). At the time of the follow-up, LHINs did not manage wait-list information for other community-based support services, such as homemaking, caregiver support and transportation services. LHINs indicated that centralizing wait-lists for all services requires broader local planning discussions between the home- and community-care function within the LHINs and community support service agencies. At the time of our follow-up, the LHINs indicated that the passage of the *Patients First Act* and the requirement to integrate services within sub-regions present an opportunity to further explore how centralized wait-lists could be implemented.
• ensure that all home-care health-service providers and community support service agencies share assessment information on a common system. **Status: In the process of being implemented by March 2019.**	We noted in our 2015 audit that the Ministry introduced an online system called Integrated Assessment Record that enables agencies to share client assessment information with each other. At that time, the Ministry required only CCACs and long-term-care homes to upload assessment information to the system, but did not extend that requirement to community support service agencies, which uploaded assessment information to the system on a voluntary basis. These requirements still had not changed at the time of the follow-up. The Ministry expected to support expanding the use of this system (which could include mandating community support service agencies to upload client assessments to the system) over the 2017/18 and 2018/19 fiscal years, following a review of the levels-of-care framework.
Recommendation 3 The Ministry of Health and Long-Term Care, in conjunction with the Local Health Integration Networks, ensure that low-needs clients who require personal support services receive these services from community support service agencies, where appropriate, rather than through the Community Care Access Centres or, as the pending *Patients First Act, 2016* would enact, through the community care function within the Local Health Integration Networks. **Status: In the process of being implemented by December 2018.**	As of February 2016, four of the province's 14 LHINs had provided funds to designated community support service agencies to deliver personal support services to low-needs clients, thereby improving access and allowing CCACs to focus on clients with more complex care needs. These LHINs had identified and shared lessons learned and approaches with the remaining LHINs. At the time of this follow-up, the remaining 10 LHINs had also started to transfer their low-needs clients to community support service agencies, and were implementing standards, guidelines and performance measures to ensure co-ordinated access and consistent care for clients. The remaining LHINs expect to complete the transition by December 2018.

Committee Recommendation	Status Details
Recommendation 4 The Ministry of Health and Long-Term Care, in conjunction with the Local Health Integration Networks, ensure	
• that home-care clients are assessed and reassessed within the required time frames; **Status: In the process of being implemented by March 2019.** • that care co-ordinators maintain their proficiency in, and are regularly tested on, the use of assessment tools. **Status: In the process of being implemented by December 2018.**	In September 2014, the home- and community-care sector began a review of assessment and reassessment performance metrics and targets that were developed and implemented as part of the Client Care Model. All CCACs use this model (a population-based approach to segmenting client services) to help them identify different patient populations based on their assessed care needs to support care planning. The sector then put this work on hold pending the finalization of the province's levels-of-care framework, which is expected to have significant implications for care co-ordination, including assessment and reassessment time frames. The Levels of Care Expert Panel submitted the framework to the Ministry in June 2017, and the Ministry expects to begin implementing the framework in early 2018. Following the implementation of the framework, the LHINs expect that care co-ordinators will assess and reassess clients within the required time frames by March 2019. In the meantime, the individual CCACs that we visited in our 2015 audit had implemented initiatives to support and enhance the timeliness of assessments and reassessments. For example, one CCAC standardized scheduling practices for its community care co-ordinators by scheduling in advance a set amount of assessments and reassessments per week. Another CCAC had implemented standard procedures for conducting telephone reassessments for certain patient groups. At the time of our 2015 audit, all CCACs had access to a provincial online testing system to test care co-ordinators' assessment competency on a regular basis. At the time of our follow-up, the CCACs that we visited in our 2015 audit indicated that the LHINs will deliver further assessment competency training as the home- and community-care sector transitions to an assessment tool called inter-Resident Assessment Instrument-Home Care in 2018. In the meantime, the CCACs had developed and implemented their own policies regarding the minimum number of assessments and competency testing for the care co-ordinators. For example, one CCAC provided its staff with targets for the minimum number of assessments they must complete per month and tests its staff bi-annually on their competency with assessment tools. Another CCAC conducted the assessment tool competency testing annually. The levels-of-care framework was submitted to the Ministry in June 2017. The LHINs planned to review the framework and implement any recommendations related to assessments, which may include the requirements for the minimum number of assessments care co-ordinators must complete per month and the frequency of competency testing, by December 2018.
Recommendation 5 The Ministry of Health and Long-Term Care, in conjunction with the Local Health Integration Networks, ensure that all home-care clients are contacted for follow-up after discharge. **Status: Fully implemented.**	At the time of this follow-up, CCACs had implemented various initiatives to follow up with clients discharged from home care. For example, one CCAC had implemented interactive voice response technology to follow up with discharged clients by telephone. The client can respond to questions, for example, about their current condition at home and whether they would like further follow-up from the CCAC. Another CCAC contracted an independent company to conduct direct client calls.

Committee Recommendation	Status Details
Recommendation 6 The Ministry of Health and Long-Term Care, in conjunction with the Local Health Integration Networks,	
• demonstrate that funding meant for Personal Support Worker wage increases was spent as intended; **Status: In the process of being implemented by June 2018.**	At the time of the 2015 audit, we noted that the Ministry only required contracted service providers to annually self-declare that they had complied with the personal support worker wage increase, but did not have any audit process to ensure that the funds it provided were spent to recruit and retain personal support workers according to the intention of the initiative. At the time of this follow-up, this was still the case. The Ministry indicated that service providers attest to their compliance with the Personal Support Worker Wage Enhancement Directive and Addenda through a certificate of compliance; this attestation required the signature of the highest ranking officer in the organization and confirmation by the organization's board chair. The CCACs (now LHINs) tracked the receipt of these attestations over the course of the three-year initiative and brought to the Ministry's attention issues of non-compliance, which were subsequently resolved. The Ministry indicated that it will collaborate with the 14 LHINs to conduct a provincial audit by June 2018 to ensure funds provided were spent to recruit and retain personal support workers.
• develop performance indicators and targets for home-care services; **Status: In the process of being implemented by December 2018.**	Beginning in spring 2016, the home-care sector participated in the provincial Home and Community Care Indicators Review led by Health Quality Ontario, which assessed the home care indicators that all CCACs currently report to the public. The review was completed in March 2017. At the time of our follow-up, the Ministry was examining the outcome of the indicators review and considering improvements to the current methodology, which it expected to complete by September 2017. It then plans to establish, by December 2018, service targets for these new indicators to track progress in improving consistency of care. The Ministry also plans to work with Health Quality Ontario to identify new patient experience indicators that are most meaningful to patients, caregivers, and the public.
• collect relevant data that measures client outcomes; **Status: In the process of being implemented by December 2018.**	At the time of this follow-up, the home-care sector was working with Health Quality Ontario on the development of quality standards for the care and rehabilitation of hip fractures. The development of the quality standard on hip fracture and associated recommendations for adoption is in the final stages of approval with Health Quality Ontario and will be released in fall 2017. It also worked with the Rehabilitative Care Alliance on the development of rehabilitative care best-practice frameworks for patients with hip fractures and primary hip and knee replacement. The home-care sector was also developing indicators to measure CCAC performance in this area. The home-care sector was establishing a provincial rehabilitation community of practice—a group of professionals who share their intelligence and learning concerning rehabilitation services—to support the sector in implementing the standards once finalized. The LHINs will continue to develop more outcome-based indicators on an ongoing basis, but expect most of this work to be completed by December 2018.

Committee Recommendation	Status Details
• collect data on missed, rescheduled, and late visits from each contracted service provider; **Status: In the process of being implemented by December 2018.**	In January 2015, CCACs revised the definition of "missed care" and began collecting provincial data to help set new provincial targets for "missed care". In March 2016, CCACs updated the agreement with service providers to include the revised definition and the targets. The CCACs planned to report on this indicator under revised methodology in the third quarter of 2017/18. With respect to rescheduled and late visits, CCACs measure these incidences by asking related questions in a client satisfaction survey.
• conduct routine site visits to monitor the quality of care provided by service providers; **Status: Fully implemented.**	At the time of our follow-up, the CCACs we visited indicated that staff conduct audits and/or site visits to monitor the quality of care provided by service providers in clients' homes. For example, one CCAC began visiting service providers in 2015 with a focus on patient safety, and intended to focus on contractual obligations related to performance and quality improvement in 2017/18. Another CCAC in 2015/16 and 2016/17 completed both desk audits and on-site audits of its service providers to investigate specific quality-improvement opportunities.
• review and revise the client satisfaction survey methodology to ensure that client satisfaction survey results can be used to effectively monitor the performance of service providers; **Status: Fully implemented.**	The CCACs made the following changes to the client satisfaction survey methodology to increase the accuracy and reliability of survey responses: • updated survey inclusion/exclusion criteria to optimize responses and the sample size, which improved data reliability (for example, the survey now excludes any patient who has completed a survey in the last 12 months and any patient who has refused to participate in a survey in the last nine months); • updated the survey sampling methodology and calling protocol to increase the likelihood of receiving responses to the survey (for example, the survey now pulls samples that contain only primary contact information, which helps ensure that the interviewer contacts the most appropriate caregiver if the patient is unable to be interviewed; as well, the interviewer can now contact up to three caregivers, rather than one, to increase the likelihood of getting a response to a survey); and • added modules in the client satisfaction survey for clinic patients and patients transitioning from hospitals to home care to increase the accuracy of information for specific services/clients.
• apply appropriate corrective actions to service providers that perform below expectations. **Status: Fully implemented.**	At the time of our 2015 audit, the CCACs we visited indicated that they were monitoring the performance of their service providers against a set of performance standards that are part of all service provider contracts. Where a service provider did not achieve a standard, a CCAC could issue a quality improvement notice, which required the service provider to develop an action plan to improve performance. If performance issues were not resolved, CCACs could decrease the amount of service volume allocated to a poorly performing provider or terminate the contract. In the fiscal year 2016/17, some CCACs had issued quality-improvement notices to service providers, but these CCACs did not decrease service volumes or terminate any contracts.

Committee Recommendation	Status Details
Recommendation 7	
The Ministry of Health and Long-Term Care ensure that caregivers receive a sufficient level of appropriate support. **Status: In the process of being implemented by March 2018.**	In March 2016, the Ministry conducted a gap analysis and jurisdictional scan of caregiver training and education programs. The report identified the following gaps: Ontario had many disease-specific, but insufficient general, caregiver training and education programs; skills-based caregiver training programs were lacking; Ontario had limited programs offered in languages other than English and for different cultures and groups; Ontario had limited programs targeted to those caring for frail seniors; and Ontario had no lead organization that co-ordinates caregiver supports. To address these gaps, the Ministry expects to fund $4 million over two years beginning fall 2017 to support the development and delivery of caregiver training and education programs. As well, the Ministry engaged a consultant in 2016 to assess the need for a lead organization to co-ordinate supports and resources for caregivers across the province. Based on the report by the consultant, the government announced in April 2017 its intention to launch a caregiver organization. The Ministry also intends to develop a caregiver toolkit, and make it available to caregivers by March 2018. The Ministry provided funding of $40 million in total in July 2016 and April 2017 to enhance in-home caregiver respite. The CCACs tracked the use of these funds, including information such as service hours, individuals served, and amount spent. The CCACs reported this information back to the Ministry to inform the future direction of caregiver support programs.

Chapter 3

Section

3.02

Ministry of Energy

Electricity Power System Planning

Standing Committee on Public Accounts Follow-Up on Section 3.05, *2015 Annual Report*

The Committee held a public hearing in November 2016 on our 2015 audit of Electricity Power System Planning. It tabled a report in the Legislature resulting from this hearing in March 2017. The report can be found at **www.auditor.on.ca/en/content/standingcommittee/standingcommittee.html**.

The Committee made 10 recommendations and asked the Ministry of Energy (Ministry) and the Independent Electricity System Operator (IESO) to report back by the end of July 2017. The Ministry and the IESO formally responded to the Committee on July 27, 2017. A number of issues raised by the Committee were similar to the observations we made in our 2015 audit. The status of the Committee's recommendations is shown in **Figure 1**.

We conducted assurance work between April 1, 2017 and August 4, 2017, and obtained written representation from the Ministry and the IESO that, effective September 1, 2017, they have provided us with a complete update of the status of the recommendations made by the Committee.

Figure 1: Summary Status of Actions Recommended in March 2017 Committee Report

Prepared by the Office of the Auditor General of Ontario

		Status of Actions Recommended			
	# of Actions Recommended	Fully Implemented[1]	In Process of Being Implemented[2]	Little or No Progress	Will Not Be Implemented
Recommendation 1	1		1		
Recommendation 2	1				1
Recommendation 3	1		1		
Recommendation 4	1		1		
Recommendation 5	2		2		
Recommendation 6	1	1			
Recommendation 7	1	1			
Recommendation 8	1	1			
Recommendation 9	1	1			
Recommendation 10	1	1			
Total	**11**	**5**	**5**	**0**	**1**
%	**100**	**46**	**45**	**0**	**9**

1. Some recommendations required the Ministry or the IESO to provide information to the Committee. If the information was provided, we categorized it counted as "fully implemented."
2. Recommendations 1, 3, 4 and 5(b) will be implemented with the release of the Long-Term Energy Plan, which at the time of our follow-ups was expected to occur in fall 2017.

Overall Conclusion

According to the information the Ministry and the IESO provided to us, as of August 4, 2017, 46% of the Committee's recommendations have been fully implemented, a further 45% of the recommendations were in the process of being implemented and the remaining 9% of recommendations will not be implemented.

Detailed Status of Recommendations

Figure 2 shows the recommendations and the status details that are based on responses from the Ministry and the IESO, and our review of the information they provided.

Figure 2: Committee Recommendations and Detailed Status of Actions Taken

Prepared by the Office of the Auditor General of Ontario

Committee Recommendation	Status Details
Recommendation 1 The Ministry of Energy provide the Committee with details on how it will include in its future Long-Term Energy Plans justification for all power decisions made, detailed technical plans and cost benefit analyses of alternatives in a transparent manner. **Status: In the process of being implemented in fall 2017.**	Subsequent to our audit, the *Energy Statue Law Amendment Act, 2016* was proclaimed into force on July 1, 2016. Under the new legislation, the IESO is required to develop a technical report, which is the first step and the basis for the Ministry to develop the Long-Term Energy Plan (LTEP). On September 1, 2016, the IESO submitted its technical report, Ontario Planning Outlook (Technical Report), to the Ministry. The Technical Report presented different future outlooks and scenarios for the energy sector over 20 years, from 2016 to 2035, taking into consideration different levels of energy demand and different technologies in energy supply. For outlooks and scenarios where new energy supply may be required, the Technical Report included different alternatives and compared them from cost and emissions perspectives. The IESO also developed seven modules with data and analyses used in the Technical Report. One of the modules illustrated the cost of the power system across different demand outlooks and different supply options. In addition to the Technical Report, the Ministry also engaged a third party to prepare another technical report, the Fuel Technical Report (Fuel Report), which was released on September 30, 2016. It provides a review of fuel consumption and outlooks from 2016 to 2035. To ensure transparency, both the Technical Report and Fuel Report were posted on the Ministry's website prior to a public consultation and engagement process, which took place from October 2016 to January 2017 as part of the development of the LTEP. The Ministry held stakeholder sessions and public open houses in 17 communities across Ontario. It also held 17 sessions with Indigenous communities and organizations. Overall, the Ministry received over 1,500 submissions through its Environmental Registry, emails and other channels. The Ministry posted all information and data used in the development of the LTEP on its website. At the time of our follow-up, the Ministry was in the process of developing the LTEP based on information from the Technical Report and Fuel Report as well as feedback from the public consultations. It expected to release the LTEP in fall 2017.

Committee Recommendation	Status Details
Recommendation 2 The Ministry of Energy provide the Committee with details on how future Long-Term Energy Plans will be independently reviewed to ensure that they are prudent and cost effective in order to protect the interest of electricity consumers. **Status: Will not be implemented.**	The new *Energy Statute Law Amendment Act, 2016* has changed the electricity planning process in Ontario. As mentioned under **Recommendation 1**, the Ministry is responsible for developing the LTEP after thorough consideration of the IESO's Technical Report, as well as feedback from the public consultation and engagement process. To ensure that the government's goals and expectations outlined in the LTEP are implemented, the Minister of Energy intends to issue directives to the Ontario Energy Board (OEB) and the IESO once the LTEP is finalized and released. The directives set out the government's requirements for implementation and direct each agency to develop implementation plans. Upon receiving an implementation directive, the two agencies are to develop their respective implementation plans outlining frameworks on how to implement the government's objectives and requirements laid out in the LTEP. While the public consultation process has been put in place as part of the development of the LTEP, the IESO's Technical Report and the LTEP are not required to be submitted to the OEB for independent review and approval to ensure that the LTEP is prudent and cost effective. The OEB is only responsible for preparing an implementation plan when the Ministry requests it, through the issuing of a ministerial directive to the OEB, to ensure that the government's goals and expectations outlined in the LTEP are implemented. In other words, the new long-term energy planning process does not enable the OEB to review and approve the plans as an independent regulator.
Recommendation 3 The Ministry of Energy provide the Committee with details on how it will be transparent about the cost impact of power decisions to the ratepayers, in addition to informing the public about the rationale for its directives. **Status: In the process of being implemented in fall 2017.**	Under the new *Energy Statute Law Amendment Act, 2016*, all directives and directions sent to the IESO have been and are to continue being publicly posted on the IESO's website to ensure transparency. The Ministry has issued seven directives to the IESO subsequent to our 2015 audit. Our review of these directives found that they included background information and details that explained the context and rationale for policy objectives, informing the public about the rationale for any decisions made. As mentioned under **Recommendation 1**, the Ministry was in the process of developing the LTEP based on information from the IESO's Technical Report and feedback from public consultation. The IESO also developed seven modules with data and analyses used in its Technical Report. One of the modules illustrated the cost of the power system across different demand outlooks and different supply options. To ensure transparency about the cost impact of the LTEP to ratepayers, the Ministry is required by the *Electricity Act, 1998* to post all information and data used in the development of the LTEP on its website. The LTEP is expected to be released in fall 2017. In addition to the Ministry's development of the LTEP, the IESO has initiated the Market Renewal Project (Project), which has the objective of delivering "a more efficient, stable marketplace with competitive and transparent mechanisms that meet system and participant needs at the lowest cost." Still in its early phase of development, this multi-year Project's design and implementation are to run from 2017 to 2021. It is intended that the Project will also help improve transparency about the cost impact of power decisions on ratepayers in the future. During our follow-up, the IESO was in the process of engaging with stakeholders to build consensus for and public awareness of the design and implementation of the Project.

Committee Recommendation	Status Details
Recommendation 4 The Ministry of Energy provide the Committee with details of how it will make sure future power generation decisions are supported by IESO's technical expert advisors and how it will inform the public about the rationale for any power decisions made that deviate from IESO's recommendations. **Status: In the process of being implemented in fall 2017.**	As mentioned under **Recommendation 1**, under the new *Energy Statue Law Amendment Act, 2016*, the IESO is required to develop a technical report, which is the first step and basis for the Ministry to develop the LTEP. The Ministry indicated that the IESO's technical report, as described in the *Electricity Act*, is intended to outline the adequacy and reliability of electricity resources. In other words, the IESO's technical report is intended to inform the LTEP's public consultation and engagement process and subsequent decisions made by the Ministry, but it is not intended to provide recommendations. Since the IESO's technical report, *Ontario Planning Outlook*, does not contain any recommendations, the Ministry will not be providing the public with the rationale for decisions that deviate from IESO recommendations. In addition, as mentioned under **Recommendation 2**, the Minister of Energy will issue directives to the OEB and the IESO once the LTEP is finalized and released. The directives set out the government's requirements for implementation and direct each agency to develop implementation plans to ensure that the government's goals and expectations outlined in the LTEP are implemented. The Ministry indicated that the LTEP and the IESO and OEB implementation directives and plans are intended to work together to articulate a policy vision and give the IESO and OEB operational flexibility to determine the best course of action. Furthermore, the Ministry indicated that it will continue to support the IESO's Market Renewal Project, as previously noted under **Recommendation 3**, which will help ensure that future power generation decisions are supported by the IESO's expert advisors. The Project's objective is to ensure that future decisions on the power system will be determined using market-based mechanisms to reduce system costs, improve transparency and provide flexibility as Ontario's power system needs evolve.

Committee Recommendation	Status Details
Recommendation 5 The Ministry of Energy, or the IESO, as applicable	
a) provide the Committee with details on how it evaluates proposals for investing in generation facilities compared to investing in conservation initiatives (e.g., business case, cost benefit analysis); and **Status: In the process of being implemented by 2021.**	a) During our follow-up, we found that the Ministry has worked with the IESO to evaluate various conservation programs as part of a new initiative, the Conservation First Framework (Framework), which was introduced subsequent to our 2015 audit. The Framework covers the implementation of conservation programs over six years, from 2015 to 2020, emphasizing more teamwork among sector partners, particularly the local distribution companies. Under the Framework, conservation programs are required to pass cost-effectiveness tests prior to being approved and are subject to the Evaluation, Measurement and Verification process to ensure that they maintain a positive cost-benefit result (with specific exceptions, such as programs for low-income consumers), achieve their intended goals, provide value for consumers and identify opportunities for improvement. The IESO has published evaluation reports on various conservation programs, such as the Aboriginal Conservation Program, Home Assistance Program and New Construction Program. In addition, as part of the IESO's Market Renewal Project (as mentioned under **Recommendation 3**), future electricity generation will be procured via competitive market mechanisms based on supply and demand outlooks, which include conservation initiatives. In other words, the cost-effectiveness of conservation initiatives will be taken into consideration as part of the process for deciding on investments in generation facilities and procuring electricity supply.
b) provide the Committee with an assessment of the anticipated impacts conservation initiatives will have on electricity costs during surplus generation periods over the long-term. **Status: In the process of being implemented in fall 2017.**	b) The Ministry indicated that, as part of the development of the LTEP, it will work with the IESO to model and consider the impacts of conservation initiatives on electricity costs during surplus generation periods. At the time of our follow-up, the Ministry was in the process of developing the LTEP, which it expected to release in fall 2017.

Committee Recommendation	Status Details
Recommendation 6 The IESO provide the Committee with a progress update on the regional capacity and reliability issues identified in the Auditor General's report. **Status: Fully implemented.**	Both the Ministry and the IESO responded to this recommendation and provided the following information. The IESO provided a progress update on the regional capacity and reliability issues identified in our 2015 audit. Specifically: • Kitchener-Waterloo-Cambridge-Guelph (KWCG) region: The 2015 KWCG Integrated Regional Resource Plan identified a number of actions, including the implementation of the Guelph Area Transmission Refurbishment project (which came into service in 2016) and switching facilities at Galt Junction (which are to be in service by the fall of 2017). These projects are expected to provide sufficient capacity to support the increase of demand over the long term and will help minimize the impact of supply interruption in the area. The next regional planning cycle for the KWCG area is to be initiated in 2018. • Windsor-Essex region: In 2014, Hydro One submitted an application to the OEB for leave to construct the Supply to Essex County Transmission Reinforcement (SECTR) project, consisting of a new 230 kV supply station located near Leamington and a 13-km connection line. The SECTR project addresses two regional planning needs: the need for additional supply capacity in the Kingsville-Leamington area, and the need for additional restoration capability in the broader Windsor-Essex area. In July 2015, the OEB approved the SECTR project, and Hydro One initiated construction in 2016. The project is scheduled to be in service by summer 2018. • Northwest GTA region: To deal with the growing electrical demand to service new customers in Northwest GTA over the next 20 years, the near- and medium-term solutions include incorporating new transformer stations at existing sites and upgrading existing transmission circuits. The IESO forecasted that the first transformer station will be in service in 2019. Actual electrical demand in the area continues to be monitored to determine when additional measures will be required. In the long term, a new transmission system will be required to meet demand from new developments in the northern Brampton and southern Caledon areas. The IESO continues to work with industry partners and the appropriate provincial and municipal government groups to secure rights adjacent to other planned infrastructure corridors. In addition to the progress update provided by the IESO, the Ministry also indicated that the LTEP will address capacity and reliability issues relating to transmission and distribution systems. Specifically: • As mentioned under **Recommendation 1**, the IESO submitted its Technical Report to the Ministry for use in developing the LTEP. The IESO also developed seven modules with data and analyses used in the Technical Report. One of the modules—Market and System Operations and Transmission and Distribution Outlook—examined key planning and operational considerations related to transmission and distribution systems to address regional capacity and reliability. • The development of the LTEP has included a regional planning process to address current capacity and reliability issues. The IESO has been working with local distribution companies and transmitters to ensure regional issues and requirements are integrated into electricity planning. During our follow-up, the first cycle of regional planning by the IESO was under way, covering 21 electricity regions across the province. Regional planning will look at each region's unique needs and consider conservation, generation, transmission and distribution to meet these needs. Electricity needs in all regions are to be reviewed every five years or sooner, if needed. The IESO has posted on its website the status of regional planning activities, including specific regional updates and plans.

Committee Recommendation	Status Details
Recommendation 7 The IESO provide the Committee with the results of the March 2016 stakeholder engagement on market renewal and next steps. **Status: Fully implemented.**	The IESO began discussions with stakeholders in April 2016 about developing the Market Renewal Project (Project) (as noted under **Recommendation 3**). The focus of these initial discussions was to address known issues with the current design of the electricity market; recognize the significant changes that have taken place in the supply mix and in new technologies; and ensure that the market will support future change. A key element in the first phase of engagement on the Project was to develop a benefits case that looked at the proposed market changes, considered the experience of other jurisdictions in making similar changes and their applicability to Ontario, and then estimated the range of potential net benefits that might accrue from these changes. The IESO retained a third party to prepare the benefits case analysis; this was developed over an eight-month period and was supported by internal and external stakeholder consultations. The analysis determined that the proposed changes would result in net benefits and in a more efficient and stable marketplace with competitive and transparent mechanisms. The final benefits case was published on April 20, 2017. Early in the consultations, stakeholders identified the need for a working group to support in-depth discussion on technical, strategic and policy issues related to the Project. In response, the IESO solicited nominations for participation in a Market Renewal Working Group (Working Group). Over the course of the initial engagement, the Working Group played a key role in providing input into the development of the benefits case and in identifying early strategic issues related to the Project. Going forward, the Working Group is to continue to serve as a representative stakeholder forum to guide, advise and inform the IESO on important issues that will impact the overall success of the Project. At the time of our follow-up, the IESO and stakeholders were moving into the design phase of the Project. In early May 2017, the IESO launched stakeholder engagements for two initiatives (the Single Schedule Market and Incremental Capacity Auction) and intended to launch engagements for additional initiatives later in 2017. The IESO expects to have developed high-level designs for six different initiatives by the end of the second quarter of 2018.

Committee Recommendation	Status Details
Recommendation 8 The Ministry of Energy provide the Committee with details on how future Long-Term Energy Plans will be independently reviewed to ensure that they are prudent and cost effective in order to protect the interest of electricity consumers. **Status: Fully implemented.**	The Ministry provided the following cost information related to the Darlington refurbishment project: • The Ontario Power Generation's (OPG) 2017-2021 rate application submitted to the OEB indicated that Darlington refurbishment is expected to be complete by 2026, and the Pickering station is expected to operate up to 2022/24 (two units will be shut down in 2022 and the remaining four units will be shut down in 2024) and then be decommissioned. • The OPG estimated that the average cost of Darlington over 30 years, during post-refurbishment operation, would range from 7.2 cents to 8.1 cents per kWh (in 2015 dollars). • In December 2016, the Ministry and the IESO provided the Committee with the OPG's nuclear rate assumptions from 2016 to 2036, which had been used by the IESO in its Technical Report and by the OPG in its 2017-2021 rate application submitted to the OEB. • On March 2, 2017, the government filed an amendment to O. Reg. 53/05 under the Ontario Energy Board Act, 1998 to ensure that the OEB further reduce the volatility in electricity rates for Ontario ratepayers during Darlington's refurbishment. As a result, on March 8, 2017, the OPG filed a revised rate-smoothing proposal with the OEB, in line with the regulation amendment. • The Ministry provided the OPG's estimates for its annual nuclear rates as well as average nuclear rates for each of the five-year periods from 2017 to 2036, underlying the OPG's 2017-2021 rate application filed with the OEB on March 8, 2017. (See **Note 1**.)

Committee Recommendation	Status Details
Recommendation 9 The Ministry of Energy provide the Committee with the impact the delayed refurbishment of nuclear units at Bruce and continued operation of Pickering Generation Station have on surplus power and its associated cost to the ratepayers. **Status: Fully implemented.**	Both the Ministry and the IESO responded to this recommendation and provided the following information: The Ministry indicated that the IESO's Technical Report incorporated in its supply outlook the ongoing operation of the Pickering nuclear plant up to 2022/24 (two units will be shut down in 2022 and the remaining four units will be shut down in 2024) and the latest Bruce refurbishment schedule (showing the first Bruce unit to be refurbished in 2020). The Technical Report also included a range of demand outlooks (low, flat and high), and indicated that about 3,100 MW of capacity would be lost after shutting down and decommissioning Pickering in 2022/24. The Ministry did not have estimates for costs associated with surplus power resulting from ongoing Pickering operations and delayed Bruce refurbishment, so it directed us to the IESO for this information. The IESO informed us that its Technical Report included a module, Market and System Operations & Transmission and Distribution Outlook, which presented the results of the IESO's most recent assessment of surplus power. This included consideration of the impact of the deferred refurbishment of Bruce nuclear units and continued operation of Pickering to 2022/24. Key results of the IESO's assessments are as follows: • To maintain a reliable and stable system, supply and demand must be kept in balance, requiring surplus energy mitigation tactics. Currently, most of Ontario's surplus is managed economically through the market via exports to neighbouring jurisdictions. The remaining surplus power is managed by diverting water from hydro turbines ("hydro spill"), curtailing wind and solar generation, and maneuvering or shutting down units at the Bruce nuclear generating station. • Surplus power levels would decline over time as units from the Pickering nuclear generating station retire and as units at Darlington and Bruce are brought out of service for refurbishment. • The IESO estimated that from 2016 to 2035, surplus power (under the flat demand outlook) would decrease from 13.3 TWh in 2016 to 3.7 TWh in 2035. The IESO's assessment of the Pickering station's extended life and the associated impacts on surplus power, including costs to consumers, can be found in the OPG's rate application (EB-2016-0152) submitted to the OEB. In March 2015, upon the Ministry's request, the IESO provided an assessment of the impacts of extending the Pickering station's life under various scenarios between 2018 and 2024. The IESO concluded that the scenario of Pickering operating to 2022/24 appeared most promising among the extension options assessed. In October 2015, the IESO updated its evaluation of the Pickering extension, with particular focus on the option of extending to 2022/24. With respect to the impact on surplus power of the Pickering extension, the IESO's assessment noted that extending Pickering operations beyond 2020 would increase potential surplus energy. It also estimated that the cost of surplus power would decrease between 2017 and 2020, and then increase from 2021 to 2024. The IESO's assessment results can be found in the OPG's rate application (EB-2016-0152 Exhibit F2-2-3 Attachment 1 and EB-2016-0152, Exhibit L, Tab 6.5 Schedule 7 ED-032) on OEB's website **www.oeb.ca**. While the IESO indicated that it has not formally assessed the impact of deferred refurbishment of nuclear units at Bruce on surplus power and its associated costs to ratepayers, it expected that the Bruce deferral would have the effect of reducing surplus power in the longer term.

Committee Recommendation	Status Details
Recommendation 10 The Ministry of Energy provide the Committee with quarterly progress updates on the current Darlington refurbishment. **Status: Fully implemented.**	The Ministry indicated that as of the start of the refurbishment of the first unit at Darlington (Unit 2) in October 2016, the OPG has been providing monthly status updates on the progress of the refurbishment. The monthly reports track the progress of the project against key performance indicators, including safety, quality, schedule and cost, and highlight key project milestones achieved as well as challenges faced. The latest monthly progress reports are publicly available on OPG's website **www.opg.com/Pages/home.aspx**.

Note 1: Rate (Cents/kWh)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Annual Nuclear	7.6	7.9	8.5	8.8	9.2	10.4	12.6	12.5	16.5	16.1
5-Year Average			8.4					13.6		
	2027	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**
Annual Nuclear	16.1	15.0	14.5	14.2	14.1	13.7	13.4	13.3	12.8	12.5
5-Year Average			14.8					13.1		

Chapter 3

Section

3.03

Ministry of Education

Healthy Schools Strategy

Standing Committee on Public Accounts Follow-Up on Section 4.03, *2015 Annual Report*

The Committee held a public hearing on May 4, 2016 on our 2015 follow-up to our 2013 audit of the Healthy Schools Strategy. The Committee tabled a report on this hearing in the Legislature in October 2016. The report can be found at **www.auditor.on.ca/en/content/standingcommittee/standingcommittee.html**.

The Committee made four recommendations and asked the Ministry of Education (Ministry) to report back by mid-February 2017. The Ministry formally responded to the Committee on February 14, 2017. A number of the issues raised by the Committee were similar to the audit observations in our 2013 audit and 2015 follow-up. The status of each of the Committee's recommended actions is shown in **Figure 1**.

We conducted assurance work between April 1, 2017 and July 31, 2017, and obtained written representation from the Ministry of Education that effective September 1, 2017 it has provided us with a complete update of the status of the recommendations made by the Committee in its report.

Figure 1: Summary Status of Actions Recommended in October 2016 Committee Report

Prepared by the Office of the Auditor General of Ontario

		Status of Actions Recommended			
	# of Actions Recommended	Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	1		1		
Recommendation 2	3		3		
Recommendation 3	2		2		
Recommendation 4	2		1	1	
Total	**8**	**0**	**7**	**1**	**0**
%	**100**	**0**	**88**	**12**	**0**

Overall Conclusion

At the time of our follow-up, the Ministry was reviewing and revising both the School Food and Beverage Policy and the Daily Physical Activity Policy, which were the main subjects of the original audit.

According to the information the Ministry provided to us, as of July 31, 2017, seven of the Committee's recommended actions (88%) were in the process of being implemented. However, there has been little or no progress on the remaining action (12%). That is, the Ministry had not set goals and targets for school boards to increase physical activity in schools, and periodically monitor, measure and publicly report on the progress made. The Ministry informed us it expects to start taking these steps after the policies are revised.

Detailed Status of Recommendations

Figure 2 shows the recommendations and the status details that are based on responses from the Ministry, and our review of the information provided.

Figure 2: Committee Recommendations and Detailed Status of Actions Taken

Prepared by the Office of the Auditor General of Ontario

Committee Recommendation	Status Details
Recommendation 1 The Ministry of Education and school boards should improve communication with parents to encourage healthier eating and increased physical activity, and assess the effectiveness of this communication. **Status: In the process of being implemented by December 2017.**	The Ministry has taken some action in this area, and has plans for additional actions, including: • At the time of our follow-up, the Ministry was surveying 25 school boards to determine the extent they communicate with parents about healthy schools policies—including the value of healthy eating and physical activity. The Ministry anticipated that school boards would complete the survey by the end of the 2016/17 school year. The Ministry was also planning to engage in follow-up discussions with the school boards with respect to their survey responses. By December 2017, the Ministry expects to have prepared a final report, which will include best practices with respect to parent communications and will share it with all 72 school boards. • In 2016/17 the Ministry provided funding, through the Parents Reaching Out (PRO) Grants program, to local projects that enhance parent engagement in their children's learning in support of student achievement and well-being. The Ministry funded 275 school council projects a total cost of $266,000 to provide workshops, events and sessions for parents to promote healthy living. In February 2017, the Ministry announced plans to continue the PRO Grant program in the 2017/18 school year. • In 2016, the Ministry created promotional videos that highlight successful PRO Grants projects and posted them on its website. One such video features a school council that successfully used PRO grant funds to do a series of Family Fitness Nights. • The Ministry posted two fact sheets for parents on it website—*Quick Facts for Parents: Learning about Active Transportation* (September 2015) and *Quick Facts for Parents: Learning about Healthy Eating* (December 2015). The Ministry informed us that it plans to release another factsheet for parents in September 2017 focused on physical activity. • In April 2017, the Ministry held six regional symposia for parents across Ontario and one French-language symposium that provided an opportunity to share information with parents on healthy schools initiatives, including healthy eating and physical activity. • Ontario youth aged 11–15 participated in an international survey in 2013/14 that captured health-related data. The Ministry plans to release Ontario's survey results in September 2017, to raise awareness about the importance of promoting healthy eating and increasing physical activity.

Committee Recommendation	Status Details
Recommendation 2 The Ministry of Education should work with school boards to:	
• ensure that school administrators and teachers receive sufficient training to implement the School Food and Beverage Policy and promote healthy eating; and **Status: In the process of being implemented by June 2018.**	At the time of our follow-up, the Ministry was in the process of reviewing its School Food and Beverage Policy. This work will be done in four phases: (1) conducting research, including a review of policies in other jurisdictions; (2) consulting with stakeholders and other ministries through various working groups; (3) revising policies and developing performance measures; and (4) developing supports to assist with the implementation of the policy, including consideration of administrators and educators' needs. At the time of our follow-up, the Ministry had completed phase one and was working on phase two. The Ministry expects to release a revised School Food and Beverage Policy in June 2018, after which time the Ministry informed us it expects to make plans to help ensure administrators and educators receive training and other supports for implementation of the revised policy.
• develop consistent and effective strategies for monitoring compliance with the School Food and Beverage Policy; and **Status: In the process of being implemented by December 2017.**	At the time of our follow-up, the Ministry was surveying 25 school boards to determine implementation of the existing School Food and Beverage Policy. As noted in response to Recommendation 1, the Ministry expects to prepare a summary of key findings and best practices and send it to all 72 school boards by December 2017. In addition, the Ministry has completed an evaluation of pilot projects funded in 2014/15 through the Healthy Eating in Secondary Schools Grants (HEG), to change secondary students' attitudes and behaviours about healthy eating. Altogether, 90 projects were funded for a total $3.2 million. The Ministry informed us that it will share lessons learned and best practices with school boards in October 2017.
• develop measurable objectives for healthy eating and measure progress in achieving these objectives. **Status: In the process of being implemented by August 2018.**	The Ministry plans to develop performance measures for the School Food and Beverage Policy during phase three of the policy review, expected to be completed by August 2018. According to the Ministry, it will try to align these performance measures with Ontario's work to promote and support well-being, which is intended to promote a positive sense of well-being in students and consists of four key components: positive mental health, safe and accepting schools, healthy schools, and equity and inclusive education. The Ministry also plans to consider appropriate monitoring roles for the Ministry and school boards.
Recommendation 3 The Ministry of Education should work with school boards to:	
• ensure that elementary school administrators and teachers receive sufficient training on how to incorporate daily physical activity into the school day; and **Status: In the process of being implemented by September 2017.**	In 2016, the Ministry began a process to review its Daily Physical Activity Policy using the same four-phase process described for the review of the School Food and Beverage Policy. At the time of our follow-up, the Ministry was working on phase three of the review (revising policies and developing performance measures), which it planned to complete by September 2017. In July 2017, the Ministry signed a one-year agreement with Ontario Physical and Health Education Association to develop resources, professional learning/training (in-person; online), and awareness/communication products to advance the revised Daily Physical Activity Policy.
• establish a way to measure and monitor whether students are provided with the required daily physical activity. **Status: In the process of being implemented by December 2017.**	The Ministry informed us that, similar to the School Food and Beverage Policy, it would try to align the performance measures developed in phase three of the Daily Physical Activity Policy review with Ontario's work to promote and support well-being, which it expects to finalize by December 2017. The Ministry also plans to consider appropriate monitoring roles for the Ministry and school boards.

Committee Recommendation	Status Details
Recommendation 4 The Ministry of Education should:	
• assess options (including best practices in other jurisdictions) for increasing physical activity levels for both elementary and secondary school students; and **Status: In the process of being implemented by January 2018.**	In 2013/14, the Ministry provided $1.3 million in funding for 70 projects through Physical Activity in Secondary Schools (PASS) grants. These grants were given to school boards and schools for initiatives aimed at changing the physical activity culture in secondary schools. The Ministry hired an external consultant to evaluate the outcomes of these initiatives. The consultant's final report (issued in 2016) found that the majority of projects reported increases in the number of students who: engage in regular physical activity at school; were more comfortable participating in fitness programs; and were more self-motivated to engage in physical activity. The Ministry is planning to share best practices identified through these initiatives with school boards in October 2017. In March 2017, the Ministry hired an external consultant to also evaluate whether the Ontario Physical and Health Education Association's (OPHEA) Healthy School Certification is an effective approach to support healthy schools activities, including increased physical activity. OPHEA is a not-for-profit organization that works in partnership with school boards, public health, government, non-government organizations, and private-sector organizations to develop programs and services that support healthy, active schools and communities. It provides certificates to schools that complete a six-step Healthy Schools Process and demonstrate innovative approaches to promoting health in their school community, with an emphasis on student engagement and community partnerships. The Ministry expects the consultant's evaluation to be completed by January 2018.
• set goals and targets for boards to increase physical activity in schools, and periodically monitor, measure, and publicly report on the progress made. **Status: Little or no progress.**	The Ministry has not made much progress on the recommendation to set goals and targets for school boards to increase physical activity in schools, and periodically monitor, measure, and publicly report on the progress made. In 2014, the government committed to a long-term goal for children and youth to have access to 60 minutes of physical activity connected to their school day. According to the Ministry, future measures related to physical activity—whether for the Daily Physical Activity policy implementation or the broader 60 minutes of physical activity initiative—are being developed to align with Ontario's work to promote and support well-being.

Chapter 3

Section **3.04**

Hydro One—Management of Electricity Transmission and Distribution Assets

Standing Committee on Public Accounts Follow-Up on Section 3.06, *2015 Annual Report*

The Committee held a public hearing in March 2016 on our 2015 audit of Hydro One—Management of Electricity Transmission and Distribution Assets. It tabled a report in the Legislature resulting from this hearing in December 2016. The report can be found at **www.auditor.on.ca/en/content/standingcommittee/standingcommittee.html**.

The Committee endorsed our findings and recommendations. It made 10 additional recommendations and asked Hydro One to report back by April 2017. A number of issues raised by the Committee were similar to the observations we made in our 2015 audit, which we have also followed up on this year (see **Section 1.06**). Hydro One formally responded to our Office and the Committee on April 26, 2017, with an update on activities it has undertaken. We found that the update provided only information on actions taken to address our recommendations but not the Committee's recommendations.

In early May 2017, we requested Hydro One to provide further details and supporting documents for the activities it has taken. In response, Hydro One notified our Office that its update to our Office and the Committee was provided as a good faith effort and courtesy, and that Hydro One is no longer subject to inquiries by our Office. In June 2015, the government passed the *Building Ontario Up Act, 2015*, under which Hydro One is no longer an agency of the Crown; therefore, our Office no longer has the authority to do audit or follow-up work on Hydro One, and Hydro One is not required to participate in this follow-up.

Without receiving further details from Hydro One to verify and support the information in its update, our Office was only able to assess and report on the status of some, but not all, of our recommendations (see **Section 1.06**) and was not able to assess and report on the status of any of the Committee's recommendations.

The status of the Committee's recommendations is shown in **Figure 1**.

We conducted assurance work between April 1, 2017 and July 26, 2017. To meet new Canadian auditing standards, we requested Hydro One's CEO and/or Vice President to sign a management representation letter, dated September 1, 2017, at the completion of our work. The purpose of the letter was to obtain written representation from Hydro One that it had provided us with a complete update of the status of the recommendations made in the original audit two years ago. On August 29, 2017, Hydro One responded that it declined to sign this letter or any similar document. Hydro One indicated

Figure 1: Summary Status of Actions Recommended in December 2016 Committee Report

Prepared by the Office of the Auditor General of Ontario

		Status of Actions Recommended				
	# of Actions Recommended	Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	4					4
Recommendation 2	1					1
Recommendation 3	3					3
Recommendation 4	2					2
Recommendation 5	1					1
Recommendation 6	5					5
Recommendation 7	1					1
Recommendation 8	3					3
Recommendation 9	3					3
Recommendation 10	1					1
Total	**24**	**0**	**0**	**0**	**0**	**24**
%	**100**	**0**	**0**	**0**	**0**	**100**

that since it ceased to be an agency of the Crown following passage of the *Building Ontario Up Act, 2015*, it was not required to participate in this follow-up, and it was not appropriate for it to sign the letter.

Overall Conclusion

According to the information Hydro One provided to us, as of July 26, 2017, all of the Committee's recommendations have been classified as no longer applicable. As a result of the *Building Ontario Up Act, 2015*, Hydro One is not required to respond to our inquiries and participate in our follow-up work. We were therefore unable to assess the status of the Committee's recommendations.

Detailed Status of Recommendations

Figure 2 shows the recommendations and the status details that are based on responses from Hydro One, and our review of the information Hydro One provided.

Figure 2: Committee Recommendations and Detailed Status of Actions Taken

Prepared by the Office of the Auditor General of Ontario

Committee Recommendation	Status Details
Recommendation 1 Hydro One:	
• provide the Committee with annual reliability targets over the next five years, starting with 2017, for its transmission system, both for its multi- and single-circuit systems; • provide a comparison of its five-year reliability targets with those established by comparable peer utilities in North America (and provide an explanation where its targets are weaker); • report back annually for the next five years, starting with the 2017 year, to the Committee on its achievement of these targets, including an assessment of the factors that contributed to meeting or not meeting the targets; and • provide the Committee with its risk management plan, including estimated costs, on climate change and detail how climate change is expected to impact the reliability targets of its transmission system. **Status: No longer applicable.**	We were unable to obtain further information from Hydro One in order to assess the status of the Committee's recommendation.
Recommendation 2 Hydro One provide the Committee within six months with an assessment on the requirements of its preventive maintenance work orders, including how critical maintenance is defined, whether all critical maintenance work is completed on time, the extent and types of preventive maintenance that are required, and whether effective preventive maintenance programs are in place and followed for each key type of transmission asset. **Status: No longer applicable.**	We were unable to obtain further information from Hydro One in order to assess the status of the Committee's recommendation.

Committee Recommendation	Status Details
Recommendation 3 Hydro One provide the Committee with:	
• its criteria for determining the appropriate timing for replacing key transmission assets, such as transformers, circuit breakers, towers, and wood poles; • a comparison of its criteria for determining the appropriate timing for replacing key transmission assets with those used by other peer utilities in North America; and • its own assessment of its capital deficit for each type of key transmission asset and the expected cost of asset replacement. **Status: No longer applicable.**	We were unable to obtain further information from Hydro One in order to assess the status of the Committee's recommendation.
Recommendation 4 Hydro One provide the Committee within one year with an assessment of the Asset Analytics system (both for its transmission system and distribution system assets), including	
• whether the Auditor's concerns have been fully addressed; and • an analysis of how well the Asset Analytics system reflects the conditions of the assets in the field. **Status: No longer applicable.**	We were unable to obtain further information from Hydro One in order to assess the status of the Committee's recommendation.
Recommendation 5 Hydro One update the Committee on the status of its new comprehensive security program that will apply to all electronic devices, including a target as to when all transmission assets will be in compliance with the new North American Electricity Reliability Corporation requirements. **Status: No longer applicable.**	We were unable to obtain further information from Hydro One in order to assess the status of the Committee's recommendation.

Committee Recommendation	Status Details
Recommendation 6 Hydro One: • provide the Committee with annual reliability targets over the next five years, starting with 2017, for its distribution system; • provide a comparison of its five-year reliability targets with those established by comparable peer utilities in Canada (and provide an explanation where its targets are weaker); • report back annually for the next five years, starting with the 2017 year, to the Committee on its achievement of these targets, including an assessment of the factors that contributed to meeting or not meeting the targets; • provide the Committee with the results of its consultations with customers on service expectations, including reliability; and • provide the Committee with a risk management plan on climate change and detail how climate change is expected to impact reliability targets of its distribution system. **Status: No longer applicable.**	We were unable to obtain further information from Hydro One in order to assess the status of the Committee's recommendation.
Recommendation 7 Hydro One provide the Committee with a summary of the results of the third-party assessment of the optimal length of its vegetation management cycle. **Status: No longer applicable.**	We were unable to obtain further information from Hydro One in order to assess the status of the Committee's recommendation.

Committee Recommendation	Status Details
Recommendation 8 Hydro One provide the Committee with: • its criteria for determining the appropriate timing for replacing key distribution assets, such as transformers, circuit breakers, and wood poles; • a comparison of its criteria for determining the appropriate timing for replacing key distribution assets with those used by other peer utilities in Canada; and • its own assessment of its capital deficit for each type of key distribution asset and the expected cost of asset replacement. **Status: No longer applicable.**	We were unable to obtain further information from Hydro One in order to assess the status of the Committee's recommendation.
Recommendation 9 Hydro One provide the Committee with a timetable to fully implement the usage of smart meters, including: • proactively identifying power outages; • using this information to dispatch work crews; and • the expected improvements to service and projected cost savings that are anticipated as a result. **Status: No longer applicable.**	We were unable to obtain further information from Hydro One in order to assess the status of the Committee's recommendation.
Recommendation 10 Hydro One provide the Committee with a report on its major projects (>$1 million) completed in 2015. This report shall compare: the original project estimate without allowances; the approval amount, including allowances; and, the actual cost for each project. Hydro One will also report to the Committee again in one year and two years for the projects completed in 2016 and 2017, respectively. **Status: No longer applicable.**	We were unable to obtain further information from Hydro One in order to assess the status of the Committee's recommendation.

Chapter 3

Section

3.05 Metrolinx—Regional Transportation Planning

Standing Committee on Public Accounts Follow-Up on Section 4.08, *2014 Annual Report*

In November 2015, the Standing Committee on Public Accounts (Committee) held a public hearing on our 2014 follow-up to our 2012 audit of Metrolinx—Regional Transportation Planning. The Committee tabled a report in the Legislature resulting from this hearing in June 2016. A link to the full report can be found at **www.auditor.on.ca/en/content/standingcommittee/standingcommittee.html**.

The Committee made six recommendations and asked the Ministry of Transportation (Ministry) and Metrolinx to report back by the beginning of October 2016. The Committee directed the recommendations to Metrolinx rather than the Ministry because the Regional Transportation Plan is under the responsibility of Metrolinx. The Ministry and Metrolinx formally responded to the Committee on October 5, 2016. A number of issues raised by the Committee were similar to the observations in our 2012 audit, which we followed up on in 2014. The status of each of the Committee's recommended actions is shown in **Figure 1**.

We conducted assurance work between April 1, 2017 and July 21, 2017, and obtained written representation from Metrolinx that on September 1, 2017 it has provided us with a complete update of the status of the recommendations made by the Committee.

Figure 1: Summary Status of Actions Recommended in June 2016 Committee Report

Prepared by the Office of the Auditor General of Ontario

		Status of Actions Recommended			
	# of Actions Recommended	Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	2		1		1
Recommendation 2	6	3	2		1
Recommendation 3	3		3		
Recommendation 4	4	1	1	1	1
Recommendation 5	5	1	4		
Recommendation 6	1	1			
Total	**21**	**6**	**11**	**1**	**3**
%	**100**	**29**	**52**	**5**	**14**

Overall Conclusion

According to the information Metrolinx provided to us, as of July 21, 2017, 29% of the Committee's recommended actions had been fully implemented, and a further 52% of the recommended actions were in the process of being implemented. There has been little or no progress on one recommended action. Metrolinx has not provided information illustrating that comparators, such as the actual performance of GO Transit or the TTC, have been used when comparing the risks of traditional public procurement to the risks of Alternative Financing and Procurement projects.

Detailed Status of Recommendations

Figure 2 shows the recommendations and status details that are based on responses from Metrolinx, and our review of the information provided.

Figure 2: Committee Recommendations and Detailed Status of Actions Taken

Prepared by the Office of the Auditor General of Ontario

Committee Recommendation	Status Details
Recommendation 1 Metrolinx should:	
• update the Committee on the results of the review of the Regional Transportation Plan and any associated changes to the Plan. **Status: In the process of being implemented by March 2019.**	Beginning in fall 2015, Metrolinx began a legislated review of the Regional Transportation Plan. Phase one of the review concluded in August 2016, with the release of a discussion paper. Metrolinx expects an updated draft of the Plan to be released for public consultation in 2017 and finalized in March 2019.
• publish a ten-year capital spending plan including information about what projects are planned, when construction will take place, estimated costs, and sources of funding. **Status: Will not be implemented.**	Metrolinx has not published its own ten-year capital spending plan in consolidated form. However, it has included information on the Regional Transportation Plan's projects—when construction will take place, estimated costs and sources of funding—across various documents, including: Ontario's 2017 Infrastructure Update, the Plan's Discussion Paper, Metrolinx's quarterly reporting to the Board, annual business plans, and five-year strategies. Also, in its 2016/17 Business Plan, Metrolinx introduced (for the first time) a five-year capital plan that provided a high level breakdown of capital investments until 2020/21. Metrolinx has informed our Office this will also be included in subsequent five-year business plans. Metrolinx has no plans to publish a ten-year capital spending plan.

Committee Recommendation	Status Details
Recommendation 2 Metrolinx should:	
• provide the Committee with information on the financial results of the UP Express after its first full year of operation and make information publicly available; **Status: In the process of being implemented by March 2018.**	UP Express' first full year of operation ended in June 2016. The first 10 months of the year are reported in Metrolinx's 2015/16 Annual Report. The Annual Report shows that UP Express fare revenue was $41.8 million lower than expected in 2015/16 due to low ridership. The remaining two months of the UP Express' first year will be reported in Metrolinx's 2016/17 Annual Report scheduled to be tabled in the Legislature by the end of March 2018.
• provide the Committee with the new ridership study (when completed) and information about the level of ridership needed at the new fare levels for the UP Express to operate on a break-even basis; **Status: In the process of being implemented by October 2017.**	In December 2015, Metrolinx commissioned a ridership study for UP Express to be completed in April 2016. However, the work was stopped following fare changes announced in February 2016 as it was no longer relevant. A new study was commissioned in October 2016 to be completed by November 2016. At the time of our follow-up, Metrolinx was still reviewing the results of the study and anticipated the report to be completed by October 2017. To date, Metrolinx has not provided the Committee with information on the level of ridership required to break even. However, Metrolinx anticipates that at a minimum the first two years of UP Express will be subsidized.
• explore ways to integrate the UP Express with the TTC rather than operate it as a separate rail service; **Status: Will not be implemented.**	Metrolinx did not explore ways to integrate the UP Express with TTC, as it has decided to integrate operational responsibility of UP Express with GO Transit under the responsibility of Metrolinx's Chief Operating Officer.
• provide better signage to help TTC users and users at the airport to find the UP Express, and ensure lower fares and the discount for PRESTO card holders are effectively publicized; **Status: Fully implemented.**	Metrolinx undertook a variety of marketing and advertising activities to promote the new lower fare of $9 (with a PRESTO card) for the UP Express. Additional signage has been installed in Terminal 1 and Terminal 3 at Toronto Pearson Airport, as well as throughout the Skywalk (near Union Station) and integrated with PATH network signage.
• provide the Committee with information on the extent of PRESTO fare card usage on the UP Express as well as ridership data (contrasting ridership at peak demand with non-peak demand) since June 2015; and **Status: Fully implemented.**	An update on ridership and fare card usage was provided to the Committee in October 2016 and to our office in May 2017. For the period of June 2016 to May 2017, PRESTO usage accounted for 33% of total UP Express ridership, up from 28% in the previous year. Prior to the fare decrease on March 9, 2016, average daily ridership was 2,168 passengers. After the fare decrease, average daily ridership was 7,592 passengers (4,844 at non-peak and 2,749 at peak) for the period of March 2016 to May 2017.
• provide the Committee with its plan for the electrification of the UP Express and other rail lines. **Status: Fully implemented.**	Metrolinx provided an update to the Committee in October 2016. Metrolinx has included the electrification of UP Express and GO services as part of the GO Regional Express Rail program. The UP Express is included in the electrification scope along the Kitchener Corridor. Prior to the start of electrification, a technical analysis is required under the Transit Project Assessment Process, which began in June 2017.

Committee Recommendation	Status Details
Recommendation 3 Metrolinx should:	
• provide the Committee with the final cost of the restoration of the Union Station train shed once the project is complete; **Status: In the process of being implemented by December 2017.**	Metrolinx has indicated that the completion of the Union Station train shed is anticipated in December 2017. Metrolinx has committed to communicating the final costs of the Union Station train shed in a letter to the Standing Committee on Public Accounts.
• continue to improve its project management systems to ensure effective monitoring of individual projects and regularly report publicly on the progress of projects, including status and costs compared to budget; and **Status: In the process of being implemented by November 2017.**	Metrolinx is in the process of implementing new budget management and reporting software to assist in the monitoring of projects. Specifically, the software will allow for the consolidation of actual and budgeted costs, enabling better monitoring of project costs. The software has been partially implemented for the Rapid Transit program and is currently being configured to accommodate the Regional Express Rail program. Metrolinx anticipates the implementation to be completed by November 2017. These changes followed our 2012 audit's recommendation to improve project management information systems.
• ensure that contracts for future projects have firm ceiling prices where appropriate, and that these contracts are monitored for adherence to the ceiling prices; **Status: In the process of being implemented by March 2019.**	In addition to project budgets, Metrolinx may establish contingencies (dollar amounts above the budget) at the time of awarding the contract. These are not disclosed to the contractor and are intended to address risks that could not have been foreseen when the contract was awarded. Starting on July 10, 2017, Metrolinx's new procurement IT system now requires a contract value to be entered or the procurement cannot proceed. The contract value sets the limit that vendor receipts, purchase orders, and invoices cannot exceed. If these do exceed the total contract value, the system will not allow payment to occur without an approval override. Metrolinx's policies outline the various authorization levels required for the approval of contracts and changes to contingencies. However, these policies do not explicitly require all contracts to have a firm ceiling price. Metrolinx has informed our office that it will revise the Metrolinx Procurement Policy before March 31, 2019 to require ceiling prices for project contracts.

Committee Recommendation	Status Details
Recommendation 4 Metrolinx should:	
• provide the Committee with detailed risk assessments, the assignment of risks between Metrolinx and the AFP contractor, and the methodology used to justify the use of the AFP procurement model for the Eglinton Crosstown; **Status: In the process of being implemented by October 2017.**	In February 2016, Metrolinx provided the Committee with a value-for-money assessment report for the Eglinton Crosstown Alternative Financing and Procurement (AFP) completed by Infrastructure Ontario. This assessment identified estimated cost savings but, as noted in the Committee's report, it "did not provide details on the valuation of the risks associated with the two delivery methods." At the time of our follow-up, Metrolinx had not provided any additional materials about the AFP to the Committee. However, Metrolinx had obtained additional details from Infrastructure Ontario on the valuation of risks for the Eglington Crosstown and was awaiting confirmation from Infrastructure Ontario for the release of this information to the Committee.
• where appropriate, use comparators such as the actual performance of GO Transit or the TTC rather than relying on industry standards compiled by external advisors when comparing risks of traditional public procurement versus the risks of AFP; **Status: Little or no progress.**	Metrolinx uses Infrastructure Ontario's standard methodologies and relies upon their expertise relating to value-for-money assessment of procurement options. During our follow up work, Metrolinx could not provide us with information illustrating that comparators, such as the actual performance of GO Transit or the TTC, have been used when comparing risks of traditional public procurement to the risks of AFP. However, Metrolinx advised us that it will co-ordinate with Infrastructure Ontario to identify relevant comparators to support the assessment of the risks associated with traditional public procurements versus the risks of AFP.
• publish the detailed risk assessments used to justify AFP procurement, as well as the methodology for assessing these risks, so that independent experts can verify the results; **Status: Will not be implemented.**	Metrolinx provided the Committee with the public value-for-money assessment report to justify the AFP procurement for the Eglinton Crosstown. According to Metrolinx, detailed information relating to the assessment contains commercially sensitive information relating to the successful proponent that cannot be published.
• whenever appropriate, publish contracts, including the schedules outlining the scope of contracts. **Status: Fully implemented.**	Starting on March 31, 2017, Metrolinx now makes bid results publicly available for all procurement processes closed and awarded after January 1, 2017. This includes basic information on the bids such as the submitting vendors, awarded vendor, award date and award amount. Also included is a copy of the tender document which includes the scope of work. The information can be found on Metrolinx's website here: **www.metrolinx.com/tenders/en/tenders.aspx**.

Committee Recommendation	Status Details
Recommendation 5 Metrolinx should:	
• report to the Committee with an outline of next steps to achieve fare integration within GTHA transit systems and to resolve outstanding issues related to the deployment of PRESTO on these systems; **Status: In the process of being implemented by December 2018**	As of March 2017, PRESTO's overall usage within participating Greater Toronto and Hamilton Area (GTHA) transit systems (excluding TTC and UP Express) was 56%, compared to 17% at the time of our 2012 audit and 52% at the time of our 2014 follow-up. As of March 2017, PRESTO's usage was 12% on the TTC and 19% on UP Express. According to their 2017-2022 five-year business plan, Metrolinx's goal is to have 80% of transit trips on participating systems paid for with PRESTO by 2022. As reported to the Committee, work is currently under way to assess potential fare structures, and to review customer and traveler impacts, and approaches to implementation. A business case of various options is expected to be done by September 2017. At the time of our audit, Metrolinx anticipated the Fare Integration Strategy to be completed by December 2018.
• consider offering operating subsidies in order to address inter-agency conflicts with respect to fare-sharing; **Status: In the process of being implemented by December 2018.**	Metrolinx has an existing fare integration arrangement with several municipal service providers that allows travelers combining travel on GO Transit and local transit services to receive discounted fares (at Metrolinx's cost). In 2015/16, this "co-fare" program supported integrated use of local and regional transit and provided $12.8 million in subsidies to 11 municipal service providers. In 2016/17, $13.6 million was provided to 13 municipal service providers. Metrolinx has informed us that the Fare Integration Strategy, expected to be completed in December 2018, will explore different fare-sharing options for transit trips that cross multiple municipalities.
• provide the Committee with a detailed update on how Metrolinx is addressing the risks identified in the technology audit; **Status: Fully implemented.**	In 2014, Metrolinx hired a third party to conduct a technology audit of the PRESTO system. Metrolinx provided the Committee with two updates, in September 2016 and February 2017, outlining the status of actions taken to address risks identified in the audit. One of the main actions taken was a PRESTO software and hardware update in October 2016. This upgrade included testing to ensure capacity for PRESTO adoption on the TTC.
• provide the Committee with any amendments to the 2006 Master Supply and Services Agreement between the Province and the contractor; and **Status: In the process of being implemented by October 2017.**	In October 2016, Metrolinx provided the Committee with previous amendments to the 2006 Master Supply and Services Agreement between the Province and the contractor. In June 2016, Metrolinx signed a six-year extension of the agreement. It included the renewal of all services with the contractor and renegotiated rates. Metrolinx provided our office with a copy of the revised agreement with the contractor and plans to share a copy with the Committee by the end of October 2017.

Committee Recommendation	Status Details
• include the cost of fully implementing PRESTO across GTHA transit systems in PRESTO's projected capital cost and monitor and report the actual cost in relation to the projection in annual reports. **Status: In the process of being implemented by March 2018.**	According to its most recent Annual Report, Metrolinx spent $133.6 million in capital expenditures on the implementation of PRESTO in 2015/16. The report does not compare this to forecasts in previous business plans and does not include total costs-to-date for implementing PRESTO. As reported to the Committee in October 2016, total capital costs for the implementation of PRESTO in the GTHA and Ottawa was $749 million as of March 2016. Forecasted capital expenditures for the next five fiscal years are provided in Metrolinx's annual business plans. The 2016/17 Business Plan forecasts $235 million in capital investments for PRESTO in 2016/17, $78 million in 2017/18, and $35 million each year in 2018/19, 2019/20, and 2020/21. Based on the above estimates, by March 31, 2021, Metrolinx will have spent a total of $1.167 billion on capital investments related to the implementation of PRESTO. Metrolinx has committed to reporting actual capital expenditures against previous forecasts in all annual reports starting with the 2016/17 Annual Report, expected to be tabled in the Legislature by March 2018.
Recommendation 6 Metrolinx should report to the Committee on what steps the agency has taken to relieve traffic and transit congestion in downtown Toronto. **Status: Fully implemented.**	In October 2016, Metrolinx provided the Committee with an update that summarized completed and ongoing initiatives with particular benefits for downtown Toronto. The initiatives outlined included the expansion of GO rail and municipal bus networks, the implementation of UP Express, expansion of PRESTO, the Eglington Crosstown LRT, York Region and Mississauga's bus rapid transit, and the downtown relief line.

Chapter 3
Section
3.06

Ministry of Government and Consumer Services

ServiceOntario

Standing Committee on Public Accounts Follow-Up on Section 4.09, *2015 Annual Report*

In March 2016, the Committee held a public hearing on our 2015 follow-up to our 2013 audit of ServiceOntario. The Committee tabled a report on this hearing in the Legislature in June 2016. The full report can be found at **www.auditor.on.ca/en/content/standingcommittee/standingcommittee.html**.

The Committee made five recommendations and asked the Ministry of Government and Consumer Services (Ministry) to report back by early October 2016. The Ministry formally responded to the Committee on September 26, 2016. A number of the issues raised by the Committee were similar to the audit observations in our 2013 audit and 2015 follow-up. The status of each of the Committee's recommended actions is shown in **Figure 1**.

We conducted assurance work between April 1, 2017, and July 4, 2017, and obtained written representation from the Ministry that on September 1, 2017, it has provided us with a complete update of the status of the recommendations made by the Committee in its report.

Figure 1: Summary Status of Actions Recommended in June 2016 Committee Report
Prepared by the Office of the Auditor General of Ontario

		Status of Actions Recommended			
	# of Actions Recommended	Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	2		2		
Recommendation 2	1	1			
Recommendation 3	2	1	1		
Recommendation 4	1	1			
Recommendation 5	1				1
Total	**7**	**3**	**3**	**0**	**1**
%	**100**	**43**	**43**	**0**	**14**

Overall Conclusion

According to the information the Ministry and ServiceOntario provided to us, as of July 4, 2017, about 43% of the Committee's recommendations had been fully implemented and about 43% of the recommendations were in the process of being implemented. ServiceOntario will not be implementing one recommendation. For example, ServiceOntario had fully implemented recommendations relating to providing updates on accessible parking permits and actions taken as a result of high-risk privacy breaches. As well, ServiceOntario was in the process of implementing recommendations relating to areas such as improving uptake of online services and providing a business case for a single digital identity. However, ServiceOntario is not planning to implement any interim measures that permit the sharing of address-change information between multiple programs.

Detailed Status of Recommendations

Figure 2 shows the recommendations and the status of each based on responses from the Ministry and our review of the information provided.

Figure 2: Committee Recommendations and Detailed Status of Actions Taken

Prepared by the Office of the Auditor General of Ontario

Committee Recommendation	Status Details
Recommendation 1	
ServiceOntario continue to examine ways to improve uptake of online services while balancing the accessibility of services for Ontarians, and provide the Committee with an update on online service usage. **Status: In the process of being implemented by March 2018.**	ServiceOntario actions and plans to further grow uptake in the future include: • the introduction in October 2016 of a simplified email reminder system for vehicle plate-sticker renewal notices, accompanied by a six-week social-media advertising campaign launched in January 2017, leading to 18,500 clients registering for email reminders by mid-May 2017; • plans to offer email reminders for driver's licence renewals starting in September 2017; • simplification in November 2016 of the paper-based vehicle licence-plate-sticker renewal notice, which led to a 40% increase in online sticker renewals in the four months from January to April 2017, compared to the same four months of 2016; • updating the online Service Finder (previously called Service Location Finder) in February 2017, which makes it easier for people to learn about ServiceOntario's online services; • updating the Integrated Address Change function in March 2017 to improve the online verification process, which makes it simpler for users to simultaneously change their address on both their driver's licence and health card; and • plans to increase awareness of ServiceOntario online offerings through public campaigns, including promotion of the "4-in-1 baby bundle" (birth registration, birth certificate, social insurance number, Canada and Ontario child benefits) in 2017/18, and implementation of online photo-health-card renewals by March 2018. Some of the above improvements slightly increased the uptake of online services in 2016/17, with driver and vehicle services rising to almost 17% and health services to 13%. In 2015/16,14% of driver and vehicle services were completed online and 12% of health services. ServiceOntario indicated that it will continue to ensure its services are broadly accessible to all segments of the population. It also plans to work closely with Ontario's Chief Digital Officer, appointed in March 2017, to improve existing online services.

Committee Recommendation	Status Details
ServiceOntario should provide the Committee with a three-year plan detailing further changes it plans to make to increase the public's use of online transactions and new targets for online transactions, while maintaining equity of access to services for those without Internet access or who require in-person assistance. ServiceOntario should report back to the Committee at the end of the three-year period. **Status: In the process of being implemented by March 2019.**	ServiceOntario's September 2016 response to the Committee included a three-year plan ending in March 2019 to increase uptake of online services. The plan was to focus on driver, vehicle, and health services. These three services account for over 70% of transaction volumes and so present maximum opportunity to increase online uptake by making clients more aware of them, and making the services more user-friendly. According to ServiceOntario, online service uptake is projected to be at least 35% of all services by the end of fiscal 2018/19, up from 31% in fiscal 2015/16.
Recommendation 2 ServiceOntario provide an update on what impact the new accessible parking permit policy and permit design have had on improving the permit- issuing process and identifying abusers of the permit system. **Status: Fully implemented.**	ServiceOntario's actions to improve controls over accessible parking permits included: • implementation of a new process in January 2016 that requires clients to show identification to prove their legal name, date of birth and signature, to help reduce the risk of multiple permits issued for one person; • improved permit security through various new design elements, including machine-readable barcodes intended to reduce the risk of forgeries; • development of an Accessible Parking Permit Municipal Enforcement Guidebook in January 2016 to guide bylaw enforcement officers on the permit seizure process; • collaboration with municipalities, which enforce accessible parking- permit-related bylaws, to identify the most appropriate ways to track permit seizures (enforcement officers seized 1,347 permits in 2016, up 31% from 1,030 in 2015); • improved timeliness of permit cancellations for deceased individuals, achieved by monthly cross-checks with other provincial agencies, that led to 12,789 such cancellations in 2016, up from 9,957 in 2015; and • formalized processes for escalating suspected fraudulent cases to ServiceOntario's internal Risk Management Unit.

Committee Recommendation	Status Details
Recommendation 3	
ServiceOntario provide the Committee with a timetable for preparing a comprehensive business case for an integrated smart card (or similar alternative) that includes implementation costs; the ministries and services that could participate in an integrated smart card; operational and cost savings that ministries would achieve; strategies to mitigate privacy concerns; and an implementation plan. **Status: Fully implemented.**	As part of the September 2016 response to the Committee, ServiceOntario concluded that a single digital identity that includes smart card integration would be more beneficial to Ontario. In January 2017, ServiceOntario had discussions with Treasury Board Secretariat, eHealth Ontario, and the ministries of Health and Long-Term Care, Transportation, Finance, and Community and Social Services. ServiceOntario and these organizations plan to build a business case for a single digital identity focusing on privacy-friendly design, security, efficiencies that will result in cost savings for ministries and an implementation roadmap. ServiceOntario cautions that the complexity of this initiative means the single digital identity business case and policy framework depend on significant co-operation by several provincial and federal government organizations. A phased approach will be taken, and timelines may be adjusted based on the needs of partners. The timelines for the business case have already been delayed by over a year from the initial projections submitted to the Committee in September 2016 due to these challenges. In late July 2017, ServiceOntario submitted and received government approval for a policy framework that will provide the basis for the single digital identity business case.
The business case should also include research on lessons learned by other jurisdictions that have already implemented an integrated smart card. ServiceOntario should provide the Committee with this business case when it is completed. **Status: In the process of being implemented by November 2018.**	Following Cabinet's approval of the single digital identity policy framework, ServiceOntario has committed to providing Cabinet with a comprehensive business case by November 2018. The comprehensive digital identity business case will include: lessons learned by other jurisdictions on similar initiatives; implementation options; projected costs and savings; implementation strategy; and policy, legislative and regulatory changes required to implement the digital identity program in Ontario.

Committee Recommendation	Status Details
Recommendation 4 ServiceOntario should provide the Committee with a summary of the number and types of privacy breaches that have occurred with respect to ServiceOntario operations over the last three years, the action(s) taken as a result of breaches considered to be high-risk, and any initiatives planned to mitigate future privacy breaches. **Status: Fully implemented.**	ServiceOntario defines a minor privacy breach as one which occurs through inadvertent or unintentional errors, and in which fewer than 10 personal information records are accessed by or exposed to individuals who should not have access to them. A major privacy breach is defined as one in which 10 or more personal information records are accessed, or where the breach occurred as a result of intentional wrongdoing by ministry staff or operators of ServiceOntario locations. In addition, ServiceOntario may classify an incident as a major breach if the personal information involved is particularly sensitive, or if other factors increase risk. In the three years between 2013 and 2015, there were a total of 25 major and 1,189 minor privacy breaches. ServiceOntario and the Ministry's Privacy Office review and classify all privacy breaches as minor or major, and recommend improvements aimed at preventing future breaches. *Actions taken to prevent future major breaches include:* • annual training in Standards of Conduct and Ethics, and in privacy and security, introduced in 2015 for all front-line and production staff; • updates to ServiceOntario privacy guidance, with additional specific examples of improper access; • privacy training for ServiceOntario's managers of vital events (for example, births, marriages, and deaths) in September 2016; • new and revised privacy and security policies delivered to all vital events staff, and Vital Statistics Act Oaths of Secrecy re-administered in October 2015; • privacy and security refresher training provided to ServiceOntario's Thunder Bay vital events staff in 2015, and Toronto/Ottawa vital events staff in 2016; • refresher privacy training delivered by the Ministry's Privacy Office to about half of ServiceOntario contact-centre staff, with remaining staff to receive training by December 2017; • development of an audit framework for ServiceOntario's vital event activities, currently undergoing validation review by the Ontario Internal Audit Division, to identify unauthorized access; and • updated Privacy Guidance and Documentation, with ministry-wide distribution planned for March 2018. *Systems and Security* ServiceOntario and the Ministry's Privacy Office have worked with the Ministry of Transportation to improve the usability and functionality of logging and audit tools in the Ministry of Transportation's Licensing and Control System. These logs and tools detect and investigate privacy breaches involving inappropriate access to the Ministry of Transportation information systems by ServiceOntario staff—an area where privacy breaches have occurred in the past. *Mailroom, Print and Distribution* ServiceOntario requested the Ontario Internal Audit Division to conduct a full review of the process of logging and reconciling returned and cancelled items, including OHIP cards and Ontario photo cards. The review was completed in January 2017 and recommendations for improvement, including a new policy manual, are to be implemented by March 2018.

Committee Recommendation	Status Details
	Recent Major Privacy Breach Subsequent to ServiceOntario's September 2016 response to the Committee, a major privacy breach occurred in April 2017 involving about 2,000 children's health-card renewal notices. Each of these notices, produced by ServiceOntario and mailed to clients, contained the personal information of another child on the reverse side. The personal information included the children's name, health card number (without version code), residential and/or mailing addresses and date of birth. In May 2017, to reduce the risk of future incidents, ServiceOntario changed all renewal notices. The changes included printing only minimal personal information, and only on one side of the notices rather than on both.
Recommendation 5 As an interim measure until an integrated smart-card initiative is further developed, ServiceOntario should provide the Committee with an action plan and timetable for introducing new measures that would permit the sharing of address-change information between multiple programs. **Status: Will not be implemented.**	ServiceOntario is not considering any measures in the interim, while the single digital identity is further developed, that would permit the sharing of address-change information between multiple programs.

Chapter 3

Section 3.07

Toward Better Accountability

Standing Committee on Public Accounts Follow-Up on Chapter 5, *2015 Annual Report*

The Committee held a public hearing on our 2015 Chapter 5 Toward Better Accountability in April 2016. It tabled a report in the Legislature resulting from this hearing in December 2016. The full report can be found at **www.auditor.on.ca/en/content/standingcommittee/standingcommittee.html**.

The Committee made six recommendations, consisting of eight action items, and asked that Treasury Board Secretariat report back by the beginning of April 2017. Treasury Board Secretariat formally responded to the Committee on April 5, 2017. Many issues raised by the Committee were similar to those in our audit observations in 2015, which we have also followed up on this year (see **Chapter 1**). The status of each of the Committee's recommended actions is shown in **Figure 1**.

We conducted assurance work between March 3, 2017 and July 26, 2017, and obtained written representation from Treasury Board Secretariat on September 12, 2017, that it had provided us with a complete update of the status of the recommendations the Committee made.

Figure 1: Status of Actions Recommended in December 2016 Committee Report

Prepared by the Office of the Auditor General of Ontario

		Status of Actions Recommended			
	# of Actions Recommended	Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	1	1			
Recommendation 2	1	1			
Recommendation 3	2	2			
Recommendation 4	1		1		
Recommendation 5	2		2		
Recommendation 6	1		1		
Total	**8**	**4**	**4**	**0**	**0**
%	**100**	**50**	**50**	**0**	**0**

Overall Conclusion

According to the information Treasury Board Secretariat provided to us, as of July 26, 2017, 50% of the Committee's recommended actions had been fully implemented, and a further 50% of the recommended actions were in the process of being implemented.

Figure 2 shows the recommendations and the status details that are based on responses from Treasury Board Secretariat, and our review of the information provided.

Figure 2: Committee Recommendations and Detailed Status of Actions Taken

Prepared by the Office of the Auditor General of Ontario

Committee Recommendation	Status Details
Recommendation 1 Treasury Board Secretariat provide the Committee with statistics on the timeliness of all agency submissions and public reporting of annual reports for agencies' 2015 fiscal year results. **Status: Fully implemented.**	Treasury Board Secretariat provided the Committee with its most up-to-date statistics on the timeliness of agency annual report submissions and posting to a website for the 2015/16 fiscal year. The timeliness requirements of the Agencies and Appointments Directive as of its July 2016 revision were the basis for determining compliance. The statistics covered 100% of agencies (excluding advisory agencies), and the results were as follows: • Fifty percent of agencies submitted their annual reports within the 90 or 120 days required by the Agencies and Appointments Directive. • Seven percent of agency annual reports were approved and tabled within 60 days of the responsible Minister receiving the report. • Fifty percent of agency annual reports were posted on a website within 30 days of receiving ministerial approval or being tabled in the Legislature.

<table>
<tr><th>Committee Recommendation</th><th>Status Details</th></tr>
<tr><td>Recommendation 2

Treasury Board Secretariat provide the Committee with a summary of steps already taken to improve the timely ministerial approval of agency annual reports, as well as a detailed plan outlining what further steps will be taken to improve the timeliness of these approvals.
Status: Fully implemented.</td><td>The steps already taken to improve the timely ministerial approval of agency annual reports are:
• Compliance attestations—The Agencies and Appointments Directive, effective February 2015, requires that the Chairs and CEOs of provincial agencies attest to their organization’s compliance with applicable legislation, regulation, directives and policies as a part of the government’s broader Certificate of Assurance process. This includes compliance with the Agencies and Appointments Directive’s 90- or 120-day deadlines for submitting annual reports. The Compliance attestation is required for board governed, adjudicative, regulatory and non-board governed agencies and was first implemented for fiscal 2015/16.
• Revision to the Agencies and Appointments Directive—In July 2016, Treasury Board Secretariat revised the Agencies and Appointments Directive in response to a recommendation by the Office of the Auditor General of Ontario. The revision stipulates that the responsible Minister must approve an agency’s annual report (and, where required by statute, table it in the Legislature) within 60 days of receiving it from the agency. The annual report must also be posted on the agency’s or a government website within 30 days of tabling (if the report was tabled) or within 30 days of the Minister’s approval if it was not tabled.

Further steps to improve the timeliness of approvals are:
• launching a compliance tracking system in May 2017. Ministries will continue to be responsible for tracking the status of documents for their agencies as they move through the approval process, but will now use the system to report to Treasury Board Secretariat when key milestones are approached and reached. The compliance tracking system gives Treasury Board Secretariat real-time information of all agencies’ status in meeting their deadlines. Treasury Board Secretariat was planning to proactively reach out to ministries to ensure they meet their deadlines.
• providing education and training on the compliance tracking system beginning in June 2017. Additional education and training will be provided as necessary.
• assessing the compliance tracking system’s effectiveness. Refinements and enhancements to the system are expected to be completed by October 2017. Treasury Board Secretariat will be able to identify approaching deadlines and proactively intervene to improve compliance.</td></tr>
</table>

Committee Recommendation	Status Details
Recommendation 3	
Treasury Board Secretariat provide the Committee with a jurisdictional analysis of timelines and best practices for filing in other provincial governments. **Status: Fully implemented.**	Treasury Board Secretariat provided the Committee with the requested jurisdictional analysis of timelines for filing in other provincial governments. Some highlights are: • In most provinces, there is no centralized process for receiving agencies' annual reports. The Minister and ministries responsible for these agencies receive, approve, table and post their annual reports. • The approvals required to table/post agencies' annual reports vary between jurisdictions. • Newfoundland and Labrador estimates that approximately 70% of annual reports are submitted on time, and delays are usually due to the timing and the availability of the agency's audited financial statements. Agencies typically table their annual reports within the required time frames. • New Brunswick has a best practice of providing guidance material and tools relating to the annual report process. It hosts a kick-off meeting each year to launch this process. This meeting provides an opportunity to share the past year's performance and new requirements or process improvements. There is also a question-and-answer session on key issues.
As well, provide the steps and associated time frames Treasury Board Secretariat will take to better align Ontario with best practices used in other provinces for the timely release (or tabling) of annual reports. **Status: Fully implemented.**	To better align Ontario with best practices, the Treasury Board Secretariat is taking/will take the following steps: • Treasury Board Secretariat implemented the education, training and communication best practice from New Brunswick. For example, the kick-off meeting identified as a best practice in New Brunswick was incorporated into the training performed in June 2017. • In addition, best practices identified from Newfoundland and Labrador included using a calendar and timeline tracker to ensure that the ministries were able to see due dates. These features were added into the functionality of the tracking system along with early warning notifications.
Recommendation 4	
Treasury Board Secretariat provide the Committee with a plan to engage the Clerk of the Legislative Assembly to ensure legislators are notified when a report has been released, including timelines. **Status: In the process of being implemented by April 2018.**	Treasury Board Secretariat consulted with the Clerk of the Legislative Assembly of Ontario in July 2017 on a proposed method for notifying elected officials and the Standing Committee on Government Agencies. Subsequently, Treasury Board Secretariat received government approval to update the Agencies and Appointments Directive to require tabling of all provincial agency annual reports. This will result in elected officials being notified through the tabling process when an annual report is publicly released. Treasury Board Secretariat expects the updates to the Directive will be ready by April 2018. Additionally, Treasury Board Secretariat is working on options for changing legislation to be consistent with the Agencies and Appointments Directive for the submitting, tabling and posting of all applicable agency annual reports. Treasury Board Secretariat is expected to finalize the changes in fall 2017.

Committee Recommendation	Status Details
Recommendation 5	
Treasury Board Secretariat provide the Committee with a summary of the results of the legislative review that has been undertaken, including the identification of opportunities to:	Treasury Board Secretariat provided the Committee with a summary of the results of its legislative review. The review identified all statutory references to both the preparation and the tabling of provincial agency annual reports. It found 129 references to 119 provincial agencies associated with 19 ministries in 63 statutes, 10 regulations and five Orders-in-Council.
• co-ordinate legislative amendments to help eliminate inconsistencies in reporting requirements between the Agencies and Appointments Directive, applicable legislation, and agencies' Memorandums of Understanding; and **Status: In the process of being implemented by fall 2017.**	Based on its review, Treasury Board Secretariat analyzed options to help eliminate inconsistencies in reporting requirements, such as standardizing all statutory language related to provincial agency annual report production, amending legislation and/or amending the Agencies and Appointments Directive. Treasury Board Secretariat expects to present the Committee with a more specific identification of the opportunities that will be pursued by fall 2017.
• create a more consistent way to publicly report all annual reports. **Status: In the process of being implemented by fall 2017.**	Treasury Board Secretariat is also considering approaches that would create a more consistent way to publicly report all annual reports. This might involve amending legislation and/or amending the Agencies and Appointments Directive. Treasury Board Secretariat expects to present the Committee with a more specific identification of the opportunities that will be pursued by fall 2017. Once the opportunities are more specifically laid out and action is taken (for example, if legislation is to be amended, once the amendments are made), Treasury Board Secretariat will update guidance material to reflect any changes made.
Recommendation 6	
Treasury Board Secretariat, in consultation with the Clerk of the Legislative Assembly, develop a mechanism for tracking the public release of annual reports and determine how best to make this information available to the Members of the Legislative Assembly. This tracking mechanism should include required time frames for the public release/tabling of each agency's annual report and the actual release date. **Status: In the process of being implemented by fall 2017.**	Treasury Board Secretariat implemented a compliance tracking system in May 2017. Ministries will continue to be responsible for tracking the status of documents for the agencies over which they have oversight as the documents move through the approval process, but will then have to report to Treasury Board Secretariat when key milestones are approached and reached. This tracking system will give Treasury Board Secretariat information on all agencies' status in meeting their deadlines. Since ministries will be responsible for providing updates as the status changes, Treasury Board Secretariat will be able to proactively intervene to improve compliance. Treasury Board Secretariat will seek to amend the Agency and Accountability Directive to include notification methods of making members of the Assembly aware of the publication of provincial agency annual reports. These notification methods are expected to align with the legislative amendments expected to be updated by Fall 2017. In July 2017, Treasury Board Secretariat met with the Clerk of the Legislative Assembly of Ontario to discuss the plan for seeking legislative changes.

Follow-Up on Audit Recommendations from 2012 to 2016

1.0 Summary

All of our value-for-money audit reports include specific recommended actions that aim to promote accountability, transparency and better services for Ontarians, and improve efficiency and cost-effectiveness.

These goals are at risk when recommended actions are not implemented in a timely way—or not implemented at all.

Two years after we publish audit reports, we follow up on the status of actions taken on our recommendations that ministries and broader-public-sector organizations agreed to when the initial audit was completed. (**Chapter 1** of this volume contains our follow-ups on recommendations in our *2015 Annual Report*.)

This year, in an expanded effort to track the status of our past recommendations, we return to our annual reports of 2012, 2013 and 2014 to, effectively, "follow up on the follow-ups." In **Section 4.0**, we also report on the status of recommended actions of the Standing Committee on Public Accounts.

Between 2012 and 2014, we audited a total of 38 ministries, Crown agencies and broader-public-sector organizations, and recommended 622 actions overall. From our review this year of the status of those recommended actions, we noted the following:

- **Implementation of recommended actions within two years after issuance of the initial audit report continues to increase.** The two-year average implementation rate of ministries and broader-public-sector agencies has been steadily increasing. For example, the implementation rate at the time of our two-year follow-ups has trended upward: 20% in 2012, 29% in 2013 and 40% in 2014.
- **The average implementation rate for 2012, 2013 and 2014 continued to increase.** From our work this year following up on recommended actions from 2012, 2013 and 2014, we found that the implementation rate increased to about 50% for each of those three years.
- **The average implementation rate is lower than expected.** Although there has been a positive trend to implement recommended actions, we would have expected to see a higher implementation rate for 2012 and 2013, given that we issued, and management accepted, these recommendations more than four years ago.
- **Implementation lagging for short-term recommendations.** We classified as short-term those recommended actions that could reasonably be achieved within two years. We found that 47% of the ones made in 2012 (five years ago), 38% of the ones from 2013 (four years ago), and 39% from 2014 (three years ago) were still outstanding.

- **Pressing issues still not addressed at some ministries.** For example:
  - All 21 recommended actions in our *2014 Annual Report* on Palliative Care were still in the process of being implemented, including one calling for a review of the way nurse practitioners are deployed in order to provide patients with 24/7 access to palliative care at home; and another recommending consideration of new options such as creating additional palliative-care teams to support family physicians who deliver home-based palliative care.
  - The Ministry of Community Safety and Correctional Services still had 21 actions outstanding of the 46 recommended in 2012 and 2014, including one that called for it to strategically target resources to higher-risk offenders so as to reduce high reoffend rates.
  - Our 2014 audit of residential services for people with developmental disabilities, run by the Ministry of Community and Social Services, recommended 31 actions. Twenty remain outstanding, including one that the Ministry develop a consistent prioritization process across the province to ensure services are administered consistently and equitably, and that those most in need receive required services.

2.0 How We Evaluated Implementation

We recommended a total of 622 actions in our 2012, 2013 and 2014 annual reports. Based on our review this year, we agreed with auditees that 24 of the actions were “no longer applicable,” which left a total of 598 recommended actions.

We obtained self-assessments by auditees of their progress in implementing the 2012, 2013 and 2014 recommended actions as of March 31, 2017, along with supporting documentation.

Our review work consisted of enquiries and reviews of the supporting documentation to gain assurance that each recommended action was in fact fully implemented. In certain cases, we also conducted further sample testing to confirm the status of the recommended actions.

We also obtained information and documentation for recommended actions assessed as “no longer applicable,” and “will not be implemented,” to determine the reasonableness of the rationale for not completing them.

We conducted our work between April 1, 2017, and August 31, 2017, and obtained written representation from the auditees that they provided us with a complete update of the status of the recommendations we made in the original audits.

As this follow-up work is not an audit, we cannot provide complete assurance that the recommended actions have been implemented effectively.

3.0 Detailed Findings

3.1 Overview

Of the total 598 recommended actions that we expected to be implemented from our 2012, 2013 and 2014 annual reports, we found that only about half had been fully implemented. The remaining half were either in various stages of implementation, or the auditee determined they would no longer be implemented.

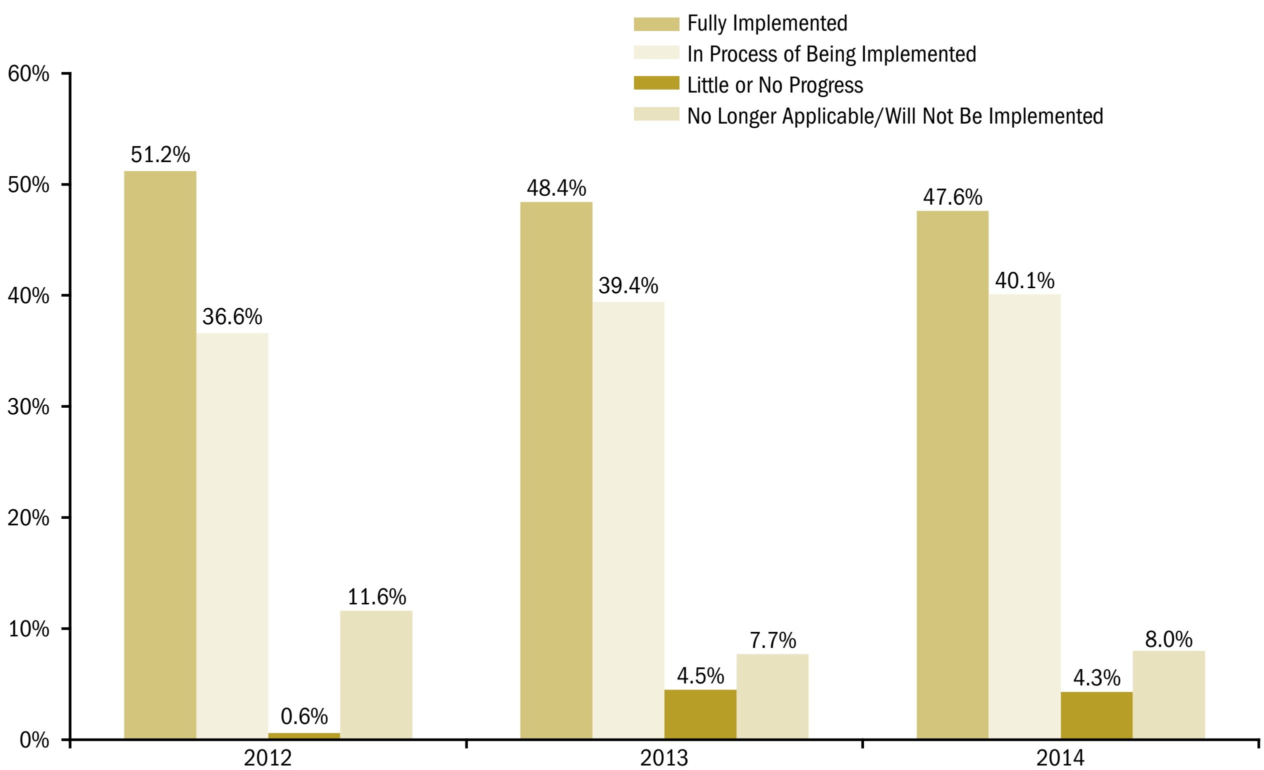
Figure 1 provides a detailed breakdown by year of the status of recommended actions in our 2012, 2013 and 2014 annual reports.

Of concern to us was that about half of the 170 recommended actions issued five years ago in our *2012 Annual Report*, and over half of the 158 issued four years ago in our *2013 Annual Report*, had not been implemented.

Many of the outstanding recommended actions addressed areas important to Ontarians, such as community safety, social services, health care and the protection of children. **Appendix 1** contains

Figure 1: Implementation Status of Recommended Actions Issued in Our *2012*, *2013* and *2014 Annual Reports*, as of March 31, 2017

Prepared by the Office of the Auditor General of Ontario



a sample of recommendations that we regard as important that have not been implemented.

For purposes of analysis, we classified outstanding recommended actions into what we believed were reasonable timeframes for ministries and agencies to implement: either two years (short-term) or five years (long-term).

We found that with respect to the short-term actions, 47% of the 60 recommended actions we issued in 2012, 38% of the 74 we issued in 2013, and 39% of the 215 we issued in 2014 were still outstanding.

3.2 Some Auditees Report Low Implementation Rates

Of the 38 ministries, Crown agencies and broader-public-sector agencies that we audited in 2012, 2013 and 2014, seven had fully implemented 75% or more of our recommended actions, as shown in **Figure 2**.

The remaining 31 had fully implemented fewer than 75% of our recommended actions, and eight of these had implemented fewer than 25%. Examples of specific recommended actions that had not yet been implemented that we believe are important include the following:

Ministry of Community Safety and Correctional Services

The Ministry had implemented 25 (54%) of the recommended actions, and 21 actions were outstanding of the 46 recommended in two audits between 2012 and 2014. The majority of the 21 outstanding actions relate to the Adult Community Corrections and Ontario Parole Board audit in our *2014 Annual Report*.

For example, one action still outstanding called on the Ministry to reduce reoffend rates of offenders serving sentences in the community by

Figure 2: Percentage of Recommended Actions Issued in Our *2012*, *2013* and *2014 Annual Reports* Fully Implemented, by Organization, as of March 31, 2017

Prepared by the Office of the Auditor General of Ontario

Ministry or Agency	Implementation Rate (%)
Organizations with More Than 31 Recommended Actions	
Ministry of Citizenship and Immigration	70
Ministry of Education	57
Hospitals (3)[1]	54
Ministry of Community Safety and Correctional Services	54
School Boards (6)[1]	36
Ministry of Community and Social Services	34
Ministry of Health and Long-Term Care	33
Ministry of Children and Youth Services	28
Organizations with 11–30 Recommended Actions	
Ontario Power Generation	100
Ministry of Finance	82
The Financial Services Commission of Ontario	72
Infrastructure Ontario	64
Ministry of the Environment and Climate Change	63
Ministry of Government and Consumer Services	62
Metrolinx	53
Universities (3)[1]	42
Ontario Energy Board	33
Ministry of Energy	20
Organizations with 1–10 Recommended Actions	
Community Care Access Centres (3)[1, 2]	100
Independent Electricity System Operator	100
Cancer Care Ontario	67
Ontario Parole Board	67
Ministry of the Attorney General	38
Ministry of Natural Resources and Forestry	22
Ministry of Advanced Education and Skills Development	0
Ministry of Infrastructure	0
Ministry of the Status of Women	0

Implementation rate of 75% or more

Implementation rate between 50% and 74%

Implementation rate of less than 50%

1. Implementation rates of individual broader-public-sector entities:
   - Hospitals: Providence Healthcare, 64%; Hamilton Health Sciences, 57%; Ottawa Hospital, 38%
   - School Boards: Algoma, 89%; Lakehead, 67%; Hamilton-Wentworth, 30%; Kawartha Pine Ridge, 13%; York Catholic, 10%; Trillium Lakelands, 10%
   - Universities: University of Ontario Institute of Technology, 63%; University of Toronto, 33%; Brock University, 29%
   - Community Care Access Centres: Central East, 100%; Northeast, 100%; Waterloo Wellington, 100%
2. Now referred to as Local Health Integration Networks.

strategically targeting resources, programs and services to higher-risk offenders.

Another recommended that the Ministry compare its expenditures and program outcomes for supervising and rehabilitating offenders with other jurisdictions to assess whether its programs deliver services cost-effectively.

Ministry of Community and Social Services

The Ministry had implemented 16 (34%) of the recommended actions, and 31 of 47 recommended actions were outstanding from audits in 2013 and 2014, with most arising from the audit of residential services for people with developmental disabilities in our *2014 Annual Report*.

Some of the outstanding recommendations address access to and quality of care; one, for example, recommended that the Ministry develop a consistent access prioritization process across the province to ensure services are administered consistently and equitably.

Another recommended that the Ministry ensure that wait-time information is consistently recorded to improve the management of wait times for residential services for people with development disabilities.

A third recommended action still outstanding was that the Ministry should ensure that all residential staff who provide direct care to residents undergo regular vulnerable-sector screenings and Canadian Police Information Centre checks.

Ministry of Health and Long-Term Care

We provided 112 recommended actions in nine audits between 2012 and 2014, but although many actions are in the process of being implemented, only 37 of them have been fully implemented. Among the actions still outstanding:

Palliative Care—All 21 recommended actions we issued in 2014 were still in the process of being implemented, including two related to the care provided to patients at home. These include one recommending the Ministry review the distribution of nurse practitioners in order to be better able to provide patients with access to palliative care at home; and another that it consider options for promoting the provision of palliative care, such as creating additional palliative care teams to support family physicians who deliver home-based palliative care.

Immunization—The Ministry still had not reviewed the immunization program's delivery structure, or considered alternative delivery options, to improve efficiency and cost-effectiveness, as we recommended in our *2014 Annual Report*.

Ministry of Children and Youth Services

The Ministry implemented only 11 of 39 recommended actions in our 2012 and 2013 annual reports. Areas of concern included:

Youth Justice Services Program—One recommended action in our *2012 Annual Report* would have required the Ministry to ensure that case-management plans include specific goals, along with recommended programs and services, to address concerns about youth at high risk.

Autism Services and Supports for Children—Some recommendations made in 2013 addressed access to care, such as the Ministry ensuring that clear eligibility, continuation and discharge criteria for Intensive Behaviour Intervention services are developed and applied consistently, and that the Ministry also ensure that it applies program guidelines consistently to all those who meet the eligibility criteria.

3.3 Certain Types of Recommendations Appear to Take Longer to Implement Than Others

We categorized the recommended actions we issued in 2012, 2013 and 2014 by the areas they addressed.

A considerable number of our recommended actions related to effectiveness/cost-effectiveness and monitoring and oversight improvements. There are opportunities for services delivered to better achieve value for money. As well, better monitoring and oversight are needed to ensure that value for money is being achieved when services are provided by ministries, agencies and third parties.

As **Figure 3** illustrates, the categories with the highest implementation rates were those dealing with human resources, efficiency, internal controls and compliance.

The categories that had the lowest implementation rates addressed public reporting, access to care or services, effectiveness or cost-effectiveness, and education/promotion.

3.4 Some Recommendations Will Not Be Implemented

Of the 622 total recommended actions that we issued in 2012, 2013 and 2014, 55 either are no longer applicable or will not be implemented by the relevant organizations.

In 24 cases, we agreed with the auditees' rationale for choosing not to implement. In most cases, the main reason was that upcoming legislative or program changes make the recommendations no longer applicable. In other cases, the entity used an alternative approach to deal with the identified issue rather than implement the specific action in our recommendation.

We continue to believe that the remaining 31 recommended actions that we list in **Appendix 2** should be implemented. Over half of these recommended better monitoring/oversight, or addressed the effectiveness or cost-effectiveness of programs or services.

3.5 Improvement in Two-Year Implementation Rate of Value-for-Money Recommended Actions

Two years after a value-for-money audit is issued, our Office conducts a follow-up audit

Figure 3: Implementation Rate by Category of Actions Recommended in Our *2012*, *2013* and *2014 Annual Report*, as of March 31, 2017

Prepared by the Office of the Auditor General of Ontario

Category	Total # Relevant Recommended Actions (A)	# of Recommended Actions Fully Implemented (B)	Recommended Actions Fully Implemented/Total Recommended Actions (%)
Human Resources	8	7	88
Efficiency	10	8	80
Internal Controls	24	17	71
Compliance	46	31	67
Collect/Analyze Data	20	12	60
Enforcement	15	9	60
IT	11	6	55
Monitoring and/or Oversight	109	60	55
Quality of Care or Services	44	22	50
Economy/Funding/Costs	67	33	50
Governance	31	14	45
Education/Promotion	30	13	43
Effectiveness or Cost-effectiveness	124	50	41
Access to Care/Services	56	21	38
Public Reporting	4	1	25

on the progress made by ministries and broader-public-sector agencies in implementing our recommendations. The two-year average implementation rate of ministries and broader-public-sector agencies has been steadily increasing. That is, the implementation rate at the time of our two-year follow-ups has trended upward: 20% in 2012, 29% in 2013, and 40% in 2014.

4.0 Follow-Up on Recommendations Issued by the Standing Committee on Public Accounts in 2015 and Early 2016

Starting in 2015, our Office began assisting the Standing Committee on Public Accounts (Committee) in following up on the status of its recommended actions to auditees. The Committee issued 115 recommended actions in 2015 and up to April 2016.

Auditees have fully implemented about 65% of the recommended actions issued by the Committee over that time. The remaining 35% are either in various phases of implementation, or the entity determined that the recommended action will not be implemented (as discussed in **Section 4.2**).

Figure 4 provides a breakdown of the status of the actions recommended by the Committee from March 2015 up to April 2016.

4.1 Some Entities Better Than Others at Implementing Committee Recommendations

Figure 5 shows that of the 15 ministries/agencies that were the subject of Committee reports tabled in 2015 and up to April 2016, seven had fully implemented 70% or more of the Committee's recommended actions. Specifically, the15 ministries/agencies were the subject of the following 10 Committee reports:

- Violence Against Women
- Ontario Power Generation Human Resources
- Health Human Resources

Figure 4: Implementation Status of Recommended Actions Issued by the Standing Committee on Public Accounts between March 2015 and April 2016, as of March 31, 2017

Prepared by the Office of the Auditor General of Ontario

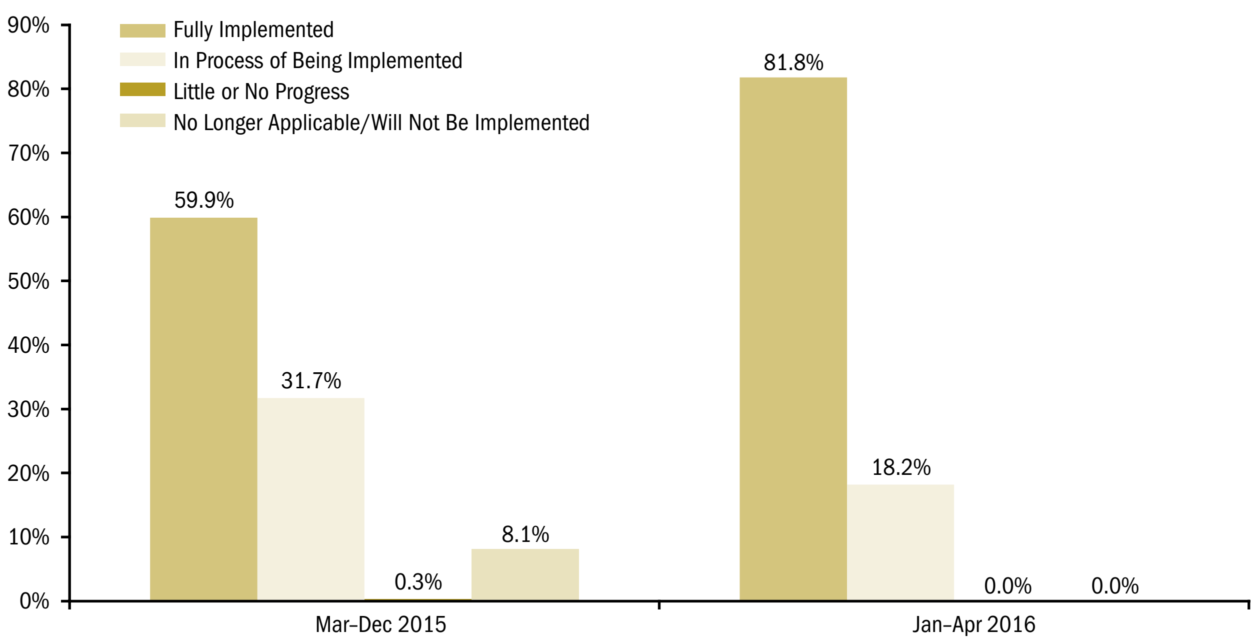


Figure 5: Percentage of Actions Recommended by the Standing Committee on Public Accounts between March 2015 and April 2016 Fully Implemented, by Organization, as of March 31, 2017

Prepared by the Office of the Auditor General of Ontario

Ministry or Agency	# of Recommended Actions (A)	# of Recommended Actions Fully Implemented (B)	Implementation Rate (B/A) (%)
Ministry of Infrastructure	2	2	100
Ontario Power Generation	17	17	100
Cancer Care Ontario	10	9	90
Ministry of Energy	9	8	89
Ministry of Education	6	5	83
Treasury Board Secretariat	5	4	80
Infrastructure Ontario	10	7	70
Financial Services Commission of Ontario	18	10	56
Ministry of Advanced Education and Skills Development	2	1	50
Ministry of Health and Long-Term Care	14	6	43
Universities (3)*	12	4	33
Ministry of Community and Social Services	11	2	18
Ministry of the Status of Women	3	0	0

Implementation rate of 75% or more

Implementation rate between 50% and 74%

Implementation rate of less than 50%

* Implementation rates of individual universities:
- University of Ontario Insitute of Technology, 50%
- University of Toronto, 25%
- Brock University, 25%

- Cancer Screening Programs
- Pension Plan and Financial Services
- Alternative Financing and Procurement
- Smart Metering Initiative
- University Undergraduate Teaching Quality
- Education of Aboriginal Students
- Public Accounts of the Province

The Ministry of Infrastructure and Ontario Power Generation implemented all outstanding recommendations. The remaining eight entities had fully implemented fewer than 70% of the Committee's recommended actions; this included two ministries that had implemented fewer than 25%.

4.2 Some Committee Recommendations Will Not Be Implemented

Of the 115 recommended actions that the Committee issued, 10 either will not be implemented by the entities concerned, or are no longer applicable.

We agreed with the entities' rationale for five of the recommended actions that will not be implemented. The main reason they gave was that proposed legislative changes make the recommendations no longer applicable.

However, we continue to believe that the five remaining actions listed in **Appendix 3** should be implemented. These five generally required the entity to assess the quality of services provided, or to disclose more information to the public.

Appendix 1: Examples of Recommended Actions from 2012 to 2013 That Have Not Been Implemented

Prepared by the Office of the Auditor General of Ontario

Audit Year	Report Section	Ministry/ Agency	Rec. #	Recommended Action	Category of Recommended Action
2012	3.01 Cancer Screening Programs	Cancer Care Ontario	5	To ensure that Ontarians are receiving quality cancer screening services, Cancer Care Ontario should work with the Ministry to obtain screening data so it can review and assess the work performed by all service providers and measure the results against appropriate quality assurance standards.	Quality of care/ services
2012	3.03 Diabetes Management Strategy	Ministry of Health and Long-Term Care	5	To ensure that people receive adequate, timely and quality bariatric surgical services across the province, the Ministry of Health and Long-Term Care should consider providing the public with information on the average elapsed time between a physician's referral and completion of the required pre-surgery assessments.	Access to care/ services
2012	3.05 Education of Aboriginal Students	Ministry of Education	3	To help assess the progress being made toward achieving the goals and performance measures outlined in the Ontario First Nation, Métis and Inuit Education Policy Framework, the Ministry of Education and school boards should periodically review progress made with regard to closing the gap between Aboriginal and non-Aboriginal student achievement so that additional or alternative strategies can be implemented where necessary.	Effectiveness/ cost-effectiveness
2012	3.08 Long-term-care Home Placement Process	Ministry of Health and Long-Term Care	3	To better ensure that clients have sufficient information on the long-term-care (LTC) home placement process and wait times for LTC home admission, the Ministry of Health and Long-Term Care, in conjunction with the Local Health Integration Networks (formerly conducted by Community Care Access Centres), should provide the public with detailed information on the LTC home admission process and the policies in place to ensure the process is administered equitably.	Education/ promotion
2012	3.12 University Undergraduate Teaching Quality	Ministry of Advanced Education and Skills Development	1	To help ensure that administrators and students have sufficient information to make informed decisions, and that all faculty members receive the necessary feedback to maintain or enhance teaching quality, universities should ensure that faculty, including sessional faculty, periodically receive constructive feedback on their teaching effectiveness, and encourage faculty to undertake any necessary professional development.	Effectiveness/ cost-effectiveness
2013	3.03 Healthy Schools Strategy	Ministry of Education	1	To help ensure that offering healthier food choices in schools contributes to improved student eating behaviours and their goals of improving student health and academic achievement, the Ministry of Education and school boards should develop consistent and effective strategies to monitor compliance with the Ministry's School Food and Beverage Policy, especially ensuring that all items sold in schools comply with the policy's nutrition standards.	Monitoring/ oversight

Audit Year	Report Section	Ministry/ Agency	Rec. #	Recommended Action	Category of Recommended Action
2013	3.03 Healthy Schools Strategy	Ministry of Education	2	To help safely increase physical activity as well as contribute to reduced sedentary behaviour and improved academic achievement, the Ministry of Education and school boards should set specific goals and targets for increasing physical activity in schools, and periodically monitor, measure and publicly report on the progress made.	Effectiveness/ cost-effectiveness
2013	3.06 Private Schools	Ministry of Education	3	To ensure that adequate policies and procedures are in place to verify that credit-granting private schools are awarding course credits and diplomas in compliance with ministry policies, including the provincial grade 9 to 12 curriculum, the Ministry of Education should establish effective procedures to identify, track and take timely corrective action against private schools that are repeatedly non-compliant with ministry policies.	Enforcement
2013	3.08 Rehabilitation Services at Hospitals	Ministry of Health and Long-Term Care	1	To better ensure that Ontarians requiring rehabilitation have equitable access to services, the Ministry of Health and Long-term Care should work with the Local Health Integration Networks to establish a province-wide co-ordinated system for rehabilitation, including both regular (shorter-term) and restorative (longer-term) inpatient services and all community-based outpatient services.	Access to care/ services
2013	3.10 Violence Against Women	Ministry of the Status of Women	1	To assess whether the province's Domestic Violence Action Plan and Sexual Violence Action Plan have reduced domestic and sexual violence and improved supports for women who have experienced violence and their children, the Ministry of Status of Women (formerly referred to as Ontario Women's Directorate) should ensure that the commitments contained within the action plans have measurable goals or targets attached to them and that progress is regularly assessed and reported.	Effectiveness/ cost-effectiveness

Appendix 2: Recommendations from 2012, 2013 and 2014 Assessed as "Will Not Be Implemented" That the Auditor General Believes Should Be Implemented

Prepared by the Office of the Auditor General of Ontario

Section	Organization	Recommendations	Status	Rationale
2012				
3.02: Criminal Prosecutions	Ministry of the Attorney General	**Recommendation 3—Action 1** To ensure that Crown attorneys have the workload flexibility to devote a similar amount of time to charges of a similar nature, the Criminal Law Division should establish benchmarks for what a reasonable workload for each Crown attorney should be.	Assessed in 2017 as Will Not Be Implemented	Criminal Law Division relies on comparison data and not specific benchmarks. As a result, this recommendation will not be implemented.
3.05: Education of Aboriginal Students	Ministry of Education	**Recommendation 3—Action 1** To help assess the progress being made toward achieving the goals and performance measures outlined in the Ontario First Nation, Métis and Inuit Education Policy Framework, the Ministry of Education (Ministry) and school boards should establish a baseline with respect to the goals and performance measures identified in the Framework and set measurable, realistic targets.	Assessed in 2017 as Will Not Be Implemented	The Ministry created baselines and performance targets for three out of the 10 performance measures identified in the Ontario First Nation, Métis and Inuit Education Policy Framework, 2007. The ministry does not have targets or baselines associated with the remaining seven qualitative performance measures. The Ministry uses survey, engagement and program data to assess progress on the qualitative performance measures. Results are publicly reported every three years.
	Kawartha Pine Ridge District School Board	**Recommendation 5—Action 1** In order to improve educational outcomes for First Nation students living on reserves, the Ministry of Education and, where applicable, school boards, should develop standardized template tuition agreements and guidelines that can be used by all boards and periodically monitor whether valid tuition agreements are in place with all bands.	Assessed in 2017 as Will Not Be Implemented	Kawartha Pine Ridge District School Board stated that the School Board does not use standardized template tuition agreements because it negotiates contracts, which are mutually agreed upon by the board and each of the three First Nations Territories.
3.06: Independent Health Facilities	Ministry of Health and Long-Term Care	**Recommendation 3—Action 3** To better ensure that independent health facilities are providing services according to quality medical standards established by the College of Physicians and Surgeons of Ontario (College) and are meeting other legislated requirements, the Ministry should consider including additional expectations in its Memorandum of Understanding with the College, such as requiring that assessment results for facilities with significant issues be more promptly reported to the Ministry after the assessment.	Assessed in 2017 as Will Not Be Implemented	The Ministry has not implemented a deadline. The Ministry indicated that each assessment is unique, and each assessment varies from others. Therefore a deadline is both impractical and may lead to haste that could compromise the thoroughness, comprehensiveness and completeness needed to provide robust and valid report findings and recommendations. The Ministry noted that within the overall assessment timeline, sub-processes are monitored and followed up on to ensure timely responses.

Section	Organization	Recommendations	Status	Rationale
3.10: Ontario Provincial Police	Ministry of Community Safety and Correctional Services	**Recommendation 4—Action 2** To help ensure that non-policing duties and responsibilities are handled as cost-effectively as possible, the Ontario Provincial Police should establish cost-saving targets and timelines for designating positions to either civilians or officers, depending on the duties of the position.	Assessed in 2017 as Will Not Be Implemented	The OPP noted that it will not be establishing cost savings targets and timelines for designating positions to either civilians or officers, depending on the duties of the position, primarily due to HR policy complexities.
		Recommendation 4—Action 3 To help ensure that non-policing duties and responsibilities are handled as cost-effectively as possible, the Ontario Provincial Police should reassign officers who are currently in civilian positions back to front-line policing where possible.	Assessed in 2014 as Will Not Be Implemented	The OPP advised us that the positions are reviewed as they become vacant. In some cases, these positions are held by accommodated officers who might never return to front-line duties. Accommodated members must get medical clearance before returning to front-line duties.
		Recommendation 10—Action 2 To help ensure that police resources are focused on the Ontario Provincial Police's key objectives for effective policing, the Ontario Provincial Police should monitor average officer response times to calls for service for each detachment to ensure that adequate response times are achieved, particularly for higher-priority calls and during peak demand periods.	Assessed in 2014 as Will Not Be Implemented	We were advised that the OPP continues to believe that monitoring response times and possibly establishing targets is problematic, due to significant geographic differences among detachment areas across the province. In addition, the OPP noted that monitoring response times is not a current function of its computer-aided dispatch system.
		Recommendation 11—Action 1 To help ensure that its two key information systems contain accurate information that can be reliably used for managing and reporting on its policing activities and on crime and traffic occurrences, the Ontario Provincial Police should assess the extent to which the Records Management System and Daily Activity Reporting systems do not reconcile with each other for critical data such as occurrences and calls for services.	Assessed in 2014 as Will Not Be Implemented	In 2014, the OPP had neither addressed the differences we identified in our 2012 audit report nor put in place plans to reconcile the information between the two databases. As a result, the OPP has increased its risk with respect to the accuracy and reliability of its published information, and the usefulness of its activity-based information for decision-making.
		Recommendation 11—Action 2 To help ensure that its two key information systems contain accurate information that can be reliably used for managing and reporting on its policing activities and on crime and traffic occurrences, the Ontario Provincial Police should consider whether periodic supervisory approval of officers' daily or weekly data input would help minimize inconsistent and inaccurate data between the two systems.	Assessed in 2014 as Will Not Be Implemented	The OPP advised us that it had decided not to establish a new requirement that supervisors periodically approve officers' daily or weekly data input, to ensure greater accuracy, since it would be a time-consuming process for supervisory resources that are already fully tasked. The OPP plans to continue its practice of requiring supervisor approval when officers record overtime hours and to ensure weekly that officers have updated the DAR, but they do not check or approve the officer's data entries. The OPP noted that it recently expanded the use of civilian staff to enter data for officers into the RMS and this should result in improved data entry because the civilian staff is directly supervised.

Section	Organization	Recommendations	Status	Rationale
3.12: University Undergraduate Teaching Quality	University of Toronto	**Recommendation 1—Action 4** To help ensure that administrators and students have sufficient information to make informed decisions, and that all faculty members receive the necessary feedback to maintain or enhance teaching quality, universities should ensure that faculty, including sessional faculty, periodically receive constructive feedback on their teaching effectiveness, and encourage faculty to undertake any necessary professional development.	Assessed in 2017 as Will Not Be Implemented	The University indicated that it has no immediate plans to make the annual performance review mandatory for all sessional instructors.
	University of Ontario Institute of Technology	**Recommendation 1—Action 3** To help ensure that administrators and students have sufficient information to make informed decisions, and that all faculty members receive the necessary feedback to maintain or enhance teaching quality, universities should provide students with the summarized results of student course evaluations to assist them in making informed decisions on course selection.	Assessed in 2017 as Will Not Be Implemented	The University stated that it will not be posting course evaluations. The University indicated that other actions have been taken to support student decision-making in course selection, including implementation of a new calendar to allow students to access course and program information from any device and to see relevant information and course information that is important to their study.
2013				
3.06: Private Schools	Ministry of Education	**Recommendation 1—Action 3** To help ensure that private school students receive satisfactory instruction in a safe and healthy environment and to ensure compliance with ministry policy and legislation, the Ministry of Education (Ministry) should revalidate private schools annually or on a cyclical basis to ensure that information provided is correct and to revoke the authority to operate for those schools that do not meet the definition of and general requirements of a private school.	Assessed in 2015 as Will Not Be Implemented	The Ministry stated that it is not considering implementing our recommendation to revalidate all private schools as its focus is on inspections of credit-granting private schools. For private elementary and non-credit-granting secondary schools, the Ministry will continue to rely on the self-reporting by these schools.
		Recommendation 1—Action 4 To help ensure that private school students receive satisfactory instruction in a safe and healthy environment and to ensure compliance with ministry policy and legislation, the Ministry of Education (Ministry) should provide education officers with access to the Ontario School Information System to, for example, reconcile and validate enrolment.	Assessed in 2015 as Will Not Be Implemented for non-credit-granting schools	The Ministry indicated it has no plan to reconcile and validate information submitted by non-credit-granting schools because its focus is on ensuring credit-granting schools are meeting ministry requirements.
		Recommendation 1—Action 5 To help ensure that private school students receive satisfactory instruction in a safe and healthy environment and to ensure compliance with ministry policy and legislation, the Ministry of Education (Ministry) should identify all private school locations and verify that all locations comply with ministry policy and legislation.	Assessed in 2015 as Will Not Be Implemented for non-credit-granting schools	The Ministry continues to allow the 93 additional locations identified by non-credit-granting schools to operate under the Notice of Intention to Operate a Private School for their main sites. The Ministry has no plan to validate or inspect any of these additional locations.

Section	Organization	Recommendations	Status	Rationale
		Recommendation 4—Action 3 To help ensure that sufficient information is submitted to enable effective oversight of the private school sector and compliance with legislation and related policies, the Ministry of Education (Ministry) should analyze data received to highlight potential concerns and to determine if private school students are progressing appropriately.	Assessed in 2015 as Will Not Be Implemented for non-credit-granting schools	For non-credit-granting schools, the Ministry does not analyze this data to highlight potential concerns at these schools as it continues to focus only on credit-granting schools.
		Recommendation 5—Action 1 To help ensure that Ontario secondary school diplomas and Ontario scholar certificates are issued only when they are earned and that adequate controls are in place over their distribution, the Ministry of Education (Ministry) should reconcile the number of diplomas and certificates requested to the number of graduating students reported at each private school, and investigate any unreasonable discrepancies.	Assessed in 2015 as Will Not Be Implemented for Ontario scholar certificates	Some private schools requested scholar certificates equal to the number of diplomas, suggesting that all of their graduates would achieve an 80% average. The Ministry planned to continue issuing certificates equal to the total number of diplomas issued. And inspectors would verify whether these certificates were awarded to students who have obtained at least an 80% average.
		Recommendation 7—Action 1 To help ensure that private school students receive satisfactory instruction and are provided with the opportunity to realize their potential and develop into highly skilled, knowledgeable citizens, the Ministry of Education (Ministry) should consider options to increase private school participation in standardized testing.	Assessed in 2015 as Will Not Be Implemented	Currently, the Ministry is not considering options to increase private school participation in future standardized testing since changes to legislative authority would be needed to require private schools to participate.
		Recommendation 7—Action 2 To help ensure that private school students receive satisfactory instruction and are provided with the opportunity to realize their potential and develop into highly skilled, knowledgeable citizens, the Ministry of Education (Ministry) should analyze test results for private school students and follow-up on any outcomes that suggest these students are not receiving a quality education.	Assessed in 2015 as Will Not Be Implemented for Grade 3, 6 and 9 EQAO assessment results	The Ministry will not be analyzing Grade 3, 6 and 9 EQAO assessments, as not all private schools participate in these tests and no inspections are undertaken for the private elementary and non-credit-granting secondary schools.
3.08: Rehabilitation Services and Hospitals	Providence Healthcare	**Recommendation 2—Action 5** To better ensure that inpatient rehabilitation meets patients' needs as efficiently and equitably as possible, hospitals should track and monitor information on the time it takes to fill a bed after a patient is discharged.	Assessed in 2015 as Will Not Be Implemented	The hospital indicated that its turnaround time is less than two hours due to advance planning of admissions and discharges taking place on the same day. Therefore, it was not necessary to track the time it takes to fill a bed after a patient is discharged.
	The Ottawa Hospital			The hospital indicated that because it plans in advance when patients are admitted and discharged, its turnaround time is less than a day. Therefore, it said it would not be implementing this recommendation.
		Recommendation 3—Action 2 To better ensure that patients have timely access to required outpatient services, hospitals should assess the need for, and the costs and benefits of, providing evening and weekend services.	Assessed in 2017 as Will Not Be Implemented	According to the hospital, there is inadequate funding to support evening and weekend hours. Therefore, this recommendation will not be implemented.

Section	Organization	Recommendations	Status	Rationale
3.09: Service Ontario	Ministry of Government and Consumer Services	**Recommendation 1—Action 2** To help further reduce service delivery costs, ServiceOntario should examine possible changes it could make, including to its pricing strategy, to promote greater use of online transactions.	Assessed in 2015 as Will Not Be Implemented	ServiceOntario informed us that a differential fee structure will not be explored because changes to prices for services require a minister's order and Treasury Board approval. ServiceOntario also indicated that it has made such requests in the past, though not recently, and they were not approved.
		Recommendation 4—Action 1 To improve service and security surrounding the issuing and management of licences, certificates, registrations, and permits that it administers, ServiceOntario should ensure that it completes enough guarantor audits for birth certificate applications.	Assessed in 2015 as Will Not Be Implemented	In 2014, ServiceOntario completed an analysis of the effectiveness of guarantor audits for birth certificate applications and determined that the random audit of guarantors did not add value to the existing application screening process for verifying the eligibility of applicants. ServiceOntario indicated that the existing guarantor audit process is only used to verify the credentials of the guarantor, not to verify that the applicant is entitled to a birth certificate or that the information provided about the applicant is correct. The audit process was therefore eliminated in August 2014.
		Recommendation 6—Action 2 ServiceOntario should also periodically test its copy of the land registry program software.	Assessed in 2015 as Will Not Be Implemented	ServiceOntario has decided not to periodically independently test the source code because the cost is too high. Instead, it will rely on annual audits by an external auditor to continue to validate that Teranet's operating controls over electronic land registration services are effective.
3.10: Violence Against Women	Ministry of Community and Social Services	**Recommendation 2—Action 1** To help ensure that the services provided by transfer payment agencies to abused women and their children are of an acceptable and reasonably consistent quality standard, the Ministry of Community and Social Services should establish acceptable quality standards for shelter services, particularly with regard to minimum staffing levels.	Assessed in 2017 as Will Not Be Implemented	The Ministry stated that it will not implement minimum staffing levels. The Ministry noted that, at the day-to-day operational level, agencies are in the best position to determine staffing configurations and levels that are cost-effective and meet or exceed expectations in delivering services to women in need. Each shelter develops its own operational procedures for appropriate staffing levels according to its specific resources, needs of residents and staff, programs delivered, and priorities and is required to report staffing and salary costs.
		Recommendation 5—Action 1 To better ensure that the service needs of abused women and their children are met, the Ministry of Community and Social Services should require agencies to maintain wait-list information for their services.	Assessed in 2017 as Will Not Be Implemented	The Ministry consulted with the Violence Against Women (VAW) Stakeholder Advisory Group on the feasibility of collecting additional information on wait lists for all VAW agencies and programs, as well as any methodologies they may already use to collect this information. The VAW Stakeholder Advisory Group emphasized that there are many challenges to maintain wait lists and that VAW agencies need the flexibility to determine how best to meet the needs of their clients given the resources available to them. Wait lists may also not be relevant to all types of VAW services. As a result of these consultations, the Ministry does not have plans to collect wait list data in addition to the information already being collected in the Transfer Payment Budget Package and the VAW Client Satisfaction survey.

Section	Organization	Recommendations	Status	Rationale
2014				
3.02: Child Care Program (Licensed Daycare)	Ministry of Education	**Recommendation 3—Action 2** To ensure that child care operators are inspected in a timely manner to verify that they maintain compliance with legislative requirements and deliver services to children in a healthy, safe environment, the Ministry of Education should identify high-risk operators and develop a risk-based approach for determining how often these and other child care operators should be inspected.	Assessed in 2016 as Will Not Be Implemented for home child care agencies	The Ministry is not implementing the tiered system for licensed home child care agencies. It inspects these agencies annually and relies on the agencies to inspect the home child care premises they oversee at least once every quarter, as required by legislation.
		Recommendation 3—Action 4 To ensure that child care operators are inspected in a timely manner to verify that they maintain compliance with legislative requirements and deliver services to children in a healthy, safe environment, the Ministry of Education should schedule visits in a way that minimizes timing predictability.	Assessed in 2016 as Will Not Be Implemented for home child care agencies	Licence renewal inspections for existing operators continue to be performed only after the operator has submitted a licence renewal form because, the Ministry said, it prefers to conduct inspections only if it knows the operator will continue to deliver the service. Tiered licensing will not be implemented for child care centres that have been operating for less than three years and for licensed home child care agencies.
		Recommendation 7—Action 1 To help ensure the delivery of a high-quality, accessible and co-ordinated child care system in Ontario that encourages child cognitive, language and social development, the Ministry of Education should re-evaluate the education requirement for program advisors on a go-forward basis to consider their education level and experience with child care operations.	Assessed in 2017 as Will Not Be Implemented	The Ministry indicated that the education requirement for program advisors was re-evaluated in 2016; however, the Ministry did not provide a copy of the re-evaluation analysis and final Ministry recommendations. The Ministry noted that there is ongoing training and operational support for licensing staff, and performance assessments to ensure that program advisors effectively perform their job responsibilities. In addition, the Ministry noted that ECE designated senior program advisors provide oversight and training of program advisors. There are no plans to conduct a further evaluation.
		Recommendation 9—Action 6 To help reduce the risk to the health and safety of children at child care facilities and to appropriately address, report and analyze serious incidents, the Ministry of Education should consider posting serious occurrences online where parents can readily access them.	Assessed in 2016 as Will Not Be Implemented	The Ministry decided it would not implement this recommendation. It told us that the posting of serious occurrences online would require in-depth consultations with its stakeholders and legal counsel, and may not provide good information to parents because it does not include follow-up information. It also told us that it may create a disincentive for operators to report serious occurrences.
3.03: Pension Plan and Financial Service Regulatory Oversight	The Financial Services Commission of Ontario	**Recommendation 5—Action 4** To ensure that pension plan members get more detailed disclosures about their pensions, and about the regulatory oversight performance of the Financial Services Commission of Ontario (FSCO), the FSCO should assess how well their plan performed and was administered in comparison to other plans.	Assessed in 2016 as Will Not Be Implemented	In our 2014 audit, we found that although the FSCO published annual data about the size and number of pension plans in Ontario, as well as the overall solvency position of defined-benefit plans, it did not publish detailed information on individual plans. The FSCO said it did not intend to publish information about individual pension plans to preserve confidentiality. Plan members can compare their plan's performance against others in Ontario as a whole using information that is already public.

Section	Organization	Recommendations	Status	Rationale
3.04: Immunization	Ministry of Health and Long-Term Care	**Recommendation 9—Action 2** To help prevent health-care providers from administering a duplicate influenza vaccine to people who have already been vaccinated and to identify erroneous duplicate billings, the Ministry should review and revise its claims payment systems to reject billings from health-care providers for patients who have already received their influenza vaccine.	Assessed in 2016 as Will Not Be Implemented	In May 2015, the Ministry implemented changes to its billing system, which now disallows payments for flu vaccinations outside of the flu season (September to May), and payments for a third immunization for the same person within a flu season. The Ministry indicated that payments for duplicate immunizations continue to be allowed since some patients, such as those with a compromised immune system, may require two doses within one season. We noted in our 2014 audit that only a minority of patients legitimately require two vaccine shots to create immunity against the flu. However, the Ministry does not intend to revise its claim system to reject duplicate payments because the Ministry has concluded that duplicate physician billings for the flu vaccine occur too infrequently to warrant such measures.
		Recommendation 9—Action 3 To help prevent health-care providers from administering a duplicate influenza vaccine to people who have already been vaccinated and to identify erroneous duplicate billings, the Ministry should periodically compare payments made to physicians for administering the influenza vaccine to those made to pharmacists, and follow up on duplicate payments made for the same patient.	Assessed in 2017 as Will Not Be Implemented	It is the Ministry's position that the incidence of duplicate billing is very low, and the financial impact is minimal. The Ministry will compare the data for future influenza seasons to detect any duplicate billings. The Ministry will not implement the recommendation as worded.
3.05: Alternative Financing and Procurement	Infrastructure Ontario	**Recommendation 3—Action 1** Infrastructure Ontario should ensure that all proposed changes to its VFM assessment methodology, including its plan to increase the base cost on the public-sector comparator side by up to 13.3% to reflect value-added innovations that the private sector may be bringing to projects, can be and are fully supported and can sustain scrutiny.	Assessed in 2017 as Will Not Be Implemented	According to Infrastructure Ontario, it continues to incorporate the innovation adjustment in all projects and believes that changes made within its value-for-money methodology are supported. In our *2016 Annual Report*, our Office questioned the assumptions made to arrive at the innovation adjustment. Infrastructure Ontario stated that it will not be undertaking any future work with regard to this recommendation.
3.09: Provincial Nominee Program	Ministry of Citizenship and Immigration	**Recommendation 3—Action 5** To ensure that only qualified individuals are nominated and to detect misrepresentation, the Ministry of Citizenship, Immigration and International Trade should assign nominee applications from the same employer to the same processing staff.	Assessed in 2016 as Will Not Be Implemented	The Ministry informed us that it cannot always assign nominee applications from the same employer to the same processing staff because of staff turnover and workload management.
		Recommendation 7—Action 4 To ensure that all investment component applications are consistently assessed on how well they achieve program objectives, the Ministry of Citizenship, Immigration and International Trade should explore advertising Program criteria in media that reach ethnic groups that commonly use the Program, and monitor such media for questionable advertisements relating to the Program.	Assessed in 2016 as Will Not Be Implemented	The Ministry had not explored advertising Program criteria in media that reach ethnic groups. Instead, the Ministry contracts a media monitoring firm to provide summaries of news stories in Ontario that are related to the Program, including those targeting ethnic groups and in languages other than English and French. The Ministry indicated that it ensures that its website contains current Program information, but that it would be challenging to monitor advertisements in local ethnic media to ensure that Program information is accurately advertised to potential applicants.

Section	Organization	Recommendations	Status	Rationale
3.10: Residential Services for People with Developmental Disabilities	Ministry of Community and Social Services	**Recommendation 7—Action 1** To help ensure the well-being of people with developmental disabilities living in Ministry-funded residences, the Ministry of Community and Social Services should establish further standard-of-care benchmarks, such as staff-to-resident ratios and the minimum number of times a year that each resident should be seen by health professionals such as physicians and dentists.	Assessed in 2016 as Will Not Be Implemented	The Ministry stated that people with developmental disabilities have a wide range of needs—some need minimal support (e.g., for learning how to take public transportation independently or addressing personal issues as they arise) and others need intensive support (e.g., 24/7 support with all aspects of daily living, and to manage challenging behaviours, such as self-harm). Therefore, it is difficult for the Ministry to accurately set a standard for staff-to-client ratios that is meaningful and appropriate for people who live in developmental services settings or participate in other Ministry-funded programs. The Ministry feels minimum standards are not needed because it already requires that funded service agencies develop an individual support plan for every person receiving services, and that these plans identify the community resources that may be required or accessed by the individual, including medical resources.
3.11: Smart Metering Initiative	Ministry of Energy	**Recommendation 1—Action 2** To ensure that any future major initiative in the electricity sector is implemented cost-effectively and achieves its intended purposes, the Ministry of Energy should review the role of the Ontario Energy Board as an independent regulator when ministerial directives that impact electricity rates are issued.	Assessed in 2016 as Will Not Be Implemented	The *Energy Statute Law Amendment Act, 2016*, proclaimed into force on July 1, 2016, changed the electricity planning process in Ontario. Under the new legislation, the Ministry is responsible for developing and updating Long-Term Energy Plans for Ontario while the Ontario Energy Board (OEB) is responsible for preparing an implementation plan when the Ministry requests it. The Ministry will not implement this recommendation because the new long-term energy planning process does not enable the OEB to review and approve the Ministry's plans as an independent regulator.

Section	Organization	Recommendations	Status	Rationale
		Recommendation 2—Action 3 To ensure that the combination of smart meters and time-of-use (TOU) pricing is effective in changing ratepayer electricity-usage patterns to reduce peak electricity demand and related infrastructure costs, and that ratepayers understand the impacts of TOU pricing on their electricity bills, the Ministry of Energy should work with the Ontario Energy Board and/or the distribution companies to disclose the components of the TOU rates (electricity market price and Global Adjustment) separately on electricity bills so that the impact of the Global Adjustment is transparent to ratepayers.	Assessed in 2016 as Will Not Be Implemented	The OEB has considered our recommendation, but decided not to implement it. The Global Adjustment is a component of the cost of electricity and is incorporated into the setting of TOU prices. The OEB does not believe a breakdown of TOU prices would clarify pricing for consumers but would be likely to create more confusion. It does not think that showing the Global Adjustment as a separate line item will help consumers make decisions about electricity consumption and how to manage their electricity costs. Instead, it believes consumers are focused on their TOU usage when making decisions about how to reduce their electricity costs. Instead of showing the Global Adjustment as a separate line item on the electricity bill, the Independent Electricity System Operator (IESO) publicly reports the Global Adjustment breakdown by business and consumer categories. It also indicated that it will conduct pilots to assess other changes to make the electricity bills easier to understand. The OEB has limited ability to mandate changes to the electricity bills of low-volume consumers because they are governed by Ontario regulations. The OEB noted that consumers have access to information regarding the cost of the Global Adjustment through the IESO's publicly available market price website. The OEB's Regulated Price Plan Reports also provide details on estimates of the Global Adjustment costs and how those costs are allocated to the three TOU periods.
		Recommendation 5—Action 1 To improve cost-efficiency of the distribution companies and reduce variations in distribution companies' costs, the Ministry of Energy, in conjunction with the Ontario Energy Board, should formally conduct a cost-benefit analysis into consolidating distribution companies as recommended by the Ontario Distribution Sector Review Panel.	Assessed in 2016 as Will Not Be Implemented	The Ministry advised us that although the government will not legislate or force consolidation within the distribution sector, it has created incentives for voluntary consolidation. In June 2015, the Ontario government announced a time-limited relief on taxes pertaining to transfers of electricity assets, such as transactions involving the merger or acquisition of distribution companies. Between January 1, 2016, and December 31, 2018, the provincial transfer tax rate of local distribution companies will be reduced from 33% to 22%, and distribution companies with fewer than 30,000 customers will be completely exempt from paying transfer taxes.

Note: Actions directed at a group of entities are divided by the number of entities involved, and are counted in fractions. Therefore, the number of actions in this appendix will be higher than the 31 noted in **Section 3.4**.

Appendix 3: Recommendations from 2015 by the Standing Committee on Public Accounts Assessed as "Will Not Be Implemented" That the Auditor General Believes Should Be Implemented

Prepared by the Office of the Auditor General of Ontario

Section	Organization	Recommendations	Status	Rationale
June: Pension Plan and Financial Service Regulatory Oversight	Financial Services Commission of Ontario (FSCO)	**Recommendation 3—Action 2** The FSCO complete analysis of ways to improve monitoring of the Pension Benefits Guarantee Fund, such as to incorporate expanded disclosure in the financial statements of the fund to better reflect plan exposure.	Assessed in 2017 as Will Not Be Implemented	According to the FSCO, it will not implement this recommended action because the current Pension Benefits Guarantee Fund financial statement disclosures satisfy the applicable accounting rules. The FSCO stated that the Pension Benefits Guarantee Fund financial statement disclosures were expanded in 2010 to include large potential claims for companies under Companies' Creditors Arrangement Act protection. The FSCO stated that, due to confidentiality of a pension plan's funded status, no further expansion of disclosures was considered to be appropriate. The FSCO conducted a comparative analysis of financial statement disclosures of the Fund to similar funds in the U.S. and U.K. However, the FSCO did not make any changes as a result of this review.
June: University Undergraduate Teaching Quality	University of Toronto	**Recommendation 2—Action 1** Universities conduct performance appraisals of sessional instructors.	Assessed in 2017 as Will Not Be Implemented	The University's collective agreement does not require sessional faculty members to receive annual performance evaluations. Sessional instructors who initiate the advancement track are subject to performance appraisals.' The University noted that there are no immediate plans to make the annual performance review mandatory for all sessional instructors.
	Brock University		Assessed in 2016 as Will Not Be Implemented	The University informed us that it has no formal process in place to evaluate sessional instructors. Its collective agreement requires only faculty members holding tenured or tenure-track positions to undergo an annual performance appraisal. The University does not intend to implement mandatory performance appraisals of sessional instructors or include them in the next round of negotiations with its faculty union. It stated that the majority of its instructors are evaluated since its collective agreement limits the percentage of courses that can be taught by non-tenured or tenure-track faculty.
		Recommendation 3—Action 1 Examine the impact on teaching quality of the use of sessional instructors.	Assessed in 2016 as Will Not Be Implemented	The University has no plans to address this recommended action. It advised that the impact on teaching quality of the use of sessional instructors could be assessed by comparing student course evaluations of sessional instructors with those of full-time tenured faculty. However, the student course evaluations of full-time tenured faculty are the property of the instructor. The university therefore does not have access to those course evaluations.

Section	Organization	Recommendations	Status	Rationale
	University of Ontario Institute of Technology	**Recommendation 1—Action 1** Universities continue to take steps to make the results of course evaluations available to students to assist them in making their course selections.	Assessed in 2016 as Will Not Be Implemented	The University advised that this recommendation would not be implemented because almost 98% of courses have positive reviews, 40% of courses are offered only once per year, and only 20% of courses have more than one instructor. In addition, the University believes publication of student course evaluations would damage faculty relations while failing to improve teaching. In addition, changes in the availability of student evaluations would have to be negotiated with faculty unions.
November: Smart Metering Initiative	Ministry of Energy	**Recommendation 1—Action 1** The Ministry review the role of the OEB as an independent regulator when ministerial directives that impact electricity rates are issued and report back to the Committee on its results.	Assessed in 2016 as Will Not Be Implemented	The Ministry did not review the role of the OEB as an independent regulator when ministerial directives that impact electricity rates are issued. The *Energy Statute Law Amendment Act, 2016*, proclaimed into force on July 1, 2016, changed the electricity planning process in Ontario. Under the new legislation, the Ministry is responsible for developing and updating Long-Term Energy Plans for Ontario while the OEB is responsible for preparing an implementation plan when the Ministry requests it. Although the new long-term energy planning process includes a role for the OEB in facilitating the implementation of the Long-Term Energy Plan objectives, it does not enable the OEB to review and approve the Ministry's plans as an independent regulator.